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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 2019

ANNUAL RESULTS HIGHLIGHTS

- For the year ended 31 December 2019 (the “Reporting Period”), the revenue of the Group was approximately RMB703.77 million, representing an increase of 21.0% as compared with RMB581.60 million for the same period of 2018.
- For the year ended 31 December 2019, the gross profit increased by 23.1% from RMB283.28 million for the same period of 2018 to RMB348.67 million. After deducting non-recurring one-off expenses (being share-based payment), the adjusted gross profit of 2019 was approximately RMB 350.79 million (where the adjusted gross profit margin was 49.8%), representing a year-on-year increase of 23.0%.
- For the year ended 31 December 2019, the profit of the Group increased by 13.3% from approximately RMB75.95 million for the same period of 2018 to approximately RMB86.03 million. After deducting non-recurring one-off expenses (being share-based payment), the adjusted net profit of 2019 was approximately RMB 91.33 million, representing a year-on-year increase of 14.9%.
- For the year ended 31 December 2019, profit attributable to equity holders of the Company increased by 11.4% from approximately RMB79.10 million for the same period of 2018 to approximately RMB88.09 million. After deducting the above item of non-recurring one-off expenses, the adjusted net profit attributable to equity holders of the Company was RMB 93.38 million, representing a year-to-year increase of 13.0%.
- The Board did not recommend the payment of a final dividend for the Reporting Period (2018:HK\$ 0.034 per share).

POSITIONING OF THE COMPANY

BBI Life Sciences Corporation (the “Company” or “BBI Life Sciences”, together with its subsidiaries, the “Group”) is a renowned supplier of life science products and services in the People’s Republic of China (the “PRC”). Its wide-range products and services include (1) DNA synthesis products; (2) genetic engineering services; (3) life sciences research consumables; (4) protein and antibody related products and services; and (5) third party detection (the “Five 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

During the Reporting Period, the Group’s overall revenue was approximately RMB703.77 million, representing an increase of 21.0% as compared with RMB581.60 million for 2018. The overall gross profit was RMB348.67 million, representing an increase of 23.1% from RMB283.28 million of last year. After deducting non-recurring one-off expenses (being share-based payment), the adjusted gross profit of 2019 was approximately RMB350.79 million (where the adjusted gross profit margin was 49.8%), representing a year-on-year increase of 23.0%. The overall gross profit margin was still maintained at a steady level of 49.5%, representing a slight increase as compared with the level of 48.7% recorded in the previous year. During the Reporting Period, profit attributable to equity holders of the Company was approximately RMB88.09 million. After deducting the above item of non-recurring one-off expenses, the adjusted net profit attributable to equity holders of the Company was RMB93.38 million, representing a year-to-year increase of 13.0%.

During the Reporting Period, the revenue of the Group's DNA synthesis products, genetic engineering services, life sciences research consumables, protein and antibody related products and services and third party detection accounted for approximately 38.0%, 23.1%, 29.8%, 9.0% and 0.1% respectively of the total revenue of the Group.

Results Analysis of the Five Business Segments

- *DNA synthesis products*

Results

As one of the leading suppliers of DNA synthesis products in the PRC, the DNA synthesis segment is a solid foundation for the Group's continued growth. During the Reporting Period, revenue of such segment recorded a year-on-year increase of 22.8% to RMB267.13 million as compared to the same period in 2018 (2018: RMB217.62 million), which was mainly due to the leading position of such segment in the industry. With the continuous renewal of process as well as iterative calculation and quality optimization of automated facilities, the Group was able to respond to market demand promptly while satisfying customers' demand for high-quality customized products and services, which maintained and consolidated the Group's excellent reputation in the industry and sustained a continuous increase in orders. Overall gross profit margin of this segment increased to 55.8% during the Reporting Period from 54.1% for the same period of last year.

Development Strategies

The DNA synthesis products segment, as the core business of the Group, continued to strengthen the competitiveness of its products and enhance brand awareness through technological process renewal and automation renovation. At the same time, the Group will rely on DNA synthesis production building at Shanghai head office which has a total floor area of 7,000 square meters, as well as the newly established DNA synthesis research and development center. By leveraging its plant constructed under the GMP standards, optimizing and updating processes and automated facilities, the integrated capacity of high-quality DNA synthesis products will be improved. It is expected to process more orders of industrial-grade DNA products, providing new growth drivers for the rapid development of this segment.

- *Genetic engineering services*

Results

During the Reporting Period, revenue of genetic engineering services recorded a year-on-year increase of 28.7% to RMB162.94 million (2018: RMB126.57 million). During the Reporting Period, the Group continuously enlarged its service portfolio and was committed to setting up domestic service outlets and enhancing service quality, which enhanced the quick response ability of the whole value chain significantly, leading to a remarkable increase in the revenue of the segment. Meanwhile, the gross profit margin declined to 42.4% (2018: 43.9%) as a result of the strategic price adjustment and the increased preliminary management cost due to additional service outlets.

Development Strategies

Genetic engineering services are an important part of life science research and the expansion of application. The Group will continue to expand its product and service portfolio in order to provide customers with more convenient and comprehensive solutions. At the same time, we will capture synergies with the DNA synthesis products segment to provide products and services with stable quality and rapid delivery, and to continuously increase our involvement in the clinical testing and diagnostics industry.

- ***Life science research consumables***

Results

During the Reporting Period, while consolidating overseas markets and optimizing the integration of domestic production and logistics models, the Group improved the quality and standard of its products, leading to an increase of the orders received in China and abroad. This segment recorded a revenue of RMB209.53 million. As the similar market in South Korea with a large base is still in the development stage, an increase of 15.9% was recorded as compared with the same period last year. The gross profit margin of the Reporting Period increased by 3.3% to 51.8% (2018: 48.5%) as compared with the same period last year due to the structural adjustment of high value-added products.

Development Strategies

Although the development of the domestic life sciences laboratory consumables market is relatively lagging behind, with the increasing support from the state on biological and pharmaceutical development and other fields, the demand for life sciences laboratory consumables has increased significantly and have led to the rapid development of related industries in China. With regards to this, the Group strengthens the transforming of its automation and investment in research and development, and precisely analyzes the positioning of users such as enterprises and universities to meet their customized needs, with an aim to improve the product collection of the platform, expand market share and gradually participate in the market structure of international competition.

- ***Protein and Antibody Related Products and Services***

Results

During the Reporting Period, revenue of the protein and antibody related products and services segment amounted to RMB63.25 million (2018: RMB56.61 million) as a result of the expansion of product and service portfolio. The majority of the customers in the protein and antibody market are more reliant on the brands, revenue increased 11.7% as compared with the same period of last year. Due to low ratio of revenue and scale in the segment, low sales growth and the relocation of new plants, depreciation increased as compared to last year, resulting in a decline in gross profit, with its gross profit margin declined to 36.0% (2018: 39.2%).

Development Strategies

While the Company will enhance its product line and expand a new customer base in the future, we will provide high value-added products and technical services to achieve a larger scale of economies.

- *Third Party Detection*

Results

The third party detection sector focused on developing medical-related detection as well as diagnosis and scientific research services. During the Reporting Period, the revenue of this segment reached RMB0.92 million and the gross profit was -105.3%, which is due to large initial investment and labor and depreciation of equipment.

Development Strategies

The Group was granted the third-party medical laboratory in November 2019, and will undertake business in related fields, such as hospitals and medical examination agencies, accelerate the development of major disease diagnosis services, such as targeted drugs, improving professional services in both horizontal and vertical areas, with a view to adding new achievements to the Group.

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 2018 as follows:

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	As at 31 December	
		2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	738,795	539,112
Right-of-use assets	5	37,900	–
Land use rights		–	28,165
Intangible assets	6	5,107	12,304
Investments in associates	7	16,058	15,461
Financial assets at fair value through profit or loss	8	5,767	6,916
Financial assets at fair value through other comprehensive income	9	3,640	3,640
Deferred income tax assets		1,606	1,236
Other non-current assets	12	16,531	440
		825,404	607,274
Current assets			
Inventories	10	90,771	70,826
Contract assets	3	1,350	851
Trade and bills receivables	11	140,791	116,596
Prepayments, deposits and other receivables	12	38,062	39,402
Bank deposits with maturities over 3 months	13	–	49,537
Financial assets at fair value through profit or loss	8	90,074	–
Cash and cash equivalents		59,378	133,526
		420,426	410,738
Total assets		1,245,830	1,018,012
EQUITY			
Share capital	14	4,355	4,329
Share premium	14	445,864	459,406
Other reserves		2,027	(17,116)
Retained earnings		405,446	328,038
		857,692	774,657
Non-controlling interests		24,446	(4,479)
Total equity		882,138	770,178

CONSOLIDATED BALANCE SHEET (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	As at 31 December	
		2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	18	–	4,208
Lease liabilities	5	235	–
Deferred income tax liabilities		4,058	4,099
		4,293	8,307
Current liabilities			
Trade payables	16	25,050	19,505
Contract liabilities	3	2,250	1,378
Accruals and other payables	17	268,557	212,130
Borrowings	18	56,573	2,440
Income tax liabilities		6,555	4,074
Lease liabilities	5	414	–
		359,399	239,527
Total liabilities		363,692	247,834
Total equity and liabilities		1,245,830	1,018,012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

Year ended 31 December

		2019	2018
	Note	RMB'000	RMB'000
Revenue	3	703,774	581,600
Cost of sales	21	(355,104)	(298,319)
Gross profit		348,670	283,281
Selling and distribution expenses	21	(149,976)	(111,012)
General and administrative expenses	21	(99,950)	(89,401)
Other income – net	19	1,480	2,150
Other gain/(losses) – net	20	1,100	(1,020)
Operating profit		101,324	83,998
Finance income		2,448	5,206
Finance costs		(3,573)	(1,040)
Finance (costs)/income - net	22	(1,125)	4,166
Share of loss of associates		(592)	(735)
Profit before income tax		99,607	87,429
Income tax expense	23	(13,578)	(11,483)
Profit for the year		86,029	75,946
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
- Currency translation differences		2,028	3,939
Total comprehensive income for the year		88,057	79,885
Total profit attributable to:			
Equity holders of the Company		88,093	79,104
Non-controlling interests		(2,064)	(3,158)
		86,029	75,946
Total comprehensive income attributable to:			
Equity holders of the Company		90,205	83,182
Non-controlling interests		(2,148)	(3,297)
		88,057	79,885
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
- Basic	24	0.161	0.145
- Diluted	24	0.160	0.144

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

Attributable to equity holders of the Company

	Share capital	Share Premium	Other reserves	Retained earnings	Total	Non- controlling interests	Total Equity
	RMB'000 (Note 14)	RMB'000 (Note 14)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018	4,315	464,306	(37,600)	257,993	689,014	(1,109)	687,905
Comprehensive income							
Profit for the period	–	–	–	79,104	79,104	(3,158)	75,946
Currency translation differences	–	–	4,078	–	4,078	(139)	3,939
Total comprehensive income	–	–	4,078	79,104	83,182	(3,297)	79,885
Transactions with owners							
Employees share option scheme	–	–	3,556	–	3,556	–	3,556
Exercise of share options	14	1,556	–	–	1,570	–	1,570
Dividends (Note 25)	–	(6,456)	–	–	(6,456)	–	(6,456)
Appropriation to statutory reserve	–	–	9,059	(9,059)	–	–	–
Capital injection by the non-controlling shareholders of a subsidiary	–	–	3,791	–	3,791	(73)	3,718
Total transactions with owners	14	(4,900)	16,406	(9,059)	2,461	(73)	2,388
Balance at 31 December 2018	4,329	459,406	(17,116)	328,038	774,657	(4,479)	770,178
Balance at 1 January 2019	4,329	459,406	(17,116)	328,038	774,657	(4,479)	770,178
Comprehensive income							
Profit for the period	–	–	–	88,093	88,093	(2,064)	86,029
Currency translation differences	–	–	2,112	–	2,112	(84)	2,028
Total comprehensive income	–	–	2,112	88,093	90,205	(2,148)	88,057

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY(continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

Attributable to equity holders of the Company

	Share capital	Share Premium	Other reserves	Retained earnings	Total	Non- controlling interests	Total Equity
	RMB'000 (Note 14)	RMB'000 (Note 14)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Transactions with owners							
Employees share option scheme	-	-	5,286	-	5,286	-	5,286
Exercise of share options	26	2,852	-	-	2,878	-	2,878
Dividends (Note 25)	-	(16,394)	-	-	(16,394)	-	(16,394)
Appropriation to statutory reserve	-	-	10,685	(10,685)	-	-	-
Capital injection by the non-controlling shareholders of a subsidiary	-	-	1,060	-	1,060	561	1,621
Disposal of equity interests in a subsidiary to a non-controlling interests with loss of control (Note 7)	-	-	-	-	-	6,512	6,512
Non-controlling interests arising from business combination	-	-	-	-	-	24,000	24,000
Total transactions with owners	26	(13,542)	17,031	(10,685)	(7,170)	31,073	23,903
Balance at 31 December 2019	4,355	445,864	2,027	405,446	857,692	24,446	882,138

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cash flows from operating activities		
Net cash generated from operating activities	134,384	116,360
Cash flows from investing activities		
Net cash used in from investing activities	(250,656)	(162,179)
Cash flows from financing activities		
Net cash generated from financing activities	38,943	1,371
Net decrease in cash and cash equivalents	(77,329)	(44,448)
Cash and cash equivalents at beginning of the year	133,526	174,052
Effect of foreign exchange rate changes	3,181	3,922
Cash and cash equivalents at the end of the year	59,378	133,526

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

• 1. *General information of the Group*

BBI Life Sciences Corporation (the “Company”) was incorporated in the Cayman Islands on 10 July 2013 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office was Floor 4, Willow House, Cricket Square, P.O. BOX 2804, Grand Cayman KY1-1112, Cayman Islands. In September 2014, the Company’s registered office was changed to Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

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

These consolidated financial statements are presented in Renminbi (RMB), unless otherwise stated, and were approved for issue by the Board of Directors on 31 March 2020.

• 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 at fair value through profit or loss and financial assets at fair value through other comprehensive income 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

• 2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements 2015-2017 Cycle		1 January 2019

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected not to adopt the new rules retrospectively and recognised the cumulative effect of initially applying the new standard on 1 January 2019. Most of the other amendments listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) 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 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	To be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

- **2. Summary of significant accounting policies (continued)**

- **2.1 Basis of preparation (continued)**

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

(c) Changes in accounting policies

The Group has adopted HKFRS 16 Leases from 1 January 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The average lessee’s incremental borrowing rates applied to the lease liabilities on 1 January 2019 were in a range from 4.03% to 4.75% per annual.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

- **2. Summary of significant accounting policies (continued)**
 - 2.1 Basis of preparation (continued)**
 - 2.1.1 Changes in accounting policy and disclosures (continued)**

(ii) Measurement of lease liabilities

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	4,341
Less:	
Short-term leases not recognised as a liability	(328)
	4,013
Discounted using the lessee's incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	3814
Of which are:	
Current lease liabilities	2,195
Non-current lease liabilities	1,619
Add:	
Rental prepayments recognised as at 31 December 2018	360
Reclassification of land use rights	28,165
Right-of-use assets recognised as at 1 January 2019	32,339

(iii) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by RMB32,339,000
- Prepayments – decrease by RMB360,000
- Land use rights – decrease by RMB28,165,000
- Lease liabilities (current portion) – increase by RMB2,195,000
- Lease liabilities (non-current portion) – increase by RMB1,619,000

There is no impact on retained earnings on 1 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

- **2. Summary of significant accounting policies (continued)**

- **2.1 Basis of preparation (continued)**

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

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

- **3 Segment information**

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

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

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

The Group's revenue which represents turnover for the year ended 31 December 2019 and year ended 31 December 2018 is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
DNA synthesis products	267,135	217,620
Genetic engineering services	162,937	126,570
Life science research consumables	209,534	180,799
Protein and antibody related products and services	63,249	56,611
Third party detection	919	–
Total	703,774	581,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

• 3 Segment information (continued)

The segment information for the year ended 31 December 2019 is as follows:

	DNA synthesis products	Genetic engineering services	Life science research consumables	Protein and antibody related products and services	Third party detection	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At a point in time	267,135	96,640	209,534	46,870	919	621,098
Over time	–	66,297	–	16,379	–	82,676
Segment sales	267,135	162,937	209,534	63,249	919	703,774
Segment cost of sales	(117,955)	(93,825)	(100,947)	(40,490)	(1,887)	(355,104)
Segment gross profit	149,180	69,112	108,587	22,759	(968)	348,670

The segment information for the year ended 31 December 2018 is as follows:

	DNA synthesis products	Genetic engineering services	Life science research consumables	Protein and antibody related products and services	Third party detection	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At a point in time	217,620	77,514	180,799	40,354	–	516,287
Over time	–	49,056	–	16,257	–	65,313
Segment sales	217,620	126,570	180,799	56,611	–	581,600
Segment cost of sales	(99,922)	(70,948)	(93,029)	(34,420)	–	(298,319)
Segment gross profit	117,698	55,622	87,770	22,191	–	283,281

The Group has recognised following assets and liabilities related to contracts with customers:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Contract assets related to service contracts (revenue recognised over time)	1,350	851
Contract liabilities-advance from customers related to contracts	2,250	1,378

Revenue of RMB1,378,000 (2018: RMB2,908,000) was recognised for the year ended 31 December 2019 related to carried-forward contract liabilities that were established in prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

• 4 Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018							
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)
Net book amount	7,030	165,257	87,453	5,216	8,396	155,679	429,031
Year ended 31 December 2018							
Opening net book amount	7,030	165,257	87,453	5,216	8,396	155,679	429,031
Additions	–	18,468	32,540	1,831	3,580	82,725	139,144
Transfers	–	19,288	2,650	567	2,528	(25,033)	–
Disposals	–	–	(335)	(34)	(13)	–	(382)
Depreciation	–	(5,143)	(17,654)	(1,854)	(3,683)	–	(28,334)
Exchange difference	(180)	(159)	(6)	(2)	–	–	(347)
Closing net book amount	6,850	197,711	104,648	5,724	10,808	213,371	539,112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

• 4 Property, plant and equipment (continued)

	Land	Buildings	Machinery and equipment	Office equipment	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018							
Cost	6,850	229,704	185,697	14,085	23,402	213,371	673,109
Accumulated depreciation	–	(31,993)	(81,049)	(8,361)	(12,594)	–	(133,997)
Net book amount	6,850	197,711	104,648	5,724	10,808	213,371	539,112
Year ended 31 December 2019							
Opening net book amount	6,850	197,711	104,648	5,724	10,808	213,371	539,112
Additions	–	10,988	37,755	1,777	2,049	156,941	209,510
Additions resulting from business combination	–	28,120	1,926	293	32	281	30,652
Transfers	–	236,372	12,190	19	20,992	(269,573)	–
Disposals	–	–	(311)	–	(58)	–	(369)
Depreciation	–	(7,857)	(22,519)	(2,062)	(4,856)	–	(37,294)
Decrease resulting from disposal of a subsidiary	–	–	(3,406)	(338)	–	–	(3,744)
Exchange difference	392	473	(17)	(7)	12	75	928
Closing net book amount	7,242	465,807	130,266	5,406	28,979	101,095	738,795
At 31 December 2019							
Cost	7,242	505,952	219,184	14,958	45,733	101,095	894,164
Accumulated depreciation	–	(40,145)	(88,918)	(9,552)	(16,754)	–	(155,369)
Net book amount	7,242	465,807	130,266	5,406	28,979	101,095	738,795

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

• 5. Leases

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000
Right-of-use assets		
Land use rights	35,905	28,165
Buildings	1,995	3,615
Vehicles	–	559
Total right-of-use assets	37,900	32,339
Lease liabilities		
Current	414	2,195
Non-current	235	1,619
Total lease liabilities	649	3,814

Additions to the right-of-use assets during the 2019 financial year were RMB10,167,000, including the land use rights of RMB8,411,000 from the business combination.

The statement of profit or loss shows the following amounts relating to leases:

	For the year ended 31 December 2019 RMB'000
Depreciation charge of right-of-use assets	
Land use rights	(685)
Buildings	(2,492)
Vehicles	(234)
Exchange differences	(31)
Total depreciation	(3,442)
Interest expense (included in finance cost)	(120)
Expense relating to short-term leases (included in cost of goods sold, administrative expenses and selling expenses)	(2,440)

The total cash outflow for leases excluding land use rights in 2019 was RMB5,049,000.

As at 31 December 2019, land use rights of RMB5,108,000 are pledged as collateral for the borrowing of RMB30,000,000 (Note 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

● 6. Intangible assets

	Patent RMB'000	Goodwill RMB'000	Computer softwares RMB'000	Brand name RMB'000	Contractual customer relationships RMB'000	Total RMB'000
At 1 January 2018						
Cost	406	7,924	5,817	117	2,417	16,681
Accumulated amortisation	(406)	–	(2,262)	(68)	(797)	(3,533)
Net book amount	–	7,924	3,555	49	1,620	13,148
Year ended 31 December 2018						
Opening net book amount	–	7,924	3,555	49	1,620	13,148
Additions	–	–	71	–	–	71
Amortisation	–	–	(535)	(23)	(226)	(784)
Exchange difference	–	(115)	–	1	(17)	(131)
Closing net book amount	–	7,809	3,091	27	1,377	12,304
At 31 December 2018						
Cost	406	7,809	5,888	116	2,372	16,591
Accumulated amortisation	(406)	–	(2,797)	(89)	(995)	(4,287)
Net book amount	–	7,809	3,091	27	1,377	12,304
Year ended 31 December 2019						
Opening net book amount	–	7,809	3,091	27	1,377	12,304
Additions	–	–	30	–	–	30
Decrease resulting from disposal of a subsidiary	–	(6,412)	(212)	–	–	(6,624)
Amortisation	–	–	(515)	(24)	(227)	(766)
Exchange difference	–	93	2	1	67	163
Closing net book amount	–	1,490	2,396	4	1,217	5,107
At 31 December 2019						
Cost	406	1,490	5,620	109	2,237	9,862
Accumulated amortisation	(406)	–	(3,224)	(105)	(1,020)	(4,755)
Net book amount	–	1,490	2,396	4	1,217	5,107

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

- 7. *Investments in associates*

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At 1 January	15,461	16,896
Addition	9,201	–
Share of results	(592)	(735)
Disposal	(8,012)	–
Impairment	–	(700)
At 31 December	16,058	15,461

- 8. *Financial assets at fair value through profit or loss*

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets		
Unlisted securities, at fair value		
-Debenture securities	5,767	6,916
Current assets		
Unlisted securities, at fair value		
-Debenture securities	90,074	–

The average interest on debenture securities during the year was 2.90% (2018: 2.00%).

- 9. *Financial assets at fair value through other comprehensive income*

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets		
Unlisted securities, at fair value		
-Equity securities	3,640	3,640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

● 10. Inventories

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Raw materials	42,173	33,150
Work in progress	1,721	2,608
Finished goods	50,984	39,357
	94,878	75,115
Less: inventory provision	(4,107)	(4,289)
	90,771	70,826

● 11. Trade and bills receivables

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Trade and bills receivables	145,538	121,211
Less: provision for impairment	(4,747)	(4,615)
	140,791	116,596

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

	As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB	131,450	97,050
USD	9,379	5,825
EUR	1,979	2,021
SGD	1,211	835
CAD	1,193	2,236
GBP	326	503
KRW	—	12,741
	145,538	121,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

As at 31 December 2019 and 2018, the ageing analysis of the trade and bills receivables based on invoice date was as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Within 3 months	95,823	63,896
3 to 6 months	18,250	30,645
6 to 12 months	20,736	16,903
Over 12 months	10,729	9,767
	145,538	121,211

● 12. Prepayments, deposits and other receivables

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Non-current:		
Loan to a related party (i)	8,127	–
Receivable for disposal of an associate (iii)	8,020	–
Others	384	440
	16,531	440
Current:		
Prepaid value-added tax, current income tax and other taxes	15,336	9,938
Prepayments for purchases of raw materials	8,185	5,748
Other prepayments	6,372	1,849
Other receivables	4,063	2,553
Deposits	1,507	5,048
Prepaid expenses	1,490	1,872
Loan to a related party (i)	1,109	–
Loan to a third party (ii)	–	12,000
Rent prepayments	–	394
	38,062	39,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(i) As at 31 December 2019, a loan of RMB9,236,000 was granted to Bionics Co., Ltd., an associate, with an annual interest rate of 0.6% to 3.5%.

(ii) As at 31 December 2018, a loan of RMB12,000,000 was granted to HuBei BaiZhi'ang Biology Chemical Industry Co., Ltd. ("BaiZhi'ang") with an annual interest rate of 4.35% and due date of July 2019.

On 23 September 2019, the Group entered into the agreement with BaiZhi'ang and its shareholders to acquire 51.00% equity interests in BaiZhi'ang for a consideration of RMB24,980,000. The loan granted to BaiZhi'ang of RMB12,000,000 was converted to share capital of BaiZhi'ang as part of the consideration.

(iii) On 19 March 2019, the Group disposed its equity interests in Tianjin Hengjia, an associate of the Group, to Tianjin Hengjia's major shareholder (the "buyer") for a cash consideration of RMB8,020,000. Three buildings with a value of RMB9,000,000 were transferred to the Group to settle the disposal. Pursuant to the disposal agreement, the buyer has a call option to purchase back the buildings within 5 years (the "period of the call option") for an amount of RMB9,000,000 plus interests calculated with interest rate of 10% per annual. Before the buyer exercises the call option, the Group is limited in its ability to direct the use of the buildings and can only lease them back to the buyer. After the period of the call option, the limitation on the use of the assets will be removed.

Since the Group does not obtain control of those buildings within the period of the call option, the settlement of the disposal is deemed as not being completed, and the transfer of the buildings has been regarded as a collateral to the receivable due from the buyer.

- 13. *Bank deposits with maturities over 3 months*

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Bank deposits with maturities ranging from 3 months to 12 months	–	49,537

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

- 13. *Bank deposits with maturities over 3 months (continued)*

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

	As at 31 December	
	2019 RMB'000	2018 RMB'000
USD	–	48,134
KRW	–	1,403
	–	49,537

- 14. *Share capital and share premium*

		Number of issued and fully paid shares		Nominal value of ordinary shares	
				HK\$	Share Premium
Authorised:					
At 31 December 2018 and 2019					HK\$
				2,000,000,000	20,000,000
	Note	Number of issued and fully paid shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share Premium
			HK\$	RMB'000	RMB'000
Issued:					
At 1 January 2018		545,516,193	5,455,162	4,315	464,306
Exercise of share options		1,737,995	17,380	14	1,556
Dividend	25	–	–	–	(6,456)
Balance at 31 December 2018		547,254,188	5,472,542	4,329	459,406
Exercise of share options		2,954,714	29,547	26	2,852
Dividend	25	–	–	–	(16,394)
Balance at 31 December 2019		550,208,902	5,502,089	4,355	445,864

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

- **15. Share-based payment**

(i) During the year 2014, the board of BBI International Limited, an investment holding company of the Group, 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 after modification made in that year. 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 as measured at the date of modification was determined by using the binominal model. The significant inputs into the model were share prices at the modification date, the modified exercise price shown above, volatility of 41.79% to 43.86%, dividend yield of 0.00%, and annual risk-free interest rate of 1.16% to 1.33%. The volatility measured at the standard deviation of the underlying stock over a time period corresponding to the remaining life of the share options.

(ii) On 24 April 2018, the board of the Company approved the grant of 7,761,000 share options to the senior management and certain employees of the Group at an exercise price of HK\$3.23 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

- **15. Share-based payment(continued)**

The share options are exercisable during the following periods:

- (1) up to 20% on or after 24 April 2018;
- (2) up to 40% on or after 24 April 2019;
- (3) up to 60% on or after 24 April 2020;
- (4) up to 80% on or after 24 April 2021;
- (5) all the remaining options on or after 24 April 2022;

and no later than 24 April 2028 for share options granted.

On 24 April 2018, all the senior management and employees accepted the share options.

The fair value of share options granted in 2018 determined by using the binominal model was HK\$1.065 per option for the senior management and HK\$1.101 per option for the certain employees. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 45.87%, dividend yield of 0.44%, and annual risk-free interest rate of 1.988%.

The expected volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical share prices of the Company from listing to grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

- **15. Share-based payment (continued)**

The expected dividend yield is measured based on management's best estimation by making reference to the total dividend declared in prior year.

(iii) On 7 September 2018, the board of the Company approved the grant of 5,400,000 share options to a third company "Hong Kong Zhixin Financial News Agency Limited" (the "PR Firm") at an exercise price of HK\$3.89 per share. Hong Kong Zhixin Financial News Agency Limited is appointed as the investor and media relations consultant, and the provision of certain advisory and consultation services, including but not limited to establishing and formulating investor relations strategy for the Company.

Batch 1: 1,600,000 share options, or 1,600,000 share options times the average number of Shares traded per day for a period commencing from 365 days immediately preceding the date of the exercise notice served to the Company by the PR Firm and up to the date of such exercise notice / 1,093,792, whichever is lower, may be exercised during the period commencing on the date immediately after the end of a three-month period from the date on which the PR Firm accepts the grant of the 5,400,000 share options ("Date of acceptance") up to 30 September 2021, the end of the validity period.

Batch 2: 1,600,000 share options, or 1,600,000 share options times the average number of Shares traded per day for a period commencing from 365 days immediately preceding the date of the exercise notice served to the Company by the PR Firm and up to the date of such exercise notice / 1,093,792, whichever is lower, may be exercised during the period commencing on the date immediately after the end of a twelve-month period from the Date of acceptance up to the end of the validity period.

Batch 3: 2,200,000 share options, or 2,200,000 share options times the average number of Shares traded per day for a period commencing from 365 days immediately preceding the date of the exercise notice served to the Company by the PR Firm and up to the date of such exercise notice / 1,093,792, whichever is lower, may be exercised during the period commencing on the date immediately after the end of an eighteen-month period from the Date of acceptance up to the end of the validity period.

The fair value of share options granted in 2018 determined by using Monte Carlo simulation model was HK\$0.22 per option for the PR firm. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 45.21%, dividend yield of 0.41% and the annual risk-free interest rate of 2.116%.

On 21 October 2019, the Group signed an agreement with the PR Firm to terminate cooperation and cancel 5,400,000 options from 6 November 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

- **15. Share-based payment (continued)**

(iv) On 29 April 2019, the Board meeting of BBI Life Science Corporation approved the grant of 4,720,000 share options to the senior management and certain employees of the Group at an exercise price of HK\$2.48 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The share options are exercisable during the following periods upon listing of the Company's shares on the Main Board of the Stock Exchange:

- (1) up to 20% on or after 29 April 2019;
- (2) up to 40% on or after 29 April 2020;
- (3) up to 60% on or after 29 April 2021;
- (4) up to 80% on or after 29 April 2022;
- (5) all the remaining options on or after 29 April 2023;

and no later than 29 April 2029 for share options granted respectively.

On 29 April 2019, all the senior management and employees accepted the share options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

● 15. Share-based payment (continued)

The fair value of share options granted in 2019 determined by using the binominal model was HK\$1.115 per option for the senior management and HK\$0.925 per option for the certain employees. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 48.00%, dividend yield of 1.48%, and annual risk-free interest rate of 1.680%.

The expected volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical share prices of the Group from listing to grant date. The expected dividend yield is measured based on management's best estimation by making reference to the total dividend declared for 2018.

Movement in the number of share options outstanding and their related weighted average exercise prices for the year ended 31 December 2019 was as follows:

	2019		2018	
	Average exercise price in HK\$	Number of options	Average exercise price in HK\$	Number of options
At 1 January	HK\$2.80	18,533,848	HK\$1.1	7,707,451
Granted	HK\$2.48	4,720,000	HK\$3.5	13,161,000
Forfeited	HK\$3.06	(400,213)	HK\$2.7	(596,608)
Exercise	HK\$1.10	(2,954,714)	HK\$1.1	(1,737,995)
Cancelled	HK\$3.61	(8,000,000)	–	–
At 31 December	HK\$2.45	11,898,921	HK\$2.8	18,533,848

Expiry date	(Exercise price HK\$ per share)	Number of options As at 31 December	
		2019	2018
17 January 2019	1.1	–	460,749
17 January 2020	1.1	2,877,921	5,372,099
30 September 2021	3.89	–	5,400,000
24 April 2028	3.23	5,041,000	7,301,000
29 April 2029	2.48	3,980,000	–
		11,898,921	18,533,848

Amortisation expenses of RMB5,286,000 (2018: RMB3,556,000) for employees share option has been charged to the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

● 16. Trade payables

As at 31 December 2018 and 2019, the ageing analysis of the trade payables based on invoice dates is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Within 3 months	20,455	17,751
3 months to 6 months	1,206	1,179
6 months to 1 year	2,191	479
Over 1 year	1,198	96
	25,050	19,505

● 17. Accruals and other payables

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Payables for purchase of property, plant and equipment	51,935	36,943
Salary and staff welfare payables	26,887	22,441
Payables for value-added tax and other taxes	1,282	1,843
Advances from customers	170,125	139,923
Payables for professional service fee	1,209	1,306
Other payables	17,119	9,674
	268,557	212,130

As at 31 December 2019 and 2018, the carry amounts of the Group's other payables approximated their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

• 18. Borrowings

	As at 31 December 2019			As at 31 December 2018		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Secured bank loans (i)	30,000	–	30,000	2,440	3,596	6,036
Unsecured bank loans	26,573	–	26,573	–	612	612
Total borrowings	56,573	–	56,573	2,440	4,208	6,648

(i) As at 31 December 2019, bank loans of RMB30,000,000 were secured by property, plant and equipment with cost of RMB30,039,000 and land use rights with cost of RMB5,108,000 (Note 4 and note 5).

As at 31 December 2018, bank loans of KRW114,460,000 (equivalent to RMB700,000) were secured by property, plant and equipment with cost of KRW220,961,000 (equivalent to RMB1,352,000) (Note 6). Bank loans of KRW396,000,000 (equivalent to RMB2,424,000) 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:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Portion of loans due for repayment within 1 year:	56,573	2,440
Loans due for repayment after 1 year:		
Between 1 and 2 years	–	3,231
Between 2 and 5 years	–	977
	56,573	6,648

As at 31 December 2019, the carrying amounts of the borrowings are all denominated in EUR and RMB. The interest rates of the borrowings are 3.10% , 4.46% and 4.57%.

As at 31 December 2018, the carrying amounts of the borrowings are all denominated in KRW. The interest rates of the borrowings is in a range of 2.78% to 6.41%.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

● 19. Other income – net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Government grants	1,480	2,150

● 20. Other gain / (losses) – net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment - net	(369)	(88)
Exchange losses - net	(889)	(788)
Interests income from other receivables	110	–
Gain on disposal of investment associates	8	–
Gain on disposal of a subsidiary	2,431	–
Others	(191)	(144)
	1,100	(1,020)

● 21. Expenses by nature

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Employee benefit expenses	188,821	148,773
Raw materials used	239,338	201,695
Changes in inventories of finished goods and work in progress	(10,740)	(7,601)
Depreciation and amortisation charges	41,471	29,789
Provision for impairment of trade and bills receivables (Note 11)	1,103	1,424
Reversal of provision for impairment of inventories (Note 10)	(105)	(49)
Impairment of investment in an associate (Note 7)	–	700
Transportation expenses	21,158	21,737
Utilities	9,703	6,226
Professional service fees	5,746	2,902
Research and development expenses	35,884	35,993
Taxes and surcharges	5,138	5,544
Marketing expenses	30,172	17,269
Travel expenses	5,241	6,216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

- 21. *Expenses by nature (continued)*

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Repair expenses	4,738	3,506
Short-term leases expenses	2,440	—
Operating leases	—	4,817
Office expenses	6,998	5,392
Auditor's remuneration	2,083	2,151
Vehicle expenses	3,246	4,013
Other expenses	12,595	8,235
Total cost of sales, selling and distribution costs and administrative expenses	605,030	498,732

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

• 22. Finance (costs) / income - net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Finance costs		
- Interest expenses on lease liabilities	(120)	–
- Net foreign exchange losses	(354)	–
- Interest expense on borrowings	(2,456)	(416)
- Other finance costs	(643)	(624)
	(3,573)	(1,040)
Finance income		
– Interest income on financial assets	802	1,541
– Net foreign exchange gains	–	1,459
– Interest income on bank deposits	1,646	1,687
– Other finance income	–	519
	2,448	5,206
Net finance (costs) / income	(1,125)	4,166

• 23. Income tax expense

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current income tax	14,002	12,419
Deferred income tax	(424)	(936)
Income tax expense	13,578	11,483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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• 24. 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 15.

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.

	Year ended 31 December	
	2019	2018
Profit attributable to equity holders of the Company (RMB'000)	88,093	79,104
Weighted average number of ordinary shares in issue ('000)	548,198	546,778
Adjustments for share option plan	2,520	3,965
Weighted average number of ordinary shares for diluted earnings per share ('000)	550,718	550,743
Basic earnings per share (RMB per share)	0.161	0.145
Diluted earnings per share (RMB per share)	0.160	0.144

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

- *25. Dividends*

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Proposed final dividend of HK\$ nil(2018: HK\$0.034) per ordinary share	–	15,927

The dividends paid in 2019 were HK\$18,607,000(i.e. HK\$0.034 per share), equivalent to RMB16,394,000.

FINANCIAL REVIEW

	For the year ended 31 December		
	2019 RMB'000	2018 RMB'000	Change
Revenue	703,774	581,600	21.0%
Gross profit	348,670	283,281	23.1%
Net profit	86,029	75,946	13.3%
Profit attributable to Shareholders of the Company	88,093	79,104	11.4%
Earnings per share (RMB)	0.161	0.145	11%

Revenue

During the Reporting Period, the revenue of the Group was approximately RMB703.77 million, representing an increase of 21.0% as compared with RMB581.60 million for the same period of 2018. This was mainly contributed by keeping a steady growth of the Five Business Segments.

Gross Profit

During the Reporting Period, the Group's gross profit increased by 23.1% from RMB283.28 million for the same period of 2018 to RMB348.67 million. The overall gross profit margin was maintained at a relatively stable level of 49.5%.

Selling and distribution expenses

The selling and distribution expenses increased by 35.1% to RMB149.98 million during the Reporting Period from RMB111.01 million for the same period of 2018.

General and administrative expenses

During the Reporting Period, the general and administrative expenses increased by 17.9% to RMB 62.96 million from RMB53.41 million for the same period of 2018, excluding the research and development expenses. This was mainly because the Company has raised the salary and welfare benefits of the employees.

Research and development expenses

During the Reporting Period, the research and development expenses increased by 2.8% to RMB 36.99 million from RMB35.99 million for the same period of 2018. This was mainly because the Company accelerated and expanded the new business sector in medical testing field.

Income tax expenses

The income tax expenses increased from RMB11.48 million for the same period of 2018 to RMB13.58 million for the Reporting Period.

Net profit

During the Reporting Period, net profit of the Group increased by 13.3% from approximately RMB75.95 million for the same period of 2018 to approximately RMB86.03 million.

Trade receivables

For the year ended 31 December

	2019	2018
Trade receivables turnover (day)	69	69

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

Inventories

For the year ended 31 December

	2019	2018
Inventory turnover (day)	83	80

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

Property, plant and equipment

property, plant and equipment include buildings, machinery equipment and construction under progress. As at 31 December 2019, the property, plant and equipment of the Group amounted to RMB 738.80 million, representing an increase of RMB199.69 million from RMB539.11 million as at 31 December 2018. This was mainly due to the newly-built and newly-purchased plants along with the business expansion and preparation of new products and services in medical testing field.

Intangible assets

As at 31 December 2019, the Group's net intangible assets amounted to RMB5.11 million, representing a decrease of RMB7.19 million from RMB12.30 million as at 31 December 2018.

Working capital and financial resources

As at 31 December 2019, the cash and cash equivalents of the Group amounted to RMB59.38 million (2018: RMB133.53 million).

Cash flow analysis

During the Reporting Period, the Group recorded an annual net cash inflow of RMB134.38 million generated from operating activities.

During the Reporting Period, the annual cash outflow used in investing activities of the Group was RMB250.66 million. This was mainly due to the newly-built and newly-purchased plants and newly-purchased equipments.

During the Reporting Period, the cash inflow generated from financing activities of the Group was RMB38.94 million.

Capital expenditure

During the Reporting Period, the expenditure incurred in purchasing property, plant and equipment and of construction in progress amounted to RMB199.14 million.

Material acquisitions and disposals

On 23 September 2019, the Group entered into the agreement with BaiZhi'ang and its shareholders to acquire 51.00% equity interests in BaiZhi'ang for a consideration of RMB24,980,000. The loan granted to BaiZhi'ang of RMB12,000,000 was converted to share capital of Baizhi'ang as part of the consideration.

On 30 December 2019, the Group and the non-controlling shareholder mutually cancelled the proxy agreement, and the 13.49% voting rights in Bionics was returned to that non-controlling shareholder.

As a result of above, the voting rights owned by the Group in Bionics decreased from 54.71% to 41.22% on 30 December 2019. The Group lost the control over Bionics and investment in Bionics was remeasured and accounted for as investment in associate thereafter.

On 19 March 2019, Sangon Health, a subsidiary of the Company disposed its 37.05% shareholding in Tianjin Hengjia Biotech Development Co., Ltd. (Tianjin Hengjia) to Tianjin Hengjia's major shareholders for a cash consideration of RMB8,020,000.

Contingent liabilities and guarantees

As at 31 December 2019, 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 and bills 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. Pre-payment 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

After the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc. During the process of virus detection, it is required the professional diagnostic kits. As an important upstream supplier of raw materials for nucleic acid diagnostic kits, the Group is keen to capture the demand for such products from many molecular diagnostic companies. We have rapidly adjusted the production of DNA synthesis and gene synthesis according to the published information of 2019-nCoV detection primers and probes and gene sequence to ensure product supply. As of 10 February 2020, approximately 7.9 million detection probes and primers have been produced, and these diagnostic materials were promptly sent to local and overseas diagnostic kit companies. Also, 2019-nCoV diagnostic kits were assembled and delivered swiftly to various hospitals and related detection and diagnosis institutions.

During the epidemic outbreak, it is realized that breakthrough is of utmost importance in surviving in the industry. The Group firmly believes in the correctness of the development direction of the Group’ s strategies and its determination to continue to further promote its business:

1. Relying on the production and operation of its DNA synthesis production building at Shanghai headoffice to improve the integrated capacity for high-quality DNA synthesis products applied in the area of precision medicine, consolidate and expand the current market share, and enhance the retention of industrial-grade customers.

(1) Enhancing the production capacity and technologies of industrial-grade DNA products; active-developing and serving a broad industrial customer base; and seeking diversified cooperation with them.

(2) In the meantime, the Group will also include (but not limited to) capital operations such as mergers and acquisitions or equity investment to accelerate the layout.

2. Expanding the business of third party diagnostic and detection and extending the terminal application to the downstream:

With the commencement of operation of medical laboratory, we will undertake business in related fields such as hospitals and medical examination agencies, and accelerate the development of major disease diagnosis services such as targeted drugs, so as to improve professional services in both horizontal and vertical areas. Meanwhile, we will accelerate the research and development of vitro diagnosis products, especially diagnostic kits, to further enhance the Group’ s product and service portfolio and build a closed-loop industry ecosystem.

3. Expanding overseas markets continuously and strengthening the coverage of direct sales network to highlight the advantages on layout of the subsidiaries and branches domestically and internationally.

PROSPECTS (continued)

The Group will pay close attention to the development of the COVID-19 outbreak, and evaluate and actively respond to its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak. 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 its shareholders (the “Shareholders”).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had a total of 1,652 employees. The Group has entered into employment contracts covering positions, employment conditions and terms, salary, employees’ benefits, responsibility for breach of contractual obligations and reason for termination with its employees. The remuneration package of the Group’s employees includes basic salary, subsidies and other employees’ benefits, which are determined with reference to the experience and working years of the employees and general situations.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the Reporting Period (2018:HK\$ 0.034 per share).

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of Shareholders to attend and vote at the AGM to be held on Monday, 29 June 2020, the register of members of the Company will be closed from Tuesday, 23 June 2020 to Monday, 29 June 2020 (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, 22 June 2020.

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 2019. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of this announcement of the Group’s results have been agreed by the Group’s auditors, PricewaterhouseCoopers, to the figures set out in the Group’s audited consolidated financial statements for the year ended 31 December 2019. 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 in 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 2019.

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 the management, reviewed the accounting principles adopted by the Group and the annual results of the Group for the year ended 31 December 2019.

ANNUAL GENERAL MEETING

The AGM will be held on Monday, 29 June 2020. A notice convening the AGM will be issued and dispatched to the Shareholders in due course.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2019 ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bbi-lifesciences.com), and the annual report of the Company for the year ended 31 December 2019 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, 31 March 2020

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