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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)

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

INTERIM RESULTS HIGHLIGHTS

- For the six months ended 30 June 2017 (the “**Reporting Period**”), the revenue of the Group was approximately RMB220.22 million, representing an increase of 34.1% as compared with RMB164.21 million for the same period of 2016.
- For the six months ended 30 June 2017, the gross profit increased by 25.2% from RMB85.18 million for the same period of 2016 to RMB106.68 million.
- For the six months ended 30 June 2017, net profit of the Group decreased by 2.1% from approximately RMB28.64 million for the same period of 2016 to approximately RMB28.05 million.
- For the six months ended 30 June 2017, profit attributable to equity holders of the Company increased by 3.8% from approximately RMB28.73 million for the same period of 2016 to approximately RMB29.83 million.

POSITIONING OF THE COMPANY

BBI Life Sciences Corporation (the “**Company**”, or “**BBI Life Science**”, together with its subsidiaries, the “**Group**”) is a well-recognized supplier of life science research products and services in the People’s Republic of China (“**PRC**”). The Company 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**”). 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

For the six months ended 30 June 2017, the Group’s overall revenue increased by 34.1% to RMB220.22 million (the same period in 2016: RMB164.21 million). Gross profit increased by 25.2% to RMB106.68 million (the same period in 2016: RMB85.18 million). Gross profit margin arrived at 48.4% (the same period in 2016: 51.9%). The profit attributable to equity holders of the Company recorded a year-on-year increase of 3.8% to RMB29.83 million (the same period in 2016: RMB28.73 million).

During the Reporting Period, Bionics Co., Ltd. (“**Bionics**”), a subsidiary of the Group which was acquired by the Group in October 2016, was still in the preliminary stage of business development. In order to seize more market share, Bionics adopted a radical sales strategy. Meanwhile, additional expenses were incurred in terms of personnel allocation, staff cost, etc. in the implementation of the aforementioned strategy, resulting in loss of Bionics during the Reporting Period. Without consideration of Bionics, during the Reporting Period, the Group’s overall revenue increased by 21.8% year on year to RMB199.94 million. Gross profit increased by 21.7% to RMB103.69 million, with gross profit margin of 51.9%. The net profit of the Group increased by 17.0% from approximately RMB28.64 million for the same period of 2016 to approximately RMB33.50 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 36.5%, 21.8%, 31.5% and 10.2% respectively of the total revenue of the Group.

On 3 March 2017, Sangon Biotech (Shanghai) Company Limited* (生工生物工程(上海)股份有限公司) (“**Sangon Biotech**”, a subsidiary of the Company), Sangon Health Sci-Tech (Shanghai) Company Limited* (生工健康科技(上海)有限公司) (“**Sangon Health**”) and Mr. Wang Qisong (an executive director, a controlling shareholder of the Company 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 (“**VIE Structure**”) allows Sangon Biotech to exercise full control over Sangon Health and effectively holds 100% through the VIE Structure of the equity interests in Sangon Health which principally engages in genetic diagnosis and related treatment products and services business. Sangon Biotech has 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 are 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 principally engages in the research and application of technologies and therapeutic methods related to “autologous mutation peptides for treatment of cancer”.

Results Analysis of the Four Business Segments

1. *DNA Synthesis Products*

During the Reporting Period, revenue of DNA synthesis products segment recorded a year-on-year increase of 23.4% to RMB80.51 million (the same period in 2016: RMB65.22 million). With its leading position of the segment in the industry, the Group has continuously upgraded its technology, provided quality and customized products and prompt response to the market demands, in a way to maintain relatively high growth of orders. However, as Bionics remained at its preliminary stage of establishing market network in Korea, the management costs and market expansion costs associated with Bionics were relatively high, resulting in a decrease of the overall gross profit margin of the segment to 53.8% for the Reporting Period from 60.8% for the same period last year.

2. *Genetic Engineering Services*

During the Reporting Period, revenue of genetic engineering services segment recorded a year-on-year increase of 42.0% to RMB47.94 million (the same period in 2016: RMB33.77 million). The increase was mainly due to the increase in orders demand driven by factors such as increase in domestic service stations and faster customer service. Gross profit margin decreased to 43.2% during the Reporting Period from 46.7% for the same period last year, which was due to the price volatilities in high-throughput sequencing and the first-generation sequencing, and the increased short-term cost from capital expenditure.

3. *Life Sciences Research Consumables*

During the Reporting Period, the Group has proactively expanded the overseas market, and in the meantime improved the delivery speed and accuracy by optimizing and integrating the segment's production and logistics patterns in the PRC, which in turn boosted the orders of life sciences research consumables at home and abroad. Therefore, revenue of life sciences research consumables increased by 47.10% to RMB69.36 million compared to the same period last year (the same period in 2016: RMB47.15 million). However, as Bionics was at its early stage of establishing market network, with relatively high management costs and market expansion costs, gross profit margin for the Reporting Period decreased to 48.6% from 48.9% for the same period last year.

4. *Protein and Antibody Related Products and Services*

During the Reporting Period, revenue of protein and antibody related products and services segment increased by 24.0% to RMB22.41 million compared to the same period last year (the same period in 2016: RMB18.07 million). Gross profit margin increased from 37.4% for the same period last year to 40.2%. In the future, the Group will continue increasing its investment in the research and development of the segment and tunnel expansion, gradually expanding its business scale and improving its profit level.

INTERIM RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated interim results of the Group for the Reporting Period prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities of the Stock Exchange (the “**Listing Rules**”), together with the comparative figures for the corresponding period in 2016 as follows:

INTERIM CONSOLIDATED BALANCE SHEET

For the six months ended 30 June 2017

		As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	6	344,221	278,419
Land use rights	6	29,174	29,507
Intangible assets	6	13,266	13,174
Investment in an associate	9	14,569	9,833
Available-for-sales financial assets		2,000	2,000
Deferred income tax assets		1,278	1,388
Other non-current assets	8	1,559	1,335
		<u>406,067</u>	<u>335,656</u>
Current assets			
Inventories		58,635	52,680
Trade and bills receivables	7	105,934	73,740
Prepayments, deposits and other receivables	8	32,819	27,222
Bank deposits with maturities over 3 months		56,047	49,198
Restricted cash		1,185	–
Cash and cash equivalents		152,599	245,852
Non-current assets held for sale		–	7,894
		<u>407,219</u>	<u>456,586</u>
Total assets		<u><u>813,286</u></u>	<u><u>792,242</u></u>

The notes on page 10 to 28 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED BALANCE SHEET (continued)*For the six months ended 30 June 2017*

		As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
	<i>Note</i>		
EQUITY			
Share capital	<i>10</i>	4,305	4,304
Share premium	<i>10</i>	463,174	463,062
Other reserves	<i>11</i>	(37,518)	(43,905)
Retained earnings		223,376	207,333
		<u>653,337</u>	<u>630,794</u>
Non-controlling interests		<u>497</u>	<u>4,374</u>
Total equity		<u>653,834</u>	<u>635,168</u>
LIABILITIES			
Non-current liabilities			
Borrowings		4,044	–
Deferred income tax liabilities		5,419	5,474
Deferred income		800	934
		<u>10,263</u>	<u>6,408</u>
Current liabilities			
Trade payables	<i>13</i>	15,810	11,365
Accruals and other payables	<i>14</i>	131,230	139,034
Dividend payable	<i>18</i>	–	–
Borrowings		1,882	–
Current portion of deferred income		267	267
		<u>149,189</u>	<u>150,666</u>
Total liabilities		<u>159,452</u>	<u>157,074</u>
Total equity and liabilities		<u>813,286</u>	<u>792,242</u>

The notes on page 10 to 28 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Note	Unaudited RMB'000	Unaudited RMB'000
Revenue	5	220,216	164,207
Cost of sales	5, 15	<u>(113,537)</u>	<u>(79,022)</u>
Gross profit		106,679	85,185
Selling and distribution costs	15	(42,150)	(30,521)
Administrative expenses	15	(31,922)	(22,501)
Other income – net		330	259
Other gains – net		<u>196</u>	<u>1,875</u>
Operating profit		33,133	34,297
Finance income		2,029	3,350
Finance costs		<u>(613)</u>	<u>(286)</u>
Finance income – net		1,416	3,064
Share of profit of associates		<u>(1,264)</u>	<u>(340)</u>
Profit before income tax		33,285	37,021
Income tax expense	16	<u>(5,233)</u>	<u>(8,383)</u>
Profit for the period		28,052	28,638
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		<u>(2,004)</u>	<u>3,809</u>
Total comprehensive income for the period		<u>26,048</u>	<u>32,447</u>

The notes on page 10 to 28 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)**For the six months ended 30 June 2017*

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total profit attributable to:		
Equity holders of the Company	29,828	28,733
Non-controlling interests	(1,776)	(95)
	<hr/>	<hr/>
Total comprehensive income attributable to:		
Equity holders of the Company	27,824	32,542
Non-controlling interests	(1,776)	(95)
	<hr/>	<hr/>
	26,048	32,447
	<hr/> <hr/>	<hr/> <hr/>
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)		
– Basic earnings per share (expressed in RMB per share)	0.055	0.053
	<hr/> <hr/>	<hr/> <hr/>
– Diluted earnings per share (expressed in RMB per share)	0.055	0.053
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The notes on page 10 to 28 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Unaudited Attributable to equity holders of the Company						
	Share capital RMB'000 (Note 10)	Share premium RMB'000 (Note 10)	Other reserves RMB'000 (Note 11)	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	4,304	463,062	(43,905)	207,333	630,794	4,374	635,168
Comprehensive income							
Profit/(loss) for the period	-	-	-	29,828	29,828	(1,776)	28,052
Currency translation differences	-	-	(2,004)	-	(2,004)	-	(2,004)
Total comprehensive income	-	-	(2,004)	29,828	27,824	(1,776)	26,048
Transactions with owners							
Share-based payment							
- Value of employee services	-	-	314	-	314	-	314
- Exercise of share options	1	112	-	-	113	-	113
Dividends	-	-	-	(5,708)	(5,708)	-	(5,708)
Appropriation to statutory reserve	-	-	8,077	(8,077)	-	-	-
Acquisition of equity interests from a non-controlling shareholder	-	-	-	-	-	(2,101)	(2,101)
Total transactions with owners	1	112	8,391	(13,785)	(5,281)	(2,101)	(7,382)
Balance as at 30 June 2017 (unaudited)	<u>4,305</u>	<u>463,174</u>	<u>(37,518)</u>	<u>223,376</u>	<u>653,337</u>	<u>497</u>	<u>653,834</u>
Balance at 1 January 2016	4,239	456,013	(58,525)	158,841	560,568	22	560,590
Comprehensive income							
Profit/(loss) for the period	-	-	-	28,733	28,733	(95)	28,638
Currency translation differences	-	-	3,809	-	3,809	-	3,809
Total comprehensive income	-	-	3,809	28,733	32,542	(95)	32,447
Transactions with owners							
Share-based payment							
- Value of employee services	-	-	503	-	503	-	503
- Exercise of share options	58	6,334	-	-	6,392	-	6,392
Dividends	-	-	-	(5,112)	(5,112)	-	(5,112)
Appropriation to statutory reserve	-	-	6,579	(6,579)	-	-	-
Capital injection by non-controlling shareholders	-	-	-	-	-	2,400	2,400
Total transactions with owners	58	6,334	7,082	(11,691)	1,783	2,400	4,183
Balance as at 30 June 2016 (unaudited)	<u>4,297</u>	<u>462,347</u>	<u>(47,634)</u>	<u>175,883</u>	<u>594,893</u>	<u>2,327</u>	<u>597,220</u>

The notes on page 10 to 28 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 Unaudited RMB'000	2016 Unaudited RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations		(6,076)	16,564
Income tax paid		(12,688)	(8,718)
Net cash (used in)/generated from operating activities		(18,764)	7,846
Cash flows from investing activities			
Investment of an associate	9	(6,000)	(11,500)
Purchase of property, plant and equipment		(76,355)	(33,751)
Purchase of intangible assets		(199)	(18)
Proceeds from disposal of an associate	8	7,627	7,627
Interest received from available-for-sale financial assets		1,506	2,454
Proceeds from disposal of property, plant and equipment		8,975	–
Payment of bank deposits with maturities over 3 months		(6,849)	–
Purchases of available-for-sale financial assets		(100,000)	(160,000)
Disposal of available-for-sale financial assets		100,000	160,000
Net cash used in investing activities		(71,295)	(35,188)
Cash flows from financing activities			
Proceeds from issue of shares			
– Proceeds from issue of shares due to exercise of share option	12	113	6,392
Dividends paid to equity holders of the Company	18	(5,708)	–
Capital injection by a non-controlling shareholder		–	2,400
Acquisition of equity interests from a non-controlling shareholder		(2,101)	–
Borrowings		5,926	–
Net cash generated from financing activities		(1,770)	8,792
Net decrease in cash and cash equivalents		(91,829)	(18,550)
Cash and cash equivalents at beginning of the period		245,852	349,892
Effect of foreign exchange rate changes on cash and cash equivalents		(1,424)	2,901
Cash and cash equivalents at end of the period		152,599	334,243

The notes on page 10 to 28 are an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

1 GENERAL INFORMATION

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.

Significant event

On 3 March 2017, Sangon Biotech (Shanghai) Company Limited (“**Sangon Biotech**”, a subsidiary of the Company), Sangon Health Sci-Tech (Shanghai) Company Limited (*生工健康科技(上海)有限公司) (“***Sangon Health**”) and Mr. Wang Qisong (an executive director, a controlling shareholder of the Company and the sole shareholder of Sangon Health) entered into various agreements in respect of the variable interest entity arrangement (“**VIE Agreements**”). The structure based on those 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.

This condensed consolidated interim financial information is presented in Renminbi (RMB), unless otherwise stated, and was approved for issue by the Board on 15 August 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reportings (“**HKFRSs**”).

2.1.1 Changes in accounting policy and disclosures

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the accounting policies for the subsidiaries arising from contractual arrangements which applied for the transactions as described in Note 1.

Subsidiaries arising from contractual arrangements

The Group's wholly-owned subsidiary has entered into certain contractual arrangements (the “**Contractual Arrangements**”) with Sangon Health respectively, and its equity holder, which enable the Group to:

- exercise effective financial and operational control over Sangon Health;
- exercise equity holder's voting right of Sangon Health;
- receive substantially all of the economic interest returns generated by Sangon Health.

The Group does not have any equity interest in Sangon Health. However, as a result of the Contractual Arrangements, the Group has rights to receive variable returns from its involvement with Sangon Health and has the ability to affect those returns through its power over Sangon Health and is considered to control Sangon Health. Consequently, the Company regards Sangon Health as an indirect subsidiary under HKFRS 10. The Group has consolidated the financial position and results of Sangon Health in the condensed consolidated interim financial information of the Group during the six months ended 30 June, 2017.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Sangon Health and uncertainties presented by the People's Republic of China (the “**PRC**”) legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Sangon Health. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(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 2017.

HKFRS 7 (Amendments) “Statement of cash flows” is effective for annual periods beginning on or after 1 January 2017. This amendment clarifies an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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.

		Effective for annual periods beginning on or after
HKFRS 12 (Amendment)	Disclosure of interest in other entities	1 January 2017
HKFRS 12 (Amendment)	Income taxes	1 January 2017

- (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 2017 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendment)	Share-based payment	1 January 2018
HKFRS 4 (Amendment)	Insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HK (IFRIC) 22 (Amendment)	Consolidated financial statements	1 January 2018
HKAS 28 (Amendment)	Investment in associates and joint ventures	1 January 2018
HKAS 40 (Amendments)	Investment property	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 (Amendment)	Consolidated financial statements	To be determined
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 ESTIMATES

Useful lives of Property, plant and equipment

The Group 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 and the practice in similar industry. Management will increase or decrease the depreciation charge where updated estimated useful lives of the property, plant and equipment are less or more than previously estimated useful lives. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation expenses in the future periods.

During the six months ended 30 June 2017, the management of the Group has reviewed and revised the estimated useful lives of buildings of property, plant and equipment (Note 6) as following:

	Previous useful lives	Revised useful lives
Buildings	20 to 40 years	29 to 40 years

The change effected from 1 January 2017 in accounting estimates on the useful lives of certain categories of property, plant and equipment has decreased the depreciation charge by RMB1,459,000 for the six months ended 30 June 2017 and is expected to decrease depreciation charge by approximately RMB3,434,000 for each subsequent financial year.

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016.

There have been no material changes in any material risk management policies since 31 December 2016.

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 period which is consistent with that in the condensed consolidated interim financial information.

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 in the condensed consolidated interim financial information. 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 six months ended 30 June 2017 and 2016 is as follows:

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
DNA synthesis products	80,514	65,218
Genetic engineering services	47,935	33,770
Life science research consumables	69,360	47,153
Protein and antibody related products and services	22,407	18,066
	<u>220,216</u>	<u>164,207</u>

(b) Segment information

The segment information for the six months ended 30 June 2017 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	<u>80,514</u>	<u>47,935</u>	<u>69,360</u>	<u>22,407</u>	<u>220,216</u>
Segment cost of sales	<u>(37,235)</u>	<u>(27,227)</u>	<u>(35,667)</u>	<u>(13,408)</u>	<u>(113,537)</u>
Segment gross profit	<u>43,279</u>	<u>20,708</u>	<u>33,693</u>	<u>8,999</u>	<u>106,679</u>

The segment information for the six months ended 30 June 2016 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	<u>65,218</u>	<u>33,770</u>	<u>47,153</u>	<u>18,066</u>	<u>164,207</u>
Segment cost of sales	<u>(25,598)</u>	<u>(18,012)</u>	<u>(24,093)</u>	<u>(11,319)</u>	<u>(79,022)</u>
Segment gross profit	<u>39,620</u>	<u>15,758</u>	<u>23,060</u>	<u>6,747</u>	<u>85,185</u>

(c) **Entity-wide information**

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

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
PRC	163,350	126,950
Overseas countries	56,866	<u>37,257</u>
	<u>220,216</u>	<u>164,207</u>

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

	As at	As at
	30 June	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets other than deferred income tax assets		
– PRC	359,550	304,036
– Overseas countries	45,239	30,232
Deferred income tax assets	1,278	<u>1,388</u>
	<u>406,067</u>	<u>335,656</u>

6 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INTANGIBLE ASSETS

	Property, plant and equipment <i>RMB'000</i>	Land use rights <i>RMB'000</i>	Intangible assets <i>RMB'000</i>
As at 1 January 2017			
Cost	363,490	33,505	15,906
Accumulated depreciation	<u>(85,071)</u>	<u>(3,998)</u>	<u>(2,732)</u>
Net book amount	<u><u>278,419</u></u>	<u><u>29,507</u></u>	<u><u>13,174</u></u>
As at 30 June 2017			
Opening net book amount	278,419	29,507	13,174
Additions	76,265	–	276
Disposals	(505)	–	–
Depreciation and amortisation (<i>Note 15</i>)	(10,100)	(333)	(387)
Exchange difference	<u>142</u>	<u>–</u>	<u>203</u>
Closing net book amount	<u><u>344,221</u></u>	<u><u>29,174</u></u>	<u><u>13,266</u></u>
As at 30 June 2017			
Cost	438,317	33,505	16,123
Accumulated depreciation	<u>(94,096)</u>	<u>(4,331)</u>	<u>(2,857)</u>
Net book amount	<u><u>344,221</u></u>	<u><u>29,174</u></u>	<u><u>13,266</u></u>
As at 1 January 2016			
Cost	217,348	33,505	9,938
Accumulated depreciation	<u>(61,424)</u>	<u>(3,327)</u>	<u>(1,673)</u>
Net book amount	<u><u>155,924</u></u>	<u><u>30,178</u></u>	<u><u>8,265</u></u>
As at 30 June 2016			
Opening net book amount	155,924	30,178	8,265
Additions	34,432	–	18
Disposals	(23)	–	–
Depreciation and amortisation (<i>Note 15</i>)	(7,570)	(334)	(411)
Exchange difference	<u>1,297</u>	<u>–</u>	<u>(333)</u>
Closing net book amount	<u><u>184,060</u></u>	<u><u>29,844</u></u>	<u><u>7,539</u></u>
As at 30 June 2016			
Cost	253,164	33,505	9,586
Accumulated depreciation	<u>(69,104)</u>	<u>(3,661)</u>	<u>(2,047)</u>
Net book amount	<u><u>184,060</u></u>	<u><u>29,844</u></u>	<u><u>7,539</u></u>

7 TRADE AND BILLS RECEIVABLES

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Trade and bills receivables	109,213	76,418
Less: provision for impairment of trade receivables	<u>(3,279)</u>	<u>(2,678)</u>
Trade and bills receivables – net	<u>105,934</u>	<u>73,740</u>

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 30 June 2017 and 31 December 2016, the ageing analysis of the trade and bills receivables based on invoice date was as follows:

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Within 3 months	71,604	47,659
3 to 6 months	25,085	13,635
6 to 12 months	4,623	8,729
Over 12 months	<u>7,901</u>	<u>6,395</u>
	<u>109,213</u>	<u>76,418</u>

8 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Non-current:		
Lease prepayments	1,080	840
Others	<u>479</u>	<u>495</u>
	<u>1,559</u>	<u>1,335</u>
Current:		
Prepaid value-added tax, current income tax and other taxes	17,185	2,335
Prepayments for purchases of raw materials	3,881	6,325
Receivables for disposal of an associate	-	7,423
Others	<u>11,753</u>	<u>11,139</u>
	<u>32,819</u>	<u>27,222</u>

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 during the six months ended 30 June 2017. As at 30 June 2017, the Group has received all cash consideration.

9 INVESTMENT IN ASSOCIATES

	Six months ended 30 June 2017 <i>RMB'000</i>
At 1 January	9,833
Addition	6,000
Share of losses of an associate	<u>(1,264)</u>
At 30 June 2017	<u>14,569</u>

On 6 March 2017, Sangon Health, the subsidiary of the Company with Contractual Arrangements, entered into certain agreements with Tianjin Hengjia Biotech Development Co., Ltd. ("Tianjin Hengjia") and its shareholders. Pursuant to such agreements, Sangon Health purchased 34% equity interest in Tianjin Hengjia with the cash consideration of RMB6,000,000.

10 SHARE CAPITAL AND SHARE PREMIUM

	Note	Number of authorised ordinary shares	Number of issued and fully paid shares	Nominal value of ordinary shares HK\$/NT\$	Equivalent nominal value of ordinary shares RMB'000	Share Premium RMB'000
At 1 January 2017		2,000,000,000	544,166,181	HK\$5,441,662	4,304	463,062
Share-based payment – exercise of share option	12	–	115,636	HK\$1,156	1	112
At 30 June 2017		<u>2,000,000,000</u>	<u>544,281,817</u>	<u>HK\$5,442,818</u>	<u>4,305</u>	<u>463,174</u>
Balance at 30 June 2016		<u>2,000,000,000</u>	<u>536,874,480</u>	<u>HK\$5,368,745</u>	<u>4,239</u>	<u>456,013</u>

11 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 2017	(91,004)	22,556	14,940	16,058	(6,455)	(43,905)
Currency translation differences	–	–	–	(2,004)	–	(2,004)
Share-based payment-value of employee service	–	–	314	–	–	314
Appropriation to statutory reserve	–	8,077	–	–	–	8,077
At 30 June 2017	<u>(91,004)</u>	<u>30,633</u>	<u>15,254</u>	<u>14,054</u>	<u>(6,455)</u>	<u>(37,518)</u>
At 1 January 2016	(91,004)	15,977	14,166	8,791	(6,455)	(58,525)
Currency translation differences	–	–	–	3,809	–	3,809
Share-based payment-value of employee service	–	–	503	–	–	503
Appropriation to statutory reserve	–	6,579	–	–	–	6,579
At 30 June 2016	<u>(91,004)</u>	<u>22,556</u>	<u>14,669</u>	<u>12,600</u>	<u>(6,455)</u>	<u>(47,634)</u>

- (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 before its listing and the aggregate capital of the subsidiaries being acquired at the time of the reorganisation.
- (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.

12 SHARE-BASED PAYMENT

Movement in the number of share options outstanding and their related weighted average exercise prices for the six months ended 30 June 2017 was as follows:

	Six months ended 30 June 2017	
	Average exercise price in HK\$	Number of options
At 1 January 2017	1.1	9,237,972
Forfeited	1.1	(77,092)
Exercised	1.1	(115,636)
	<u>1.1</u>	<u>(115,636)</u>
At 30 June 2017	<u>1.1</u>	<u>9,045,244</u>

Options exercised during the six months ended 30 June 2017 resulted in 115,636 shares being issued (six months ended 30 June 2016: 6,912,855), with exercise proceeds of HK\$127,200 (equivalent to RMB112,619) (six months ended 30 June 2016: HK\$7,604,000, equivalent to RMB6,392,000).

Share options outstanding at 30 June 2017 and 31 December 2016 have the following expiry dates and exercise prices:

Expiry date	Exercise price (HK\$ per share)	Number of options	
		As at 30 June 2017	As at 31 December 2016
17 January 2019	1.1	1,170,122	1,170,122
17 January 2020	1.1	<u>7,875,122</u>	<u>8,067,850</u>
		<u>9,045,244</u>	<u>9,237,972</u>

13 TRADE PAYABLES

As at 30 June 2017 and 31 December 2016, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Within 3 months	14,988	11,111
3 months to 6 months	585	170
6 months to 1 year	163	35
Over 1 year	74	49
	<u>15,810</u>	<u>11,365</u>

14 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Payables for purchase of property, plant and equipment	7,809	8,245
Salary and staff welfare payables	10,831	11,290
Payables for value-added tax and other taxes	2,364	2,086
Advance from customers	102,950	108,492
Payables for acquisition of a subsidiary	1,623	1,623
Payables for professional fees	1,381	1,283
Other payables	4,272	6,015
	<u>131,230</u>	<u>139,034</u>

15 EXPENSES BY NATURE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Raw materials used	73,592	51,113
Changes in inventories of finished goods and work in progress	(3,908)	(1,970)
Employee benefit expenses	58,128	40,012
Research and development expenses	10,277	8,965
Depreciation and amortisation charges (Note 6)	10,820	8,315
Transportation expenses	6,622	4,880
Office expenses	9,891	7,409
Taxes and surcharges	1,800	1,774
Repair expenses	1,968	1,293
Utilities	2,039	1,680
Travel expenses	4,395	3,744
Professional service fees	2,559	808
Operating leases	2,204	1,268
Provision/(Reversal of provision) for impairment of trade and bills receivables	602	(2,644)
Auditor's remuneration	1,238	1,022
(Reversal of provision)/provision for write-down of inventories	(288)	113
Other expenses	5,670	4,262
	<u>187,609</u>	<u>132,044</u>
Total cost of sales, selling and distribution costs and administrative expenses	<u>187,609</u>	<u>132,044</u>

16 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Current income tax	5,217	7699
Deferred income tax	16	684
	<u>5,233</u>	<u>8,383</u>

(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”). As at 31 December 2016, Sangon Biotech had successfully renewed the HNTE qualification, and entitled to a preferential CIT rate of 15% from 2016 to 2018.

(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 six months ended 30 June 2017 (for the six months ended 30 June 2016: 26.50%).

(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 six months ended 30 June 2017 (for the six months ended 30 June 2016: 15%).

(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 six months ended 30 June 2017 (for the six months ended 30 June 2016: 20%).

(viii) Singapore profits tax

Singapore profits tax has been provided for at the rate of 8.50% on the estimated assessable profits for the six months ended 30 June 2017.

(ix) The Republic of Korea profits tax

The Republic of Korea profits tax has been provided for at the rate of 20% on the estimated assessable profits for the six months ended 30 June 2017.

17 EARNINGS PER SHARE

(a) Basic

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 period.

	Six months ended 30 June	
	2017	2016
Profit attributable to equity holders of the Company (RMB'000)	<u>29,828</u>	<u>28,733</u>
Weighted average number of ordinary shares in issue ('000)	<u>544,230</u>	<u>543,787</u>
Basic earnings per share (RMB per share)	<u>0.055</u>	<u>0.053</u>

(b) Diluted

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 12.

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.

	Six months ended 30 June	
	2017	2016
Profit attributable to equity holders of the Company (RMB'000)	<u>29,828</u>	<u>28,733</u>
Weighted average number of ordinary shares in issue after capitalisation ('000)	<u>544,230</u>	<u>543,787</u>
Adjustments for share option plan ('000)	<u>243</u>	<u>232</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>544,473</u>	<u>544,019</u>
Diluted earnings per share (RMB per share)	<u>0.055</u>	<u>0.053</u>

18 DIVIDENDS

A final dividend in respect of the year ended 31 December 2016 of HK\$0.012 per ordinary share, totalling HK\$6,531,381 (equivalent to RMB5,707,840), has been resolved to declare at the annual general meeting on 31 May 2017 and is payable to shareholders who are on register at 12 June 2017. The final dividend has been recognised as a liability in this interim financial information.

The Board of Directors does not declare the payment of an interim dividend for the six months ended 30 June 2017 (2016 interim dividend: nil).

19 COMMITMENTS

(a) Capital commitments

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

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Property, plant and equipment	<u>53,792</u>	<u>17,267</u>

(b) Operating lease commitments

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

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
No later than 1 year	259	705
Later than 1 year and no later than 5 years	<u>74</u>	<u>223</u>
	<u>333</u>	<u>928</u>

20 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 the condensed consolidated interim financial information, 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 period ended 30 June 2017.

(a) Name and relationship with related parties

(i) Controlling Party

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

* 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.,

(ii) Associates of the Group

Shanghai Youlong Biotech Co., Ltd. (“**Shanghai Youlong**”)

Wuxi Fuyang Biotech Co., Ltd. (“**Wuxi Fuyang**”) (a subsidiary of Shanghai Youlong)

Tianjin Hengjia

(b) The following transactions were carried out with related parties:

(i) Sales of goods and services

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Tianjin Hengjia	107	–
Wuxi Fuyang	<u>–</u>	<u>39</u>
Total	<u>107</u>	<u>39</u>

(ii) Purchases of goods and services

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Shanghai Youlong	<u>294</u>	<u>92</u>

(iii) Sales of property, plant and equipment

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Tianjin Hengjia	<u>274</u>	<u>–</u>

(c) **Balances with related parties**

(i) *Trade receivables*

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Tianjin Hengjia	<u>84</u>	<u>–</u>

(ii) *Trade payables*

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Shanghai Youlong	<u>59</u>	<u>16</u>

(iii) *Prepayment, deposits and other receivables*

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Ms. Wang Luojia	<u>3,240</u>	<u>3,480</u>

(d) **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:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Salaries and other employee benefits	<u>1,767</u>	<u>1,582</u>

21 CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities.

22 PRINCIPAL SUBSIDIARIES

The Group had direct or indirect interests in the following subsidiaries as at 30 June 2017:

Company name	Country/Place of incorporation/operation	Paid in capital as of 30 June 2017 ('000)	Effective interests held %	Principal activities
Directly Owned:				
BBI International Limited	Hong Kong	USD5,843	100	Investment holding
BBI Asia Limited	Hong Kong	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
Sangon Peptide (Ningbo) Co., Ltd.	PRC	RMB8,000	100	Manufacturing and sales of various life science products and provide life science related services
Bio Basic Asia Pacific PTE. Ltd.	Singapore	SGD135,785	65	Manufacturing and sales of various life science products and provide life science related services
Bionics Co., Ltd.	The Republic of Korea	KRW188,350,000	73	Manufacturing and sales of various life science products and provide life science related services
Sangon Health (i)	PRC	RMB0	–	Technology development, technical service, technical consultation, technical transformation and medical device operation in the areas of health, biology and medical technology.

(i) It is a subsidiary arising from the Contractual Arrangements (Note 2.1.1).

FINANCIAL REVIEW

	Six months ended 30 June		Change
	2017	2016	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	220,216	164,207	34.1%
Gross profit	106,679	85,185	25.2%
Net profit	28,052	28,638	-2.1%
Profit attributable to the equity holders of the Company	29,828	28,733	3.8%
Earnings per share (<i>RMB</i>)	0.055	0.053	3.8%

Revenue

During the Reporting Period, the Group recorded revenue of RMB220.22 million, representing an increase of 34.1% from RMB164.21 million for the same period of 2016. It was contributed by the steady growth of the Four Business Segments.

Gross profit

During the Reporting Period, the Group's gross profit increased by 25.2% to RMB106.68 million from RMB85.18 million for the same period of 2016. Gross profit margin varied from 51.9% for the same period last year to 48.4% this year, mainly due to the low overall gross profit margin of Bionics as a result of its early stage of establishment of market network.

Selling and distribution expenses

The selling and distribution expenses increased by 38.1% to RMB42.15 million during the Reporting Period from RMB30.52 million for the same period of 2016. It was attributed by new market development and sales promotion, especially the relatively proactive marketing plan adopted by Bionics for expanding market share.

General and administrative expenses

During the Reporting Period, the general and administrative expenses increased by 52.1% to RMB20.60 million from RMB13.54 million for the same period of 2016, excluding the research and development expenses. The increase in general and administrative expenses is mainly due to the incorporation of Bionics related costs (RMB4.88 million) during the reporting period.

Research and development expenses

During the Reporting Period, the research and development expenses increased by 26.3% to RMB11.32 million from RMB8.96 million for the same period of 2016. This was mainly because the Company accelerated the upgrade of its technology and expanded into the new business sector.

Income tax expenses

The income tax expenses decreased from RMB8.38 million for the same period of 2016 to RMB5.23 million for the Reporting Period, mainly because for the same period last year, the income tax rate of one of our subsidiaries, Sangon Biotech, was temporarily adjusted to 25% from 15% before the review procedure of High-Tech Enterprise qualification approved by the PRC authority.

Net profit

During the Reporting Period, net profit of the Group decreased by 2.1% from approximately RMB28.64 million for the same period of 2016 to approximately RMB28.05 million. It was mainly because Bionics was at its early stage of establishment of market network, and the significant investment in sales, research and development and management expenses led to the loss recorded in the Group's net profit during the Reporting Period.

Significant investments held, material acquisitions and disposals

For details of the significant investments held, material acquisitions and disposals, please refer to the paragraph headed "Business Review" of this announcement in relation to the entering into of the VIE Agreements and Note 9 to the condensed consolidated interim financial information.

Contingent liabilities and guarantees

As at 30 June 2017, the Group did not have any material contingent liabilities or guarantees.

Future plans for significant investment or capital assets

Save as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 30 June 2017.

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 on 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, 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, take them into account information specific to the counterparty and pertain 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.

Charges on Group assets

As at 30 June 2017, the Group had no charges over assets.

Working capital and financial resources

As at 30 June 2017, the cash and cash equivalents of the Group amounted to RMB152.6 million (as at 31 December 2016: RMB245.85 million).

Capital expenditure

During the Reporting Period, the expenditure incurred in the purchase of intangible assets, mainly computer software, was RMB0.2 million, while the expenditure incurred in the purchase of property, plant and equipment and of construction in process amounted to RMB76.4 million.

Future prospects

Looking forward into the second half of 2017, the Group will continue expanding its market share by the following strategies, and improving the revenue level as well as stabilizing and improving profit level:

- complete the products and services portfolio of new branches at home and abroad, and raise the sales proportion of high-profit product services;
- establish 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 in order to expand target market;

- increase the pace of the research and development of vitro diagnostic products (in particular, diagnostic kits for tumors) 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;
- further expand the market share by taking prompt measures of mergers and acquisitions;
- continue promoting automatic transformation of DNA synthesis products segment and genetic engineering services segment, industrial process optimization and raw material utilization management, relying on the newly completed plant facilities at the Shanghai headquarters;
- enhance new overseas subsidiaries company information management level, and optimize the production line configuration;
- optimize internal management structure and process, and effectively improve the management efficiency.

At the same time, the Group will further promote the research and clinical trials of the associate, Tianjin Hengjia in the “clinical research on autologous mutant peptide chain treatment of cancer” project, with a view to deliver material results and at the same time ensuring the accuracy and reliability of clinical trials.

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 shareholders (the “**Shareholders**”).

EMPLOYEES

As at 30 June 2017, the Group has a total of 1,208 employees. The Group has entered into employment contracts covering positions, employment conditions and terms, salary, employee 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.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2017, no directors of the Company (the “**Directors**”) 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.

PUBLIC FLOAT

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

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2017. The Board does not expect any waiver of future dividends by any Shareholder.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS CONDUCTED BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions of the Directors. Specific enquiry has been made to all Directors and each of the Directors has confirmed that he/she has complied with the Model Code during the Reporting Period.

CORPORATE GOVERNANCE

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 the Corporate Governance Report (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has been in compliance with the code provisions of the Corporate Governance Code throughout the six months ended 30 June 2017.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**"). The Audit Committee currently consists of three members, namely Mr. Xia Lijun (Chairman), Mr. Ho Kenneth Kai Chung and Mr. Liu Jianjun, all of whom are independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting system and internal control procedures.

The Audit Committee has together with the management and external auditors reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the Group's unaudited consolidated interim results for the six months ended 30 June 2017.

PUBLICATION OF THE UNAUDITED CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT FOR THE REPORTING PERIOD ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This unaudited consolidated interim results announcement for the Reporting Period is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bbi-lifesciences.com), and the interim report for the Reporting Period containing all the information required by the Listing Rules will be despatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

ACKNOWLEDGEMENT

The steady development of the Group has always been trusted and supported by the Shareholders, investors and business partners as well as the loyalty of our staff members. On behalf of the Board, I express my heartfelt gratitude.

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

Hong Kong, 15 August 2017

As at the date of this announcement, the executive Directors are Mr. WANG Qisong, Ms. WANG Luoqia 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.

* *For identification purpose only*