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**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 RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**ANNUAL RESULTS HIGHLIGHTS**

- For the year ended 31 December 2016 (the “**Reporting Period**”), the revenue of the Group was approximately RMB352.03 million, representing an increase of 24.7% as compared with RMB282.39 million for the same period of 2015.
- For the year ended 31 December 2016, the gross profit increased by 21.8% from RMB151.08 million for the same period of 2015 to RMB183.97 million.
- For the year ended 31 December 2016, the profit of the Group increased by 17.4% from approximately RMB50.35 million for the same period of 2015 to approximately RMB59.09 million.
- For the year ended 31 December 2016, profit attributable to equity holders of the Company increased by 19.5% from approximately RMB50.34 million for the same period of 2015 to approximately RMB60.18 million.

## POSITIONING OF THE COMPANY

BBI Life Sciences Corporation (the “**Company**”, together with its subsidiaries, the “**Group**”), a well-recognized supplier of life science research products and services in the People’s Republic of China (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 “**Four Business Segments**”). 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 Group’s overall revenue was approximately RMB352.03 million, representing an increase of 24.7% as compared with RMB282.39 million for 2015. The overall gross profit was RMB183.97 million, representing an increase of 21.8% from RMB151.08 million of last year. The overall gross profit margin was maintained at a high level of 52.3%, representing a slight change as compared with the level of 53.5% recorded in the previous year. The fluctuation in the gross profit margin was mainly due to two factors. Firstly, the Group recorded higher revenue from overseas markets during the Reporting Period, and the gross profit margin of some operations in our overseas markets was marginally lower than the level in the domestic market. Secondly, the Group witnessed a moderate increase in labor costs. During the Reporting Period, profit attributable to equity holders of the Company was approximately RMB60.18 million.

During the Reporting Period, the revenue of the Group’s DNA synthesis products, genetic engineering services, life sciences research consumables and protein and antibody related products and services accounted for approximately 40.2%, 20.4%, 29.5% and 9.9% respectively of the total revenue of the Group.

During the Reporting Period, the Group completed its strategic investment of approximately RMB11.5 million to acquire 34% equity interest in Shanghai Youlong Biotech Co., Ltd. (“**Youlong Biotech**”). As an expert in providing food safety and biosafety rapid detection products and full chain antibody technology services, Youlong Biotech will further enlarge the Group’s portfolio of products and services, and expand our customer base and scope of business. In addition, the Group completed the acquisition of 100% equity interests in BIONICS CO., LTD (“**BIONICS**”) with a total consideration of US\$2.40 million in October 2016 and the Group’s interest in BIONICS was later diluted to 73% by three individuals as non-controlling interests injecting net assets of USD0.44 million into BIONICS. BIONICS is a company incorporated in the Republic of Korea (“**South Korea**”) mainly engaged in DNA synthesis, gene sequencing and molecular biology related services in South Korea. With the synergies of the service and business between the Group and BIONICS, it is expected that the acquisition will further expand our footprint in the South Korean market, and increase the overseas market share of the Group.

## Results Analysis of the Four Business Segments

### 1. *DNA Synthesis Products*

#### *Results*

During the Reporting Period, this segment still functioned as the solid foundation for the sustained business growth of the Group. During the Reporting Period, revenue of DNA synthesis products segment amounted to RMB141.52 million, representing an increase of 23.9% over the same period in 2015. This was mainly supported by its leadership of the segment in the industry. With the provision of quality and customized products and prompt response to the market demands, the segment maintained its growth of orders at high level relatively and succeeded in expanding its market share. Leveraging on the Group's expertise accumulated during the operation in DNA synthesis industry for more than 20 years, as well as greater economies of scale and improvement in automation level, the gross profit margin of this segment remained at the level of 60.4% (2015: 60.3%) amid rising labor costs and rise in the price of raw materials.

#### *Development Strategies*

With regard to the DNA synthesis products segment, which is our core business, the Group will continue to enhance the competitive strength of its products, expand the market share, and further consolidate its brand advantage, thus achieving constant growth and stable revenue.

During the Reporting Period, orders of industrial-grade DNA products started to generate revenue for the Group. It is expected that the corresponding share of revenue will increase incrementally in the coming years. With the gradual progress in the development of precision medicine and vitro diagnosis, demands for DNA products used to manufacture and implement related diagnostic kits and diagnosis services will continue to increase. Capitalizing on the newly-built facilities, the Group expects to further increase its production capacity, and handle greater number of orders of industrial-grade DNA products, thus adding new impetus to the revenue of this segment.

## **2. Genetic Engineering Services**

### *Results*

During the Reporting Period, revenue of the genetic engineering services segment amounted to RMB71.75 million, representing an increase of 30.3% as compared with the same period of last year. The increase in revenue was mainly benefited from the Group's continued efforts to set up service sites during the Reporting Period, which drove the steady growth in the number of orders. Gross profit margin decreased from 50.9% for the same period of last year to 47.0% this year. Currently, the domestic genetic engineering services market, especially the first-generation sequencing market, is relatively segmented. Building on its good reputation in the life sciences research products and services industry, the Group intends to accelerate its pace to deploy more service network stations for the expansion of its market share. During the course, necessary strategic price adjustments, capital expenditure and increased preliminary management costs due to additional service sites may lead to the volatility of gross profit margin of this segment.

### *Development Strategies*

Genetic engineering services plays an irreplaceable role in the life sciences research, and the corresponding market capacity is increasing with the development of the life sciences industry (especially in vitro diagnosis). In view of this, the Group will continue to expand the coverage of the first-generation sequencing services to provide convenient personalized service locally to gain greater market share. At the same time, in 2017, the Group will formally enter into the clinical detection and diagnostics industry based on molecular biology technology. With the technical advantages of high-throughput sequencing, the Group will provide reliable, fast and convenient medical testing services to a large base of end-consumers.

## **3. Life Sciences Research Consumables**

### *Results*

During the Reporting Period, this segment recorded a revenue of RMB103.92 million, representing an increase of 24.9% as compared with the same period of last year. The increase in revenue was mainly attributable to two factors. Firstly, the Group took an active approach to expand overseas markets during the Reporting Period, which fueled the growth in orders. Secondly, the Group has optimized and integrated the production and logistic model of the segment in the PRC, thus improving the delivery speed and accuracy for its products. Gross profit margin slightly decreased to 49.0% in 2016 from 51.7% of the same period last year, which was mainly due to the slightly smaller gross profit in overseas market than that in the domestic market.

### *Development Strategies*

As the necessity for life science research, life science research consumables play a supportive and basic role in the corresponding research and development activities. The characteristics include a wide range of applications, diversified categories, large volume of demand, and lack of fundamental differences in terms of the product requirements by domestic and foreign customers. Therefore, the Group will speed up the expansion of sale in the domestic and overseas markets for this segment, and strive to achieve greater scale of production efficiency in line with its overseas expansion plans. At the same time, in order to cooperate with the timely introduction of related products and services of vitro diagnosis, the Group will promote the research and development of diagnostic kits (especially tumor diagnostic kits) to diversify the product portfolio and meet the sustainable development of the Group's business.

#### **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 16.6% to RMB34.84 million. The gross profit margin increased by 2.7 percentage points to 39.8% from 37.1% for the same period last year. Since 2011, the categories and quality of the products and services in this segment have already established relatively strong market competitiveness. The revenue maintained a certain growth rate amid the constantly expanding base scale, while gross profit margin also showed a gradual upward trend.

##### *Development Strategies*

In the coming years, the Group will continue to expand the portfolio of products and services in this segment and strive to achieve greater economies of scale to meet the needs of diagnostic companies and laboratories (especially immunological experiments). Efforts will also be made to enhance the gross profit margin gradually by leveraging on the advantage of low marginal costs of the products in this segment.

In addition, with regard to our polypeptide related products and services, which constitute an essential part of this segment, the Group has completed the transition from outsourcing to independent manufacturing in 2016 through the establishment of the polypeptide production base in Ningbo, the PRC. Through such measures, the Group will be able to reduce the production costs of its polypeptide products while increasing the rate of delivery, thus improving the gross profit margin of such products.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the audited consolidated results of the Group for the Reporting Period, together with the comparative figures for the year 2015 as follows:

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
	<i>Note</i>	2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	278,419	155,924
Land use rights		29,507	30,178
Intangible assets	5	13,174	8,265
Investment in an associate	6	9,833	–
Available-for-sales financial assets	7	2,000	–
Deferred income tax assets		1,388	3,402
Other non-current assets		1,335	7,342
		<u>335,656</u>	<u>205,111</u>
<b>Current assets</b>			
Inventories	8	52,680	49,205
Trade and bills receivables	9	73,740	59,931
Prepayments, deposits and other receivables	10	27,222	19,930
Bank deposits with maturities over 3 months	11	49,198	–
Cash and cash equivalents		245,852	349,892
Non-current assets held for sale	12	7,894	–
		<u>456,586</u>	<u>478,958</u>
<b>Total assets</b>		<u><u>792,242</u></u>	<u><u>684,069</u></u>
<b>EQUITY</b>			
Share capital	13	4,304	4,239
Share premium	13	463,062	456,013
Other reserves		(43,905)	(58,525)
Retained earnings		207,333	158,841
		<u>630,794</u>	<u>560,568</u>
<b>Non-controlling interests</b>		<u>4,374</u>	<u>22</u>
<b>Total equity</b>		<u><u>635,168</u></u>	<u><u>560,590</u></u>

**CONSOLIDATED BALANCE SHEET** *(continued)*

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2016</b>	2015
		<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>5,474</b>	4,694
Deferred income		<b>934</b>	1,201
		<u><b>6,408</b></u>	<u>5,895</u>
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>11,365</b>	7,253
Accruals and other payables	<i>15</i>	<b>139,034</b>	105,428
Current income tax liabilities		–	4,386
Current portion of deferred income		<b>267</b>	517
		<u><b>150,666</b></u>	<u>117,584</u>
<b>Total liabilities</b>		<u><b>157,074</b></u>	<u>123,479</u>
<b>Total equity and liabilities</b>		<u><b>792,242</b></u>	<u>684,069</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	<b>Year ended 31 December</b>	
		<b>2016</b>	2015
		<b>RMB'000</b>	<b>RMB'000</b>
Revenue	3	<b>352,026</b>	282,390
Cost of sales		<u>(168,055)</u>	<u>(131,312)</u>
<b>Gross profit</b>		<b>183,971</b>	151,078
Selling and distribution expenses	18	<b>(68,193)</b>	(49,819)
General and administrative expenses	18	<b>(52,233)</b>	(46,151)
Other income – net	16	<b>820</b>	486
Other gains/(losses) – net	17	<u><b>570</b></u>	<u>(3,515)</u>
<b>Operating profit</b>		<b>64,935</b>	52,079
Finance income		<b>8,088</b>	6,027
Finance costs		<u>(712)</u>	<u>(551)</u>
<b>Finance income – net</b>	19	<b>7,376</b>	5,476
Share of loss of an associate		<u>(1,667)</u>	<u>–</u>
<b>Profit before income tax</b>		<b>70,644</b>	57,555
Income tax expense	20	<u>(11,551)</u>	<u>(7,207)</u>
<b>Profit for the year</b>		<b>59,093</b>	50,348
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		<u>7,193</u>	<u>6,465</u>
<b>Total comprehensive income for the year</b>		<u><b>66,286</b></u>	<u>56,813</u>
<b>Total profit attributable to:</b>			
Equity holders of the Company		<b>60,183</b>	50,344
Non-controlling interests		<u>(1,090)</u>	<u>4</u>
		<u><b>59,093</b></u>	<u>50,348</u>



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(continued)*

		<b>Year ended 31 December</b>	
	<i>Note</i>	<b>2016</b>	2015
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>67,450</b>	56,809
Non-controlling interests		<u><b>(1,164)</b></u>	<u>4</u>
		<u><b>66,286</b></u>	<u>56,813</u>
<b>Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)</b>			
– Basic	21	<u><b>0.111</b></u>	<u>0.095</u>
– Diluted	21	<u><b>0.111</b></u>	<u>0.093</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						Total Equity RMB'000
	Share capital RMB'000 (Note 13)	Share premium RMB'000 (Note 13)	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	
Balance at 1 January 2015	4,142	445,429	(74,964)	119,504	494,111	39	494,150
<b>Comprehensive income</b>							
Profit for the year	-	-	-	50,344	50,344	4	50,348
Currency translation differences	-	-	6,465	-	6,465	-	6,465
<b>Total comprehensive income</b>	-	-	6,465	50,344	56,809	4	56,813
<b>Transactions with owners</b>							
Share-based payment							
- Value of employee services	-	-	2,257	-	2,257	-	2,257
- Exercise of share options	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)	-
<b>Total transactions with owners</b>	97	10,584	9,974	(11,007)	9,648	(21)	9,627
<b>Balance at 31 December 2015</b>	<u>4,239</u>	<u>456,013</u>	<u>(58,525)</u>	<u>158,841</u>	<u>560,568</u>	<u>22</u>	<u>560,590</u>
Balance at 1 January 2016	4,239	456,013	(58,525)	158,841	560,568	22	560,590
<b>Comprehensive income</b>							
Profit for the year	-	-	-	60,183	60,183	(1,090)	59,093
Currency translation differences	-	-	7,267	-	7,267	(74)	7,193
<b>Total comprehensive income</b>	-	-	7,267	60,183	67,450	(1,164)	66,286
<b>Transactions with owners</b>							
Share-based payment							
- Value of employee services	-	-	774	-	774	-	774
- Exercise of share options	65	7,049	-	-	7,114	-	7,114
Dividends (Note 22)	-	-	-	(5,112)	(5,112)	-	(5,112)
Appropriation to statutory reserve	-	-	6,579	(6,579)	-	-	-
Capital injection by the equity holders of subsidiaries	-	-	-	-	-	5,516	5,516
<b>Total transactions with owners</b>	65	7,049	7,353	(11,691)	2,776	5,516	8,292
<b>Balance at 31 December 2016</b>	<u>4,304</u>	<u>463,062</u>	<u>(43,905)</u>	<u>207,333</u>	<u>630,794</u>	<u>4,374</u>	<u>635,168</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
<i>Note</i>	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from operating activities</b>		
Net cash generated from operating activities	<u>79,278</u>	<u>87,460</u>
<b>Cash flows from investing activities</b>		
Net cash used in from investing activities	<u>(195,984)</u>	<u>(49,797)</u>
<b>Cash flows from financing activities</b>		
Net cash generated from financing activities	<u>4,975</u>	<u>111,631</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(111,731)</b>	149,294
Cash and cash equivalents at beginning of the year	<b>349,892</b>	195,821
Effect of foreign exchange rate changes	<u>7,691</u>	<u>4,777</u>
<b>Cash and cash equivalents at end of the year</b>	<b><u>245,852</u></b>	<b><u>349,892</u></b>

Notes:

## **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 24 March 2017.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and disclosure requirements of the Hong Kong Companies Ordinance. 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.

### *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 2016.

HKFRS 7 (Amendments) “Financial instruments: Disclosures condensed interim financial statements” is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies that the additional disclosure required by the amendments to HKFRS 7, ‘Disclosure – Offsetting financial assets and financial liabilities’ is not specifically required for all interim periods, unless required by HKAS 34.

HKAS 19 (Amendments) “Employee benefits” is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

HKAS 34 (Amendments) “Interim financial reporting” is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies what is meant by the reference in the standard to ‘information disclosed elsewhere in the interim financial report’. The amendment further amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information.

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) Standards, amendments and interpretations to existing standards effective in 2016 but not relevant to the Group.

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKAS 16 (Amendment)	Property, plant and equipment	1 January 2016
HKAS 27 (Amendment)	Separate financial statements	1 January 2016
HKAS 28 (Amendment)	Investment in associates	1 January 2016
HKAS 38 (Amendment)	Intangible assets	1 January 2016
HKAS 41 (Amendment)	Agriculture	1 January 2016
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations	1 January 2016
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Application of the disclosure requirements to a serving contracts	1 January 2016
HKFRS 10 (Amendment)	Consolidated financial statements	1 January 2016
HKFRS 11 (Amendment)	Joint operations	1 January 2016
HKFRS 12 (Amendment)	Disclosure of interests in other entities	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016

- (c) 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 2016 and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
HKAS 7 (Amendment)	Statement of cash flows	1 January 2017
HKAS 12 (Amendment)	Income taxes	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKAS 28 (Amendment)	Investment in associates	To be determined

The Company is still in the process of assessing the impacts on adoption of these new standards and amendments and yet to conclude whether or not it will result in substantial changes to the consolidated financial statements of the Group upon adoption.

### 3 SEGMENT INFORMATION

The Group's revenue which represents turnover for the year ended 31 December 2016 and year ended 31 December 2015 is as follows:

	<b>Year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
DNA synthesis products	<b>141,520</b>	114,258
Genetic engineering services	<b>71,752</b>	55,079
Life science research consumables	<b>103,919</b>	83,168
Protein and antibody related products and services	<b>34,835</b>	29,885
<b>Total</b>	<b><u>352,026</u></b>	<b><u>282,390</u></b>

The segment information for the year ended 31 December 2016 is as follows:

	<b>DNA synthesis products</b>	<b>Genetic engineering services</b>	<b>Life science research consumables</b>	<b>Protein and antibody related products and services</b>	<b>Total</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Segment sales	<b><u>141,520</u></b>	<b><u>71,752</u></b>	<b><u>103,919</u></b>	<b><u>34,835</u></b>	<b><u>352,026</u></b>
Segment cost of sales	<b><u>(56,047)</u></b>	<b><u>(38,004)</u></b>	<b><u>(53,031)</u></b>	<b><u>(20,973)</u></b>	<b><u>(168,055)</u></b>
Segment gross profit	<b><u>85,473</u></b>	<b><u>33,748</u></b>	<b><u>50,888</u></b>	<b><u>13,862</u></b>	<b><u>183,971</u></b>

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

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

#### 4 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Office equipment	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2015</b>							
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)
<b>Net book amount</b>	<b>7,006</b>	<b>44,413</b>	<b>52,421</b>	<b>1,879</b>	<b>3,900</b>	<b>6,921</b>	<b>116,540</b>
<b>Year ended 31 December 2015</b>							
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	—	(180)	(380)	(4)	(7)	—	(571)
Depreciation	—	(3,149)	(8,927)	(985)	(1,912)	—	(14,973)
Exchange difference	(631)	(1,124)	(4)	(1)	(11)	—	(1,771)
<b>Closing net book amount</b>	<b>6,375</b>	<b>40,038</b>	<b>57,845</b>	<b>2,158</b>	<b>4,405</b>	<b>45,103</b>	<b>155,924</b>
<b>At 31 December 2015</b>							
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)
<b>Net book amount</b>	<b>6,375</b>	<b>40,038</b>	<b>57,845</b>	<b>2,158</b>	<b>4,405</b>	<b>45,103</b>	<b>155,924</b>
<b>Year ended 31 December 2016</b>							
Opening net book amount	6,375	40,038	57,845	2,158	4,405	45,103	155,924
Acquisition of a subsidiary	3,075	5,049	2,469	130	220	—	10,943
Additions	—	39,548	20,342	1,770	1,433	73,359	136,452
Transfers	—	36,455	1,617	46	865	(38,983)	—
Disposals	—	—	(80)	(4)	(2)	—	(86)
Depreciation	—	(4,305)	(10,442)	(999)	(2,289)	—	(18,035)
Transferred to non-current assets held for sale	(2,999)	(4,895)	—	—	—	—	(7,894)
Exchange difference	534	628	(60)	(1)	14	—	1,115
<b>Closing net book amount</b>	<b>6,985</b>	<b>112,518</b>	<b>71,691</b>	<b>3,100</b>	<b>4,646</b>	<b>79,479</b>	<b>278,419</b>
<b>At 31 December 2016</b>							
Cost	6,985	135,350	120,094	8,567	13,015	79,479	363,490
Accumulated depreciation	—	(22,832)	(48,403)	(5,467)	(8,369)	—	(85,071)
<b>Net book amount</b>	<b>6,985</b>	<b>112,518</b>	<b>71,691</b>	<b>3,100</b>	<b>4,646</b>	<b>79,479</b>	<b>278,419</b>



## 5 INTANGIBLE ASSETS

	Patent <i>RMB'000</i>	Goodwill <i>RMB'000</i>	Computer software <i>RMB'000</i>	Brand name <i>RMB'000</i>	Contractual customer relationships <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At 1 January 2015</b>						
Cost	406	–	3,505	–	–	3,911
Accumulated amortisation	(381)	–	(667)	–	–	(1,048)
<b>Net book amount</b>	<b>25</b>	<b>–</b>	<b>2,838</b>	<b>–</b>	<b>–</b>	<b>2,863</b>
<b>Year ended 31 December 2015</b>						
Opening net book amount	25	–	2,838	–	–	2,863
Additions	–	–	1,996	–	–	1,996
Acquisition of a subsidiary	–	1,627	–	119	2,441	4,187
Amortisation	(25)	–	(509)	(9)	(84)	(627)
Exchange difference	–	(61)	–	(4)	(89)	(154)
<b>Closing net book amount</b>	<b>–</b>	<b>1,566</b>	<b>4,325</b>	<b>106</b>	<b>2,268</b>	<b>8,265</b>
<b>At 31 December 2015</b>						
Cost	406	1,566	5,501	114	2,351	9,938
Accumulated amortisation	(406)	–	(1,176)	(9)	(82)	(1,673)
<b>Net book amount</b>	<b>–</b>	<b>1,566</b>	<b>4,325</b>	<b>105</b>	<b>2,269</b>	<b>8,265</b>
<b>Year ended 31 December 2016</b>						
Opening net book amount	–	1,566	4,325	105	2,269	8,265
Additions	–	–	16	–	–	16
Acquisition of a subsidiary (Note 37)	–	6,276	12	–	–	6,288
Amortisation (Note 34)	–	–	(544)	(24)	(230)	(798)
Exchange difference	–	(336)	–	(11)	(250)	(597)
<b>Closing net book amount</b>	<b>–</b>	<b>7,506</b>	<b>3,809</b>	<b>70</b>	<b>1,789</b>	<b>13,174</b>
<b>At 31 December 2016</b>						
Cost	406	7,506	5,529	114	2,351	15,906
Accumulated amortisation	(406)	–	(1,720)	(44)	(562)	(2,732)
<b>Net book amount</b>	<b>–</b>	<b>7,506</b>	<b>3,809</b>	<b>70</b>	<b>1,789</b>	<b>13,174</b>

## 6 INVESTMENT IN AN ASSOCIATE

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	–	–
Addition	11,500	–
Share of results	(1,667)	–
	<u>          </u>	<u>          </u>
At 31 December	<u>9,833</u>	<u>–</u>

On 23 March 2016, Sangon Biotech Co., Ltd. (“**Sangon Biotech**”), the wholly subsidiary of the Company, entered into certain agreements (“the **Agreements**”) with Shanghai Youlong Biotech Co., Ltd. (“**Youlong Biotech**”) and its shareholders. Pursuant to the Agreements, Sangon Biotech acquired 34% equity interest in Youlong Biotech with a cash consideration of RMB11,500,000.

## 7 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted securities, at cost		
– Equity securities (i)	2,000	–
	<u>          </u>	<u>          </u>

(i) The balance represents the Group’s investment in a company which do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

## 8 INVENTORIES

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	30,996	30,479
Work in progress	3,291	1,993
Finished goods	23,543	21,639
	<u>          </u>	<u>          </u>
	57,830	54,111
Less: inventory provision	(5,150)	(4,906)
	<u>          </u>	<u>          </u>
	<u>52,680</u>	<u>49,205</u>

## 9 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	76,418	65,569
Less: provision for impairment of trade receivables	<u>(2,678)</u>	<u>(5,638)</u>
Trade and bills receivables – Net	<u><b>73,740</b></u>	<u><b>59,931</b></u>

As at 31 December 2016 and 2015, the ageing analysis of the trade and bills receivables based on invoice date was as follows:

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	47,659	38,983
3 to 6 months	13,635	10,976
6 to 12 months	8,729	9,145
Over 12 months	<u>6,395</u>	<u>6,465</u>
	<u><b>76,418</b></u>	<u><b>65,569</b></u>

## 10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current:		
Receivables for disposal of an associate ( <i>Note 1</i> )	–	7,030
Lease prepayment	840	–
Others	<u>495</u>	<u>312</u>
	<u><b>1,335</b></u>	<u><b>7,342</b></u>
Current:		
Prepayments for purchases of raw materials	6,325	2,566
Receivables for disposal of an associate ( <i>Note 1</i> )	7,423	7,463
Prepaid value-added tax, current income tax and other taxes	2,335	5,646
Others	<u>11,139</u>	<u>4,255</u>
	<u><b>27,222</b></u>	<u><b>19,930</b></u>

*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 RMB7,627,000 for the year 2016.

As at 31 December 2016, receivables for disposal of an associate amounted to RMB7,627,000 were guaranteed by an affiliate of the acquiring company.

## 11 BANK DEPOSITS WITH MATURITIES OVER 3 MONTHS

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Bank deposits with maturities ranging from 3 months to 12 months	<u>49,198</u>	<u>–</u>

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

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
HK\$	<u>49,198</u>	<u>–</u>

## 12 NON-CURRENT ASSETS HELD FOR SALE

The land and building owned by Bionics Co., Ltd. Have been presented as held for sale following the approval of the management of BBI Asia Limited (“**BBI Asia**”) on 10 December 2016 to sell the land and building. The completion date for the transaction is 20 February 2017.

The land and building related to Bionics Co., Ltd. were remeasured at the lower of carrying amount and fair value less cost to sell as at 31 December 2016.

Assets classified as held for sale as follow:

	At 31 December 2016 <i>RMB'000</i>
<b>Assets classified as held for sale:</b>	
– Property, plant and equipment	<u>7,894</u>

### 13 SHARE CAPITAL AND SHARE PREMIUM

	Number of issued and fully paid shares	Nominal value of ordinary shares <i>HK\$</i>
Authorised:		
At 31 December 2014, 2015 and 2016	<u>2,000,000,000</u>	<u>20,000,000</u>

	<i>Note</i>	Number of issued and fully paid shares	Nominal value of ordinary shares <i>HK\$</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>	Share Premium <i>RMB'000</i>
Issued:					
At 1 January 2015		524,663,100	5,246,631	4,142	445,429
Share-based payment – exercise of share option	21	<u>12,211,380</u>	<u>122,114</u>	<u>97</u>	<u>10,584</u>
Balance at 31 December 2015		<u>536,874,480</u>	<u>5,368,745</u>	<u>4,239</u>	<u>456,013</u>
Share-based payment – exercise of share option	21	<u>7,291,701</u>	<u>72,917</u>	<u>65</u>	<u>7,049</u>
At 31 December 2016		<u>544,166,181</u>	<u>5,441,662</u>	<u>4,304</u>	<u>463,062</u>

### 14 TRADE PAYABLES

As at 31 December 2015 and 2016, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 3 months	11,111	6,855
3 months to 6 months	170	368
6 months to 1 year	35	30
Over 1 year	<u>49</u>	<u>–</u>
	<u>11,365</u>	<u>7,253</u>

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

**15 ACCRUALS AND OTHER PAYABLES**

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Payables for purchase of property, plant and equipment	8,245	687
Salary and staff welfare payables	11,290	8,611
Payables for value-added tax and other taxes	2,086	1,930
Advance from customers	108,492	87,916
Payables for acquisition of a subsidiary	1,623	–
Payables for listing expenses	–	50
Payables for professional service fee	1,283	2,283
Other payables	6,015	3,951
	<u>139,034</u>	<u>105,428</u>

**16 OTHER INCOME – NET**

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	303	–
Amortisations of deferred income	517	486
	<u>820</u>	<u>486</u>

**17 OTHER GAINS/(LOSSES) – NET**

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Losses on disposal of property, plant and equipment – net	(77)	(560)
Exchange gains/(losses) – net	434	(2,972)
Others	213	17
	<u>570</u>	<u>(3,515)</u>

**18 EXPENSES BY NATURE**

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	85,363	70,215
Raw materials used	113,369	88,750
Changes in inventories of finished goods and work in progress	(3,202)	(6,000)
Depreciation and amortisation charges	19,504	16,271
(Reversal of)/provision for impairment of trade and bills receivables	(2,960)	2,974
Provision for impairment of inventory	244	572
Transportation expenses	13,870	9,130
Utilities	3,960	3,076
Professional service fees	2,905	1,514
Research and development expenses	17,585	15,331
Taxes and surcharges	3,774	3,268
Travel expenses	2,473	2,370
Repair expenses	2,565	2,591
Operating leases	2,660	1,835
Office expenses	7,145	4,028
Auditor's remuneration	1,900	2,527
Vehicle expense	3,609	1,385
Other expenses	13,717	7,445
	<u>288,481</u>	<u>227,282</u>
Total cost of sales, selling and distribution costs and administrative expenses		

**19 FINANCE INCOME – NET**

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs		
– Other finance costs	(712)	(551)

<b>Year ended 31 December</b>	
<b>2016</b>	<b>2015</b>
<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>

Finance income		
– Interest income on available-for-sale financial assets	<b>4,680</b>	2,930
– Net foreign exchange gains	<b>1,829</b>	1,420
– Interest income on bank deposits	<b>954</b>	869
– Other finance income	<b>625</b>	808
	<u><b>8,088</b></u>	<u>6,027</u>
Net finance income	<u><b>7,376</b></u>	<u>5,476</u>

## **20 INCOME TAX EXPENSE**

<b>Year ended 31 December</b>	
<b>2016</b>	<b>2015</b>
<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>

Current income tax	<b>9,627</b>	8,136
Deferred income tax	<b>1,924</b>	(929)
	<u><b>11,551</b></u>	<u>7,207</u>

## **21 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.

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.



	<b>Year ended 31 December</b>	
	<b>2016</b>	2015
Profit attributable to equity holders of the Company ( <i>RMB'000</i> )	<u><b>60,183</b></u>	<u>50,344</u>
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<b>542,654</b>	530,647
Adjustments for share option plan	<u><b>858</b></u>	<u>12,227</u>
Weighted average number of ordinary shares for diluted earnings per share ( <i>'000</i> )	<u><b>543,512</b></u>	<u>542,874</u>
Basic earnings per share ( <i>RMB per share</i> )	<u><b>0.111</b></u>	<u>0.095</u>
Diluted earnings per share ( <i>RMB per share</i> )	<u><u><b>0.111</b></u></u>	<u><u>0.093</u></u>

## 22 DIVIDENDS

	<b>Year ended 31 December</b>	
	<b>2016</b>	2015
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
Proposed final dividend of HK\$0.012 (2015: HK\$0.011) per ordinary share	<u><u><b>5,909</b></u></u>	<u><u>5,112</u></u>

The dividends paid in 2016 was HK\$5,982,000 (HK\$0.011 per share), equivalent to RMB5,112,000. A dividend in respect of the year ended 31 December 2016 of HK\$0.012 per share, amounting to a total dividend of HK\$6,606,000, which equivalent to RMB5,909,000 is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

## FINANCIAL REVIEW

	For the year ended 31 December		
	2016	2015	Change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<b>352,026</b>	282,390	69,636
Gross profit	<b>183,971</b>	151,078	32,893
Net profit	<b>59,093</b>	50,348	8,745
Profit attributable to			
Shareholders of the Company	<b>60,183</b>	50,344	9,839
Earnings per share ( <i>RMB</i> )	<b>0.111</b>	0.095	0.016

### Revenue

During the Reporting Period, the revenue of the Group was approximately RMB352.03 million, representing an increase of 24.7% as compared with RMB282.39 million for the same period of 2015. This was mainly contributed by the steady growth of the Four Business Segments.

### Gross Profit

During the Reporting Period, the Group's gross profit increased by 21.8% from RMB151.08 million for the same period of 2015 to RMB183.97 million. The overall gross profit margin was maintained at a high level of 52.3%, representing a slight change as compared with the level of 53.5% recorded in the previous year. The fluctuation in the gross profit margin was mainly due to two factors, first, the Group recorded higher revenue from overseas markets during the Reporting Period, and the gross profit margin of some operations in our overseas markets was marginally lower than the level in the domestic market; second, the Group witnessed a moderate increase in labor costs.

### Selling and distribution expenses

The selling and distribution expenses increased by 36.9% to RMB68.19 million during the Reporting Period from RMB49.82 million for the same period of 2015. It was attributed by new market development and sales promotion.

### General and administrative expenses

During the Reporting Period, the general and administrative expenses increased by 12.4% to RMB34.65 million from RMB30.82 million for the same period of 2015, excluding the research and development expense. This was mainly due to the increase in staff cost brought along with business expansion.

## Research and development expenses

During the Reporting Period, the research and development expenses increased by 14.7% to RMB17.58 million from RMB15.33 million for the same period of 2015. This was mainly because the Company accelerated the upgrade of its technology and expands the new business sector.

## Income tax expenses

The income tax expenses increased from RMB7.21 million for the same period of 2015 to RMB11.55 million for the Reporting Period. The Company re-measured the defer tax assets of Sangon Biotech (Shanghai) Co., Ltd. (the “**Sangon Biotech**”) as Sangon Biotech regained High-Tech Enterprise qualification in 2016 and the applicable tax rate was reduced from 25% to 15%.

## Net profit

During the Reporting Period, net profit of the Group increased by 17.4% from approximately RMB50.35 million for the same period of 2015 to approximately RMB59.09 million.

## Trade receivables

	For the year ended 31 December	
	2016	2015
Trade receivables turnover ( <i>day</i> )	74	79

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

## Inventories

	For the year ended 31 December	
	2016	2015
Inventory turnover ( <i>day</i> )	111	129

The inventory turnover of the Group improved 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 2016, the property, plant and equipment of the Group amounted to RMB278.42 million, representing an increase of RMB122.50 million from the property, plant and equipment of RMB155.92 million as at 31 December 2015. This was mainly due to the newly-built and newly-purchased plants along with the business expansion.

## **Intangible assets**

As at 31 December 2016, the Group's net intangible assets amounted to RMB13.17 million, representing an increase of RMB4.90 million from RMB8.27 million as at 31 December 2015. The increase in intangible assets was mainly due to contractual customer relationship, brand name and goodwill acquired in the acquisition of BIONICS in South Korea.

## **Working capital and financial resources**

As at 31 December 2016, the cash and cash equivalents of the Group amounted to RMB245.85 million (2015: RMB349.89 million). There was no restricted fund or loan.

## **Cash flow analysis**

During the Reporting Period, the Group recorded an annual net cash inflow of RMB79.28 million generated from operating activities.

During the Reporting Period, the annual cash inflow used in investing activities of the Group was RMB195.98 million. This was mainly due to acquisition of BIONICS and the newly-built and newly-purchased plants.

During the Reporting Period, the cash inflow in financing activities of the Group was RMB4.97 million. The increase in cash inflow in financing activities of the Group was mainly due to cooperative partners invest in affiliated companies of the Group.

## **Capital expenditure**

During the Reporting Period, the expenditure incurred in purchasing property, plant and equipment and of construction in process amounted to RMB128.89 million.

## **Material acquisitions and disposals**

During the Reporting Period, the Company did not have any material acquisitions and disposals other than the acquisition of Youlong Biotech and BIONICS.

## **Contingent liabilities and guarantees**

As at 31 December 2016, the Company did not have any material contingent liabilities and 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 did 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 rates of bank balances are not expected to change significantly.

## **Credit risk**

The carrying amounts of cash and cash equivalents, bank deposits with maturities over 3 months, trade and bills receivables, and deposits 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.

## **Prospects**

While maintaining the healthy growth of existing business, the Group will also further promote the Company's products and services to the front of application of life sciences, including a number of sectors with huge market demand, such as disease diagnosis technologies based on molecular biology and tumor therapies based on polypeptide technology. This initiative will not only enable the Group to give full play to its technological advantages accumulated in life sciences over the years, but also enhance the Group's coverage and competitiveness in life science research industry.

The PRC government has developed the “2030 Outline Plan for Healthy China”, based on which “Healthy China” has been put forward as a national strategy. Relevant plans were also made to establish a sophisticated and structurally-optimized system of health industry by the year 2030. The policy is expected to promote the development of life science related industries, and fuel the growth of our business. The advancement of the “Healthy China” strategy will be beneficial to the existing and new business domains of the Group. The Group will grasp this opportunity to deepen our portfolio of products and services to meet the market needs for products and services in terms of disease prevention, diagnosis and treatment, as well as to explore for more market space.

### **Future Development Strategies**

In general, the Group will implement three strategies as specified below in the future to achieve sustainable development.

Firstly, the Group will be involved in the clinical market and will expand the portfolio of products and services to end-consumers. Specific measures include (1) the establishment of medical testing agencies to provide a large number of end-consumers with direct genetic diagnosis and screening services with the application of high-throughput sequencing technology; and (2) continued promotion of the “clinical research on autologous mutant peptide chain treatment of cancer” project through an associated biotechnology company to be set up, with the aim of targeted elimination of tumor cells with the use of specific tumor antigen peptide vaccine produced based on genetic analysis and synthesis technology. It is anticipated that the result of the research will create benefits to cancer patients while generating new revenue for the Group. Meanwhile, we will speed up the research and development of vitro diagnostic products (in particular, diagnostic kits for tumors), and take prompt measures to align with the launch of products and services related to vitro diagnosis, with a view to improving our integrated portfolio of products and services. In addition, we will also deepen our products and services based on food safety through Youlong Biotech, our associated company. Areas covered will include standard products for food safety testing and “Shield for Food Safety”, a mobile phone application project focusing on personal food security.

Secondly, the Group will continue to expand its overseas markets and deploy more overseas direct selling outlets to enhance the level of revenue from overseas markets through mergers and acquisitions and establishment of joint ventures.

Thirdly, the Group will also tap the potential of relevant business segments where we enjoy advantages. While further expanding the market share, the Group will continue to improve the quality, dedicate to meet the changing needs in respect of life science research and production, and lay a more solid foundation for the Group’s sustained and steady growth in revenue. Specific initiatives include continued improvement of the production capacity and technical level of industrial-grade DNA products to meet the needs of a larger number of medical testing companies. The management of the Company is confident in the future development of the Group and believes that they are able to create more returns for the Group and its shareholder (the “**Shareholders**”) in the coming years.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had a total of 1,114 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 with reference to the experience and working years of the employees and general situations.

## USE OF NET PROCEEDS FROM LISTING

Net proceeds from the listing of the Company (after deducting underwriting fee and relevant expenses) amounted to approximately HK\$219.87 million (equivalent to RMB175.92 million). Such amount was used according to the allocation set out in the prospectus of the Company dated 16 December 2014. Use of net proceeds from listing as at 31 December 2016 is set forth as follows:

<b>Item</b>	<b>Utilised amount as at 31 December 2016 (RMB million)</b>
Property and plant	106.87
SAP and other software expense	4.26
Deep and broad product and service portfolio	64.79
DNA synthesis	29.79
Genetic engineering service	14.89
Life science consumables	8.51
Protein and antibody related products and services	<u>11.60</u>
Total	<u><u>175.92</u></u>

## FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK\$0.012 per share for the year ended 31 December 2016 (the “**Final Dividend**”), amounting to a total sum of approximately HK\$6,606,000 (approximately equivalent to RMB5,909,000) to the Shareholders. The Final Dividend is subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the “**AGM**”) to be held on Wednesday, 31 May 2017. The Final Dividend, if approved, is expected to be paid on Friday, 30 June 2017 to the Shareholders whose names appear on the register of members of the Company on Monday, 12 June 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

### **(a) Determining the entitlement of the Shareholders to attend and vote at the AGM**

In order to determine the entitlement of Shareholders to attend and vote at the AGM to be held on Wednesday, 31 May 2017, the register of members of the Company will be closed from Thursday, 25 May 2017 to Wednesday, 31 May 2017 (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 Wednesday, 24 May 2017.

### **(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 Wednesday, 7 June 2017 to Monday, 12 June 2017 (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 Tuesday, 6 June 2017.

## **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 Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of securities on the Stock Exchange (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 2016. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the 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.



## SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of this announcement of the Group's results have been agreed by the Group's auditors, PricewaterhouseCoopers, to the figures set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

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

The Group did not purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2016.

## EVENTS AFTER THE REPORTING PERIOD

On 3 March 2017, Sangon Biotech, Sangon Health Sci-Tech (Shanghai) Company Limited ("**Sangon Health**") and Mr. Wang Qisong (an executive Director, a controlling Shareholder and the sole shareholder of Sangon Health) entered into various agreements in respect of the variable interest entity arrangement ("**VIE Agreements**") to facilitate the development of genetic diagnosis business of the Group. The structure established through the entering into of the VIE Agreements (the "**VIE Structure**") allows Sangon Biotech to exercise full control over Sangon Health. As a result, Sangon Biotech effectively holds, through the VIE Structure, 100% of the equity interests in Sangon Health which principally engages in genetic diagnosis and related treatment products and services business. Sangon Biotech would have effective control over the finance and operations, and the entire economic interest and benefits of Sangon Health through the VIE Agreements. Sangon Health became a subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

On 6 March 2017, Sangon Health entered into an investment agreement with the shareholders of Tianjin Hengjia Biotech Development Company Limited (天津亨佳生物科技發展有限公司) ("**Tianjin Hengjia**"), pursuant to which Sangon Health obtained 34% equity interest of Tianjin Hengjia, with an increase in the capital amount of RMB6 million in Tianjin Hengjia. Tianjin Hengjia is principally engaged in the research and application of technologies and therapeutic methods related to "autologous mutation peptides for treatment of cancer".

## AUDIT COMMITTEE

The Company has set up an audit committee (the "**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, maintain the relationship with the external auditor of the Company and review the financial information of the Company.

The Audit Committee has, together with management, reviewed the accounting principles adopted by the Group and the annual results of the Group for the year ended 31 December 2016.

## **ANNUAL GENERAL MEETING**

The AGM will be held on 31 May 2017. A notice convening the AGM will be issued and disseminated to the Shareholders in due course.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2016 ANNUAL REPORT**

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.bbi-lifesciences.com](http://www.bbi-lifesciences.com)), and the annual report of the Company for the year ended 31 December 2016 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board  
**BBI Life Sciences Corporation**  
**Wang Qisong**  
*Chairman*

Hong Kong, 24 March 2017

*As at the date of this announcement, the executive Directors are Mr. WANG Qisong, Ms. WANG Luojia, and Ms. WANG Jin; the non-executive Director is Mr. HU Xubo; and the independent non-executive Directors are Mr. XIA Lijun, Mr. HO Kenneth Kai Chung, and Mr. LIU Jianjun.*