BBI Life Sciences Corporation
BBI生命科學有限公司

(incorporated in the Cayman Islands with limited liability)
STOCK CODE: 1035

Annual Report 2015

A WELL-RECOGNISED PROVIDER OF LIFE SCIENCES RESEARCH PRODUCT AND SERVICE INDUSTRY IN CHINA

We are a well-recognised provider with a comprehensive portfolio coverage in the life sciences research product and service industry in China, and the largest provider of DNA synthesis products in China. Our current business segments include DNA synthesis products, genetic engineering services, life sciences research consumables, and protein and antibody related products and services. With its mature research and development capability and powerful sales network, the Company maintains a stable and sustainable growth.

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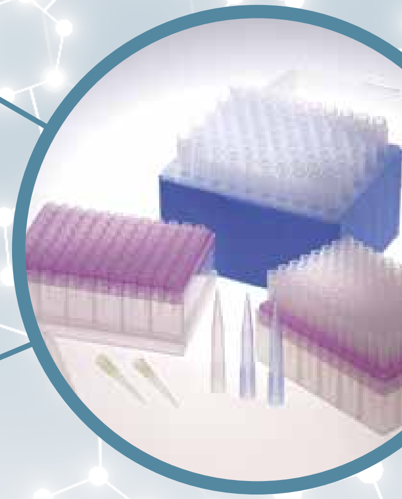
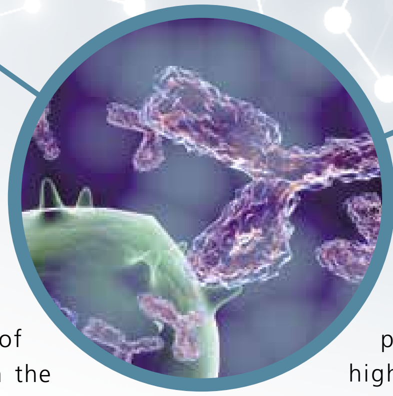
CORPORATE PROFILE





BBI Life Sciences Corporation (the "**Company**" or "**BBI Life Sciences**", together with its subsidiaries, the "**Group**") is a renowned supplier of life science products and services in the People's Republic of China (the "**PRC**"). Its wide-range products and services include (1) DNA synthesis products; (2) genetic engineering services; (3) life sciences research consumables; and (4) protein and antibody related products and services (the "**Four Business Segments**"). Its diversified client portfolio comprises mainly universities, research institutes, and pharmaceutical and biotech companies. As one of the largest DNA synthesis product providers in the PRC, BBI Life Sciences has been expanding its product offerings, consistently providing high quality products to its customers.

The Group's mission is to become a one-stop solution provider in the long run. Leveraging on our strong research and development capabilities, extensive direct sales network and comprehensive product offerings under the brands "Sangon" and "BBI", the Group serves both domestic and overseas professional markets. We are now ready and prepared to capture opportunities in the market, becoming the preferred supplier for our customers in the life sciences industry.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Qisong
Ms. Wang Luojia
Ms. Wang Jin

Non-executive Director

Mr. Hu Xubo

Independent non-executive Directors

Mr. Xia Lijun
Mr. Ho Kenneth Kai Chung
Mr. Liu Jianjun

AUDIT COMMITTEE

Mr. Xia Lijun *(Chairman)*
Mr. Ho Kenneth Kai Chung
Mr. Liu Jianjun

REMUNERATION COMMITTEE

Mr. Ho Kenneth Kai Chung *(Chairman)*
Mr. Xia Lijun
Mr. Liu Jianjun

NOMINATION COMMITTEE

Mr. Liu Jianjun *(Chairman)*
Mr. Ho Kenneth Kai Chung
Mr. Xia Lijun

RISK MANAGEMENT COMMITTEE

Mr. Liu Jianjun *(Chairman)*
Mr. Ho Kenneth Kai Chung
Mr. Xia Lijun

JOINT COMPANY SECRETARIES

Ms. Hu Heng
Ms. Ng Sau Mei

AUTHORISED REPRESENTATIVES

Ms. Wang Luojia
Ms. Ng Sau Mei

LEGAL ADVISERS

Hong Kong Law:

Howse Williams Bowers
27/F, Alexandra House
18 Chater Road, Central
Hong Kong

Cayman Islands Law:

Conyers Dill & Pearman (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central, Hong Kong

COMPLIANCE ADVISER

Haitong International Capital Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 698, Xiangmin Road
Songjiang District
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two
Times Square, 1 Matheson Street
Causeway Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
16/F, Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

Industrial and Commercial Bank of China
2/F, No. 218, Zhongshaner Road
Songjiang District
Shanghai, PRC

COMPANY WEBSITES

http://www.bbi-lifesciences.com
http://www.sangon.com
http://www.biobasic.com

STOCK CODE

1035

LISTING DATE

30 December 2014

FINANCIAL HIGHLIGHT

- For the year ended 31 December 2015 (the "**Reporting Period**"), the revenue of the Group was approximately RMB282.39 million, representing an increase of 11.5% as compared with RMB253.19 million for the same period of 2014.

- For the year ended 31 December 2015, the gross profit increased by 15.9% from RMB130.36 million for the same period of 2014 to RMB151.08 million.

- For the year ended 31 December 2015, the profit of the Group increased by 39.9% from approximately RMB35.98 million for the same period of 2014 to approximately RMB50.35 million. After deducting non-recurring one-off gains and expenses including listing expense, the gain from the disposal of 31% equity interest in Shanghai PrimeGene Bio-Tech Co., Ltd. and share-based payment (in tax exclusive terms), the adjusted net profit of 2014 was approximately RMB46.93 million, and that of 2015 was approximately RMB52.61 million, representing a year-on-year increase of 12.1%.

- For the year ended 31 December 2015, profit attributable to equity holders of the Company increased by 51.2% from approximately RMB33.29 million for the same period of 2014 to approximately RMB50.34 million. After deducting the aforesaid item of non-recurring one-off gain for the same period of 2014, the adjusted profit attributable to equity holders of the Company was approximately RMB44.37 million, and that of 2015 was approximately RMB52.6 million, representing an increase of 18.6% for 2014.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December RMB thousand				
	2011	**2012**	**2013**	**2014**	**2015**
Operation Results					
Revenue	160,116	186,357	219,988	253,193	282,390
Gross profit	92,375	102,520	111,090	130,363	151,078
Profit after income tax	34,802	35,314	42,347	35,978	50,348
Profit attributable to shareholders of the Company (the "**Shareholders**")	33,009	33,431	40,249	33,290	50,344
Non-controlling interest	1,793	1,883	2,098	2,688	4
Basic earnings per share (RMB)	0.084	0.085	0.102	0.084	0.095
Diluted earnings per share (RMB)	0.084	0.085	0.102	0.084	0.093
Assets					
Non-current assets	128,754	163,673	169,483	166,806	205,111
Current assets	190,126	158,751	204,143	432,092	478,958
Current liabilities	160,436	126,232	66,945	99,170	117,584
Net current assets	29,690	32,519	137,198	332,922	361,374
Non-current liabilities	876	3,081	4,928	5,578	5,895
Net assets	157,568	193,111	301,753	494,150	560,590
Cash and cash equivalents	84,883	55,500	109,556	195,821	349,892
Inventories turnover days (day)	165	166	139	127	129
Trade receivables turnover days (day)	88	76	71	74	79
Trade payables turnover days (day)	44	30	20	19	18

CHAIRMAN'S STATEMENT

Dear Shareholders,

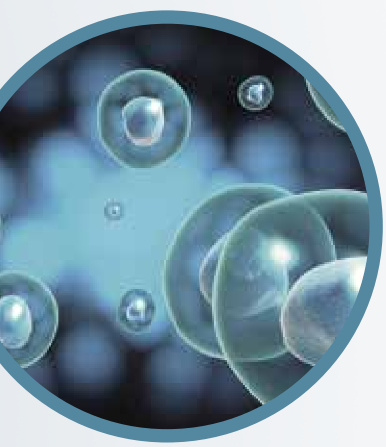
On behalf of the board of Directors (the "**Board**") of BBI Life Sciences Corporation, I am pleased to present the annual report of the Group for the year ended 31 December 2015.

This year marked the first anniversary of the Group's successful listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). We continuously committed to providing diversified life sciences research products and services. With our dedicated effort in the past ten years, BBI Life Sciences has developed into a well-recognized provider in the life sciences research products and services industry with comprehensive portfolio coverage, mature research and development capabilities and a strong direct sales and distribution network in both domestic and overseas markets.

In 2015, the Group has laid a solid foundation for our future business development. The Group has orderly used the net proceeds from listing according to the planned schedule, including (1) building new production facilities for DNA synthesis products and genetic engineering services, (2) strengthening the capacity of internal information management; in 2015, the Group has fully incorporated the SAP and ERP system, which effectively enhanced the information management and improved overall production and management efficiency, and, (3) extending and deepening existing product and service portfolio; the Group has successfully developed 1,200 types of antibodies, 200 types of recombinant proteins and 41 types of molecular biology kits during the Reporting Period.

For the year ended 31 December 2015, the total revenue from our business recorded a stable growth of 11.5% from the previous year to RMB282.39 million, mainly attributable to the increase of sales from the Four Business Segments. Gross profit and gross profit margin increased by 15.9% and 2.0 percentage points year-on-year to RMB151.08 million and 53.5% respectively. This was mainly attributable to the effective optimization of production efficiency through our self-developed automated DNA synthesis system and the adjustment to our supplier portfolio, which improved our overall gross profit margin. Profit attributable to equity holders of the Company amounted to RMB50.34 million, representing an increase of 51.2% as compared with the previous year. In appreciation of our Shareholders' support, the Board proposed a payment of a final dividend of HK$0.011 per ordinary share for the Reporting Period.

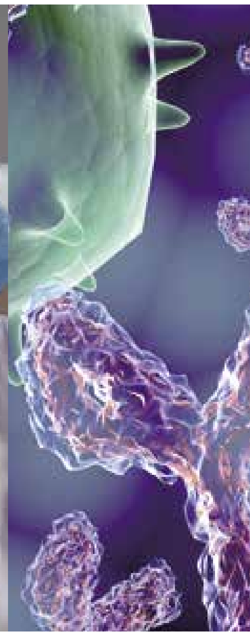
In terms of exploring new market opportunities, we consider food safety an important business area to be explored. Concerns over food safety are increasing worldwide, which will gradually stimulate the demand for detecting biological food contamination. This will continue to drive the growth and development of the food diagnostic industry. Leveraging on our expertise in developing research kits for protein, we intend to develop diagnostic kits for testing contaminants in food.



CHAIRMAN'S STATEMENT (CONTINUED)

In addition, the Group also considers disease prevention, diagnosis and treatment as another promising business area that we will strive to enter. The number of diseases that relies on DNA diagnostics to detect disease-related genetic information is expanding. Molecular biology not only plays an important role in disease diagnosis, but has also been recently considered to have promising applications in disease treatment. As diagnosis and treatment at the molecular level require DNA synthesis products and sequencing services, we plan to deepen our product and service portfolio in DNA synthesis, DNA sequencing and research kits to satisfy the needs arising from disease prevention, diagnosis and treatment in diagnostic centers and hospitals. The development of disease treatment methods at the molecular level promotes the need for clinical-use consumables, which our research consumables business has a solid foundation for our future development into the clinical consumables market.

Government of the PRC has carried out a range of policies in boosting the development and innovation of the biotechnology and medical industry. "Healthy China" will be potentially brought into the 13th Five-year Plan as a national strategy. By 2020, it is expected that the PRC will be able to establish a healthcare system for both urban and rural residents, so as to ensure a universal access to basic healthcare. The policy will be a major growth driver for our business, at the same time, facilitating the development of life sciences related industries.



Finally, on behalf of the Board, I would like to express my sincere gratitude to our clients and business partners for their trust and support. Also, I would like to take this opportunity to extend my appreciation to the management team and all of our employees for their contribution.

Wang Qisong
Chairman

29 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

POSITIONING OF THE COMPANY

The Company, a well-recognized supplier of life science research products and services in the PRC, is committed to providing the most comprehensive product and service portfolios for colleges and universities, pharmaceutical and biotech companies, research institutes and hospitals. The Group mainly engages in the following businesses: (1) DNA synthesis products; (2) genetic engineering services; (3) life sciences research consumables and (4) protein and antibody related products and services. The overall gross profit margin of the Group remains at a level of more than 50%. Leveraging on its quality and cost-effective products and services under "Sangon" and "BBI" brands as well as efficient delivery, the Group has been highly acknowledged by customers in both domestic and overseas markets.

BUSINESS REVIEW

During the Reporting Period, the overall revenue of the Group was approximately RMB282.39 million, representing an increase of 11.5% as compared with RMB253.19 million for 2014. The overall gross profit increased by 15.9% from RMB130.36 million for the previous year to RMB151.08 million this year. The overall gross profit margin increased by 2.0% from 51.5% for the previous year to 53.5% this year. The increase in gross profit margin was attributable to continuous and stable increase in revenue, the active control over production costs of the Company and implementation of new technology during the year. During the Reporting Period, profit attributable to equity holders of the Company was approximately RMB50.34 million.

During the Reporting Period, the revenue of DNA synthesis products, genetic engineering services, life sciences research consumables and protein and antibody related products and services accounted for approximately 40.5%, 19.5%, 29.4% and 10.6% of the total revenue of the Group respectively.

Results Analysis of the Four Business Segments

1. DNA Synthesis Products

Results

During the Reporting Period, the Group continued to maintain a leading position in this segment. Revenue of DNA synthesis products segment amounted to RMB114.26 million, representing an increase of 13.3% over the same period in 2014. It was mainly attributable to persistent improvement in product quality and developing new technology, which enables the steady increase of sales of products and leading position. During the Reporting Period, the Group successfully explored and implemented the high-throughput gene synthesis technology which is the leading technology in the field of gene synthesis and could increase the efficiency and decrease costs. In summary, the gross profit margin of this segment raised from 59.9% in 2014 to 60.3% this year.

Development Strategies

In 2016, the Group will accelerate the upgrading of technology, and devote efforts to maintain the leading position of DNA synthesis products in the market. The Group will endeavor to establish the facilities which are used in the production of industrial-grade DNA synthesis, such as factory improvement and equipment upgrading. Compared with research-grade DNA products, industrial-grade DNA products have a broader market and customer base. Meanwhile, the Group will further optimize the high throughput gene synthesis technology and continue to expand its application. With the development of synthetic biology, the demand and application of gene synthesis will be further expanded. The Group will further enhance its competitive strength and leadership of DNA synthesis products in the market by implementing the above strategies.

2. Genetic Engineering Services

Results

During the Reporting Period, revenue of the genetic engineering services segment amounted to RMB55.08 million, representing an increase of 12.3%. It was mainly because the Group set up service sites actively in the second and third tier cities in the PRC which facilitated the steady increase in the number of orders. Gross profit margin varied from 51.8% for the same period last year to 50.9% this year, as the Group improved the competitive strength of genetic engineering services segment through adjusting the price actively.

Development Strategies

With the development of high-throughput sequencing technology, the requirement of first generation sequencing technology, which serves as validation for result of high-throughtput sequencing technology, is growing. The Group plans to continue to increase its investment in the first generation sequencing, including setting up more service sites in second and third tier cities in the PRC. In addition, the Group will further invest in this area going forward to provide clients with high-throughput sequencing services to meet the demand of in vitro detection and diagnosis as applying such technology to in vitro detection and diagnosis have become an industry trend. The Group also plans to expand this business segment to food safety and biosecurity rapid detection related products and services by investing in a biotech company which is situated in Shanghai and focuses on food safety and biosecurity.

3. Life Sciences Research Consumables

Results

During the Reporting Period, revenue of life sciences research consumables segment was RMB83.17 million, representing an increase of 7.4% as compared with the same period of last year. The continuous decline of the Euro exchange rate and the unfavorable economic condition in the European market have caused a relatively low growth in this segment. Gross profit margin increased to 51.7% for 2015 from 46% of last year, mainly due to further improvement in the automation level, which allowed the production efficiency and the yield rate to be improved significantly and the comprehensive cost to be further reduced.

Development Strategies

The Group intends to further develop the linkage among various segments. In order to expand the business scope of the Company and offer more choices to clients, the life sciences research consumables segment will also develop consumables, reagent, test kits and protein gel products applicable to the field of the in vitro detection and diagnosis. Further, the Group will continue to implement automatic transformation, forecast to construct an assembly line for automatic distributing of kit and a logistics system that can realize the integration of storage and sorting. In addition, in order to enhance the market competitiveness of the segment, the Group will upgrade the hygiene level of its facilities which may allow the Group to offer raw material to in vitro detection and diagnostic reagent supplier in the future.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Protein and Antibody Related Products and Services

Results

During the Reporting Period, revenue of the protein and antibody related products and services segment increased by 15.6% to RMB29.88 million. Gross profit margin soared from 34.5% for the same period last year to 37.1% this year. The Group adjusted the product and service portfolio for this segment this year and focused on products and services with satisfactory market prospect to further optimize its product and service portfolio and improve the overall gross margin.

Development Strategies

Protein and antibody related products and services will be the key business segment to be developed by the Group in 2016. Faced with the relatively substantial development potential of protein and antibody related products and services market in the PRC, the Group will progressively explore enzymes, antigens and antibody applicable to the field of in vitro detection and diagnostic to provide in vitro detection and diagnostic reagent supplier with the core raw material. In addition, the Group has planned to develop approximately 1,000 types of antibodies and 300 types of recombinant proteins for life sciences research this year for the use in the research fields of testing, analysis and diagnostics to meet market demand based on the sales of and demand for new products.

FINANCIAL REVIEW

	For the year ended 31 December		
	2015	2014	Change
	RMB'000	RMB'000	RMB'000
Revenue	**282,390**	253,193	29,197
Gross profit	**151,078**	130,363	20,715
Profit after income tax	**50,348**	35,978	14,370
Profit attributable to Shareholders of the Company	**50,344**	33,290	17,054
Earnings per share *(RMB)*	**0.095**	0.084	0.011

Revenue

During the Reporting Period, the Group recorded revenue of RMB282.39 million, representing an increase of 11.5% from RMB253.19 million for the same period of 2014. This is mainly contributed by the steady growth of the Four Business Segments.

Gross Profit

During the Reporting Period, the Group's gross profit increased by 15.9% from RMB130.36 million for the same period of 2014 to RMB151.08 million in 2015. Gross profit margin remained stable, from 51.5% for the same period last year to 53.5% this year.

Selling and distribution expenses

The selling and distribution expenses increased by 7.8% to RMB49.82 million during the Reporting Period from RMB46.20 million for the same period of 2014. It is attributed by market development and product marketing.

General and administrative expenses

During the Reporting Period, the general and administrative expenses decreased by 42.8% to RMB30.82 million excluding the research and development expense from RMB53.88 million excluding the research and development expense for the same period of 2014. The general and administrative expenses of 2014 include the one off public listing expense of RMB23.33 million.

Research and development expenses

During the Reporting Period, the research and development expenses increased by 20.7% to RMB15.33 million from RMB12.7 million for the same period of 2014, as the Company accelerate the upgrade of its technology.

Income tax expenses

The income tax expenses decreased from RMB11.30 million for the same period of 2014 to RMB7.21 million for the Reporting Period because of tax impact from the non-recurring one-off gain of RMB26.39 million on the disposal of 31% equity interest in Shanghai Primehere Bio-Tech Co., Ltd. last year. The other reason is that the Group stopped providing the deferred tax liabilities associated with the withholding tax for the profit to be distributed to overseas Shareholders followed by its intention to retain the profit in the PRC for further business development and re-measurement of defer tax assets of Sangon Biotech with an expected applicable tax rate of 25%. Sangon Biotech is planning to apply for the review procedure of High-Tech Enterprise qualification (the "**Application**"). The income tax rate for the year 2016 would be 15%, if the Application was approved by the authority.

Net profit

For the Reporting Period, net profit of the Group increased by 39.9% from approximately RMB35.98 million for the same period of 2014 to approximately RMB50.35 million.

Trade receivables

	For the year ended 31 December	
	2015	2014
Trade receivables turnover (day)	**79**	74

The trade receivables of the Group remained stable under the ongoing control and management of the Company.

Inventories

	For the year ended 31 December	
	2015	2014
Inventory turnover (day)	**129**	127

The inventory turnover of the Group remained stable with constant control and management.

Property, plant and equipment

Property, plant and equipment include buildings, machinery equipment and construction under progress. As at 31 December 2015, the property, plant and equipment of the Group amounted to RMB155.92 million, representing an increase of RMB39.38 million from RMB116.54 million as at 31 December 2014. This is mainly due to the newly-built employees' dormitory and the expansion of production lines.

Intangible assets

Intangible assets include computer software and patents/patented technology. As at 31 December 2015, the Group's net intangible assets amounted to RMB8.27 million, representing an increase of RMB5.41 million from RMB2.86 million as at 31 December 2014. The increase in intangible assets was mainly due to the purchase of the SAP ERP software of RMB1.99 million and contractual customer relationship, brand name and goodwill acquired in the business combination of NBS Biologicals Limited in United Kingdom of RMB4.18 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Working capital and financial resources

As at 31 December 2015, the cash and cash equivalents of the Group amounted to RMB349.89 million (2014: RMB195.82 million). There is no restricted fund or loan.

Cash flow analysis

For the Reporting Period, the Group recorded an annual net cash inflow of RMB87.46 million generated from operating activities.

For the Reporting Period, the annual cash outflow used in investing activities of the Group was RMB49.80 million. This is mainly due to the purchase of a sales company, NBS Biologicals Ltd. and the newly-built plant.

For the Reporting Period, the cash inflow generated from financing activities of the Group was RMB111.63 million. This is mainly due to part of the net proceeds from the initial public offering collected from the underwriters.

Capital expenditure

During the Reporting Period, the expenditure incurred from purchasing of intangible assets, mainly computer software was RMB2.00 million, while the expenditure incurred from purchasing property, plant and equipment and construction in process amounted to RMB56.35 million.

Business acquisitions and disposals

For the Reporting Period, the Group did not have any business acquisitions and disposals other than acquisition of NBS Biologicals Ltd..

Contingent liabilities and guarantees

As at 31 December 2015, the Group did not have any material contingent liabilities or guarantees.

Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollar and United States dollar. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. The Group does not hedge against any fluctuation in foreign currency during the Reporting Period. The management of the Group may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in future.

Cash flow and fair value interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. The management of the Group does not anticipate any significant impact to interest-bearing assets resulting from the changes in interest rates, because the interest rate of bank balances is not expected to change significantly.

Credit risk

The carrying amounts of cash and cash equivalents, trade bills and other receivables are the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

In respect of trade bills and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up actions will be taken to recover overdue debts. We grant credit limits to certain customers in consideration of their payment history and business performance. Prepayment is usually required for orders placed over credit limits. In addition, the Group reviews the recoverable amount of each individual trade bills and other receivable balance at the end of the year to ensure adequate impairment losses are made for irrecoverable amounts.

Significant investments held, material acquisitions and disposals

Save as disclosed in this annual report, the Group did not have any significant investments held, material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2015.

Future plans for significant investment or capital assets

Save as disclosed in this annual report, there was no specific plan for material investments or capital assets as at 31 December 2015.

Charges on Group assets

As at 31 December 2015, the Group had no charges over assets.

Prospects

In 2016, the demand for life sciences research product and service market is expected to rise. In addition to popularity of products and services due to technological progress and progressively declining cost, vigorous government support and increase in the public's health awareness are important factors to push the market growth. The PRC government has implemented a series of policies to promote the development and innovation of Chinese biotechnology and medical industry. "Healthy China" is expected to be included in the "13th Five-Year Plan" as a national strategy. It is forecasted that in 2020, the basic health care system covering urban and rural residents will be established in the PRC to achieve universal access to basic medical and health services, which will promote the development of life science related industries and become the main growth driver of the Group's business.

Future Development Strategies

In general, the Group will firmly grasp the market growth potential mainly with the following four development strategies in the future. First, the Group will explore merger and acquisition opportunity to expand the Company's business scope to increase market shares and consolidate the Company's industrial position in the market. Second, the Group will build a new "research & development cleaning laboratory" in line in the affiliated company in North America which will be used for research and development as well as production of pharmaceutical grade antibodies and protein. Third, the Group will follow the market demands closely and continue to deepen and expand its product and service portfolios in each segment by utilizing the Group's R&D capacity, such as exploiting the in-vitro-diagnosis-related product and service portfolios and developing the next generation of sequencing technique related services. Fourth, the Group will expand the direct selling network and establish more direct selling locations as well as production and service network stations in the Asia-Pacific and European areas to provide customers with better, more direct and closer services and technology supports, adjust to customers' diversified demands and enhance the Group's relationship with customers. The Company's management is confident in the future development of the Group and believes that they are able to create more returns for the Company and its Shareholders in the coming year.

Employees and remuneration policies

As at 31 December 2015, the Group has a total of 989 employees. The Group has entered into employment contracts covering positions, employment conditions and terms, salary, employees' benefits, responsibility for breach of contractual obligations and reason for termination with its employees. The remuneration package of the Group's employees includes basic salary, subsidies and other employees' benefits, which are determined by reference to the experience and working years of the employees and general situations.

For the Reporting Period, the Group's total expenses on the remuneration of employees was approximately RMB68.41 million (excluding share-based payment of approximately RMB2.35 million), representing 24.0% of the revenue of the Group.

On 4 September 2014, the Company adopted the First 2014 Employee Stock Option Plan A (the "**Pre-IPO Scheme A**") and First 2014 Stock Option Plan B (the "**Pre-IPO Scheme B**"). On 8 December 2014, the Company adopted a Post-IPO share option scheme (the "**Post-IPO Share Option Scheme**"). No further options have been granted under Pre-IPO Scheme A and Pre-IPO Scheme B since 4 September 2014 up to 31 December 2015. No further options have been granted under the Post-IPO Share Option Scheme since 8 December 2014 up to 31 December 2015.

The number of employees of the Group categorised by function as at 31 December 2015 is set forth as follows:

Function	Number of employees	Percentage
Production	484	48.94%
Sales and marketing	249	25.18%
Administration	85	8.59%
Research and development	99	10.01%
Management	72	7.28%
Total:	989	100.00%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's remuneration policy and structure for remunerations of the directors and senior management of the Group are based on the Group's operating results, individual performance and comparable market statistics and are reviewed by the remuneration committee of the Company (the "**Remuneration Committee**") periodically.

The remunerations of the directors of the Company (the "**Directors**") are recommended by the Remuneration Committee and are decided by the Board, having regard to the merit, qualifications and competence of individual Director, the Group's operating results and comparable market statistics.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets out certain information concerning our Directors:

Name	Age	Position	Date of Appointment
Executive Directors			
Mr. WANG Qisong	74	Chairman and executive Director	16 January 2014
Ms. WANG Luojia	46	Chief executive officer and executive Director	26 September 2014
Ms. WANG Jin	44	President and executive Director	26 September 2014
Non-executive Director			
Mr. HU Xubo	40	Non-executive Director	16 January 2014
Independent non-executive Directors			
Mr. XIA Lijun	39	Independent non-executive Director	16 January 2014
Mr. HO Kenneth Kai Chung	50	Independent non-executive Director	10 October 2014
Mr. LIU Jianjun	47	Independent non-executive Director	10 October 2014

EXECUTIVE DIRECTORS

Mr. WANG Qisong (王啟松), aged 74, is the founder of our Group. He was appointed as a Director and the chairman of the Board on 16 January 2014 and became our executive Director on 10 October 2014, and is primarily responsible for our Group's development, positioning and strategy planning. He was one of the founders of Shanghai Sangon Biological Engineering Technology & Services Co, Ltd.* (上海生工生物工程技術服務有限公司) ("**SSBETS**") in 2001, was a director of Bio Basic USA Inc. ("**BBI US**") from 2009 to 2010 and is currently chairman and director of Sangon Biotech Engineering (Shanghai) Company Limited* (生工生物工程(上海) 股份有限公司) ("**Sangon Biotech**") and an executive director of Shanghai Qisong Investment Consulting Company Limited* (上海啟松投資諮詢有限公司) ("**BBI China**").

Mr. Wang has nearly 50 years of experience in the biotechnology industry. Prior to joining our Group, from August 1965 to May 1985, he worked as an assistant researcher in the Institute of Biochemistry and Cell Biology, Shanghai Institutes for Biological Sciences, China Academy of Sciences (中國科學院上海生命科學研究院生物化學與細胞生物學研究所) and from March 1980 to March 1983, Mr. Wang Qisong was seconded to the University of Toronto in Canada as a visiting scholar. From June 1985 to October 1991, he was an associate professor in the Institute of Genetics, School of Life Sciences, Fudan University (復旦大學生命科學學院遺傳學研究所). From June 1987 to December 1989, he was an expert member in the Biotechnology Group of the State High-Tech Development Plan (863 Programme)* (國家高技術研究發展計劃(863計劃)). From March 1991 to August 1991, he was a consultant in the United Nations Industrial Development Organization (聯合國工業發展組織). He is currently a supervisor of Wuhan Wenwang Cultural Education and Communication Limited* (武漢文王文化教育傳播有限公司).

Mr. Wang graduated from Wuhan University (武漢大學) in Hubei Province, PRC with a Bachelor of Science in Organic Chemistry in July 1965.

Mr. Wang is the father of Ms. Wang Luojia and Ms. Wang Jin.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Ms. WANG Luojia (王珞珈), aged 46, was appointed as an executive Director and the chief executive officer of our Company on 26 September 2014 and 16 January 2014 respectively and is primarily responsible for our Group's strategies and overall operation management. Ms. Wang is currently a director of Bio Basic Canada Inc. ("**Bio Basic (Canada)**"), Sangon Biotech, BBI Asia Limited ("**BBI Asia**") and BBI International Limited ("**BBI International**").

Ms. Wang graduated from the University of Calgary in Alberta, Canada with a Bachelor of Science in Chemistry in June 1995. In April 2006, she returned to China and worked as a general manager at SSBETS. Subsequently, she became general manager of Sangon Biotech in October 2009.

Ms. Wang is the daughter of Mr. Wang Qisong and sister of Ms. Wang Jin.

Ms. WANG Jin (王瑾), aged 44, was appointed as an executive Director and the president of our Company on 26 September 2014 and 16 January 2014 respectively and is primarily responsible for our Group's strategies and operational management, overseas sales and development, and overall operations of Bio Basic (Canada) and Bio Basic, Inc. ("**Bio Basic (US)**"). Ms. Wang is currently a director of Bio Basic (Canada), Bio Basic (US), Sangon Biotech, BBI Asia and BBI International.

Ms. Wang graduated from the University of Calgary in Alberta, Canada with a Master of Science degree in Biochemistry and Molecular Biology in November 1997. She was a director of Bio Basic Inc. ("**BBI Canada**") from 2005 to 2011 and BBI US from 2009 to 2012. Since June 2012, she was a senior deputy general manager of Sangon Biotech, and was the president of Bio Basic (Canada) and Bio Basic (US) since November 2010 and December 2010 respectively.

Ms. Wang is the daughter of Mr. Wang Qisong and sister of Ms. Wang Luojia.

NON-EXECUTIVE DIRECTOR

Mr. HU Xubo (胡旭波), aged 40 was appointed as a Director on 16 January 2014 and became our non-executive Director on 10 October 2014. Mr. Hu has been a director of Sangon Biotech since April 2010.He is primarily responsible for advising on strategic development, corporate governance, compliance with the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") regarding connected transactions, remuneration and nomination of our Directors.

Mr. Hu has over eight years of experience in investment management, strategic consulting and operations management in the area of biomedicine.

Mr. Hu joined Qiming Weichuang Venture Capital Management (Shanghai) Co. Ltd (啓明維創創業投資管理(上海)有限公司) in November 2006 and is currently a Partner of the firm. Mr. Hu is also a director of Hunan Tiger-Xiangya R&D Co., Ltd.* (湖南泰格湘雅藥物研究有限公司), China Pharmaceutical Distribution Holding Co., Ltd (英凡醫藥), Beijing Centre Biology Co., Ltd.* (北京生泰爾生物科技有限公司), Shanghai Tellgen Life Co., Ltd.* (上海透景生命科技有限公司), Vinno Technology (Suzhou) Co., Ltd.* (飛依諾科技(蘇州)有限公司), Sino Medical-Device Technology Co., Ltd.* (深圳聖諾醫療設備有限公司), Shanghai Rendu Biotechnology Limited* (上海仁度生物科技有限公司), Shanghai Pine & Power Biotech Co Ltd.* (上海松力生物科技有限公司), Shenzhen APT Medical Devices Co., Ltd (深圳市惠泰醫療器械有限公司), Shanghai Xinghe Investment Management Ltd.* (上海杏和投資管理有限公司), Zhuhai DL Biotech Co., Ltd.* (珠海市迪爾生物工程有限公司), Shanghai Sanyou Medical Technology Co. Ltd. (上海三友醫療器械有限公司), Arrail Group Limited (瑞爾齒科), Guangzhou Baoyu Game Technology Limited (廣州暴雨網絡技術有限公司), HORTOR (Beijing) Technology Limited (北京豪騰嘉科科技有限公司), Beijing Tiangua Online Technology limited (北京甜瓜在線科技有限公司) and the supervisor of Hangzhou Tigermed Consulting Co., Ltd. (Stock Code:300347)(杭州泰格醫藥科技股份有限公司), a company listed on Shenzhen Stock Exchange.

Mr. Hu graduated from Shanghai Medical University (上海醫科大學) (now Fudan University Shanghai Medical College (復旦大學上海醫學院)) in Shanghai with a Bachelor of Medicine in July 1998. He also holds a Shanghai International Master of Business Administration from Ecole Nationale des Ponts et Chaussees (now Ecole des Ponts ParisTech) School of International Management in Shanghai, obtained in October 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. XIA Lijun (夏立軍), aged 39, was appointed as an independent non-executive Director on 16 January 2014. Mr. Xia was an independent director of Sangon Biotech from 2012 to 2013.

From June 2008 to March 2011, he was a professor in the School of Accountancy in the Shanghai University of Finance and Economics (上海財經大學) in the PRC. Since March 2011, he has been a professor and head of department in the Department of Accounting, Antai College of Economics and Management, Shanghai Jiao Tong University in the PRC.

Mr. Xia obtained his Doctor of Philosophy in Management (Accounting) from the Shanghai University of Finance and Economics (上海財經大學) in the PRC in March 2006.

Mr. Xia has been an independent director of Shanghai Guangdian Electric Group Co. Ltd. (stock code: 601616), a company listed on the Shanghai Stock Exchange, since April 2014.

Mr. HO Kenneth Kai Chung (何啟忠), aged 50, was appointed as an independent non-executive Director on 10 October 2014.

Mr. Ho has served successively as head of China research, China strategist and equity sales in top international investment banks, including Credit Lyonnais, Jardine Fleming, JP Morgan and HSBC, from 1999 to 2013. From 2008 to 2010, he set up Beijing research office for HSBC, established and acted as leader of the local research team as well as the chief representative for the research office. From 2011 till January 2013, Mr. Ho worked as a Hong Kong China equity sales director for HSBC. From January 2014 to March 2015, Mr. Ho served as a director for Munsun Asset Management (Asia) Limited.

Mr. Ho obtained his Bachelor of Economics from The University of Sydney in May 1988 and Master of Commence in Finance from The University of New South Wales in April 1991. Mr. Ho was awarded a Chartered Financial Analyst in January 1999.

Mr. Ho has been an independent non-executive director of TK Group (Holdings) Limited (stock code: 2283), a company listed on the Stock Exchange, since 27 November 2013. Mr. Ho had been an independent non-executive director of Evershine Group Holdings Limited (stock code: 8022) (formerly known as TLT Lottotainment Group Limited), a company listed on the Growth Enterprise Market of the Stock Exchange, since 22 November 2013 to 1 April 2014. Mr. Ho has served as a director for Fifth Element Resources Ltd. (stock code: FTH), a company listed on the Australian Securities Exchange since 11 February 2015.

From August 2015, Mr. Ho became the CFO and joint company secretary for Greentown Service Group Co. Ltd.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. LIU Jianjun (劉健君), aged 47, was appointed as an independent non-executive Director on 10 October 2014. Mr. Liu was in the legal department of China Ocean Shipping (Group) Company container lines (中國遠洋運輸(集團)總公司(集裝箱運輸)) from July 1993 to March 1999, a partner at Zhong Sheng Law Firm, Beijing (北京中盛律師事務所) from April 2001 to October 2006, a senior associate in ZhongLun Law Firm, Beijing (北京中倫律師事務所) from November 2006 to May 2007, and a partner at Zhonglun W&D Law Firm, Beijing (北京中倫文德律師事務所) from June 2007 to around 2012. Mr. Liu started practicing as a lawyer in the PRC in August 2001.

Mr. Liu obtained a master degree in law from Peking University, the PRC, in July 1998, and a law degree from Washington University in St. Louis, the U.S., in May 2004.

Mr. Liu has been an independent non-executive director of Nexteer Automotive Group Limited (stock code: 1316), a company listed on the Stock Exchange, since 15 June 2013.

* English translation of the Chinese name of the PRC entity is for identification purpose only.

SENIOR MANAGEMENT

The following table sets out certain information concerning our senior management:

Name	Age	Year of joining our Group	Position
Mr. LI Ruifeng	39	2008	Vice president
Mr. LI Wei	32	2009	Vice president
Mr. YAN Hua	49	2011	Vice president
Mr. GU Xiaolei	38	2015	Chief financial officer
Mr. WANG Zhi	38	2009	Senior manager
Mr. ZHOU Mi	32	2011	Senior manager
Mr. TENG Yuantung	50	2013	Internal auditor

Mr. LI Ruifeng (李瑞峰), aged 39, was appointed as a vice president of our Company on 16 January 2014. Mr. Li joined SSBETS in 2001 and has been a director and deputy general manager of Sangon Biotech since May 2008 and October 2009 respectively. He finished his undergraduate course in microbiology at Inner Mongolia University in the PRC in July 2001.

Mr. LI Wei (李威), aged 32, was appointed as a vice president of our Company on 16 January 2014. He joined SSBETS and Sangon Biotech in August 2009 and October 2009 respectively, and since May 2010 has been a deputy general manager of Sangon Biotech. Mr. Li was a research assistant at the Plant Biotechnology Research Centre of Shanghai Jiao Tong University* (上海交通大學植物生物技術研究中心) from September 2008 to August 2009. Mr. Li obtained his Doctor of Philosophy in Genetics from Fudan University (復旦大學) in Shanghai in January 2012.

Mr. YAN Hua (顏華), aged 49, was appointed as a vice president of our Company on 16 January 2014. He joined our Group in June 2011 as technical director and since June 2012 has been a deputy general manager of Sangon Biotech. From February 2008 to May 2011, Mr. Yan was a deputy general manager of Neweast (Wuhan) Biosciences Limited (武漢紐斯特生物技術有限公司). Mr. Yan obtained his Doctor of Philosophy in Immunology from Wuhan Institute of Biological Products (武漢生物製品研究所) in Hubei Province, PRC in 2012.

Mr. GU Xiaolei (顧曉磊), aged 38, was appointed as the chief financial officer of our Company on 11 September 2015. Mr. Gu has over 15 years of financial management experience in bio-medical industry in the PRC. Mr. Gu holds a Bachelor degree in Economics from Shanghai University of Financial and Economics (上海財經大學).

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. WANG Zhi (王志), aged 38, was appointed as a senior manager of our Company on 16 January 2014. Mr. Wang joined SSBETS in June 2001 and our Group in October 2009, and has been the DNA synthesis department director of Sangon Biotech since October 2012. Mr. Wang obtained his Master of Business Administration from Donghua University (東華大學) in Shanghai in May 2011.

Mr. ZHOU Mi (周密), aged 32, was appointed as a department director of our Company on 16 January 2014. He joined BBI Canada in November 2007, and has been a department director of Bio Basic (Canada) and Bio Basic (US) since January 2011 and April 2011, respectively. Mr. Zhou obtained his Bachelor of Science in Biochemistry from Carleton University in Ottawa, Canada in June 2007.

Mr. TENG Yuantung (鄧元東), aged 50, was appointed as the internal auditor of our Company on 16 January2014. Mr. Teng joined Sangon Biotech as internal audit director in May 2013.

Mr. Teng has over 13 years of experience in internal controls, audit and compliance matters. From May 2011 to May 2012, Mr. Teng was the audit manager and assistant to the general manager, mainly responsible for its listing proposal, shareholding and legal matters, internal audit and control development, management policy planning and development, ISO management system implementation in Guangdong Wanxing Inorganic Co., Ltd.* (廣東萬興無機顏料股份有限公司) which is primarily engaged in non-metal mineral products production. From August 2012 to March 2013, he was the audit manager, mainly responsible for development and supervising the audit team, legal compliance and parent company internal audit and other specific audit matters of Zhangzhou Tsannkuen Enterprise Co., Ltd.* (漳洲燦坤實業股份有限公司), a subsidiary of Tsannkuen (China) Enterprise Co., Ltd (廈門燦坤實業股份有限公司) which is listed on the Shenzhen Stock Exchange (stock code: 200512). From May 2005 to April 2011,he was the regional manager of USUN TECHNOLOGY CO., LTD* (陽程科技股份有限公司), an OTC-listed company on GreTai Securities Market (stock code: 3498). From September 2004 to April 2005, he was an assistant audit manager of Wonderful Hi-Tech Co. Ltd. (萬泰科技股份有限公司). From March 2001 to April 2002, Mr. Teng was an audit manager of ITEQ Corporation (聯茂電子股份有限公司). Mr. Teng obtained his Bachelor of Management in Enterprise Management from Tamkang University (私立淡江大學) in Taiwan in June 1995. He also received a certificate on tax accounting from the Centre for Public and Business Administration Education of the National Chengchi University* (國立政治大學公共行政企業管理教育中心) in 1998. Mr. Teng is a Certified Internal Auditor (CIA) conferred by the Institute of Internal Auditors in November 2004.

REPORT OF THE DIRECTORS

The Board is pleased to present its report and the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group is mainly a well-recognized provider with comprehensive portfolio coverage in the life sciences research products and services industry in the PRC, as well as the largest provider of DNA synthesis products in the PRC. We offer DNA synthesis products, genetic engineering services, life sciences research consumables, and protein and antibody related products and services which are used to facilitate the studies of life sciences including animal and plant, disease, medical diagnosis, drug development, food and agriculture industry. The Company and its subsidiaries provide our DNA synthesis products and life sciences research consumables primarily in the PRC, North America, South America, Europe and Africa. The analysis of the principal activities of the Company's subsidiaries is set out in note 35 to the financial statements.

BUSINESS REVIEW

During the Reporting Period, the revenue of DNA synthesis products, genetic engineering services, life sciences research consumables and protein and antibody related products and services accounted for approximately 40.5%, 19.5%, 29.4% and 10.6% of the total revenue of the Group respectively.

Detailed business review including an indication of likely future developments in the Group's business and an analysis of the Group's performance using financial key performance indicators, are set out in the Chairman's Statement and the Management Discussion and Analysis on pages 8 and 12 of this annual report respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

There are various risks and uncertainties including foreign exchange risk, cash flow and fair value interest rate risk and credit risk, that may have different levels of impact on the Group's financial performance, operations, business as well as future prospects.

There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material as at the date of this annual report but could turn out to be material in future.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. As a responsible corporation, the Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment and has adopted effective measures to achieve efficient use of resources, energy saving and waste reduction.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. To the best knowledge of the Directors, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 December 2015. There was no material breach or non-compliance with the applicable laws and regulations by the Group for the year ended 31 December 2015.

REPORT OF THE DIRECTORS (CONTINUED)

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and Shareholders. During the year ended 31 December 2015, there were no material and significant dispute between the Group and its key stakeholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

CORPORATE INFORMATION

The Company was incorporated on 10 July 2013 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's shares (the "**Shares**") were listed on the Main Board of the Stock Exchange on 30 December 2014 (the "**Listing**" or the "**Listing Date**").

RESULTS

The results of the Group for the year ended 31 December 2015 are set out on pages 54 to 58 of the financial statements.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.011 per share for the year ended 31 December 2015, subject to the approval by the Shareholders at the annual general meeting of the Company (the "**AGM**") to be held on 17 June 2016. The final dividend, if approved, is expected to be paid on 30 July 2016.

CLOSURE OF REGISTER OF MEMBERS

(a) Determining the entitlement of the Shareholders who are entitled to attend and vote at the AGM

In order to determine the entitlement of the Shareholders to attend and vote at the AGM to be held on 17 June 2016, the register of members of the Company will be closed from 15 June 2016 to 17 June 2016 (both dates inclusive), during which period no transfer of shares will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30p.m. on 14 June 2016.

(b) Determining the entitlement of the Shareholders to receive the final dividend

In order to determine the list of the Shareholders entitled to receive the final dividend, the register of members of the Company will also be closed from 24 June 2016 to 28 June 2016 (both dates inclusive), during which period no transfer of shares will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 23 June 2016.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 7 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

Net proceeds from the Listing (after deducting underwriting fee and relevant expenses) amounted to approximately HK$219.87 million (equivalent to RMB175.92 million). Such amounts are proposed to be used according to the allocation set out in the prospectus of the Company dated 16 December 2014 (the "**Prospects**"). Use of net proceeds from Listing as at 31 December 2015 is set forth as follows:

Item	**Utilised amount as at 31 December 2015 (RMB million)**
Plant expense	**17.24**
SAP and other software expense	**2.13**
Deep and broad product and service portfolio	
DNA synthesis	**13.10**
Genetic engineering service	**7.21**
Life science consumables	**4.28**
Protein and antibody related products and services	**5.78**
Total	**49.74**

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The turnover attributable to the top five customers of 2015 accounted for 6.9% of the Company's operating income for the year ended 31 December 2015. The turnover of the largest single transaction accounted for 1.6% of the Company's operating income for 2015.

Major Suppliers

The turnover attributable to the top five suppliers accounted for 24.1% of the Company's total purchases for the year ended 31 December 2015. The turnover of the largest single supplier accounted for 7.4% of the Company's total purchases for 2015.

During the year, to the best knowledge of the Directors, none of the Directors or any of their close associates or any Shareholders (which, to best the knowledge of the Directors, own more than 5% of the number of the issued Shares) had an interest in any of the Company's top five suppliers or customers.

REPORT OF THE DIRECTORS (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 6 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2015 are set out in note 14 to the financial statements in this annual report.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in the consolidated statement of changes in equity on page 57 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to RMB508,450,000 (as at 31 December 2014: approximately RMB471,272,000), of which RMB4,946,000 (equivalent to HK$5,906,000) was recommended to be the payment of the final dividend.

BANK LOANS AND OTHER BORROWINGS

The Group did not have bank loans and other borrowings as at 31 December 2015.

DIRECTORS

The Directors during the year ended 31 December 2015 and up to the date of this annual report were:

Executive Directors:

Mr. Wang Qisong *(Chairman)*
Ms. Wang Luojia *(Chief Executive Officer)*
Ms. Wang Jin *(President)*

Non-executive Director:

Mr. Hu Xubo

Independent non-executive Directors:

Mr. Xia Lijun
Mr. Ho Kenneth Kai Chung
Mr. Liu Jianjun

Pursuant to the articles of association of the Company (the "**Articles**"), Mr. Wang Qisong, Mr. Hu Xubo, Mr. Xia Lijun will retire at the AGM and being eligible, offer themselves for re-election.

Biographical details of the Directors to be re-elected at the AGM are set out in the circular dated 27 April 2016 to the Shareholders.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out in page 19 to 24 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation from each of the independent non-executive Directors in respect of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent throughout the year ended 31 December 2015 in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years commencing on the Listing Date which can be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

The non-executive Director has signed an appointment letter with the Company for a term of three years with effect from the Listing Date. The appointment is subject to the provisions of retirement and rotation of Directors under the Articles.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of two years with effect from the Listing Date. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed herein, none of the Directors has entered into any service contract with the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

At any time during the year, none of the Company or any of its subsidiaries entered into, whether directly or indirectly, any transaction, arrangement or contract of significance which a Director had a material interest in, was related to the Company's business and subsisted during and up to the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year.

REPORT OF THE DIRECTORS (CONTINUED)

REMUNERATION POLICIES

The Group's remuneration policy and structure for remuneration of the directors and senior management of the Group are based on the Group's operating results, individual performance and comparable market statistics and are reviewed by the Remuneration Committee periodically.

The remuneration of the Directors are recommended by the Remuneration Committee and are decided by the Board, having regard to the merit, qualifications and competence of individual Directors, the Group's operating results and comparable market statistics.

The Company has also adopted the Pre-IPO Scheme A and Pre-IPO Scheme B (collectively, the "**Pre-IPO Share Option Schemes**") and Post-IPO share option scheme (together with the Pre-IPO Share Option Schemes, the "**Share Option Schemes**"). The purpose of the Share Option Schemes is to enable us to grant options to selected participants as incentives or rewards for their contributions. The Directors consider the Share Option Schemes, with its broad basis of participation, will enable the Company to reward its employees, Directors and other selected participants for their contributions.

SHARE OPTION SCHEMES

During the year ended 31 December 2015, no further option could be granted under the Pre-IPO Scheme and no option has been granted under the Post-IPO Share Option Scheme.

As disclosed above, the Company has adopted the Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme. The purpose of the Share Option Schemes is to enable us to grant options to selected participants as incentives or rewards for their contributions. The Directors consider the Share Option Schemes, with its broad basis of participation, will enable the Company to reward its employees, Directors and other selected participants for their contributions.

Set out below are details of the outstanding options under the Pre-IPO Share Option Schemes:

SUMMARY OF THE SHARE OPTION SCHEMES

Category/ Name of Grantee	Scheme Type	Date of Grant	Number of Outstanding Options		Exercise Price per Share	The Weighted average closing price before the exercised dates	Exercised since Date of Grant	Cancelled since Date of Grant	Lapsed since Date of Grant	Vesting/ Exercise Period (Day/ Month/Year)
			As at 1 January 2015	As at 31 December 2015						
Wang Qisong	A	16/01/2014	**760,776**	**0**	HK$1.1	1.9	760,776	–	–	note 1
Wang Luojia	B	16/01/2014	**805,248**	**644,198**	HK$1.1	1.96	161,050	–	–	16/01/2014-16/01/2019
Sub-Total	–	–	**1,566,024**	**644,198**	HK$1.1	–	921,826	–	–	–
79 Employees	A	04/09/2014	**17,877,277**	**7,464,549**	HK$1.1	–	10,412,728	–	–	note 1
76 Employees	B	04/09/2014	**9,496,448**	**8,457,118**	HK$1.1	–	858,826	–	180,504	16/01/2014-16/01/2019
3 Employees	A	16/01/2014	**332,478**	**314,478**	HK$1.1	–	18,000	–	–	note 1
Total	–	–	**29,272,227**	**16,880,343**	–	–	12,211,380	–	180,504	–

Note:

1. At any time and from time to time up to the last day of the 5th anniversary of 16 January 2014.

	Details	Pre-IPO Scheme A	Pre-IPO Scheme B	Post-IPO Share Option Scheme
1.	Purpose	To recognise and acknowledge the contributions that the eligible participants have or may have made to the Group and to provide the eligible participants with an opportunity to have a personal stake in the Company with a view to achieving the following objectives: (1) motivate the eligible participants to optimise their performance efficiency for the benefit of the Group; and (2) attracting and retaining or otherwise maintaining relationships with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.		To provide participants with the opportunity to acquire proprietary interests in the Company and to encourage such participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and the Shareholders as a whole.
2.	Participants	(1) Executive Directors, (2) senior management of the Group and (3) other employees of the Group who, in the sole opinion of the Board, have contributed or will contribute to the Company and/or any of the subsidiaries.		(1) Directors and (2) employees of any member of the Group, as the Board may in its absolute discretion select.
3.	Maximum number of Shares	Options to subscribe for an aggregate of 1,413,895 Shares were outstanding, representing approximately 0.26% of the issued Shares as of the date of this annual report. No further option could be granted under the Pre-IPO Scheme A.	Options to subscribe for an aggregate of 8,892,608 Shares were outstanding, representing approximately 1.64% of the issued Shares as of the date of this annual report. No further option could be granted under the Pre-IPO Scheme B.	The maximum number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme was 52,466,310, representing approximately 9.66% of the issued Shares as of the date of this annual report. No option has been granted under the Post-IPO Share Option Scheme. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time.
4.	Maximum entitlement of each participant	10% of the total number of Shares entitled to be subscribed for under each grant of options by the Company; The maximum number of shares to be subscribed for by each participant for each financial year shall not be more than 1% of the total issued share capital of the Company as at the last financial year end of the Company.		1% of the issued Shares from time to time within any 12-month period up to the date of the latest grant.

REPORT OF THE DIRECTORS (CONTINUED)

	Details	Pre-IPO Scheme A	Pre-IPO Scheme B	Post-IPO Share Option Scheme
5.	Option period	At any time and from time to time up to the last day of the 5th anniversary of 16 January 2014.	(1) up to 20% of the options so granted to him/her (rounded down to the nearest whole number) at any time commencing from the 1st anniversary of 16 January 2014; (2) up to 40% of the options so granted to him/her (rounded down to the nearest whole number) at any time commencing from the 2nd anniversary of 16 January 2014; (3) up to 60% of the options so granted to him/her (rounded down to the nearest whole number) at any time commencing from the 3rd anniversary of 16 January 2014; (4) up to 80% of the options so granted to him/her (rounded down to the nearest whole number) at any time commencing from the 4th anniversary of 16 January 2014; and (5) such number of unexercised options so granted to him/her at any time commencing from the 5th anniversary of 16 January 2014 until the 6th anniversary of 16 January 2014.	The period of time to be notified by the Board to each grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option. The terms of an offer may include any minimum periods for which an option must be held and/or any minimum performance targets that must be reached, before the options can be exercised in whole or in part, and may include at the discretion of the Board other terms imposed (or not imposed) either on a case by case basis or generally.
6.	Acceptance of offer	On acceptance of the offer of the option, the participant shall execute and return an acceptance letter in accordance with the terms and conditions set by the Company.		An offer shall remain open for acceptance by the participant concerned for a period of 14 days from the date of the offer. HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option.

	Details	Pre-IPO Scheme A	Pre-IPO Scheme B	Post-IPO Share Option Scheme
7.	Exercise Price	HK$1.1 per Share		The subscription price shall not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.
8.	Remaining life of the scheme	The schemes expired on 30 December 2014.		It shall be valid and effective for a period of ten years commencing on 8 December 2014, and the remaining life is around 8 years and 9 months.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of Directors and the five highest paid individuals are set out on note 25 to the consolidated financial statements in this annual report.

CHANGES TO INFORMATION OF DIRECTORS

Save as disclosed in this annual report, there has been no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the Reporting Period.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or 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**") contained in Appendix 10 to the Listing Rules, are set out as follows:

Name of Director	Nature of interest	Number of shares/ underlying shares held	Shareholding percentage (%)	Long position/ short position/ lending pool
Wang Luojia (Notes 1, 2, 3)	Trustee of a trust, interest in a controlled corporation and interests held jointly with another person	312,221,948	58.16	Long position
Wang Jin (Notes 1, 2, 4)	Trustee of a trust and interests held jointly with another person	312,221,948	58.16	Long position
Wang Qisong (Notes 1, 2, 5)	Settlor of trust and interests held jointly with another person	312,221,948	58.16	Long position

Note:

1. Wang J Family Trust is an irrevocable trust constituted under the laws of the Province of Ontario, with Wang Qisong as the settler, Wang Luojia as the trustee and Wang Jin and her children as the beneficiaries. Wang J Family Trust owns 51.15% of the total issued shares of LJ Peace Ltd. and 50% of the total issued shares of LJ Venture Ltd.

2. Wang L Family Trust is an irrevocable trust constituted under the laws of the Province of Ontario, with Wang Qisong as the settler, Wang Jin as the trustee and Wang Luojia and her children as the beneficiaries. Wang L Family Trust owns 48.85% of the issued shares of LJ Peace Ltd. and 50% of the issued shares of LJ Venture Ltd.

3. Wang Luojia (i) is the trustee of Wang J Family Trust which owns 51.15% of the total issued shares of LJ Peace Ltd. and 50% of the total issued shares of LJ Venture Ltd.; (ii) owns 50% of the total issued shares of LJ Hope Ltd. Which in turn holds 8,449,833 Shares; (iii) is the grantee of an option granted pursuant to the Pre-IPO Share Option Schemes pursuant to which 805,248 Shares will be issued to Wang Luojia upon exercise of the same and (iv) is a party to the a deed of confirmation (the "**Acting in Concert Deed**") dated 4 November 2014 executed by Mr. Wang Qisong, Ms. Wang Luojia and Ms. Wang Jin, pursuant to which each of Wang Qisong, Wang Luojia and Wang Jin has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting of the Company in a unanimous manner. Wang Luojia is therefore deemed to be interested in the Shares held by LJ Peace Ltd.,LJ Venture Ltd. and LJ Hope Ltd. respectively and the underlying Shares in respect of the options granted to herself and to Wang Qisong pursuant to the Pre-IPO Share Option Schemes under the SFO. Each of Wang Luojia, Wang Jin and Wang Qisong is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

4. Wang Jin is the trustee of Wang L Family Trust which owns 48.85% of the total issued shares of LJ Peace Ltd. and 50%of the total issued shares of LJ Venture Ltd. Accordingly, Wang Jin, being the trustee of Wang L Family Trust, is deemed to be interested in the Shares held by LJ Peace Ltd. and LJ Venture Ltd. respectively under the SFO. Pursuant to the Acting in Concert Deed, each of Wang Qisong, Wang Luojia and Wang Jin has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting of the Company in a unanimous manner and hence each of Wang Luojia, Wang Jin and Wang Qisong is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

5. In light of notes 1 and 2, Wang Qisong, being the settlor of both Wang L Family Trust and Wang J Family Trust, is deemed to be interested in the Shares held by LJ Venture Ltd. and LJ Peace Ltd., respectively. Wang Qisong is also the grantee of an option granted pursuant to the Pre-IPO Share Option Schemes pursuant to which 760,776 Shares will be issued to Wang Qisong upon exercise of the same. Pursuant to the Acting in Concert Deed, each of Wang Qisong, Wang Luojia and Wang Jin has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting of the Company in a unanimous manner and hence each of Wang Luojia, Wang Jin and Wang Qisong is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company had any interests or short positions in the Shares or underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that (i) was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise (ii) was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate at any time during the year.

REPORT OF THE DIRECTORS (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As at 31 December 2015, to the best knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares/ underlying Shares held	Shareholding percentage %	Long position/ short position/ lending pool
LJ Peace Ltd. (Notes 1, 2)	Beneficial owner	184,156,346	34.30	Long position
LJ Venture Ltd. (Notes 1, 2)	Beneficial owner	118,049,745	21.99	Long position
Mai Jun (Note 3)	Interest of a spouse and interest in a controlled corporation	312,221,948	58.16	Long position
Lu Guang Yi (Note 4)	Interest of a spouse	312,221,948	58.16	Long position
Qiming Venture Partners II, L.P. ("**QVP II**") (Note 5)	Beneficial owner and person acting in concert	82,841,176	15.43	Long position
Qiming Venture Partners II-C, L.P. ("**QVP II-C**") (Note 5)	Beneficial owner and person acting in concert	82,841,176	15.43	Long position
Qiming Managing Directors Fund II, L.P. ("**QMDF**") (Note 5)	Beneficial owner and person acting in concert	82,841,176	15.43	Long position
Grandeur Peak Global Advisors, LLC	Investment Manager	32,135,500	5.99	Long position

Notes:

1. Wang J Family Trust is an irrevocable trust constituted under the laws of the Province of Ontario, with Wang Qisong as the settlor, Wang Luojia as the trustee and Wang Jin and her children as the beneficiaries. Wang J Family Trust owns 51.15% of the total issued shares of LJ Peace Ltd. and 50% of the total issued shares of LJ Venture Ltd.

2. Wang L Family Trust is an irrevocable trust constituted under the laws of the Province of Ontario, with Wang Qisong as the settlor, Wang Jin as the trustee and Wang Luojia and her children as the beneficiaries. Wang L Family Trust owns 48.85% of the issued shares of LJ Peace Ltd. and 50% of the issued shares of LJ Venture Ltd.

3. Mai Jun is the spouse of Wang Luojia and is deemed to be interested in the Shares which are deemed to be interest by Wang Luojia under the SFO. Mai Jun also owns 50% of LJ Hope Ltd. and is therefore also deemed to be interested in the Shares held by LJ Hope Ltd.

4. Lu Guang Yi is the spouse of Wang Jin. Accordingly, Lu Guang Yi is deemed to be interested in the Shares which are deemed to be interestd by Wang Jin under the SFO.

5. QVP II, QVP II-C and QMDF beneficially hold 75,161,799 Shares, 6,585,871 Shares and 1,093,506 Shares respectively, representing approximately 14.33%, 1.26% and 0.21% respectively of the total issued share capital of the Company. By virtue of QVP II acting in concert with QVP II-C and QMDF, each of QVP II, QVP II-C and QMDF is deemed to be interested in all Shares held by them in aggregate under the SFO.

Save as disclosed above, as at 31 December 2015, to the best knowledge of the Directors, there has not any other person who had interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Group had not purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

NON-COMPETING UNDERTAKINGS

Controlling Shareholders of the Company, namely Wang Qisong, Wang Jin, Wang Luojia, LJ Peace Ltd. and LJ Venture Ltd. or any of them (the "**Controlling Shareholders**"), have signed the deed of non-competition (the "**Deed of Non-competition**") dated 8 December 2014, pursuant to which, each of our Controlling Shareholders shall, and shall procure that their respective close associates and/or companies controlled by them (other than our Group) (i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a director or shareholder (other than being a director or shareholder of the Group), partner, agent or otherwise and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the business currently carried out and from time to time engaged by the Group (including but not limited to the provision of life sciences research products and services) within the PRC or overseas (the"**Restricted Activity**"); (ii) not solicit any existing employee of the Group for employment by them or their close associates (excluding members of our Group); (iii) not, without the consent from the Company, make use of any information pertaining to the business of the Group which may have come to their knowledge in their capacity as the controlling shareholders for any purpose of engaging, investing or participating in any Restricted Activity; (iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to the Group for consideration; (v) not invest or participate in any Restricted Activity; and (vi) procure their close associates (excluding our Group) not to invest or participate in any project or business opportunity of the Restricted Activity. Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The Company has received the annual confirmation of the Controlling Shareholders in respect of their compliance with the non-competition undertakings under the Deed of Non-competition during the year ended 31 December 2015.

The independent non-executive Directors also reviewed the Controlling Shareholders' compliance with the non-competition undertakings. The independent non-executive Directors confirmed that the Controlling Shareholders were not in breach of the non-competition undertakings during the year ended 31 December 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, as at 31 December 2015, no Director or any of their close associates had any interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

REPORT OF THE DIRECTORS (CONTINUED)

CONNECTED TRANSACTION

During the year ended 31 December 2015, the Company had no connected transaction or continuing connected transaction which was required to be disclosed pursuant to the provisions under Chapter 14A of the Listing Rules. For details on related-party transactions conducted during the year ended 31 December 2015, please refer to note 33 to the financial statement on page 111 of this annual report. None of these related party transactions referred to in the financial statements falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

CHARITABLE DONATION

During the year ended 31 December 2015, the Group did not make charitable and other donations.

EQUITY-LINKED AGREEMENT

For the year ended 31 December 2015, the Company has not entered into any equity-linked agreement.

PERMITTED INDEMNITY PROVISION

The Articles provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2015, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatening the Group as far as the Directors were aware of.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the annual results announcement and the financial statements for the year ended 31 December 2015 prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**").

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standards of corporate governance practice. The Company has applied the principles set out in the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules. During the Reporting Period, the Company has adopted and complied with the mandatory code provisions of the CG Code. For details, please refer to the Corporate Governance Report on pages 40 to 51 of this annual report.

PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules as at the date of this annual report.

CONSULTING PROFESSIONAL TAX ADVISERS

The Shareholders are recommended to consult professional advisers if they are in any doubt as to the tax implications of the purchasing, holding, disposal of, buying and selling of the Shares or exercising any rights concerned.

AUDITOR

PricewaterhouseCoopers was appointed as the auditor of the Company to audit the financial statements prepared in accordance with the HKFRS for the year ended 31 December 2015.

PricewaterhouseCoopers shall retire at the AGM and, being eligible, has offered itself for re-election. The resolution regarding the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at the AGM.

By order of the Board

Wang Qisong
Chairman

Hong Kong, 29 March 2016

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report as set out in this annual report for the year ended 31 December 2015.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has complied with the applicable code provisions as set out in the CG Code during the year ended 31 December 2015 and up to the date of this annual report. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees including the Audit Committee, the Remuneration Committee, the nomination committee (the"**Nomination Committee**") and the Risk Management Committee (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

Under code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Company has arranged insurance in December 2015 with 12 months' coverage starting from 29 December 2015 in respect of legal actions against its Directors and senior management.

Board Composition

As at the date of this annual report, the Board comprises seven members, consisting of three executive Directors, one non-executive Director and three independent non-executive Directors as set out below:

Executive Directors

Mr. Wang Qisong *(Chairman)*
Ms. Wang Luojia *(Chief Executive Officer)*
Ms. Wang Jin *(President)*

Non-executive Director

Mr. Hu Xubo

Independent non-executive Directors

Mr. Xia Lijun
Mr. Ho Kenneth Kai Chung
Mr. Liu Jianjun

The biographies of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

During the Reporting Period and up to the date of this annual report, the Board met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

Mr. Wang Qisong, executive Director and Chairman, is the father of the executive Directors, Ms. Wang Luojia and Ms. Wang Jin. Save as disclosed in the biographies of the Directors as set out in the section headed "Directors and Senior Management" of this annual report and above, none of the Directors have any personal relationship (including financial, business, family or other material/relevant relationship) with any other Director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

CORPORATE GOVERNANCE REPORT (CONTINUED)

According to the records kept by the Company, all the existing Directors have received continuous and professional development and training as set out below with an emphasis on the roles, functions and duties of directors in listed companies:

Name of Directors	Attending internal briefings or trainings, participating seminars or reviewing materials
Executive Directors	
Mr. Wang Qisong *(Chairman)*	✓
Ms. Wang Luojia *(Chief executive officer)*	✓
Ms. Wang Jin *(President)*	✓
Non-executive Director	
Mr. Hu Xubo	✓
Independent non-executive Directors	
Mr. Xia Lijun	✓
Mr. Ho Kenneth Kai Chung	✓
Mr. Liu Jianjun	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As required by code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

The Chairman and the Chief Executive Officer of the Company, as assumed by Mr. Wang Qisong and Ms. Wang Luojia respectively, are two different positions with expressly stipulated duties. The Chairman is responsible for management and leadership of the Board to formulate overall strategies and business development directions for the Company, to ensure that adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure that the issues raised at the Board meetings are explained appropriately. The Chief Executive Officer is responsible for managing business activities of the Company, implementing policies, business objectives and plans adopted by the Board, and reporting to the Board on the Company's overall operation.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years commencing from the Listing Date, which may be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other. Their appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

The non-executive Director has signed an appointment letter with the Company for a term of three years with effect from the Listing Date. His appointment is subject to the provisions of retirement and rotation of Directors under the Articles.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of two years with effect from the Listing Date. Their appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed above, no Director has entered into a service contract with the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Pursuant to the Articles, at each annual general meeting, one-third of the Directors shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles. The Nomination Committee is responsible for reviewing the Board composition, and making recommendations to the Board on appointment, re-election and succession planning of Directors.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly. Notices of not less than fourteen days are given for regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other committee meetings, at least seven days' notice will be given in writing to all committee members. The meeting notice states the time and place of the meeting. The agenda and accompanying board committee papers will be provided at least three days before the date of meeting to ensure that Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the Board meetings and committee meetings will be recorded in sufficient details for the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

During the Reporting Period, the Board held four meetings. The specific agenda of the Board covered the following aspects:

(i) to consider and review the financial statements for the year ended 31 December 2014 and for the six-month period ended 30 June 2015 and matters concerning corporate governance and management;

(ii) to discuss the overall strategies of the Group, monitor the financial and operational performance, and approve the annual and interim results of the Group;

(iii) to approve the appointment of a Chief Financial Officer; and

(iv) to consider and approve the M&A projects.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The attendance of the individual Directors at the Board meetings mentioned above and the general meeting is set out below:

	Attended/Eligible to attend	
Name of Director	**Board Meetings**	**General Meeting**
Mr. Wang Qisong	3/4	1/1
Ms. Wang Luojia	4/4	1/1
Ms. Wang Jin	4/4	0/1
Mr. Hu Xubo	4/4	1/1
Mr. Xia Lijun	4/4	0/1
Mr. Ho Kenneth Kai Chung	4/4	1/1
Mr. Liu Jianjun	4/4	1/1

The Company's external auditor also attended the annual general meeting of the Company held on 30 April 2015.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code during the Reporting Period.

The Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves for its decision on all major matters of the Group, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions(in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Group's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognises that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

1. to develop and review the Group's policies and practices on corporate governance;

2. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

3. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

4. to review the Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

The duty to review and monitor the training record and continuous professional development of the Directors and senior management of the Group has been delegated to the Risk Management Committee.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Liu Jianjun (Chairman), Mr. Ho Kenneth Kai Chung and Mr. Xia Lijun, all being independent non-executive Directors.

The principal duties of the Nomination Committee include:

1. to review the structure, size and composition (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, the skills, knowledge and length of service) of the Board at least once a year and make recommendations regarding any proposed changes in the Board in line with the Company's corporate strategy;

2. to identify individuals suitably qualified to become members of the Board, select and nominate candidates of Directors or make recommendations to the Board in this regard;

3. to assess the independence of independent non-executive Directors;

4. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer;

5. to review the board diversity policy, to develop and review measurable objectives for implementing the board diversity policy and to monitor the progress on achieving these objectives; and to ensure that a summary of such policy is disclosed in the Corporate Governance Report as required under the Listing Rules; and

6. where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, to ensure it is set out in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why the Directors believe he should be elected and the reason why they consider him to be independent.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties. The recommendations of the Nomination Committee will then be put to the Board for decision. The Nomination Committee should report back to the Board on its decisions or recommendations after every Nomination Committee meeting.

Pursuant to code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Company believes that board diversity can enhance the performance of the Company. After taking into account the Company's own business model and specific needs and upon the recommendation of the Nomination Committee, the Board has adopted a board diversity policy (the "**Policy**") to ensure in designing the Board's composition, board diversity will be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the Reporting Period, the Nomination Committee held two meetings. The specific agenda of the Nomination Committee covered the following aspects:

(i) To consider the adoption of the Policy and assess the independence of the independent non-executive Directors;

(ii) To consider and nominate the candidate of a Chief Financial Officer toward the Board.

The attendance of the individual committee members at the Nomination Committee meeting mentioned above is set out below:

Name of committee member	Committee meetings attended/ eligible to attend
Mr. Liu Jianjun *(Chairman)*	2/2
Mr. Xia Lijun	2/2
Mr. Ho Kenneth Kai Chung	2/2

Remuneration Committee

The Remuneration Committee currently comprises three members, namely Mr. Ho Kenneth Kai Chung (Chairman), Mr. Xia Lijun and Mr. Liu Jianjun, all being independent non-executive Directors.

The principal duties of the Remuneration Committee include:

1. to consult the Chairman of the Board and/or the chief executive officer about the remuneration proposals for other executive Directors;

2. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. to make recommendations to the Board, on the remuneration packages of individual executive Directors and senior management. The remuneration packages should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

5. to make recommendations to the Board on the remuneration of non-executive Director; and

6. to ensure that no Director or any of his associates (as defined under the Listing Rules) is involved in deciding his own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee held one meeting to determine the remuneration policy and structure of Directors and senior management for 2015 and evaluate the remuneration of the Directors and senior management for the year ended 31 December 2014.

The attendance of the individual committee members at the Remuneration Committee meeting mentioned above is set out below:

Name of committee member	**Committee meetings attended/ eligible to attend**
Mr. Ho Kenneth Kai Chung *(Chairman)*	1/1
Mr. Liu Jianjun	1/1
Mr. Xia Lijun	1/1

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2015 are set out in note 37 to the financial statements.

The biographies of the senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. Remuneration paid to the senior management members (excluding the Directors) for the year ended 31 December 2015 is within the ranges below:

Range of remuneration	**Persons**
Nil to HK$1,000,000 (equivalent to approximately RMB837,500)	10
Between HK$1,000,000 and HK$2,000,000 (equivalent to approximately RMB837,500 and RMB1,675,000)	0

* Included all senior management members (except Directors)

CORPORATE GOVERNANCE REPORT (CONTINUED)

Audit Committee

The Audit Committee currently comprises three members, namely Mr. Xia Lijun (Chairman), Mr. Ho Kenneth Kai Chung and Mr. Liu Jianjun, all being independent non-executive Directors. The principal duties of the Audit Committee are to review and monitor the Company's financial reporting process and internal control procedures, in order to maintain the relations with the external auditor of the Company and review the financial information of the Company.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held two meetings with all members attended. The Audit Committee reviewed the financial reporting system, compliance procedures, internal controls (including the adequacy of resources, staff qualifications and experience, training programme and budget of the Group's accounting and financial reporting function), risk management system and procedures and the re-appointment of external auditor. The Board did not have separate opinion on any recommendation and suggestion by the Audit Committee in relation to the appointment of external auditor.

The attendance record of the individual committee members at the Audit Committee meetings mentioned above is set out below:

Name of Committee member	**Committee meetings attended/ eligible to attend**
Mr. Xia Lijun *(Chairman)*	2/2
Mr. Ho Kenneth Kai Chung	2/2
Mr. Liu Jianjun	2/2

The Audit Committee also reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2014 and unaudited financial statements of the Group for the six-month period ended 30 June 2015, and discussed with the external auditor relating to accounting issues and major findings in course of audit.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

The Audit Committee is also responsible for the daily execution of anti-corruption measures. Its scope of duties includes reviewing and assessing the Company's anti-corruption measures, reviewing complaints and reports from the external and internal sources with respect to the relevant anti-corruption measures, conducting investigations and undertaking rectification actions accordingly.

After reviewing the anti-corruption measures and standards and internal control policy of the Group, the Audit Committee believed that the Company's anti-corruption measures and standards were fully and effectively implemented during the financial year ended 31 December 2015, while maintained consistent with the anticorruption laws applicable to the Group.

Risk Management Committee

The Risk Management Committee currently comprises three members, namely Mr. Liu Jianjun (chairman), Mr. Ho Kenneth Kai Chung and Mr. Xia Lijun, all being independent non-executive Directors.

The principal duties of the Risk Management Committee include:

1. to review the Company's risk management policies and standards, as well as the fundamental concepts and scope of compliance management;

2. to review and provide comment on the overall target and basic policy of the compliance and risk management;

3. to supervise and monitor the Company's exposure to sanctions law risks and implementation of the related internal control policies and procedures adopted by the Company;

4. to supervise and monitor the development of risk and compliance management system of the Company; and

5. to review the settings and responsibilities of the Company's compliance and risk management, and to advise on the same.

The written terms of reference of the Risk Management Committee are available on the websites of the Stock Exchange and the Company.

The Risk Management Committee will also evaluate the sanctions risks prior to determining whether the Company should embark on any business opportunities in countries which are the targets of economic sanctions as administered by the United States Department of Treasury's Office of Foreign Assets Control, the laws of other countries and under international law, such as Iran, Lebanon, Sudan and Iraq (the "**Sanctioned Countries**"). According to the Company's internal control procedures, the Risk Management Committee shall review and approve all relevant business transaction documentation of customers or potential customers from Sanctioned Countries.

During the Reporting Period, the Risk Management Committee held one meeting.

The attendance of the individual committee members at the Risk Management Committee meeting mentioned above is set out below:

Name of committee member	Committee meetings attended/ eligible to attend
Mr. Liu Jianjun *(Chairman)*	1/1
Mr. Ho Kenneth Kai Chung	1/1
Mr. Xia Lijun	1/1

The Group has completely eliminated all its sales to Sanctioned Countries before the Listing. The Risk Management Committee has reviewed the sales of the Group to Sanctioned Countries for the year ended 31 December 2014 and the relevant legal opinions from the Company's PRC legal adviser and legal adviser as to international sanctions laws to monitor the Group's exposure to risks of sanctions violations.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditors' Report on page 52 of this annual report.

INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control system to safeguard Shareholders' investments and the Company's assets and reviewing the effectiveness of such system on an annual basis.

The Group's internal control team (the "**Internal Control Team**") plays an important role in monitoring the internal governance of the Company. The major duties of the Internal Control Team are regulating and reviewing the internal control and compliance related matters of the Company and conducting comprehensive audits of all branches and subsidiaries of the Company on a regular basis. The Internal Control Team reports to the Board on a regular basis. The Internal Control Team directly reports to the Board and the Audit Committee when material internal control deficiency is identified.

The Board and the Audit Committee have received an internal control report prepared by Internal Control Team and considered the internal control system of the Group remains effective and no material issue is required to be brought to the Board's attention.

AUDITOR'S REMUNERATION

For the audit of the Group's consolidated financial statements for the year ended 31 December 2015, the total remuneration paid or payable to the Company's auditor, PricewaterhouseCoopers, for audit and audit related services amounted to RMB2 million.

JOINT COMPANY SECRETARIES

Ms. Hu Heng ("**Ms. Hu**"), one of our joint company secretaries, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, and the applicable laws, rules and regulations are followed. In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Ms. Ng Sau Mei ("**Ms. Ng**"), senior manager of KCS Hong Kong Limited (a company secretarial service provider), as another joint company secretary of the Company to assist Ms. Hu to discharge her duties as company secretary of the Company. Ms. Hu is Ms. Ng's primary corporate contact person of the Company.

During the year ended 31 December 2015, Ms. Hu and Ms. Ng undertook no less than 15 hours of professional training to update their skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH THE SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of its information, which will enable the Shareholders and investors to make the informed investment decisions.

The annual general meeting of the Company provides opportunity for the Shareholders to communicate directly with the Directors. The Chairman of the Company and chairmen of the Board Committees will attend the annual general meeting to answer the Shareholders' questions. The external auditor of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and contents of the auditors' report, accounting policies and auditor independence.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website at http://www.bbi-lifesciences.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, a separate resolution is proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

CONVENING OF EXTRAORDINARY GENERAL MEETINGS AND PUTTING FORWARD PROPOSALS

In accordance with the Articles, any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any matter specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to the joint company secretary of the Company at her email address: huheng@sangon.com.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There was no change in the memorandum and articles of association of the Company during the year ended 31 December 2015.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

To the shareholders of BBI Life Sciences Corporation
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of BBI Life Sciences Corporation (the "Company") and its subsidiaries set out on pages 54 to 115, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2016

CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2015

		As at 31 December	
		2015	2014
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**155,924**	116,540
Land use rights	*7*	**30,178**	30,849
Intangible assets	*8*	**8,265**	2,863
Deferred income tax assets	*18*	**3,402**	2,491
Other non-current assets	*12*	**7,342**	14,063
		205,111	166,806
Current assets			
Inventories	*10*	**49,205**	43,469
Trade and bills receivables	*11*	**59,931**	54,333
Prepayments, deposits and other receivables	*12*	**19,930**	138,469
Cash and cash equivalents	*13*	**349,892**	195,821
		478,958	432,092
Total assets		**684,069**	598,898
EQUITY			
Share capital	*14*	**4,239**	4,142
Share premium	*14*	**456,013**	445,429
Other reserves	*16*	**(58,525)**	(74,964)
Retained earnings	*15*	**158,841**	119,504
		560,568	494,111
Non-controlling interests		**22**	39
Total equity		**560,590**	494,150

The notes on page 59 to 115 are an integral part of these consolidated financial statements.

Director: *Director:*

CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2015

		As at 31 December	
		2015	2014
	Note	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*18*	**4,694**	4,217
Deferred income	*19*	**1,201**	1,361
		5,895	5,578
Current liabilities			
Trade payables	*20*	**7,253**	5,908
Accruals and other payables	*21*	**105,428**	92,887
Current income tax liabilities		**4,386**	–
Current portion of deferred income	*19*	**517**	375
		117,584	99,170
Total liabilities		**123,479**	104,748
Total equity and liabilities		**684,069**	598,898

The notes on page 59 to 115 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 29 March 2016, and were signed on its behalf.

Director: *Director:*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

		Year ended 31 December	
		2015	2014
	Note	**RMB'000**	RMB'000
Revenue	*5*	**282,390**	253,193
Cost of sales	*24*	**(131,312)**	(122,830)
Gross profit		**151,078**	130,363
Selling and distribution expenses	*24*	**(49,819)**	(46,201)
General and administrative expenses	*24*	**(46,151)**	(66,583)
Other income – net	*22*	**486**	828
Other losses – net	*23*	**(3,515)**	(726)
Operating profit		**52,079**	17,681
Finance income		**6,027**	3,158
Finance costs		**(551)**	(1,686)
Finance income – net	*26*	**5,476**	1,472
Share of profit of an associate		**–**	1,734
Gain on disposal of an associate		**–**	26,386
Profit before income tax		**57,555**	47,273
Income tax expense	*27*	**(7,207)**	(11,295)
Profit for the year		**50,348**	35,978
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		**6,465**	(628)
Total comprehensive income for the year		**56,813**	35,350
Total profit attributable to:			
Equity holders of the Company		**50,344**	33,290
Non-controlling interests		**4**	2,688
		50,348	35,978
Total comprehensive income attributable to:			
Equity holders of the Company		**56,809**	32,670
Non-controlling interests		**4**	2,680
		56,813	35,350
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– Basic	*28(a)*	**0.095**	0.084
– Diluted	*28(a)*	**0.093**	0.084

The notes on page 59 to 115 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity holders of the Company						
	Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total Equity**
	RMB'000 *(Note 14)*	RMB'000 *(Note 14)*	RMB'000 *(Note 16)*	RMB'000 *(Note 15)*	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	89,631	191,363	(82,416)	90,254	288,832	12,921	301,753
Comprehensive income							
Profit for the year	–	–	–	33,290	33,290	2,688	35,978
Currency translation differences	–	–	(620)	–	(620)	(8)	(628)
Total comprehensive income	–	–	(620)	33,290	32,670	2,680	35,350
Transactions with owners							
Share-based payment	–	–	10,508	–	10,508	341	10,849
Acquisition of non-controlling interests	–	–	(6,476)	–	(6,476)	(14,187)	(20,663)
Issue of new shares *(Note 14)*	345	89,286	–	–	89,631	–	89,631
Repurchase of old shares *(Note 14)*	(89,631)	–	–	–	(89,631)	–	(89,631)
Dividends declared by the subsidiary of the Group	–	–	–	–	–	(1,716)	(1,716)
Appropriation to statutory reserve	–	–	4,040	(4,040)	–	–	–
Capitalisation issue *(Note 14)*	2,762	(2,762)	–	–	–	–	–
Issue of new shares upon Global Offering *(Note 14)*	1,035	167,542	–	–	168,577	–	168,577
Total transactions with owners	(85,489)	254,066	8,072	(4,040)	172,609	(15,562)	157,047
Balance at 31 December 2014	4,142	445,429	(74,964)	119,504	494,111	39	494,150
Balance at 1 January 2015	**4,142**	**445,429**	**(74,964)**	**119,504**	**494,111**	**39**	**494,150**
Comprehensive income							
Profit for the year	**–**	**–**	**–**	**50,344**	**50,344**	**4**	**50,348**
Currency translation differences	**–**	**–**	**6,465**	**–**	**6,465**	**–**	**6,465**
Total comprehensive income	**–**	**–**	**6,465**	**50,344**	**56,809**	**4**	**56,813**
Transactions with owners							
Share-based payment	**–**	**–**	**2,257**	**–**	**2,257**	**–**	**2,257**
Issue of new shares *(Note 14)*	**97**	**10,584**	**–**	**–**	**10,681**	**–**	**10,681**
Dividends	**–**	**–**	**–**	**(3,311)**	**(3,311)**	**–**	**(3,311)**
Appropriation to statutory reserve	**–**	**–**	**7,696**	**(7,696)**	**–**	**–**	**–**
Capital injection by the equity holder of a subsidiary	**–**	**–**	**21**	**–**	**21**	**(21)**	**–**
Total transactions with owners	**97**	**10,584**	**9,974**	**(11,007)**	**9,648**	**(21)**	**9,627**
Balance at 31 December 2015	**4,239**	**456,013**	**(58,525)**	**158,841**	**560,568**	**22**	**560,590**

The notes on page 59 to 115 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

		Year ended 31 December	
		2015	2014
	Note	**RMB'000**	RMB'000
Cash flows from operating activities			
Cash generated from operations	*30*	**90,352**	59,832
Income tax paid		**(2,892)**	(9,477)
Net cash generated from operating activities		**87,460**	50,355
Cash flows from investing activities			
Acquisition of a subsidiary	*32*	**(3,831)**	–
Purchase of property, plant and equipment		**(56,352)**	(16,255)
Acquisition of intangible assets		**(1,996)**	(2,712)
Repayments from the Controlling Party		**–**	1,984
Proceeds from disposal of an associate		**9,441**	19,067
Interest received from available-for-sale financial assets		**2,930**	1,876
Proceeds from disposal of property, plant and equipment	*30*	**11**	1,266
Dividends received from an associate		**–**	7,579
Purchases of available-for-sale financial assets		**(340,000)**	(150,000)
Disposal of available-for-sale financial assets		**340,000**	150,000
Net cash (used in)/generated from investing activities		**(49,797)**	12,805
Cash flows from financing activities			
Net proceeds from issue of new shares		**131,883**	47,844
Listing expense paid		**(16,941)**	–
Acquisition of non-controlling interests		**–**	(23,307)
Dividends paid to equity shareholders		**(3,311)**	–
Dividends paid to the non-controlling interest		**–**	(1,716)
Net cash generated from financing activities		**111,631**	22,821
Net increase in cash and cash equivalents		**149,294**	85,981
Cash and cash equivalents at beginning of the year		**195,821**	109,556
Effect of foreign exchange rate changes		**4,777**	284
Cash and cash equivalents at end of the year	*13*	**349,892**	195,821

The notes on page 59 to 115 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION OF THE GROUP

BBI Life Sciences Corporation (the "Company") was incorporated in the Cayman Islands on 10 July 2013 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 address of its registered office was Floor 4, Willow House, Cricket Square, P.O.BOX 2804 Grand Cayman KY1-1112, Cayman Islands. In September 2014, the Company's registered office was changed to Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the " Stock Exchange") since 30 December 2014.

The Company, an investment holding company, and its subsidiaries (the "Group") are principally engaged in the development, manufacture and sale of various life science products used in scientific research, and the provision of life science related services. The products and services include mainly DNA synthesis products, genetic engineering services, life science research consumables and protein and antibody related products and services.

These consolidated financial statements are presented in Renminbi (RMB), unless otherwise stated, and were approved for issue by the Board of Directors on 29 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures

(a) ***New and amended standards adopted by the Group***

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning 1 January 2015.

Amendments from annual improvements to HKFRSs – 2010 – 2012 Cycle, on HKFRS 3, 'Business combinations', HKFRS 8, 'Operating segments', HKAS 24, 'Related party disclosures'.

Amendments from annual improvements to HKFRSs – 2011 – 2013 Cycle, on HKFRS 13, 'Fair value measurement'.

Amendments and interpretations as mentioned above are not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

(b) ***New Hong Kong Companies Ordinance (Cap. 622)***

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) Standards, amendments and interpretations to existing standards effective in 2015 but not relevant to the Group.

		Effective for annual periods beginning on or after
Amendment to HKAS 19	Defined benefits	1 July 2014
HKAS 16	Property, plant and equipment	1 July 2014
HKAS 38	Intangible assets	1 July 2014
HKAS 40	Investment property	1 July 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(d) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Disclosure initiative	1 January 2016
Amendments to HKFRS 10	Consolidated financial statements	1 January 2016
Amendment to HKFRS 11	Joint arrangements	1 January 2016
Amendments to HKFRS 12	Disclosure of interests in other entities	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to HKAS 16	Property, plant and equipment	1 January 2016
Amendment to HKAS 27	Consolidated and separate financial statements	1 January 2016
Amendments to HKAS 28	Investment in associates	1 January 2016
Amendments to HKAS 38	Intangible assets	1 January 2016
Amendments to HKAS 41	Agriculture	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019 or when apply HKFRS 15

Apart from the above, the Hong Kong Institute of Certified Public Accountants has issued the annual improvements project which addresses several issues in the 2012-2014 reporting cycle, and includes changes to the following standards. The Group has not applied the following revised HKFRSs published in the annual improvements project.

		Effective for annual periods beginning on or after
HKFRS 5	Non-current assets held for sale and discontinued operations	1 January 2016
HKFRS 7	Financial instruments: Disclosures	1 January 2016
HKAS 19	Employee benefits	1 January 2016
HKAS 34	Interim financial reporting	1 January 2016

The Group intends to adopt these amendments, standards or interpretations no later than the respective effective dates. The Group is assessing the full impact of the above new standards, new interpretations and amendments to standards and interpretations, and doesn't expect any significant impact on the consolidated financial statements upon adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations under common control

Business combinations under common control refers to combinations where the combining entities are controlled by the same party or parties before and after the combination and that control is not transitory.

The acquirer measures both the consideration paid and net assets obtained at their carrying amounts. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid is recorded in other reserve. Any direct transaction cost attributable to the business combination is recorded in the consolidated statement of comprehensive income in the current period. However, the handling fees, commissions and other expenses incurred for the issuance of equity instruments or bonds for the business combination are recorded in the initial measurement of the equity instruments and bonds respectively.

(b) Business combinations not under common control

The Group uses the acquisition method of accounting to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(b) ***Business combinations not under common control*** *(continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associated companies

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Associated companies *(continued)*

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI are reclassified to profit or loss where appropriate.

The Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated statements of comprehensive income, and its share of post-acquisition movements in OCI is recognised in OCI. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'Share of profit of an associate' in the consolidated statements of comprehensive income.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associate are recognised in the statement of comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within "finance income or cost". All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "other gains/(losses) – net".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates the transactions); and

(iii) all resulting exchange differences are recognised in OCI.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to OCI. When a foreign operation is partially disposed of or sold, corresponding exchange differences that are recorded in OCI are recognised in the consolidated statement of comprehensive income as part of the gains or losses on sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment

Construction-in-progress (the "CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalized borrowing costs. No depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Land is stated at cost less accumulated impairment losses, if any. Cost represents consideration paid for the purchase of the land. Freehold land is not subject to depreciation.

Other property, plant and equipment are stated at historical cost less depreciation and impairment (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Buildings	20 years
Machinery and equipment	10 years
Office equipments	3-5 years
Other equipments	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses) – net" in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Land use rights

All land in the People's Republic of China (the "PRC") is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights, which are amortised over the lease periods of 50 years using the straight-line method. The land use rights are stated at historical cost less accumulated amortisation and impairment.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring to use the specific software. The costs are amortised over their estimated useful lives of 5 to 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets *(continued)*

(c) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of 9.5 years.

(d) Brand name

Brand name acquired in a business combination is recognised at fair value at the acquisition date. The brand name has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the brand name of 4.5 years.

(e) Patent

Separately acquired patent is shown at historical cost. Patent has finite useful lives and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patent over their estimated useful lives of 5 years.

(f) Development costs

Development costs that are directly attributable to the design and testing of identifiable assets controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible assets so that it will be available for use;
- Management intends to complete the intangible assets and use or sell it;
- There is an ability to use or sell the intangible assets;
- It can be demonstrated how the intangible assets will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible assets are available; and
- The expenditure attributable to the intangible assets during its development can be reliably measured.

Development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs recognised as assets are amortised over their estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and bills receivables", "deposits and other receivables", "cash and cash equivalents" and "other non-current assets" in the balance sheet.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

(b) Recognition and measurement *(continued)*

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as other gains/(losses) – net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(d) Impairment

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

(d) Impairment *(continued)*

***Assets carried at amortised cost** (continued)*

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services provided in the ordinary course of business. If collection of trade and other receivables is expected within one year, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries or areas where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax *(continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

In accordance with the rules and regulations in the PRC, the Group has arranged for its PRC employees to join defined contribution plans, including pension, medical, housing and other welfare benefits, organised by the PRC government. According to the relevant regulations, the monthly contributions that should be borne by the PRC subsidiaries of the Company are calculated based on percentages of the total salary of employees, subject to a certain ceiling. The assets of these plans are held separately from those of the Group in independent funds managed by the PRC government.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Employee benefits *(continued)*

The non-PRC employees are covered by other defined contribution pension plans sponsored by respective local governments.

The Group has no further payment obligations once the above contributions have been paid. The Group's contributions to these plans are charged to the consolidated statement of comprehensive income as incurred.

2.20 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plans, under which the entity receives services from directors and employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and an employee remaining on service of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement foremployees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity on the Company's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Share-based payments *(continued)*

(b) Share-based payments – modification

If the terms of an equity-settled share-based payment transaction are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Revenue from the sales of goods is recognised when the risk and reward of the goods has been transferred to the customer, which is usually at the date when a group entity has delivered products to the customer and the customer has accepted the products, the collectability of the related receivables is reasonably assumed and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(ii) Service income is recognised when the services have been rendered and it is probable that the economic benefits will flow to the Group and the relevant fees can be measured reliably.

(iii) Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Interest Income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.25 Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.26 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain trade and bills receivables, cash and cash equivalents and trade payables denominated in HK$, CAD, USD and GBP, which is exposed to foreign currency translation risk. Details of the Group's trade and bills receivables, cash and cash equivalents, trade payables are disclosed in Notes 11, 13 and 20 respectively.

Most foreign exchange transactions were denominated in USD. As at 31 December 2015, if RMB had strengthened/weakened by 10% against the USD with all other variables held constant, net profit for the year would have been RMB2,043,000 lower/higher (2014: RMB591,000 lower/higher).

(ii) Cash flow and fair value interest rate risk

Except for cash and cash equivalents, the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of cash and cash equivalent are not expected to change significantly.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, trade and bills receivables, deposits and other receivables as well as credit exposures to customers, including outstanding receivables and committed transactions. Certain Group's sales are settled in cash by its customers on delivery of goods. Credit sales are made only to selected customers with good credit history. The Group has policies in place to ensure that trade receivables are followed up on a timely basis.

As at 31 December 2014 and 2015, the Group has no significant concentration risk. The carrying amounts of cash and cash equivalent, trade and bills receivables, and deposits and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2014 and 2015, all cash and cash equivalents were placed in highly reputable and sizable banks and financial institutions without significant credit risk. The table below shows bank deposits and cash at bank balances by counterparties:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
The Group		
Counterparties		
– Big 4 PRC banks*	**174,921**	123,945
– Other PRC commercial banks	**74,304**	4,906
– Non-PRC banks	**100,646**	66,943
	349,871	195,794

* Big 4 PRC banks comprise Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Cash flow is managed at group level by head office finance department ("Group Finance"). Group Finance monitors the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs at all times.

Group Finance mainly invests surplus cash in time deposits and available-for-sale financial assets with appropriate maturities.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RMB'000	**1-2 years** RMB'000	**2-5 years** RMB'000	**Total** RMB'000
As at 31 December 2015				
Trade payables	**7,253**	**–**	**–**	**7,253**
Other payables	**6,971**	**–**	**–**	**6,971**
	14,224	**–**	**–**	**14,224**
As at 31 December 2014				
Trade payables	5,908	–	–	5,908
Other payables	17,966	–	–	17,966
	23,874	–	–	23,874

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's abilities to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders or sell assets to reduce debt.

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Total bank borrowings	**–**	–
Less: Cash and cash equivalents (Note 13)	**(349,892)**	(195,821)
Net cash	**(349,892)**	(195,821)

Gearing ratio is not applicable since the Group has no bank borrowings as at 31 December 2015 and 2014.

3.3 Fair value estimation

There are no assets or liabilities that are measured at fair value as at 31 December 2015. The carrying value of cash and cash equivalents, trade and bills receivables less impairment, other receivables, and trade and other payables are assumed to approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as disclosed in Note 8. When the results of key assumption is different from original estimates, such difference will impact carrying value of goodwill and impairment would be recognized in the consolidated statement of comprehensive income in the period in which such estimates have been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(ii) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Estimated write-downs of inventories

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying values of inventories and write-downs of inventories in the period in which such estimate has been changed.

(iv) Impairment of trade and other receivables

The Group's management estimates the provision of impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivable and impairment charge in the period in which such estimate has been changed.

(v) Current tax and deferred tax

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the period in which such determination is made.

Deferred income tax assets and liabilities are determined using tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The management of the Group will revise the expectation where the actual tax rate is different from the original expectation.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on the internal reports provided for review by the Executive Directors. The Executive Directors consider the performance of the Group from a product perspective. The Executive Directors assess the performance of the operating segments based on a measure of gross profit for the year which is consistent with that in the consolidated financial statements.

The Group's operations are mainly organised under the following business segments: DNA synthesis products, genetic engineering services, life science research consumables and protein and antibody related products and services.

The amounts provided to Executive Directors with respect to total assets, total liabilities and capital expenditure are measured in a manner consistent with that of consolidated financial statements. Executive Directors review the total assets, total liabilities and capital expenditure at Group level, therefore no segment information of total assets, total liabilities and capital expenditure information was presented.

(a) Revenue

The Group's revenue which represents turnover for the year ended 31 December 2014 and year ended 31 December 2015 is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
DNA synthesis products	**114,258**	100,812
Genetic engineering services	**55,079**	49,069
Life science research consumables	**83,168**	77,453
Protein and antibody related products and services	**29,885**	25,859
Total	**282,390**	253,193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5 SEGMENT INFORMATION *(continued)*

(b) Segment information

The segment information for the year ended 31 December 2015 is as follows:

	DNA synthesis products RMB'000	Genetic engineering services RMB'000	Life science research consumables RMB'000	Protein and antibody related products and services RMB'000	Total RMB'000
Segment sales	**114,258**	**55,079**	**83,168**	**29,885**	**282,390**
Segment cost of sales	**(45,344)**	**(27,024)**	**(40,152)**	**(18,792)**	**(131,312)**
Segment gross profit	**68,914**	**28,055**	**43,016**	**11,093**	**151,078**

The segment information for the year ended 31 December 2014 is as follows:

	DNA synthesis products RMB'000	Genetic engineering services RMB'000	Life science research consumables RMB'000	Protein and antibody related products and services RMB'000	Total RMB'000
Segment sales	100,812	49,069	77,453	25,859	253,193
Segment cost of sales	(40,396)	(23,630)	(41,856)	(16,948)	(122,830)
Segment gross profit	60,416	25,439	35,597	8,911	130,363

5 SEGMENT INFORMATION *(continued)*

(c) Entity-Wide information

Analysis of the Group's sales to external customers in different countries is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
PRC	**220,709**	192,259
Overseas countries	**61,681**	60,934
	282,390	253,193

The total of non-current assets other than deferred income tax assets located indifferent countries is as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Total non-current assets other than deferred income tax assets		
– PRC	**183,033**	147,610
– Overseas countries	**18,676**	16,705
Deferred income tax assets	**3,402**	2,491
	205,111	166,806

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6 PROPERTY, PLANT AND EQUIPMENT

	Land RMB'000	Buildings RMB'000	Machinery and equipment RMB'000	Office equipment RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2014							
Cost	7,603	60,859	70,054	4,726	6,855	1,285	151,382
Accumulated depreciation	–	(13,117)	(17,904)	(2,636)	(3,036)	–	(36,693)
Net book amount	7,603	47,742	52,150	2,090	3,819	1,285	114,689
Year ended 31 December 2014							
Opening net book amount	7,603	47,742	52,150	2,090	3,819	1,285	114,689
Additions	–	20	1,928	371	612	13,550	16,481
Transfers	–	–	6,653	206	1,055	(7,914)	–
Disposals *(Note 30)*	–	–	(1,266)	(42)	(97)	–	(1,405)
Depreciation *(Note 30)*	–	(2,629)	(7,041)	(745)	(1,484)	–	(11,899)
Exchange difference	(597)	(720)	(3)	(1)	(5)	–	(1,326)
Closing net book amount	7,006	44,413	52,421	1,879	3,900	6,921	116,540
At 31 December 2014							
Cost	7,006	60,144	77,105	5,087	8,015	6,921	164,278
Accumulated depreciation	–	(15,731)	(24,684)	(3,208)	(4,115)	–	(47,738)
Net book amount	7,006	44,413	52,421	1,879	3,900	6,921	116,540
Year ended 31 December 2015							
Opening net book amount	**7,006**	**44,413**	**52,421**	**1,879**	**3,900**	**6,921**	**116,540**
Additions	**–**	**78**	**13,813**	**1,269**	**2,098**	**39,441**	**56,699**
Transfers	**–**	**–**	**922**	**–**	**337**	**(1,259)**	**–**
Disposals *(Note 30)*	**–**	**(180)**	**(380)**	**(4)**	**(7)**	**–**	**(571)**
Depreciation *(Note 30)*	**–**	**(3,149)**	**(8,927)**	**(985)**	**(1,912)**	**–**	**(14,973)**
Exchange difference	**(631)**	**(1,124)**	**(4)**	**(1)**	**(11)**	**–**	**(1,771)**
Closing net book amount	**6,375**	**40,038**	**57,845**	**2,158**	**4,405**	**45,103**	**155,924**
At 31 December 2015							
Cost	**6,375**	**58,434**	**90,694**	**6,403**	**10,339**	**45,103**	**217,348**
Accumulated depreciation	**–**	**(18,396)**	**(32,849)**	**(4,245)**	**(5,934)**	**–**	**(61,424)**
Net book amount	**6,375**	**40,038**	**57,845**	**2,158**	**4,405**	**45,103**	**155,924**

6 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Depreciation expense has been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cost of sales	**11,120**	8,765
Administrative expenses	**3,051**	2,477
Selling and distribution costs	**802**	657
	14,973	11,899

7 LAND USE RIGHTS

Land use rights represent the net book amount of prepaid operating lease payments. All the land use rights of the Group are located in the PRC and are held on leases of 50 years.

Movements in land use rights are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Opening	**30,849**	31,520
Amortisation *(Note 30)*	**(671)**	(671)
	30,178	30,849

(a) Amortisation expense has been charged to "general and administrative expenses" in the consolidated statement of comprehensive income.

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
General and administrative expenses	**671**	**671**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

8 INTANGIBLE ASSETS

	Patent RMB'000	Goodwill RMB'000	Computer software RMB'000	Brand name RMB'000	Contractual customer relationships RMB'000	Total RMB'000
At 1 January 2014						
Cost	406	–	793	–	–	1,199
Accumulated amortisation	(51)	–	(507)	–	–	(558)
Net book amount	355	–	286	–	–	641
Year ended 31 December 2014						
Opening net book amount	355	–	286	–	–	641
Additions	–	–	2,712	–	–	2,712
Amortisation *(Note 30)*	(330)	–	(160)	–	–	(490)
Closing net book amount	25	–	2,838	–	–	2,863
At 31 December 2014						
Cost	406	–	3,505	–	–	3,911
Accumulated amortisation	(381)	–	(667)	–	–	(1,048)
Net book amount	25	–	2,838	–	–	2,863
Year ended 31 December 2015						
Opening net book amount	**25**	**–**	**2,838**	**–**	**–**	**2,863**
Additions	**–**	**–**	**1,996**	**–**	**–**	**1,996**
Acquisition of a subsidiary *(Note 32)*	**–**	**1,627**	**–**	**119**	**2,441**	**4,187**
Amortisation *(Note 30)*	**(25)**	**–**	**(509)**	**(9)**	**(84)**	**(627)**
Exchange difference	**–**	**(61)**	**–**	**(4)**	**(89)**	**(154)**
Closing net book amount	**–**	**1,566**	**4,325**	**106**	**2,268**	**8,265**
At 31 December 2015						
Cost	**406**	**1,566**	**5,501**	**114**	**2,351**	**9,938**
Accumulated amortisation	**(406)**	**–**	**(1,176)**	**(8)**	**(83)**	**(1,673)**
Net book amount	**–**	**1,566**	**4,325**	**106**	**2,268**	**8,265**

8 INTANGIBLE ASSETS *(continued)*

Amortisation expense has been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Selling and distribution expenses	**93**	–
Administrative expenses	**534**	490
	627	490

Impairment tests for goodwill

The principal component of goodwill represents the excess of cost of acquisition of NBS Biologicals Limited ("NBL") over the fair value of the identified net assets acquired. The goodwill impairment assessment is based on recoverable amounts of respective CGUs.

The recoverable amount of investment in NBL is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by NBL management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the life science research consumables business in which the CGU operates.

The key assumptions, long term growth rate and discount rate used in the value-in-use calculations in 2015 are as follows:

	Life science research consumables
Sales amount (% average annual growth rate)	6.00%
Gross margin (% of revenue)	49.60%
Long term growth rate	2.00%
Pre-tax discount rate	13.00%

Sales amount is the average annual growth rate over the five-year forecast period. It is based on past performance, management's expectations of market development and the integration of BBI overseas life science research consumables segment.

Gross margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the current sales margin levels and sales mix, with adjustments made to reflect the expected future changes to the business integration.

The long term growth rates used are consistent with the forecasts included in industry reports.

The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

A fall in expected annual sales growth rate, gross margin, long term growth rate, or a rise in discount rate would remove the impairment test remaining headroom.

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9 INVESTMENT IN AN ASSOCIATE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At 1 January	**–**	20,425
Disposal	**–**	(14,580)
Dividend declared	**–**	(7,579)
Share of profit	**–**	1,734
At 31 December	**–**	–

In April 2014, the Group disposed its equity interest in Shanghai PrimeGene Bio-Tech Co., Ltd. ("PrimeGene") to a third party company, with the consideration of USD7,114,000 and recorded a disposal gain of RMB26,386,000.

10 INVENTORIES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Raw materials	**30,479**	30,171
Work in progress	**1,993**	1,201
Finished goods	**21,639**	16,431
	54,111	47,803
Less: inventory provision	**(4,906)**	(4,334)
	49,205	43,469

Inventory provision of RMB572,000 were recognised for the year ended 31 December 2015 (2014: RMB18,000). Inventory provision has been included in "cost of sales" in the consolidated statement of comprehensive income.

The cost of inventory amounting to approximately RMB130,740,000 for the years ended 31 December 2015 (2014: RMB122,812,000) has been recognised as cost of sales.

11 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade and bills receivables	**65,569**	56,997
Less: provision for impairment of trade receivables	**(5,638)**	(2,664)
Trade and bills receivables – Net	**59,931**	54,333

The carrying amounts of the trade and bills receivables are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**55,124**	50,091
CAD	**1,058**	707
GBP	**800**	–
USD	**8,587**	6,199
	65,569	56,997

The maximum exposure to credit risk at the reporting date is the carrying value of trade and bills receivables, net of the impairment provision. The Group does not hold any collateral as security as at the balance sheet date.

The majority of the Group's sales are on credit with credit terms ranging from 1 month to 6 months. Trade receivables are non-interest bearing.

As at 31 December 2015 and 2014, the ageing analysis of the trade and bills receivables based on invoice date was as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 3 months	**38,983**	38,331
3 to 6 months	**10,976**	9,477
6 to 12 months	**9,145**	7,029
Over 12 months	**6,465**	2,160
	65,569	56,997

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11 TRADE AND BILLS RECEIVABLES *(continued)*

As at 31 December 2015 and 2014, trade receivables of RMB10,762,000 and RMB19,058,000, respectively, were past due but not impaired. These relate to a number of independent customers for whom there were no recent history of default.

As at 31 December 2015 and 2014, trade receivables of RMB7,537,000 and RMB4,137,000 were impaired and provided for. The amount of the provision was RMB5,638,000 and RMB2,664,000 respectively. The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations and are therefore provided for. The ageing analysis of these receivables was as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
6 to 12 months	**1,072**	1,977
Over 12 months	**6,465**	2,160
	7,537	4,137

Movements on the Group's provision for impairment of trade and bills receivables are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At 1 January	**2,664**	3,655
Provision/(reversal of provision) for impairment	**2,974**	(991)
At 31 December	**5,638**	2,664

The provision for impaired receivables has been included in general and administrative expenses. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Non-current:		
Receivables for disposal of an associate *(Note 1)*	**7,030**	13,685
Others	**312**	378
	7,342	14,063
Current:		
Prepayments for purchases of raw materials	**2,566**	2,979
Receivables for disposal of an associate *(Note 1)*	**7,463**	9,441
Prepaid value-added tax, current income tax and other taxes	**5,646**	3,389
Receivable for IPO proceeds *(Note 2)*	**–**	120,733
Others	**4,255**	1,927
	19,930	138,469

The carrying amount and fair value of non-current other receivables as at the balance sheet date are set out as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Carrying amount	**7,342**	14,063
Fair value	**7,342**	14,063

The fair values of non-current other receivables are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date and are within level 2 of the fair value hierarchy.

Note 1: In April 2014, the Group disposed its equity interest in Prime Gene, an associate of the Group, to a third party company. According to the payment terms stipulated in the sales and purchase agreement, the buyer committed to pay RMB9,441,000 within 1 year from the transaction date, and pay RMB7,627,000 at each of the second and third anniversary of the sales transaction date. The Group has received RMB9,441,000 for the year ended 31 December 2015.

As at 31 December 2015, receivables for disposal of an associate amounted to RMB14,493,000 were guaranteed by an affiliate of the acquiring company.

Note 2: All these net IPO proceeds remained at underwriter's bank account as at 31 December 2014 were fully wired to the Company's bank account on 9 January 2015.

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13 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cash at bank and on hand	**306,130**	195,821
Short-term time deposits	**43,762**	–
Cash and cash equivalents	**349,892**	195,821

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**237,736**	123,654
HK$	**65,255**	52,685
GBP	**679**	–
USD	**41,074**	14,258
CAD	**5,148**	5,224
	349,892	195,821

RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks to conduct foreign exchange transactions.

14 SHARE CAPITAL AND SHARE PREMIUM

	Note	**Number of issued and fully paid shares**	**Nominal value of ordinary shares** NT$	**Nominal value of ordinary shares** HK$
Authorised:				
At 31 December 2013		100,000,000	1,000,000,000	–
Increase	*(i)*	43,497,100	–	434,971
Cancellation	*(i)*	(100,000,000)	(1,000,000,000)	–
Increase	*(ii)*	1,956,502,900	–	19,565,029
At 31 December 2014		2,000,000,000	–	20,000,000
At 31 December 2015		2,000,000,000	–	20,000,000

14 SHARE CAPITAL AND SHARE PREMIUM *(continued)*

	Note	Number of issued and fully paid shares	Nominal value of ordinary shares NT$	Nominal value of ordinary shares HK$	Equivalent nominal value of ordinary shares RMB'000	Share Premium RMB'000
Issued:						
At 1 January 2014		43,497,100	434,971,000	–	89,631	191,363
Issue	*(i)*	43,497,100	–	434,971	345	89,286
Repurchase and cancelled	*(ii)*	(43,497,100)	(434,971,000)	–	(89,631)	–
Capitalisation issue	*(iii)*	350,000,000	–	3,500,000	2,762	(2,762)
Issue upon Global Offering	*(iv)*	131,166,000	–	1,311,660	1,035	167,542
Balance at 31 December 2014		524,663,100	–	5,246,631	4,142	445,429
Transaction with owners for the year ended 31 December 2015						
Share-based payment– exercise of share option	*17*	**12,211,380**	**–**	**122,114**	**97**	**10,584**
At 31 December 2015		**536,874,480**	**–**	**5,368,745**	**4,239**	**456,013**

(i) As approved by the Board meeting on 26 September 2014, the authorised share capital of the Company was increased by HK$434,971 divided into 43,497,100 new ordinary shares with a par value of HK$0.01 each. Following the increase of the authorised share capital, the Company issued an aggregate of 43,497,100 new shares to the existing shareholders of the Company at a subscription price of HK$0.01 per share. Together with the issuance of the new shares, the Company repurchased from the existing shareholders of the Company an aggregate of 43,497,100 existing shares of NT$10 each in issue at the same time. The 43,497,100 new shares issued at a subscription price of HK$0.01 each constituted the consideration for the repurchase of the 43,497,100 existing shares of NT$10 each.

All the 43,497,100 existing shares repurchased were cancelled. And following the repurchase, the authorised but unissued share capital with par value of NT$10 each of the Company was cancelled. Following the cancellation, the authorised share capital of the Company became HK$434,971 divided into 43,497,100 ordinary shares of HK$0.01 each, all of which have been issued and allotted.

The difference of the total nominal value between the repurchased shares and the newly issued shares with the amount of 89,286,000 was credited as share premium of the Company.

(ii) Pursuant to the written resolution passed by the Company's Board of Directors and shareholders on 8 December 2014, the authorised share capital of the Company increased from HK$434,971 divided into 43,497,100 shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 each.

(iii) On 30 December 2014, pursuant to the written resolution passed by the Company's Board of Directors and shareholders on 8 December 2014, the sum of HK$3,500,000 was capitalized from share premium account of the Company and applied in paying up in full at par of 350,000,000 shares for allotment and issue to the shareholders whose names were on the register of members of the Company at the close of business on 29 December 2014 in proportion to their respective shareholdings.

(iv) On 30 December 2014, the Company issued 131,166,000 shares at HK$1.75 per share in connection with its global offering and raised gross proceeds of approximately HK$229,540,500 (equivalent to approximately RMB181,153,000). A net proceeds of approximately HK$213,686,000 (equivalent to approximately RMB168,577,000) after deducting the capitalized listing expense was credited to share capital and share premium. The Company's shares were listed on the Main Board of the Stock Exchange on the same day.

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For the year ended 31 December 2015

15 RETAINED EARNINGS

	Year ended 31 December 2015 RMB'000	2014 RMB'000
At 1 January	**119,504**	90,254
Profit for the year	**50,344**	33,290
Dividends	**(3,311)**	–
Appropriation to statutory reserve	**(7,696)**	(4,040)
At 31 December	**158,841**	119,504

16 OTHER RESERVES

	Capital reserve (i) RMB'000	Statutory reserve (ii) RMB'000	Share-based payment reserve RMB'000	Currency translation reserve RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	(91,004)	4,241	1,401	2,946	–	(82,416)
Currency translation differences	–	–	–	(620)	–	(620)
Share-based payment-value of employee service *(Note17)*	–	–	10,508	–	–	10,508
Appropriation to statutory reserve	–	4,040	–	–	–	4,040
Acquisition of non-controlling interests *(iii)*	–	–	–	–	(6,476)	(6,476)
At 31 December 2014	(91,004)	8,281	11,909	2,326	(6,476)	(74,964)
Currency translation differences	–	–	–	6,465	–	6,465
Share-based payment-value of employee service *(Note17)*	–	–	2,257	–	–	2,257
Appropriation to statutory reserve	–	7,696	–	–	–	7,696
Capital injection by the equity holder of a subsidy	–	–	–	–	21	21
At 31 December 2015	**(91,004)**	**15,977**	**14,166**	**8,791**	**(6,455)**	**(58,525)**

(i) Capital reserve represents the difference between the share capital and premium issued by the Company for acquisition of the subsidiaries pursuant to the reorganisation and the aggregate capital of the subsidiaries being acquired at the time of the group reorganisation prior to its IPO.

(ii) In accordance with the PRC regulations and the articles of association of the companies of the Group, before distributing the net profit of each year, companies of the Group registered in the PRC are required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory reserve. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional.

(iii) As approved by the Board meeting of BBI China on 3 September 2014, BBI China acquired 4.7084% shares in Sangon Biotech with the consideration of RMB23,306,580 from Shanghai Shengji Investment Company Limited, a minority shareholder of Sangon Biotech and owned by 28 employees of the Group. After completion of the acquisition, the Company had indirect interest in Sangon Biotech with shareholding percentage of 99.99%.

The excess of consideration paid by BBI China against the fair value of 4.7084% shares of Sangon Biotech of RMB2,643,550 was regarded as a vested equity settled share base payment to those employees who were the owners of Shanghai Shengji Investment Company Limited, and was fully recorded as employee expenses in the consolidated statement of comprehensive income for the year ended 31 December 2014.

17 SHARE-BASED PAYMENT

On 17 January 2014, the board meeting of BBI International limited approved the grant of 3,269,000 share options to the executive directors and certain employees of the Group at an exercise price of NT$38 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The share options are divided into two sub-plans, which are plan A and plan B with 2,097,000 and 1,172,000 share options granted respectively. For plan A, the options are exercisable upon listing of the Company's shares on the GreTai Securities Market of Taiwan Stock Exchange. For plan B, the options are exercisable during the following periods upon listing of the Company's shares on the GreTai Securities Market of Taiwan Stock Exchange:

(a) up to 20% on or after 17 January 2015;

(b) up to 40% on or after 17 January 2016;

(c) up to 60% on or after 17 January 2017;

(d) up to 80% on or after 17 January 2018;

(e) all the remaining options on or after 17 January 2019;

and no later than 17 January 2019 and 17 January 2020 for share options granted under plan A and plan B respectively.

The fair value of share options granted in 2014 determined by using the binominal model was NT$14.8 per option. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 41.71% to 43.71%, dividend yield of 0.00%, and annual risk-free interest rate of 1.24% to 1.39%. The volatility measured at the standard deviation of the underlying stock over a time period corresponding to the remaining life of the share options.

As approved by the board meeting of BBI International Limited on 4 September 2014, the share option plans above were modified. According to the modified plans, the exercise price of both plan A and plan B was modified to HK$9.8 per share, and 71,000 additional share options, including 38,000 for plan A and 33,000 for plan B, were granted to certain employees. For plan A, the options are exercisable upon listing of the Company's shares on the Main Board of the Stock Exchange. For plan B, the options are exercisable upon listing of the Company's shares on the Main Board of the Stock Exchange during the same periods of the original plan B.

On 4 September 2014, all the directors and employees accepted the modified share options.

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17 SHARE-BASED PAYMENT *(continued)*

The amount of RMB2,474,000 which represented the incremental fair value of the issued share options, as measured at the date of modification, was included in the measurement of the amount recognised for the services received over the remainder of the vesting period.

The fair value of share options as measured at the date of modification was determined by using the binominal model. The significant inputs into the model were share prices at the modification date, the modified exercise price shown above, volatility of 41.79% to 43.86%, dividend yield of 0.00%, and annual risk-free interest rate of 1.16% to 1.33%. The volatility measured at the standard deviation of the underlying stock over a time period corresponding to the remaining life of the share options.

On 30 December 2014, pursuant to the written resolution passed by the Company's Board of Directors and shareholders on 8 December 2014, the sum of HK$3,500,000 was capitalized from share premium account of the Company and applied in paying up in full at par of 350,000,000 shares for allotment and issue to the shareholders whose names were on the register of members of the Company at the close of business on 29 December 2014 in proportion to their respective shareholdings. Accordingly, the number of share options and related exercise price under plan A and plan B were adjusted following such capitalisation issue.

Movement in the number of share options outstanding and their related weighted average exercise prices for the year ended 31 December 2015 was as follows:

	2015		2014	
	Average exercise price in HK$	**Number of options**	Average exercise price in HK$	Number of options
At 1 January	**HK$1.1**	**29,272,227**	NT$38	–
Granted	**HK$1.1**	**–**	NT$38	3,269,000
Forfeited	**HK$1.1**	**(180,504)**	NT$38	(71,000)
Modification	**HK$1.1**	**–**	NT$38->HK$9.8	–
Additional grant	**HK$1.1**	**–**	HK$9.8	71,000
Forfeited	**HK$1.1**	**–**	HK$9.8	(33,255)
Adjustment on capitalization issue	**HK$1.1**	**–**	HK$9.8->HK$1.1	26,036,482
Exercise	**HK$1.1**	**(12,211,380)**	–	–
At 31 December	**HK$1.1**	**16,880,343**	HK$1.1	29,272,227

(a) 180,540 options were forfeited during the year ended 31 December 2015 due to employee resignation.

(b) Options exercised during the year ended 31 December 2015 resulted in 12,211,380 shares being issued (2014:Nil), with exercise proceeds of HK$13,285,000 (equivalent to RMB10,681,000) (2014:Nil).

17 SHARE-BASED PAYMENT *(continued)*

Share options outstanding at 31 December 2015and 31 December 2014 have the following expiry dates and exercise prices:

Expiry date	Exercise price (HK$ per share)	Number of options As at 31 December 2015	2014
17 January 2019	1.1	**7,779,027**	18,970,531
17 January 2020	1.1	**9,101,316**	10,301,696
		16,880,343	29,272,227

18 DEFERRED INCOME TAX

	As at 31 December **2015** RMB'000	2014 RMB'000
Deferred tax assets:		
– Deferred income tax assets to be recovered within 12 months	**3,402**	2,491
Deferred tax liabilities:		
– Deferred income tax liabilities to be settled after 12 months	**(4,694)**	(4,217)

The movements on the deferred income tax assets are as follows:

	Write down of inventories to net realisable value RMB'000	Impairment of trade receivables RMB'000	Unpaid wages RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	532	528	784	–	1,844
Credited/(charged) to the consolidated statement of comprehensive income	85	(133)	258	437	647
At 31 December 2014	617	395	1,042	437	2,491
Credited/(charged) to the consolidated statement of comprehensive income	**514**	**1,005**	**(1,042)**	**434**	**911**
At 31 December 2015	**1,131**	**1,400**	**–**	**871**	**3,402**

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18 DEFERRED INCOME TAX *(continued)*

The movements of the deferred tax liabilities are as follows:

	Withholding tax on unremitted earnings of PRC subsidiaries RMB'000	Fair value gains through business combination RMB'000	Total RMB'000
At 1 January 2014	3,553	–	3,553
Withholding tax paid	(1,559)	–	(1,559)
Charged to the consolidated statement of comprehensive income	2,223	–	2,223
At 31 December 2014	4,217	–	4,217
Charged to the consolidated statement of comprehensive income	–	(18)	(18)
Acquisition of a subsidiary *(Note 32)*	–	512	512
Exchange difference	–	(17)	(17)
At 31 December 2015	4,217	477	4,694

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group did not recognise deferred income tax assets of RMB2,953,000 (31 December 2014: RMB2,307,000) in respect of the tax losses amounting to RMB12,042,000 (as at 31 December 2014: 8,992,000) as at 31 December 2015.

The expiry of related tax losses are analysed as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Expire year		
2017	**1,729**	1,864
2020 and thereafter *(i)*	**10,313**	7,128
	12,042	8,992

(i) The amount includes the tax losses of Bio Basic (Canada),Bio Basic (US) and NBS Biologicals Limited (2014: Bio Basic (US) and Bio Basic (Canada)), the tax loss of Bio Basic (Canada) and Bio Basic (US) would be deductible against future taxable profit within the next 20 years and the tax loss of NBS Biologicals Limited would be carried forward indefinitely.

According to board resolutions, all profits earned by BBI China and all profits earned by Sangon Biotech after 1 January 2015 will be retained in the PRC for future business expansion and management has no intention to remit those earnings in the foreseeable future. Accordingly, deferred income tax liabilities of RMB12,203,000 have not been recognised for the unremitted earnings of those subsidiaries. Such unremitted earnings totalled RMB122,027,000 as at 31 December 2015.

19 DEFERRED INCOME

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Deferred income on government grants		
Current portion	**517**	375
Non-current portion	**1,201**	1,361
	1,718	1,736

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
As at 1 January	**1,736**	1,591
Received during the year	**468**	670
Amortisation	**(486)**	(525)
As at 31 December	**1,718**	1,736

20 TRADE PAYABLES

As at 31 December 2014 and 2015, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 3 months	**6,855**	5,599
3 months to 6 months	**368**	258
6 months to 1 year	**30**	–
Over 1 year	**–**	51
	7,253	5,908

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20 TRADE PAYABLES *(continued)*

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**5,414**	5,291
USD	**1,018**	552
GBP	**804**	–
CAD	**17**	65
	7,253	5,908

Trade payables are non-interest bearing and are generally on terms of 30 to 60 days.

21 ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Payables for purchase of property, plant and equipment	**687**	340
Salary and staff welfare payables	**8,611**	6,947
Payables for value-added tax and other taxes	**1,930**	3,037
Advance from customers	**87,916**	64,937
Payables for listing expenses	**50**	16,991
Payables for professional service fee	**2,283**	–
Other payables	**3,951**	635
	105,428	92,887

22 OTHER INCOME – NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Government grants	**–**	303
Amortisations of deferred income *(Note 19)*	**486**	525
	486	828

23 OTHER LOSSES – NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment – net *(Note 30)*	**(560)**	(139)
Exchange losses – net	**(2,972)**	(584)
Others	**17**	(3)
	(3,515)	(726)

24 EXPENSES BY NATURE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Employee benefit expenses *(Note 25)*	**70,215**	76,282
Raw materials used	**88,750**	78,881
Changes in inventories of finished goods and work in progress	**(6,000)**	(197)
Depreciation and amortisation charges *(Notes 6, 7 & 8)*	**16,271**	13,060
Provision for/(reversal of) impairment of trade and bills receivables *(Note 11)*	**2,974**	(991)
Provision for impairment of inventory *(Note 10)*	**572**	18
Transportation expenses	**9,130**	7,462
Utilities	**3,076**	2,880
Professional service fees	**1,514**	2,194
Research and development expenses	**15,331**	12,700
Taxes and surcharges	**3,268**	1,884
Travel expenses	**2,370**	1,563
Repair expenses	**2,591**	2,558
Operating leases	**1,835**	1,286
Office expenses	**4,028**	3,179
Auditor's remuneration	**2,527**	1,385
Listing expenses	**–**	23,325
Other expenses	**8,830**	8,145
Total cost of sales, selling and distribution costs and administrative expenses	**227,282**	235,614

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25 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Fair value of share-based payment	**2,257**	13,491
Wages and salaries	**55,659**	51,322
Social security costs	**8,308**	7,791
Staff welfare	**3,991**	3,678
	70,215	76,282

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 include no director (2014: nil), whose emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the five highest paid individuals during the year are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Basic salary, housing allowances, other allowances and benefit-in-kind	**1,358**	1,730
Bonuses	**93**	50
Fair value of employee share options granted	**684**	2,592
	2,135	4,372

The emoluments of the non-director highest paid employees fell within the following bands:

	Number of individuals	
	2015	2014
Nil to HK$1,000,000 (equivalent to approximately RMB838,000)	**5**	1
Between HK$1,000,000 and HK$2,000,000 (equivalent to approximately RMB838,000 and RMB1,676,000)	**–**	4
	5	5

For the year ended 31 December 2015, no emoluments (2014: nil) were paid/payable by the Group to the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office.

26 FINANCE INCOME – NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Finance costs		
– Net foreign exchange losses	**–**	(417)
– Other finance costs	**(551)**	(1,269)
	(551)	(1,686)

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Finance income		
– Interest income on available-for-sale financial assets	**2,930**	1,876
– Net foreign exchange gains	**1,420**	–
– Interest income on bank deposits	**869**	743
– Other finance income	**808**	539
	6,027	3,158
Net finance income	**5,476**	1,472

27 INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current income tax	**8,136**	11,278
Deferred income tax *(Note 18)*	**(929)**	17
Income tax expense	**7,207**	11,295

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For the year ended 31 December 2015

27 INCOME TAX EXPENSE *(continued)*

(i) Cayman Islands profits tax

The Company is not subject to any taxation of Cayman Islands income tax.

(ii) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits.

(iii) PRC corporate income tax

The corporate income tax ("CIT") is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

Pursuant to the PRC Corporate Income Tax Law ("the CIT Law"), the CIT is unified at 25% for all type of entities, effective from 1 January 2008. Sangon Biotech had enjoyed a preferential CIT rate of 15% during a 3 years period from 2013 to 2015, as it was certified as High and New Technology Enterprises ("HNTE").

(iv) PRC withholding income tax

Pursuant to the CIT Law, a 10% withholding tax will be levied on the dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007.

(v) Canada profits tax

Canada profits tax has been provided for at the rate of 26.50% on the estimated assessable profits for the year ended 31 December 2015 (2014: 28.00%).

(vi) The United States profits tax

The United States profits tax has been provided for at the rate of 15% on the estimated assessable profits for the year ended 31 December 2015 (2014: 15%).

27 INCOME TAX EXPENSE *(continued)*

(vii) The United Kingdom profits tax

The United Kingdom profits tax has been provided for at the rate of 20% on the estimated assessable profits for the year ended 31 December 2015.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	**57,555**	47,273
Tax calculated at applicable statutory tax rates in respective regions	**14,781**	11,580
Effect of preferential tax rates and tax exemption	**(6,254)**	(5,066)
Expenses not deductible for tax purposes	**385**	2,277
Tax losses for which no deferred income tax asset was recognised	**848**	1,284
Utilisation of previously unrecognized tax losses	**(46)**	(116)
Withholding tax payable on the profits attributable to the investors outside PRC	**–**	2,223
Super-deduction on research and development expenses	**(1,146)**	(887)
Re-measurement of deferred tax – change in the tax rate *(a)*	**(1,361)**	–
Income tax expenses	**7,207**	11,295

(a) The certification of HNTE owned by Sangon Biotech will expire in 2016 and Sangon Biotech plans to renew the HNTE qualification in 2016. Since there is uncertainty of Sangon Biotech being able to successfully renew the HNTE qualification, the management applied the statutory CIT rate of 25% in calculation of the deferred tax as at 31 December 2015.

The weighted average applicable tax rates were 12.6% for the year ended 31 December 2015 (2014: 23.9%). The decrease was caused by no provision of withholding tax made for the portion of unremitted earnings of Sangon Biotech and BBI China that attributed to BBI Asia and BBI International and remeasurement of deferred tax caused by the change in the tax rate in the next year (Note 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average numbers of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has only one category of dilutive potential ordinary shares, which is the share option plan mentioned in Note 19.

For the share option plan, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period when the options are outstanding) based on the monetary value of the subscription rights attached to outstanding options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the options.

	Year ended 31 December	
	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	**50,344**	33,290
Weighted average number of ordinary shares in issue ('000)	**530,647**	394,216
Adjustments for share option plan	**12,227**	49
Weighted average number of ordinary shares for diluted earnings per share ('000)	**542,874**	394,265
Basic earnings per share (RMB per share)	**0.095**	0.084
Diluted earnings per share (RMB per share)	**0.093**	0.084

29 DIVIDENDS

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Proposed final dividend of HK$0.011 (2014: HK$0.008) per ordinary share	**4,946**	**3,311**

The dividends paid in 2015 was HK$4,199,000 (HK$0.008 per share), equivalent to RMB3,311,000. A dividend in respect of the year ended 31 December 2015 of HK$0.011 per share, amounting to a total dividend of HK$5,906,000, which equivalent to RMB4,946,000 is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

30 CASH GENERATED FROM OPERATING ACTIVITIES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	**57,555**	47,273
Adjustments for:		
– Depreciation *(Note 6)*	**14,973**	11,899
– Amortisation *(Notes 7 and 8)*	**1,298**	1,161
– Losses on disposal of property, plant and equipment *(Note 23)*	**560**	139
– Gains on disposal of an associate *(Note 9)*	**–**	(26,386)
– Interest income on available-for-sale financial assets	**(2,930)**	(1,876)
– Net foreign exchange (gains)/losses *(Note 26)*	**(1,420)**	417
– Share of profit of an associate	**–**	(1,734)
– Provision for/(reversal of) impairment of receivables and inventory *(Notes 10 and 11)*	**3,546**	(973)
– Share-based payment *(Note 25)*	**2,257**	13,491
Change in working capital:		
– Increase in inventories	**(6,139)**	(1,549)
– Decrease in amounts due from related parties	**–**	15
– Increase in trade and bills receivables	**(7,846)**	(11,437)
– Decrease in prepayments, deposits and other receivables	**(6,238)**	(1,349)
– Decrease/(increase) in other non-current assets	**66**	(554)
– Decrease in trade payables	**838**	(916)
– Increase in accruals and other payables	**33,850**	32,090
– Increase in deferred income – current portion	**142**	159
– Decrease in deferred income – non – current portion	**(160)**	(14)
– Decrease in amounts due to related parties	**–**	(24)
Cash generated from operations	**90,352**	59,832

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For the year ended 31 December 2015

30 CASH GENERATED FROM OPERATING ACTIVITIES *(continued)*

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net book amount *(Note 6)*	**571**	1,405
Losses on disposal of property, plant and equipment *(Note 23)*	**(560)**	(139)
Proceeds from disposal of property, plant and equipment	**11**	1,266

31 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at each balance sheet date but not yet incurred is as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Property, plant and equipment	**8,934**	10,157

(b) Operating lease commitments

The Group's future aggregate minimum lease payments under these non-cancellable operating leases were as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
No later than 1 year	**1,050**	795
Later than 1 year and no later than 5 years	**721**	598
	1,771	1,393

32 BUSINESS COMBINATION

On 14 August 2015, the Group acquired 100% of the share capital of NBL for GBP$400,000 (equivalent to RMB3,995,000).

As a result of the acquisition, the Group is expected to increase its presence in the overseas life sciences research consumables markets, and to reduce costs through economies of scale. The goodwill of RMB1,627,000 arising from the acquisition is attributable to economies of scale and synergy expected from combining the operations of the Group and NBS Biologicals Limited. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for NBL, the fair value of assets acquired and liabilities assumed at the acquisition date:

	RMB'000
Consideration as at 14 August 2015	
Total cash consideration transferred	3,995
Recognised amounts of identifiable assets acquired and liabilities assumed	
Brand Name (included in intangible assets) *(Note 8)*	119
Contractual customer relationships (included in intangible assets) *(Note 8)*	2,441
Inventories	169
Trade and bills receivables	727
Prepayments, deposits and other receivables	69
Cash and cash equivalents	164
Deferred tax liabilities *(Note 18)*	(512)
Trade payable	(507)
Accruals and other payables	(302)
Total identifiable net assets	2,368
Goodwill *(Note 8)*	1,627
	3,995

Acquisition-related costs of RMB216,098 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2015.

The revenue included in the consolidated income statement since 14 August 2015 contributed by the above subsidiaries was RMB1,483,356.

Had the above subsidiaries been consolidated from 1 January 2015, the consolidated income statement would show pro-forma revenue of RMB287,589,266.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

33 RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, has joint control over the party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

Save as disclosed elsewhere in this report, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year ended 31 December 2015.

(a) Name and relationship with related parties

(i) Controlling Party

Mr. Wang Qisong, Ms. Wang Luojia, Ms. Wang Jin*

(ii) Associates of the Group

PrimeGene**

* As Mr. Wang Qisong, Ms. Wang Luojia, and Ms. Wang Jin entered into an agreement for acting in concert, they are collectively regarded as the Controlling Party with a controlling shareholding of 59.51% of the Company through LJ Hope Ltd., LJ Peace Ltd., and LJ Venture Ltd,.

** The Group disposed its investment in the associate in April 2014, and since then PrimeGene is no longer a related party of the Group.

(b) The following transactions were carried out with related parties during the year ended 31 December 2014:

(i) Sales of goods and services

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
An associate	–	30

(ii) Purchases of goods and services

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
An associate	–	1,353

(iii) Purchases of property,plant and equipment

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
An associate	–	26

The above sale and purchase transactions with related parties were carried out based on mutually agreed prices between respective parties.

33 RELATED-PARTY TRANSACTIONS *(continued)*

(b) The following transactions were carried out with related parties during the year ended 31 December 2014: *(continued)*

(iv) Treasury transactions with related parties

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Repayment from the Controlling Party	**–**	1,984

(c) Key management compensation

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Salaries and other employee benefits	**4,807**	6,137

34 CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities.

35 PRINCIPAL SUBSIDIARIES

The Group had direct or indirect interests in the following subsidiaries as at 31 December 2015:

Company name	Country/ Place of incorporation/ operation	Paid in capital (000') as of 31 December 2015	Effective interests held %	Principal activities
Directly Owned:				
BBI International Limited	HongKong	USD5,843	100	Investment holding
BBI Asia Limited	HongKong	USD12,973	100	Investment holding
Indirectly Owned:				
Sangon Biotech	PRC	RMB180,000	99.99	Manufacturing and sales of various life science products and provide life science related services
BBI China	PRC	RMB52,420	100	Investment holding and management consulting
Bio Basic (Canada)	Canada	CAD3,000	99.99	Manufacturing and sales of various life science products and provide life science related services
Bio Basic (US)	USA	USD2,000	99.99	Manufacturing and sales of various life science products and provide life science related services
NBL (UK)	UK	GBP100	100	Manufacturing and sales of various life science products and provide life science related services

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For the year ended 31 December 2015

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2**	4
Investments in subsidiaries		**313,582**	293,365
		313,584	293,369
Current assets			
Other receivables		**302**	120,733
Due from related parties		**120,032**	24,306
Cash and cash equivalents		**78,948**	58,477
		199,282	203,516
Total assets		**512,866**	496,885
EQUITY			
Share capital		**4,239**	4,142
Share premium		**456,013**	445,429
Other reserves	*(a)*	**43,943**	12,286
Retained earnings	*(a)*	**8,494**	13,557
Total equity		**512,689**	475,414
Current liabilities			
Other payables		**177**	21,471
Total liabilities		**177**	21,471
Total equity and liabilities		**512,866**	496,885
Net current assets		**199,105**	182,045
Total assets less current liabilities		**512,689**	475,414

The balance sheet of the Company was Approved by the Board of Directors on 29 March 2016 and was signed on its behalf.

Director: *Director:*

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

Note (a) Reserve movement of the Company

	Share-based payment reserve RMB'000	Currency translation reserve RMB'000	Total other reserves RMB'000	Retained earnings RMB'000
At 31 December 2013	–	552	552	(149)
Share-based payment	10,849	–	10,849	–
Currency translation differences	–	885	885	–
Profit for the year	–	–	–	13,706
At 31 December 2014	10,849	1,437	12,286	13,557
Share-based payment	2,257	–	2,257	–
Currency translation differences	–	29,400	29,400	–
Loss for the year	–	–	–	(1,752)
Dividends	–	–	–	(3,311)
At 31 December 2015	13,106	30,837	43,943	8,494

37 BENEFIT AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each director and the chief executives of the Company paid/payable by the Group for year ended 31 December 2015 are set out as follows:

Name of Directors	Fees RMB'000	Salary RMB'000	Fair value of share options granted RMB'000	Total RMB'000
Directors				
Mr. Wang Qisong	–	216	102	318
Ms. Wang Luojia(CEO)	–	240	5	245
Ms. Wang Jin	–	281	–	281
Mr. Hu Xubo	–	–	–	–
Mr. Xia Lijun	120	–	–	120
Mr. Liu Jianjun	120	–	–	120
Mr. Ho Kaichung	120	–	–	120
	360	737	107	1,204

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For the year ended 31 December 2015

37 BENEFIT AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

The remuneration of each director of the Company paid/payable by the Group for year ended 31 December 2014 are set out as follows:

	Fees RMB'000	Salary RMB'000	Fair value of share options granted RMB'000	Total RMB'000
Directors				
Mr. Wang Qisong	–	216	275	491
Ms. Wang Luojia *(CEO)*	–	259	99	358
Ms. Wang Jin	–	366	–	366
Mr. Hu Xubo	–	–	–	–
Mr. Xia Lijun	120	–	–	120
Mr. Ko Shun-Hsiung*	90	–	–	90
Mr. Chen Shih-Ying*	90	–	–	90
Mr. Liu Jianjun**	30	–	–	30
Mr. Ho Kaichung**	30	–	–	30
	360	841	374	1,575

* Mr. Chen Shih-Ying and Mr. Ko Shun-Hsiung were appointed as independent non-executive directors of the Company on 16 January 2014, and resigned as directors from the Company on 26 September 2014.

** Mr. Ho Kaichung and Mr. Liu Jianjun were appointed as independent non-executive directors of the Company on 1 October 2014.

For the year ended 31 December 2015, no directors received emoluments (2014: nil) from the Group as inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or had agreed to waive any emoluments.