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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 2017**

**ANNUAL RESULTS HIGHLIGHTS**

- For the year ended 31 December 2017 (the “**Reporting Period**”), the revenue of the Group was approximately RMB462.40 million, representing an increase of 31.4% as compared with RMB352.03 million for the same period of 2016.
- For the year ended 31 December 2017, the gross profit increased by 25.4% from RMB183.97 million for the same period of 2016 to RMB230.78 million.
- For the year ended 31 December 2017, the profit of the Group increased by 3.7% from approximately RMB59.09 million for the same period of 2016 to approximately RMB61.27 million.
- For the year ended 31 December 2017, profit attributable to equity holders of the Company increased by 7.1% from approximately RMB60.18 million for the same period of 2016 to approximately RMB64.45 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 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 RMB462.40 million, representing an increase of 31.4% as compared with RMB352.03 million for 2016. The overall gross profit was RMB230.78 million, representing an increase of 25.4% from RMB183.97 million of last year. The overall gross profit margin was maintained at a high level of 49.9%, representing a slight decrease as compared with the level of 52.3% recorded in the previous year. The fluctuation in the gross profit margin was mainly due to the Group recorded higher revenue from overseas markets during the Reporting Period, but the gross profit margin of some operations in our overseas markets was marginally lower than the level in the domestic market. During the Reporting Period, profit attributable to equity holders of the Company was approximately RMB64.45 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 39.3%, 20.6%, 29.8% and 10.3% 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 and follow-up capital increase 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 37.05% equity interest of Tianjin Hengjia, with an increase in the capital amount of RMB8.02 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”.

\* *For identification purpose only*

## 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 the DNA synthesis products segment amounted to RMB181.87 million, representing an increase of 28.5% over the same period in 2016. Thanks to the leadership of the segment in the industry, the updated processes and the renovated automated facilities, the Group managed to promptly respond to market demands and at the same time provide quality and customized products, succeeded in continuously solidifying and expanding its market share, and maintained its growth of orders at a relatively high level. Because Bionics Co., Ltd. (“**Bionics**”), a subsidiary of the Group, increased the investment in the South Korean DNA synthesis market, relatively high upfront expenses were incurred, reducing the gross profit margin of this segment to 54.7% (2016: 60.4%).

#### *Development Strategies*

With regard to the DNA synthesis products segment, which is our core business, the Group will continue to strengthen the competitiveness of its products and enhance brand awareness by upgrading key technological processes, thus generating stably-growing cash flows.

During the Reporting Period, the revenue from industrial-grade DNA products continued to increase at a relatively high speed. In the meantime, the Group’s DNA synthesis production building at Shanghai head office, which has a total floor area of approximately 7,000 square meters and is expected to be completed in August 2018, will be put into use. The building will further facilitate the upgrading of automated facilities as well as quality optimization, and increase the integrated capacity of high quality DNA synthesis products applied in the area of precision medicine. It is expected that in the coming years the Group’s industrial-grade DNA business will become a new star in the industry and stand out from competitors, thus providing new impetus for the rapid development of this segment.

## **2. Genetic Engineering Services**

### *Results*

During the Reporting Period, revenue of the genetic engineering services segment amounted to RMB95.27 million, representing an increase of 32.8% compared with the same period of last year. The rapid increase in revenue was driven by the steady growth in the number of orders of the segment as the Group continued to set up domestic service outlets and improved service quality during the Reporting Period. In the meantime, due to fluctuations in first-generation and second-generation sequencing prices, gross profit margin of the segment declined from 47.0% for the same period of last year to 45.3% this year.

### *Development Strategies*

With the development in DNA sequencing technologies, the market's potential grows larger, and DNA sequencing is increasingly applied in fundamental researches and clinical diagnosis. In view of this, the Group will continue to increase its investment in the area, and further gain market share in the genetic engineering services industry, especially the sequencing sector, by leveraging the quality and vast customer base of the Group's DNA synthesis products segment. In the meantime, the Group will be continuously involved in clinical detection and diagnostics industry.

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

### *Results*

During the Reporting Period, the Group took an active approach to solidify its market position and expand overseas market. On the other hand, the Group optimized the production and logistics model in the PRC to improve the delivery speed and accuracy for its products. These moves fueled a rapid growth in orders. This segment recorded a revenue of RMB137.83 million, representing an increase of 32.6% compared with the same period of last year. Gross profit margin increased to 49.6% in 2017 from 49.0% of the same period last year.

### *Development Strategies*

The entry barrier for life sciences research consumables business is low, and the products are provided in diversified categories. In addition, the market is highly segmented, and multinational companies have captured majority share of domestic market. In future, the Group will strengthen its presence both at home and abroad according to its overseas market development plan, thus achieving certain economies of scale. In addition, the Group will leverage its advanced research and development capabilities and strong brand awareness to focus on development of high value-added products, such as detection and diagnostic kits (especially tumor diagnostic kits), thus increasing market share and gross profit.

#### **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 36.2% to RMB47.44 million. The gross profit margin increased by 1.8 percentage points to 41.6% from 39.8% for the same period last year. Since 2011, the economies of scale are emerging in products and services of the segment, thanks to their strong market competitiveness. Revenue has increased significantly, and gross profit margin also showed a gradual upward trend.

##### *Development Strategies*

The protein and antibody related products and services market is relatively small and segmented. In future, the Company will continue to develop new products, and find new customers to enrich the portfolio of products and services in this segment, thus seizing more market share and further increasing gross profit margin.

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 2016 as follows:

## Consolidated Balance Sheet

|   |             | As at 31 December     |                       |
|---|-------------|-----------------------|-----------------------|
|   | <i>Note</i> | 2017                  | 2016                  |
|   |             | <i>RMB'000</i>        | <i>RMB'000</i>        |
| <b>ASSETS</b>                               |             |                       |                       |
| <b>Non-current assets</b>                   |             |                       |                       |
| Property, plant and equipment               | 4           | 429,031               | 278,419               |
| Land use rights                             |             | 28,836                | 29,507                |
| Intangible assets                           | 5           | 13,148                | 13,174                |
| Investment in an associate                  | 6           | 16,896                | 9,833                 |
| Available-for-sales financial assets        | 7           | 9,899                 | 2,000                 |
| Deferred income tax assets                  |             | 1,046                 | 1,388                 |
| Other non-current assets                    |             | 864                   | 1,335                 |
|   |             | <u>499,720</u>        | <u>335,656</u>        |
| <b>Current assets</b>                       |             |                       |                       |
| Inventories                                 | 8           | 60,052                | 52,680                |
| Trade and bills receivables                 | 9           | 94,288                | 73,740                |
| Prepayments, deposits and other receivables | 10          | 31,985                | 27,222                |
| Bank deposits with maturities over 3 months | 11          | 43,041                | 49,198                |
| Cash and cash equivalents                   |             | 174,052               | 245,852               |
| Non-current assets held for sale            | 12          | –                     | 7,894                 |
|   |             | <u>403,418</u>        | <u>456,586</u>        |
| <b>Total assets</b>                         |             | <u><b>903,138</b></u> | <u><b>792,242</b></u> |
| <b>EQUITY</b>                               |             |                       |                       |
| Share capital                               | 13          | 4,315                 | 4,304                 |
| Share premium                               | 13          | 464,306               | 463,062               |
| Other reserves                              |             | (38,994)              | (43,905)              |
| Retained earnings                           |             | 257,993               | 207,333               |
|   |             | <u>687,620</u>        | <u>630,794</u>        |
| Non-controlling interests                   |             | <u>(1,109)</u>        | <u>4,374</u>          |
| <b>Total equity</b>                         |             | <u><b>686,511</b></u> | <u><b>635,168</b></u> |

## Consolidated Balance Sheet (continued)

|                                    |             | As at 31 December     |                       |
|------------------------------------|-------------|-----------------------|-----------------------|
|                                    | <i>Note</i> | 2017                  | 2016                  |
|                                    |             | <i>RMB'000</i>        | <i>RMB'000</i>        |
| <b>LIABILITIES</b>                 |             |                       |                       |
| <b>Non-current liabilities</b>     |             |                       |                       |
| Borrowings                         | 17          | 4,085                 | –                     |
| Deferred income tax liabilities    |             | 4,602                 | 5,474                 |
| Deferred income                    |             | –                     | 934                   |
|                                    |             | <u>8,687</u>          | <u>6,408</u>          |
| <b>Current liabilities</b>         |             |                       |                       |
| Trade payables                     | 15          | 13,149                | 11,365                |
| Accruals and other payables        | 16          | 192,241               | 139,034               |
| Borrowings                         | 17          | 2,550                 | –                     |
| Current portion of deferred income |             | –                     | 267                   |
|                                    |             | <u>207,940</u>        | <u>150,666</u>        |
| <b>Total liabilities</b>           |             | <u><b>216,627</b></u> | <u><b>157,074</b></u> |
| Total equity and liabilities       |             | <u><b>903,138</b></u> | <u><b>792,242</b></u> |



## Consolidated Statement of Comprehensive Income

|   | <i>Note</i> | Year ended 31 December |                        |
|---|-------------|------------------------|------------------------|
|   |             | 2017<br><i>RMB'000</i> | 2016<br><i>RMB'000</i> |
| <b>Revenue</b>  | 3           | 462,403                | 352,026                |
| Cost of sales   |             | <u>(231,624)</u>       | <u>(168,055)</u>       |
| <b>Gross profit</b>   |             | <b>230,779</b>         | 183,971                |
| Selling and distribution expenses                             | 20          | (88,816)               | (68,193)               |
| General and administrative expenses                           | 20          | (74,191)               | (52,233)               |
| Other income – net  | 18          | 1,991                  | 820                    |
| Other (losses)/gains – net                                    | 19          | <u>(450)</u>           | <u>570</u>             |
| <b>Operating profit</b>                                       |             | <b>69,313</b>          | 64,935                 |
| Finance income  |             | 3,598                  | 8,088                  |
| Finance costs   |             | <u>(827)</u>           | <u>(712)</u>           |
| <b>Finance income – net</b>                                   | 21          | <b>2,771</b>           | 7,376                  |
| Share of loss of an associate                                 |             | <u>(957)</u>           | <u>(1,667)</u>         |
| <b>Profit before income tax</b>                               |             | <b>71,127</b>          | 70,644                 |
| Income tax expense  | 22          | <u>(9,854)</u>         | <u>(11,551)</u>        |
| <b>Profit for the year</b>                                    |             | <b>61,273</b>          | 59,093                 |
| <b>Other comprehensive income</b>                             |             |                        |                        |
| Items that may be reclassified subsequently to profit or loss |             |                        |                        |
| – Currency translation differences                            |             | <u>(3,847)</u>         | <u>7,193</u>           |
| <b>Total comprehensive income for the year</b>                |             | <u><b>57,426</b></u>   | <u>66,286</u>          |
| <b>Total profit attributable to:</b>                          |             |                        |                        |
| Equity holders of the Company                                 |             | 64,446                 | 60,183                 |
| Non-controlling interests                                     |             | <u>(3,173)</u>         | <u>(1,090)</u>         |
|   |             | <u><b>61,273</b></u>   | <u><b>59,093</b></u>   |

## Consolidated Statement of Comprehensive Income (continued)

|   | <i>Note</i> | Year ended 31 December |                        |
|---|-------------|------------------------|------------------------|
|   |             | 2017<br><i>RMB'000</i> | 2016<br><i>RMB'000</i> |
| <b>Total comprehensive income attributable to:</b>  |             |                        |                        |
| Equity holders of the Company   |             | <b>60,808</b>          | 67,450                 |
| Non-controlling interests   |             | <b>(3,382)</b>         | (1,164)                |
|   |             | <u><b>57,426</b></u>   | <u>66,286</u>          |
| <b>Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)</b> |             |                        |                        |
| – Basic   | 23          | <u><b>0.118</b></u>    | <u>0.111</u>           |
| – Diluted   | 23          | <u><b>0.117</b></u>    | <u>0.111</u>           |

## Consolidated Statement of Changes in Equity

|  | Attributable to equity holders of the Company |  |                              |                                 |                  |   | Total<br>Equity<br>RMB'000 |
|--|---|--|------------------------------|---------------------------------|------------------|---|----------------------------|
|  | Share<br>capital<br>RMB'000<br>(Note 13)      | Share<br>Premium<br>RMB'000<br>(Note 13) | Other<br>reserves<br>RMB'000 | Retained<br>earnings<br>RMB'000 | Total<br>RMB'000 | Non-<br>controlling<br>interests<br>RMB'000 |                            |
| 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 24)  | –   | –  | –                            | (5,112)                         | (5,112)          | –   | (5,112)                    |
| Appropriation to statutory reserve   | –   | –  | 6,579                        | (6,579)                         | –                | –   | –                          |
| Capital injection by the equity holder of a subsidiary                             | –   | –  | –                            | –                               | –                | 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>             |
| Balance at 1 January 2017  | 4,304   | 463,062                                  | (43,905)                     | 207,333                         | 630,794          | 4,374                                       | 635,168                    |
| <b>Comprehensive income</b>  |   |  |                              |                                 |                  |   |                            |
| Profit for the period  | –   | –  | –                            | 64,446                          | 64,446           | (3,173)                                     | 61,273                     |
| Currency translation differences   | –   | –  | (3,638)                      | –                               | (3,638)          | (209)                                       | (3,847)                    |
| <b>Total comprehensive income</b>  | –   | –  | (3,638)                      | 64,446                          | 60,808           | (3,382)                                     | 57,426                     |
| <b>Transactions with owners</b>  |   |  |                              |                                 |                  |   |                            |
| Employees share option scheme  | –   | –  | 472                          | –                               | 472              | –   | 472                        |
| Exercise of share options  | 11  | 1,244                                    | –                            | –                               | 1,255            | –   | 1,255                      |
| Dividends (Note 24)  | –   | –  | –                            | (5,709)                         | (5,709)          | –   | (5,709)                    |
| Appropriation to statutory reserve   | –   | –  | 8,077                        | (8,077)                         | –                | –   | –                          |
| Acquisition of equity interests of a subsidiary from a non-controlling shareholder | –   | –  | –                            | –                               | –                | (2,101)                                     | (2,101)                    |
| <b>Total transactions with owners</b>  | 11  | 1,244                                    | 8,549                        | (13,786)                        | (3,982)          | (2,101)                                     | (6,083)                    |
| <b>Balance at 31 December 2017</b>   | <u>4,315</u>                                  | <u>464,306</u>                           | <u>(38,994)</u>              | <u>257,993</u>                  | <u>687,620</u>   | <u>(1,109)</u>                              | <u>686,511</u>             |

## Condensed Consolidated Cash Flow Statement

|   | Year ended 31 December |                       |
|---|------------------------|-----------------------|
| <i>Note</i>   | 2017                   | 2016                  |
|   | <i>RMB'000</i>         | <i>RMB'000</i>        |
| <b>Cash flows from operating activities</b>         |                        |                       |
| Net cash generated from operating activities        | <u>87,167</u>          | <u>79,278</u>         |
| <b>Cash flows from investing activities</b>         |                        |                       |
| Net cash used in from investing activities          | <u>(155,991)</u>       | <u>(195,984)</u>      |
| <b>Cash flows from financing activities</b>         |                        |                       |
| Net cash generated from financing activities        | <u>93</u>              | <u>4,975</u>          |
| <b>Net decrease in cash and cash equivalents</b>    | <b>(68,731)</b>        | <b>(111,731)</b>      |
| Cash and cash equivalents at beginning of the year  | <b>245,852</b>         | 349,892               |
| Effect of foreign exchange rate changes             | <u>(3,069)</u>         | <u>7,691</u>          |
| <b>Cash and cash equivalents at end of the year</b> | <b><u>174,052</u></b>  | <b><u>245,852</u></b> |

Notes:

## **1 GENERAL INFORMATION OF THE GROUP**

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 since 30 December 2014.

The Company, an investment holding company, and 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 26 March 2018.

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

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

### **2.1 Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets which are carried at fair value.

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

### **2.1.1 Changes in accounting policy and disclosures**

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

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2017.

HKAS 7 (Amendments) “Statement of cash flows” is effective for annual periods beginning on or after 1 January 2017. The amendments introduced 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 2017 but not relevant to the Group.*

|                      |  | <b>Effective for<br/>annual periods<br/>beginning<br/>on or after</b> |
|----------------------|--|---|
| HKAS 12 (Amendments) | Income taxes                             | 1 January 2017  |
| HKFRS 12 (Amendment) | Disclosure of interest in other entities | 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.*

|                                    |   | <b>Effective for annual periods beginning on or after</b>  |
|------------------------------------|---|--|
| HKFRS 1 (Amendment)                | First time adoption of HKFRS  | 1 January 2018   |
| HKFRS 2 (Amendments)               | Classification and measurement of share-based payment transactions                    | 1 January 2018   |
| HKFRS 4 (Amendments)               | 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                      | Foreign currency transactions and advance consideration                               | 1 January 2018   |
| HKAS 28 (Amendment)                | Investments in associates and joint ventures  | 1 January 2018   |
| HKAS 40 (Amendments)               | Transfers of investment property  | 1 January 2018   |
| HKFRS 16                           | Leases  | 1 January 2019   |
| HK (IFRIC) 23                      | Uncertainty over income tax treatments  | 1 January 2019   |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined   |
| HKFRS 17                           | Insurance contracts   | 1 January 2021, with earlier application permitted as long as HKFRS 9 and HKFRS 15 are also applied. |

### 3 SEGMENT INFORMATION

The Group's revenue which represents turnover for the year ended 31 December 2017 and year ended 31 December 2016 is as follows:

|  | <b>Year ended 31 December</b> |                       |
|--|-------------------------------|-----------------------|
|  | <b>2017</b>                   | <b>2016</b>           |
|  | <b><i>RMB'000</i></b>         | <b><i>RMB'000</i></b> |
| DNA synthesis products                             | <b>181,866</b>                | 141,520               |
| Genetic engineering services                       | <b>95,269</b>                 | 71,752                |
| Life science research consumables                  | <b>137,833</b>                | 103,919               |
| Protein and antibody related products and services | <b>47,435</b>                 | 34,835                |
| <b>Total</b>                                       | <b><u>462,403</u></b>         | <b><u>352,026</u></b> |

The segment information for the year ended 31 December 2017 is as follows:

|                       | <b>DNA<br/>synthesis<br/>products</b> | <b>Genetic<br/>engineering<br/>services</b> | <b>Life science<br/>research<br/>consumables</b> | <b>Protein and<br/>antibody<br/>related<br/>products<br/>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         | <u>181,866</u>                        | <u>95,269</u>                               | <u>137,833</u>                                   | <u>47,435</u>   | <u>462,403</u>        |
| Segment cost of sales | <u>(82,345)</u>                       | <u>(52,152)</u>                             | <u>(69,448)</u>                                  | <u>(27,679)</u>   | <u>(231,624)</u>      |
| Segment gross profit  | <u>99,521</u>                         | <u>43,117</u>                               | <u>68,385</u>                                    | <u>19,756</u>   | <u>230,779</u>        |

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

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



#### 4 PROPERTY, PLANT AND EQUIPMENT

|  | Land         | Buildings      | Machinery<br>and<br>equipment | Office<br>equipment | Others       | Construction<br>in progress | Total          |
|--|--------------|----------------|-------------------------------|---------------------|--------------|-----------------------------|----------------|
|  | RMB'000      | RMB'000        | RMB'000                       | RMB'000             | RMB'000      | RMB'000                     | RMB'000        |
| <b>At 1 January 2016</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)       |
| Transfer to non-current assets<br>held for sale ( <i>Note 12</i> ) | (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> |
| <b>Year ended 31 December 2017</b>                                 |              |                |                               |                     |              |                             |                |
| Opening net book amount  | 6,985        | 112,518        | 71,691                        | 3,100               | 4,646        | 79,479                      | 278,419        |
| Additions  | —            | 10,837         | 29,597                        | 3,467               | 1,192        | 129,456                     | 174,549        |
| Transfers  | —            | 45,925         | 2,617                         | 182                 | 4,532        | (53,256)                    | —              |
| Disposals  | —            | —              | (367)                         | (28)                | (172)        | —                           | (567)          |
| Depreciation   | —            | (4,063)        | (16,330)                      | (1,540)             | (1,808)      | —                           | (23,741)       |
| Exchange difference  | 45           | 40             | 245                           | 35                  | 6            | —                           | 371            |
| <b>Closing net book amount</b>                                     | <b>7,030</b> | <b>165,257</b> | <b>87,453</b>                 | <b>5,216</b>        | <b>8,396</b> | <b>155,679</b>              | <b>429,031</b> |
| <b>At 31 December 2017</b>   |              |                |                               |                     |              |                             |                |
| Cost   | 7,030        | 192,167        | 151,091                       | 11,902              | 17,623       | 155,679                     | 535,492        |
| Accumulated depreciation   | —            | (26,910)       | (63,638)                      | (6,686)             | (9,227)      | —                           | (106,461)      |
| <b>Net book amount</b>   | <b>7,030</b> | <b>165,257</b> | <b>87,453</b>                 | <b>5,216</b>        | <b>8,396</b> | <b>155,679</b>              | <b>429,031</b> |

## 5 INTANGIBLE ASSETS

|                                    | <b>Patent</b><br><i>RMB'000</i> | <b>Goodwill</b><br><i>RMB'000</i> | <b>Computer<br/>softwares</b><br><i>RMB'000</i> | <b>Brand name</b><br><i>RMB'000</i> | <b>Contractual<br/>customer<br/>relationships</b><br><i>RMB'000</i> | <b>Total</b><br><i>RMB'000</i> |
|------------------------------------|---------------------------------|-----------------------------------|---|-------------------------------------|---|--------------------------------|
| <b>At 1 January 2016</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>             | <u>—</u>                        | <u>1,566</u>                      | <u>4,325</u>                                    | <u>105</u>                          | <u>2,269</u>  | <u>8,265</u>                   |
| <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        | —                               | 6,276                             | 12  | —                                   | —   | 6,288                          |
| Amortisation                       | —                               | —                                 | (544)   | (24)                                | (230)   | (798)                          |
| Exchange difference                | —                               | (336)                             | —   | (11)                                | (250)   | (597)                          |
| <b>Closing net book amount</b>     | <u>—</u>                        | <u>7,506</u>                      | <u>3,809</u>                                    | <u>70</u>                           | <u>1,789</u>  | <u>13,174</u>                  |
| <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>             | <u>—</u>                        | <u>7,506</u>                      | <u>3,809</u>                                    | <u>70</u>                           | <u>1,789</u>  | <u>13,174</u>                  |
| <b>Year ended 31 December 2017</b> |                                 |                                   |   |                                     |   |                                |
| Opening net book amount            | —                               | 7,506                             | 3,809   | 70                                  | 1,789   | 13,174                         |
| Additions                          | —                               | —                                 | 280   | —                                   | —   | 280                            |
| Amortisation                       | —                               | —                                 | (538)   | (23)                                | (226)   | (787)                          |
| Exchange difference                | —                               | 418                               | 4   | 2                                   | 57  | 481                            |
| <b>Closing net book amount</b>     | <u>—</u>                        | <u>7,924</u>                      | <u>3,555</u>                                    | <u>49</u>                           | <u>1,620</u>  | <u>13,148</u>                  |
| <b>At 31 December 2017</b>         |                                 |                                   |   |                                     |   |                                |
| Cost                               | 406                             | 7,924                             | 5,817   | 117                                 | 2,417   | 16,681                         |
| Accumulated amortisation           | (406)                           | —                                 | (2,262)   | (68)                                | (797)   | (3,533)                        |
| <b>Net book amount</b>             | <u>—</u>                        | <u>7,924</u>                      | <u>3,555</u>                                    | <u>49</u>                           | <u>1,620</u>  | <u>13,148</u>                  |

## 6 INVESTMENT IN AN ASSOCIATE

|                  | Year ended 31 December |              |
|------------------|------------------------|--------------|
|                  | 2017                   | 2016         |
|                  | RMB'000                | RMB'000      |
| At 1 January     | 9,833                  | –            |
| Addition         | 8,020                  | 11,500       |
| Share of results | (957)                  | (1,667)      |
|                  | <u>16,896</u>          | <u>9,833</u> |
| At 31 December   | <u>16,896</u>          | <u>9,833</u> |

On 6 March 2017 and 7 July 2017, Sangon Health, the subsidiary of the Company, entered into certain agreements with Tianjin Hengjia Biotech Development Co., Ltd. (“**Tianjin Hengjia**”) and its shareholders. Pursuant to such agreements, Sangon Health acquired 37.05% equity interest in Tianjin Hengjia with the cash consideration of RMB8,020,000.

## 7 AVAILABLE-FOR-SALE FINANCIAL ASSETS

|   | Year ended 31 December |              |
|---|------------------------|--------------|
|   | 2017                   | 2016         |
|   | RMB'000                | RMB'000      |
| Unlisted securities, at fair value - Debenture securities       | 7,899                  | –            |
| Unlisted securities, at cost - Equity securities <sup>(i)</sup> | <u>2,000</u>           | <u>2,000</u> |
|   | <u>9,899</u>           | <u>2,000</u> |

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

## 8 INVENTORIES

|                           | As at 31 December |                |
|---------------------------|-------------------|----------------|
|                           | 2017              | 2016           |
|                           | RMB'000           | RMB'000        |
| Raw materials             | 30,026            | 30,996         |
| Work in progress          | 4,102             | 3,291          |
| Finished goods            | <u>30,262</u>     | <u>23,543</u>  |
|                           | 64,390            | 57,830         |
| Less: inventory provision | <u>(4,338)</u>    | <u>(5,150)</u> |
|                           | <u>60,052</u>     | <u>52,680</u>  |

## 9 TRADE AND BILLS RECEIVABLES

|   | As at 31 December    |                      |
|---|----------------------|----------------------|
|   | 2017                 | 2016                 |
|   | <i>RMB'000</i>       | <i>RMB'000</i>       |
| Trade and bills receivables                         | 97,479               | 76,418               |
| Less: provision for impairment of trade receivables | <u>(3,191)</u>       | <u>(2,678)</u>       |
| Trade and bills receivables – Net                   | <u><b>94,288</b></u> | <u><b>73,740</b></u> |

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

|     | As at 31 December    |                      |
|-----|----------------------|----------------------|
|     | 2017                 | 2016                 |
|     | <i>RMB'000</i>       | <i>RMB'000</i>       |
| RMB | 77,816               | 61,942               |
| KRW | 10,996               | 4,487                |
| USD | 5,014                | 6,643                |
| EUR | 1,935                | 1,443                |
| CAD | 760                  | 869                  |
| SGD | 598                  | 354                  |
| GBP | <u>360</u>           | <u>680</u>           |
|     | <u><b>97,479</b></u> | <u><b>76,418</b></u> |

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

|                 | As at 31 December    |                      |
|-----------------|----------------------|----------------------|
|                 | 2017                 | 2016                 |
|                 | <i>RMB'000</i>       | <i>RMB'000</i>       |
| Within 3 months | 61,862               | 47,659               |
| 3 to 6 months   | 14,625               | 13,635               |
| 6 to 12 months  | 12,829               | 8,729                |
| Over 12 months  | <u>8,163</u>         | <u>6,395</u>         |
|                 | <u><b>97,479</b></u> | <u><b>76,418</b></u> |

## 10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|   | As at 31 December    |                      |
|---|----------------------|----------------------|
|   | 2017                 | 2016                 |
|   | <i>RMB'000</i>       | <i>RMB'000</i>       |
| Non-current:  |                      |                      |
| Lease prepayments   | 360                  | 840                  |
| Others  | <u>504</u>           | <u>495</u>           |
|   | <u>864</u>           | <u>1,335</u>         |
| Current:  |                      |                      |
| Prepayments for purchases of raw materials                  | 3,788                | 6,325                |
| Receivables for disposal of an associate                    | –                    | 7,423                |
| Prepaid value-added tax, current income tax and other taxes | 11,962               | 2,335                |
| Others  | <u>16,235</u>        | <u>11,139</u>        |
|   | <u><u>31,985</u></u> | <u><u>27,222</u></u> |

## 11 BANK DEPOSITS WITH MATURITIES OVER 3 MONTHS

|   | As at 31 December |                |
|---|-------------------|----------------|
|   | 2017              | 2016           |
|   | <i>RMB'000</i>    | <i>RMB'000</i> |
| Bank deposits with maturities ranging from<br>3 months to 12 months | <u>43,041</u>     | <u>49,198</u>  |

The carrying amounts of the Group's bank deposits with maturities over 3 months are denominated in the following currencies:

|      | As at 31 December    |                      |
|------|----------------------|----------------------|
|      | 2017                 | 2016                 |
|      | <i>RMB'000</i>       | <i>RMB'000</i>       |
| USD  | 41,819               | –                    |
| KRW  | 1,222                | –                    |
| HK\$ | <u>–</u>             | <u>49,198</u>        |
|      | <u><u>43,041</u></u> | <u><u>49,198</u></u> |

## 12 NON-CURRENT ASSETS HELD FOR SALE

The land and building owned by Bionics have been presented as held for sale following the approval of the BBI Asia Limited (“**BBI Asia**”)’s management on 10 December 2016 to sell the land and building owned by Bionics. 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:

|   | <b>As at 31 December</b> |                |
|---|--------------------------|----------------|
|   | <b>2017</b>              | <b>2016</b>    |
|   | <b>RMB’000</b>           | <b>RMB’000</b> |
| <b>Assets classified as held for sale:</b>        |                          |                |
| – Property, plant and equipment ( <i>Note 4</i> ) | <u>–</u>                 | <u>7,894</u>   |

## 13 SHARE CAPITAL AND SHARE PREMIUM

|                                    | <b>Number of<br/>issued and fully<br/>paid shares</b> | <b>Nominal value<br/>of ordinary<br/>shares<br/>HK\$</b> |
|------------------------------------|---|--|
| Authorised:                        |   |  |
| At 31 December 2015, 2016 and 2017 | <u>2,000,000,000</u>                                  | <u>20,000,000</u>  |

|                             | <i>Note</i> | <b>Number of<br/>issued and<br/>fully paid<br/>shares</b> | <b>Nominal<br/>value of<br/>ordinary<br/>shares<br/>HK\$</b> | <b>Equivalent<br/>nominal<br/>value of<br/>ordinary<br/>shares<br/>RMB’000</b> | <b>Share<br/>Premium<br/>RMB’000</b> |
|-----------------------------|-------------|---|--|--|--------------------------------------|
| Issued:                     |             |   |  |  |                                      |
| At 1 January 2016           |             | 536,874,480   | 5,368,745  | 4,239  | 456,013                              |
| Exercise of share option    | <i>14</i>   | <u>7,291,701</u>  | <u>72,917</u>  | <u>65</u>  | <u>7,049</u>                         |
| Balance at 31 December 2016 |             | <u>544,166,181</u>  | <u>5,441,662</u>   | <u>4,304</u>   | <u>463,062</u>                       |
| Exercise of share option    | <i>14</i>   | <u>1,350,012</u>  | <u>13,500</u>  | <u>11</u>  | <u>1,244</u>                         |
| At 31 December 2017         |             | <u>545,516,193</u>  | <u>5,455,162</u>   | <u>4,315</u>   | <u>464,306</u>                       |

## 14 SHARE-BASED PAYMENT

During the year 2014, the board meeting of BBI International Limited approved the grant of share options to the executive directors and certain employees of the Group at exercise price of HK\$1.1 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The share options are divided into two sub-plans. For plan A, the options are exercisable upon listing of the Company's shares on the Main Board of the Stock Exchange. For plan B, the options are exercisable during the following periods upon listing of the Company's shares on the Main Board of the Stock Exchange.

- (a) up to 20% on or after 17 January 2015;
- (b) up to 40% on or after 17 January 2016;
- (c) up to 60% on or after 17 January 2017;
- (d) up to 80% on or after 17 January 2018;
- (e) all the remaining options on or after 17 January 2019;

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

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

Movement in the number of share options outstanding and their related weighted average exercise prices for the year ended 31 December 2017 was as follows:

|                | 2017                                 |                      | 2016                                 |                      |
|----------------|--------------------------------------|----------------------|--------------------------------------|----------------------|
|                | Average<br>exercise price<br>in HK\$ | Number of<br>options | Average<br>exercise price<br>in HK\$ | Number of<br>options |
| At 1 January   | HK\$1.1                              | 9,237,972            | HK\$1.1                              | 16,880,343           |
| Forfeited      | HK\$1.1                              | (180,509)            | HK\$1.1                              | (350,670)            |
| Exercise       | HK\$1.1                              | (1,350,012)          | HK\$1.1                              | (7,291,701)          |
| At 31 December | <u>HK\$1.1</u>                       | <u>7,707,451</u>     | <u>HK\$1.1</u>                       | <u>9,237,972</u>     |

- (a) 180,509 options were forfeited during the year ended 31 December 2017 due to employees resignation.
- (b) Options exercised during the year ended 31 December 2017 resulted in 1,350,012 shares being issued (2016: 7,291,701 shares), with exercise proceeds of HK\$1,485,000 (equivalent to RMB1,255,000) (2016: HK\$7,953,000 (equivalent to RMB7,114,000)).

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

| Expiry date     | Exercise price<br>(HK\$ per share) | Number of options<br>As at 31 December |                         |
|-----------------|------------------------------------|--|-------------------------|
|                 |                                    | 2017                                   | 2016                    |
| 17 January 2019 | 1.1                                | 887,130                                | 1,170,122               |
| 17 January 2020 | 1.1                                | <u>6,820,321</u>                       | <u>8,067,850</u>        |
|                 |                                    | <u><b>7,707,451</b></u>                | <u><b>9,237,972</b></u> |

## 15 TRADE PAYABLES

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

|                      | As at 31 December    |                      |
|----------------------|----------------------|----------------------|
|                      | 2017<br>RMB'000      | 2016<br>RMB'000      |
| Within 3 months      | 12,884               | 11,111               |
| 3 months to 6 months | 161                  | 170                  |
| 6 months to 1 year   | 80                   | 35                   |
| Over 1 year          | <u>24</u>            | <u>49</u>            |
|                      | <u><b>13,149</b></u> | <u><b>11,365</b></u> |

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

## 16 ACCRUALS AND OTHER PAYABLES

|  | As at 31 December     |                       |
|--|-----------------------|-----------------------|
|  | 2017<br>RMB'000       | 2016<br>RMB'000       |
| Payables for purchase of property, plant and equipment | 33,004                | 8,245                 |
| Salary and staff welfare payables                      | 12,312                | 11,290                |
| Payables for value-added tax and other taxes           | 1,913                 | 2,086                 |
| Advances from customers                                | 137,745               | 108,492               |
| Payables for acquisition of a subsidiary               | –                     | 1,623                 |
| Payables for professional service fee                  | 1,387                 | 1,283                 |
| Other payables   | <u>5,880</u>          | <u>6,015</u>          |
|  | <u><b>192,241</b></u> | <u><b>139,034</b></u> |



## 17 BORROWING

|                        | <b>As at 31 December 2017</b>    |                                      |                                |
|------------------------|----------------------------------|--------------------------------------|--------------------------------|
|                        | <b>Current</b><br><i>RMB'000</i> | <b>Non-current</b><br><i>RMB'000</i> | <b>Total</b><br><i>RMB'000</i> |
| Secured bank loans (i) | 2,550                            | 3,474                                | 6,024                          |
| Unsecured bank loans   | –                                | 611                                  | 611                            |
|                        | 2,550                            | 4,085                                | 6,635                          |

(i): As at 31 December 2017, bank loans of KRW96,180,000 (equivalent to RMB588,000) were secured by property, plant and equipment with cost of KRW179,551,000 (equivalent to RMB1,097,000) (Note 4). Bank loans of KRW415,000,000 (equivalent to RMB2,535,000) were guaranteed by the non-controlling shareholder of Bionics. Bank loans of KRW475,000,000 (equivalent to RMB2,901,000) were guaranteed by Korea Technology Finance Corporation, a non-profit institution.

The maturity of borrowings is as follows:

|   | <b>As at 31 December</b>      |                               |
|---|-------------------------------|-------------------------------|
|   | <b>2017</b><br><i>RMB'000</i> | <b>2016</b><br><i>RMB'000</i> |
| Portion of loans due for repayment within 1 year: | <b>2,550</b>                  | –                             |
| Loans due for repayment after 1 year:             |                               |                               |
| Between 1 and 2 years                             | <b>168</b>                    | –                             |
| Between 2 and 5 years                             | <b>3,917</b>                  | –                             |
|   | <b>6,635</b>                  | –                             |

As at 31 December 2017, the carrying amounts of the borrowings are all denominated in KRW. The interest rates of the borrowings is in a range of 2.780%-6.358% for the year ended 31 December 2017.

The carrying values of the borrowings approximate their fair values, as the market interest rates is relatively stable.

**18 OTHER INCOME – NET**

|                                  | Year ended 31 December |                |
|----------------------------------|------------------------|----------------|
|                                  | 2017                   | 2016           |
|                                  | <i>RMB'000</i>         | <i>RMB'000</i> |
| Government grants                | 790                    | 303            |
| Amortisations of deferred income | 1,201                  | 517            |
|                                  | <u>1,991</u>           | <u>820</u>     |

**19 OTHER (LOSSES)/GAINS – NET**

|   | Year ended 31 December |                |
|---|------------------------|----------------|
|   | 2017                   | 2016           |
|   | <i>RMB'000</i>         | <i>RMB'000</i> |
| Losses on disposal of property, plant and equipment – net | (103)                  | (77)           |
| Exchange (losses)/gains – net                             | (466)                  | 434            |
| Others  | 119                    | 213            |
|   | <u>(450)</u>           | <u>570</u>     |

**20 EXPENSES BY NATURE**

|   | Year ended 31 December |                |
|---|------------------------|----------------|
|   | 2017                   | 2016           |
|   | <i>RMB'000</i>         | <i>RMB'000</i> |
| Employee benefit expenses   | 117,420                | 85,363         |
| Raw materials used  | 155,669                | 113,369        |
| Changes in inventories of finished goods and work in progress                   | (7,530)                | (3,202)        |
| Depreciation and amortisation charges   | 25,199                 | 19,504         |
| Provision for/(reversal of) impairment of trade and bills receivables           | 513                    | (2,960)        |
| (Reversal of)/provision for impairment of inventories                           | (812)                  | 244            |
| Transportation expenses   | 18,009                 | 13,870         |
| Utilities   | 4,941                  | 3,960          |
| Professional service fees   | 2,676                  | 2,905          |
| Research and development expenses   | 30,764                 | 17,585         |
| Taxes and surcharges  | 4,416                  | 3,774          |
| Travel expenses   | 3,493                  | 2,473          |
| Repair expenses   | 3,490                  | 2,565          |
| Operating leases  | 4,318                  | 2,660          |
| Office expenses   | 7,088                  | 7,145          |
| Auditor's remuneration  | 2,481                  | 1,900          |
| Vehicle expense   | 4,028                  | 3,609          |
| Other expenses  | 18,468                 | 13,717         |
|   | <u>394,631</u>         | <u>288,481</u> |
| Total cost of sales, selling and distribution costs and administrative expenses |                        |                |

## 21 FINANCE INCOME – NET

|  | Year ended 31 December |                |
|--|------------------------|----------------|
|  | 2017                   | 2016           |
|  | <i>RMB'000</i>         | <i>RMB'000</i> |
| Finance costs  |                        |                |
| – Net foreign exchange losses                            | (189)                  | –              |
| – Interest expense on borrowings                         | (170)                  | –              |
| – Other finance costs                                    | (468)                  | (712)          |
|  | <u>(827)</u>           | <u>(712)</u>   |
| Finance income   |                        |                |
| – Interest income on available-for-sale financial assets | 2,663                  | 4,680          |
| – Net foreign exchange gains                             | –                      | 1,829          |
| – Interest income on bank deposits                       | 751                    | 954            |
| – Other finance income                                   | 184                    | 625            |
|  | <u>3,598</u>           | <u>8,088</u>   |
| Net finance income                                       | <u>2,771</u>           | <u>7,376</u>   |

## 22 INCOME TAX EXPENSE

|                     | Year ended 31 December |                |
|---------------------|------------------------|----------------|
|                     | 2017                   | 2016           |
|                     | <i>RMB'000</i>         | <i>RMB'000</i> |
| Current income tax  | 10,423                 | 9,627          |
| Deferred income tax | (569)                  | 1,924          |
| Income tax expense  | <u>9,854</u>           | <u>11,551</u>  |

## 23 EARNINGS PER SHARE

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

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

The Company has only one category of dilutive potential ordinary shares, which is the share option plan mentioned in Note 14.

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 below 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>2017</b>                   | 2016           |
| Profit attributable to equity holders of the Company ( <i>RMB'000</i> )                   | <u><b>64,446</b></u>          | <u>60,183</u>  |
| Weighted average number of ordinary shares in issue ( <i>'000</i> )                       | <b>544,414</b>                | 542,654        |
| Adjustments for share option plan   | <u><b>4,290</b></u>           | <u>858</u>     |
| Weighted average number of ordinary shares for diluted earnings per share ( <i>'000</i> ) | <u><b>548,704</b></u>         | <u>543,512</u> |
| Basic earnings per share ( <i>RMB per share</i> )   | <u><b>0.118</b></u>           | <u>0.111</u>   |
| Diluted earnings per share ( <i>RMB per share</i> )                                       | <u><b>0.117</b></u>           | <u>0.111</u>   |

## 24 DIVIDENDS

|   | <b>Year ended 31 December</b> |                |
|---|-------------------------------|----------------|
|   | <b>2017</b>                   | 2016           |
|   | <i><b>RMB'000</b></i>         | <i>RMB'000</i> |
| Proposed final dividend of HK\$0.014 (2016: HK\$0.012) per ordinary share | <u><b>6,127</b></u>           | <u>5,909</u>   |

The dividends paid in 2017 was HK\$6,606,000 (HK\$0.012 per share), equivalent to RMB5,909,000. A dividend in respect of the year ended 31 December 2017 of HK\$0.014 per share, amounting to a total dividend of HK\$7,637,226.70, which equivalent to RMB6,127,300, is to be proposed to be paid out of share premium account at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

## FINANCIAL REVIEW

|                                   | For the year ended 31 December |                |                |
|-----------------------------------|--------------------------------|----------------|----------------|
|                                   | 2017                           | 2016           | Change         |
|                                   | <i>RMB'000</i>                 | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue                           | <b>462,403</b>                 | 352,026        | 110,377        |
| Gross profit                      | <b>230,779</b>                 | 183,971        | 46,808         |
| Net profit                        | <b>61,273</b>                  | 59,093         | 2,180          |
| Profit attributable to            |                                |                |                |
| Shareholders of the Company       | <b>64,446</b>                  | 60,183         | 4,263          |
| Earnings per share ( <i>RMB</i> ) | <b>0.118</b>                   | 0.111          | 0.007          |

### Revenue

During the Reporting Period, the revenue of the Group was approximately RMB462.40 million, representing an increase of 31.4% as compared with RMB352.03 million for the same period of 2016. 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 25.4% from RMB183.97 million for the same period of 2016 to RMB230.78 million. The overall gross profit margin was maintained at a high level of 49.9%, representing a slight decrease as compared with the level of 52.3% 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 30.2% to RMB88.82 million during the Reporting Period from RMB68.19 million for the same period of 2016. 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 25.3% to RMB43.43 million from RMB34.65 million for the same period of 2016, 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 74.9% to RMB30.76 million from RMB17.59 million for the same period of 2016. This was mainly because the Company accelerated the upgrade of its technology and expanded the new business sector.

## Income tax expenses

The income tax expenses decreased from RMB11.55 million for the same period of 2016 to RMB9.85 million for the Reporting Period. The Company re-measured the defer tax assets of 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 3.7% from approximately RMB59.09 million for the same period of 2016 to approximately RMB61.27 million.

## Trade receivables

|   | For the year ended<br>31 December |      |
|---|-----------------------------------|------|
|   | 2017                              | 2016 |
| Trade receivables turnover ( <i>day</i> ) | <b>69</b>                         | 74   |

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

## Inventories

|                                   | For the year ended<br>31 December |      |
|-----------------------------------|-----------------------------------|------|
|                                   | 2017                              | 2016 |
| Inventory turnover ( <i>day</i> ) | <b>89</b>                         | 111  |

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 2017, the property, plant and equipment of the Group amounted to RMB429.03 million, representing an increase of RMB150.61 million from RMB278.42 million as at 31 December 2016. This was mainly due to the newly-built and newly-purchased plants along with the business expansion.

## **Intangible assets**

As at 31 December 2017, the Group's net intangible assets amounted to RMB13.15 million, representing a decrease of RMB0.02 million from RMB13.17 million as at 31 December 2016.

## **Working capital and financial resources**

As at 31 December 2017, the cash and cash equivalents of the Group amounted to RMB174.05 million (2016: RMB245.85 million).

## **Cash flow analysis**

During the Reporting Period, the Group recorded an annual net cash inflow of RMB87.17 million generated from operating activities.

During the Reporting Period, the annual cash outflow used in investing activities of the Group was RMB155.99 million. This was mainly due to the acquisition of the shares of Tianjin Hengjia and the newly-built and newly-purchased plants.

During the Reporting Period, the cash inflow generated from financing activities of the Group was RMB0.09 million.

## **Capital expenditure**

During the Reporting Period, the expenditure incurred in purchasing property, plant and equipment and of construction in process amounted to RMB163.02 million.

## **Material acquisitions and disposals**

During the Reporting Period, in addition to the acquisition of shares of Tianjin Hengjia, the Company did not have any material acquisitions and disposals.

## **Contingent liabilities and guarantees**

As at 31 December 2017, 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**

In the beginning of 2018, China's Development and Reform Commission particularly developed and officially published the 13th Five-Year Plan for Bio Industry in accordance with the Outline of the 13th Five-Year Plan for the National Economic and Social Development of the People's Republic of China and the 13th Five-Year Plan for Development of National Emerging Industries of Strategic Importance, with the aim of accelerating the development of the bio industry into a pillar for national economy, laying down solid foundation for innovation in the bio industry, promoting the use of modern bio technologies in improving livelihood, and creating new functions of biological economy. The 13th Five-Year Plan for Bio Industry covers a number of areas, including cell therapy, immunological therapy, genetic diagnosis, and others. In face of the opportunities presented by the plan, as a provider with advantages in the life sciences research products and services industry, we will continuously improve the quality of our products and services, and make contribution to the life sciences research. In the meantime, we will rely on our expertise and resources in the life sciences research products and services industry as well as our insights and analysis into the market to become an emerging provider in the life sciences application products and services industry, thus realizing industrial integration of the products and services in both life sciences research and application.

## **Future Development Strategies**

In general, the Group will implement three strategies as specified below in the future to expand market share, enhance returns and achieve sustainable development:

- 1 Thoroughly tapping the potentials of existing businesses, and solidifying and expanding market share.

During the Reporting Period, all of the existing Four Business Segments of the Group experienced stable growth and posted record-high revenues. At present, the Group's customers are concentrated in the scientific research area. To meet related demands in scientific research and production, in addition to maintaining advantages in scientific research, the Group's relevant business segments will enhance production capacity and technologies of industrial-grade DNA products as well as research and development of diagnostic kits, with the aim of expanding from the scientific research area to the clinical diagnostics area. In addition, the Group will extend existing industry chains by merger and acquisitions or equity investment, so as to build a competitive ecological cycle.

2. Improving the portfolio of products and services of newly-built branches in overseas market, strengthening presence of the direct sales network in overseas market, further expanding overseas market share, and enhancing the corresponding returns;
3. Being involved in the healthcare industry by developing the portfolio of high quality products and services for end-consumers. Relevant measures are as follows:

- (1) Establishing medical testing agencies to provide a large number of end-consumers with direct genetic screening services with the application of high-throughput sequencing technology, and broadening the target markets;
- (2) Accelerating the research and development of vitro diagnostic products (in particular, diagnostic kits for tumors), and taking proper measures to align with the provision of products and services related to vitro diagnosis, with a view to further improve our portfolio of products and services;
- (3) Accelerating the exploration for distributors and establishment of sales network in the healthcare industry.

In the meantime, the Company will actively prompt Tianjin Hengjia, our associated company, to make advances in the researches and pre-clinical experiments for the project “Clinical Research on Autologous Mutation Peptides for Treatment of Cancer”. In 2018, we expect that papers based on primary research data of the project will be published in high impact factor journals, and relevant patent application procedures will be completed, and a new round of fundraising will be initiated at appropriate time.

In conclusion, 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 the shareholders of the Company (the “**Shareholders**”).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2017, the Group had a total of 1,238 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, qualifications and working years of the employees and general situations.

## **FINAL DIVIDEND**

The Board recommended the payment of a final dividend of HK\$0.014 per share for the year ended 31 December 2017 (the “**Final Dividend**”), amounting to a total sum of approximately HK\$7,637,226.70 (equivalent to RMB6,127,300) to Shareholders out of share premium account of the Company. 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 Friday, 29 June 2018. The Final Dividend, if approved, is expected to be paid on Tuesday, 31 July 2018 to the Shareholders whose names appear on the register of members of the Company on Friday, 6 July 2018.

## **CLOSURE OF REGISTER OF MEMBERS**

### **(a) Determining the entitlement of Shareholders to attend and vote at the 2018 AGM**

In order to determine the entitlement of Shareholders to attend and vote at the AGM to be held on Friday, 29 June 2018, the register of members of the Company will be closed from Tuesday, 26 June 2018 to Friday, 29 June 2018 (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 Monday, 25 June 2018.

### **b) Determining the entitlement of 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 Friday, 6 July 2018 to Wednesday, 11 July 2018 (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 Thursday, 5 July 2018.

## **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 2017. 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 this announcement of the Group's results have been agreed by the Group's auditor, PricewaterhouseCoopers, to the figures set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. 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 2017.

## **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 2017.

## **ANNUAL GENERAL MEETING**

The AGM will be held on 29 June 2018. A notice convening the AGM will be issued and dispatched to the Shareholders in due course.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2017 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 2017 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, 26 March 2018

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