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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 2018

ANNUAL RESULTS HIGHLIGHTS

- For the year ended 31 December 2018 (the “**Reporting Period**”), the revenue of the Group was approximately RMB581.60 million, representing an increase of 25.8% as compared with RMB462.40 million for the same period of 2017.
- For the year ended 31 December 2018, the gross profit increased by 22.7% from RMB230.78 million for the same period of 2017 to RMB283.28 million. After deducting non-recurring one-off expenses (being share-based payment), the adjusted gross profit of 2018 was approximately RMB285.15 million (where the adjusted gross profit margin was 49.0%), representing a year-on-year increase of 23.6%.
- For the year ended 31 December 2018, the profit of the Group increased by 24.0% from approximately RMB61.27 million for the same period of 2017 to approximately RMB75.95 million. After deducting non-recurring one-off expenses (being share-based payment), the adjusted net profit of 2018 was approximately RMB79.51 million, representing a year-on-year increase of 29.8%.
- For the year ended 31 December 2018, profit attributable to equity holders of the Company increased by 22.7% from approximately RMB64.45 million for the same period of 2017 to approximately RMB79.10 million. After deducting the above item of non-recurring one-off expenses, the adjusted net profit attributable to equity holders of the Company was RMB82.66 million, representing a year-to-year increase of 28.3%.
- The Board recommends the payment at a final dividend of HK\$0.034 per share for the Reporting Period, increased by approximately 142.9% compared with the year of 2017 (2017: HK\$0.014).

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**”). 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 RMB581.60 million, representing an increase of 25.8% as compared with RMB462.40 million for 2017. The overall gross profit was RMB283.28 million, representing an increase of 22.7% from RMB230.78 million of last year. After deducting non-recurring one-off expenses (being share-based payment), the adjusted gross profit of 2018 was approximately RMB285.15 million (where the adjusted gross profit margin was 49.0%), representing a year-on-year increase of 23.6%. The overall gross profit margin was still maintained at a steady level of 48.7%, representing a slight decrease as compared with the level of 49.9% recorded in the previous year. The fluctuation in the gross profit margin was mainly due to two factors: first, the Company granted share options during the Reporting Period, which led to a non-recurrent expenditure; second, the Company purchased certain scale of plants from expanding business in second and third-tier cities which contributed to depreciation. During the Reporting Period, profit attributable to equity holders of the Company was approximately RMB79.10 million. After deducting the above item of non-recurring one-off expenses, the adjusted net profit attributable to equity holders of the Company was RMB82.66 million, representing a year-to-year increase of 28.3%.

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 37.4%, 21.8%, 31.1% and 9.7% respectively of the total revenue of the Group.

Results Analysis of the Four Business Segments

1. *DNA synthesis products*

Results

As a core business of the Group, revenue of the DNA synthesis products segment amounted to RMB217.62 million during the Reporting Period, representing an increase of 19.7% over the same period in 2017. The economies of scale of the Group continued to be strengthened by continuously upgrading the key technological processes and automation standards, which caused the level of gross profit margin of the segment to remain basically stable under the high pressure resulting from multiple factors such as labor cost, increased raw material price, reduction in product price and adjustment of Bionics product structure, recording a gross margin profit of 54.1% (2017: 54.7%).

Development Strategies

Being a brand-recognized corporation with history in the DNA industry for over 20 years, we continue to upgrade the key technological processes and renovated automation, in order to meet the diversified customer's demand on the market.

The Group will rely on the DNA synthesis production building at Shanghai head office to be completed and put into use in May 2019. By leveraging its plant, workshop and automated facilities constructed under the GMP standards, it is expected that the precise demand of high quality and customized products of industrial customers could be satisfied, and it is able to continue to strengthen the competitiveness of its products and enhance brand awareness, leading the development trend of the industry.

2. *Genetic engineering services*

Results

During the Reporting Period, revenue of the genetic engineering services segment recorded a significant increase amounting to RMB126.57 million, representing an increase of 32.9% compared with the same period of last year, benefiting from a comprehensive presence of the domestic service outlets and rapid improvement of the quality of services. At the same time seizing the market rapidly, due to the strategic price adjustment of the Group, there is a slight fluctuation on the gross profit margin of the segment, recording a gross profit margin of 43.9% (2017: 45.3%).

Development Strategies

DNA sequencing is an important part in precision medicine. With its technology being advanced continuously and the expansion of service targets and segmentation of its application, the market size continues to grow as well. In view of this, the Group will continue to increase its investment in the area of fundamental researches and clinical diagnosis, and strive to be the leading enterprise in the domestic market:

- (1) to expand the depth layout of outlets with its expectation to have three new sequencing outlets in 2019;
- (2) to equip with advanced sequencing equipment, and leap forward into the transformation of cloud services;
- (3) to carry out the business of application testing, enhance the key layout of the closed-loop industry chain, and assist the rapid development of the Group.

3. *Life science 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 RMB180.80 million, representing an increase of 31.2% compared with the same period of last year. Under the pressure of price rising in diversified chemical material and labor cost, we optimized product portfolio and quality, the gross profit margin maintained at the same level of last year, recording 48.5% (2017: 49.6%).

Development Strategies

Due to an extensive population base at home and abroad as well as the rapid growth of bio-medical demand, the investment in bio-pharmaceutical and life science industry research continues to increase in the nation, prompting a prosperous market for biological laboratory consumables and providing a good opportunity for laboratory consumables enterprises to break through various barriers to development. With regards to this, the Group strengthens the transforming of its automated facilities and investment in research and development of chemical products with an aim to meet the industrial customers' customized demand on research consumables. In addition, the Group targets to have its reconstruction plant to be completed in July 2019, which could extend the original production capacity in two-fold.

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 19.3% to RMB56.6 million as a result of the expansion of product and service portfolio. Meanwhile, as the Group increased its investment in product line of the segment which increased the market share, the gross profit margin slightly declined to 39.2% (2017: 41.6%).

Development Strategies

Based on the fact that there is a rapid development in related industries such as modern biopharmaceuticals industry, the scale of such markets will rise. 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.

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 2017 as follows:

Consolidated Balance Sheet

		As at 31 December	
	Note	2018	2017
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	539,112	429,031
Land use rights		28,165	28,836
Intangible assets	5	12,304	13,148
Investments in associates	6	15,461	16,896
Available-for-sales financial assets	7(a)	–	9,899
Financial assets at fair value through profit or loss	7(b)	6,916	–
Financial assets at fair value through other comprehensive income	7(c)	3,640	–
Deferred income tax assets		1,236	1,046
Other non-current assets		440	864
		<u>607,274</u>	<u>499,720</u>
Current assets			
Inventories	8	70,826	60,052
Contract assets		851	–
Trade and bills receivables	9	116,596	94,288
Prepayments, deposits and other receivables	10	39,402	31,985
Bank deposits with maturities over 3 months	11	49,537	43,041
Cash and cash equivalents		133,526	174,052
		<u>410,738</u>	<u>403,418</u>
Total assets		<u>1,018,012</u>	<u>903,138</u>
EQUITY			
Share capital	12	4,329	4,315
Share premium	12	459,406	464,306
Other reserves		(17,116)	(38,994)
Retained earnings		328,038	257,993
		<u>774,657</u>	<u>687,620</u>
Non-controlling interests		<u>(4,479)</u>	<u>(1,109)</u>
Total equity		<u>770,178</u>	<u>686,511</u>

Consolidated Balance Sheet (continued)

		As at 31 December	
	<i>Note</i>	2018	2017
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	<i>16</i>	4,208	4,085
Deferred income tax liabilities		4,099	4,602
		<u>8,307</u>	<u>8,687</u>
Current liabilities			
Trade payables	<i>14</i>	19,505	13,149
Contract liabilities		1,378	–
Accruals and other payables	<i>15</i>	216,204	192,241
Borrowings	<i>16</i>	2,440	2,550
Current portion of deferred income		–	–
		<u>239,527</u>	<u>207,940</u>
Total liabilities		<u>247,834</u>	<u>216,627</u>
Total equity and liabilities		<u>1,018,012</u>	<u>903,138</u>

Consolidated Statement of Comprehensive Income

	<i>Note</i>	Year ended 31 December	
		2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue	3	581,600	462,403
Cost of sales	19	<u>(298,319)</u>	<u>(231,624)</u>
Gross profit		283,281	230,779
Selling and distribution expenses	19	(111,012)	(88,816)
General and administrative expenses	19	(89,401)	(74,191)
Other income – net	17	2,150	1,991
Other losses – net	18	<u>(1,020)</u>	<u>(450)</u>
Operating profit		83,998	69,313
Finance income		5,206	3,598
Finance costs		<u>(1,040)</u>	<u>(827)</u>
Finance income – net	20	4,166	2,771
Share of loss of associates		<u>(735)</u>	<u>(957)</u>
Profit before income tax		87,429	71,127
Income tax expense	21	<u>(11,483)</u>	<u>(9,854)</u>
Profit for the year		75,946	61,273
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		<u>3,939</u>	<u>(3,847)</u>
Total comprehensive income for the year		<u>79,885</u>	<u>57,426</u>
Total profit attributable to:			
Equity holders of the Company		79,104	64,446
Non-controlling interests		<u>(3,158)</u>	<u>(3,173)</u>
		<u>75,946</u>	<u>61,273</u>

Consolidated Statement of Comprehensive Income (continued)

	<i>Note</i>	Year ended 31 December	
		2018	2017
		<i>RMB'000</i>	<i>RMB'000</i>
Total comprehensive income attributable to:			
Equity holders of the Company		83,182	60,808
Non-controlling interests		(3,297)	(3,382)
		<u>79,885</u>	<u>57,426</u>
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– Basic	22	<u>0.145</u>	<u>0.118</u>
– Diluted	22	<u>0.144</u>	<u>0.117</u>

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company						Total Equity RMB'000
	Share capital RMB'000 (Note 12)	Share Premium RMB'000 (Note 12)	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	
Balance at 1 January 2017	4,304	463,062	(43,905)	207,333	630,794	4,374	635,168
Comprehensive income							
Profit for the period	-	-	-	64,446	64,446	(3,173)	61,273
Currency translation differences	-	-	(3,638)	-	(3,638)	(209)	(3,847)
Total comprehensive income	-	-	(3,638)	64,446	60,808	(3,382)	57,426
Transactions with owners							
Employees share option scheme	-	-	472	-	472	-	472
Exercise of share options	11	1,244	-	-	1,255	-	1,255
Dividends (Note 23)	-	-	-	(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)
Total transactions with owners	11	1,244	8,549	(13,786)	(3,982)	(2,101)	(6,083)
Balance at 31 December 2017	<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>
Change in accounting policy	-	-	1,394	-	1,394	-	1,394
Balance at 1 January 2018 (Restated)	<u>4,315</u>	<u>464,306</u>	<u>(37,600)</u>	<u>257,993</u>	<u>689,014</u>	<u>(1,109)</u>	<u>687,905</u>
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 23)	-	(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	<u>4,329</u>	<u>459,406</u>	<u>(17,116)</u>	<u>328,038</u>	<u>774,657</u>	<u>(4,479)</u>	<u>770,178</u>

Condensed Consolidated Cash Flow Statement

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Net cash generated from operating activities	<u>116,360</u>	<u>89,167</u>
Cash flows from investing activities		
Net cash used in from investing activities	<u>(162,179)</u>	<u>(157,991)</u>
Cash flows from financing activities		
Net cash generated from financing activities	<u>1,371</u>	<u>93</u>
Net decrease in cash and cash equivalents	(44,448)	(68,731)
Cash and cash equivalents at beginning of the year	174,052	245,852
Effect of foreign exchange rate changes	<u>3,922</u>	<u>(3,069)</u>
Cash and cash equivalents at end of the year	<u>133,526</u>	<u>174,052</u>

Notes:

1 GENERAL INFORMATION OF THE GROUP

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

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

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

These consolidated financial statements are presented in Renminbi (RMB), unless otherwise stated, and were approved for issue by the Board of Directors on 27 March 2019.

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 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.

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 2018:

HKFRS 9 (i)	“Financial Instruments”
HKFRS 15 (ii)	“Revenue from Contracts with Customers”
HKFRS 2 (Amendments)	Amendments to “Share-based Payment” regarding classification and measurement of share-based payment transactions
HKFRIC 22	“Foreign Currency Transactions and Advance Consideration”

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 9 and HKFRS 15. Other amendments listed above did not have significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

HKFRS 9 was generally adopted without restating comparative information. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) was recognised in retained earnings as of 1 January 2018 and that comparatives were not restated.

The following tables show the adjustments recognised for each individual line item. The adjustments are explained in more details below.

Balance sheet (extract)	31 December 2017 As originally presented RMB'000	HKFRS 9 RMB'000	HKFRS 15 RMB'000	1 January 2018 Restated RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	429,031	–	–	429,031
Land use rights	28,836	–	–	28,836
Intangible assets	13,148	–	–	13,148
Investment in an associate	16,896	–	–	16,896
Available-for-sales financial assets	9,899	(9,899)	–	–
Financial assets at fair value through other comprehensive income	–	3,640	–	3,640
Financial assets at fair value through profit or loss	–	7,899	–	7,899
Deferred income tax assets	1,046	–	–	1,046
Other non-current assets	864	–	–	864
Total non-current assets	499,720	1,640	–	501,360

Balance sheet (extract)	31 December 2017 As originally presented RMB'000	HKFRS 9 RMB'000	HKFRS 15 RMB'000	1 January 2018 Restated RMB'000
Current assets				
Inventories	60,052	–	–	60,052
Trade and bills receivables	94,288	–	–	94,288
Prepayments, deposits and other receivables	31,985	–	–	31,985
Bank deposits with maturities over 3 months	43,041	–	–	43,041
Cash and cash equivalents	174,052	–	–	174,052
Total current assets	<u>403,418</u>	<u>–</u>	<u>–</u>	<u>403,418</u>
Total assets	<u>903,138</u>	<u>1,640</u>	<u>–</u>	<u>904,778</u>
EQUITY				
Share capital	4,315	–	–	4,315
Share premium	464,306	–	–	464,306
Other reserves	(38,994)	1,394	–	(37,600)
Retained earnings	257,993	–	–	257,993
	<u>687,620</u>	<u>1,394</u>	<u>–</u>	<u>689,014</u>
Non-controlling interests	(1,109)	–	–	(1,109)
Total equity	<u>686,511</u>	<u>1,394</u>	<u>–</u>	<u>687,905</u>
LIABILITIES				
Non-current liabilities				
Borrowings	4,085	–	–	4,085
Deferred income tax liabilities	4,602	246	–	4,848
Total non-current liabilities	<u>8,687</u>	<u>246</u>	<u>–</u>	<u>8,933</u>
Current liabilities				
Trade payables	13,149	–	–	13,149
Contract liabilities	–	–	2,908	2,908
Accruals and other payable	192,241	–	(2,908)	189,333
Borrowings	2,550	–	–	2,550
Total current liabilities	<u>207,940</u>	<u>–</u>	<u>–</u>	<u>207,940</u>
Total liabilities	<u>216,627</u>	<u>246</u>	<u>–</u>	<u>216,873</u>

There is no significant impact on the Group's retained earnings as at 1 January 2018 by adopting HKFRS 9 and HKFRS 15.

(i) *HKFRS 9, Financial Instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group elected to present in other comprehensive income (“OCI”) changes in the fair value of its equity investment previously classified as available-for-sale financial assets, because the investment is held as long-term strategic investment that is not expected to be sold in the short to medium term. As a result, the asset with a book value of RMB2,000,000 was reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income. In addition, the equity investment was measured at cost before 1 January 2018 in accordance with HKAS 39 since the investment did not have a quoted market price in an active market and its fair value could not be reliably measured. Since HKFRS 9 requires that all the investments in equity investments should always be measured at fair value, fair value gain of RMB1,640,000 netting off related defer tax liabilities of RMB246,000 were recognised in the opening balance of other reserve as at 1 January 2018.

The investment of debenture securities of RMB7,899,000 were reclassified from available-for-sale financial assets to financial assets at fair value through profit or loss. They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. There was no impact on retained earnings at 1 January 2018.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument. As a result, the adjustments arising from the new impairment rules are not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet as at 1 January 2018.

The Group has trade receivables for sales of products and provision of service that are subject to HKFRS 9’s new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of new approach did not result in any impact on the amounts reported in the opening balance sheet on 1 January 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

(ii) *HKFRS 15 Revenue from contracts with customers.*

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. Following adjustment were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	HKAS 18 carrying amount 31 December 2017	Reclassification	HKFRS 15 carrying amount 1 January 2018
Accruals and other payable	192,241	(2,908)	189,333
Contract liabilities	–	2,908	2,908

The Group manufactures and sells life science products and provides life science services in the market.

In previous reporting periods, service income is recognised when the services have been rendered and it is probable that the economic benefit will flow to the Group and the relevant fees can be measured reliably.

Under HKFRS 15, revenue of sales of service is recognised over time if the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The Group provided certain services to customers related to life science technology. According to the contractual terms of the agreements of these services, the Group is entitled to payment for performance completed to date, at all times during the contract term, if the customer terminates the contract for reasons other than the entity's non-performance. Consequently, the revenue of these services is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation, which is measured based on the Group's effort, or inputs to the satisfaction of the performance obligation. No significant impact the Group's retained earnings as at 1 January 2018 by applying new standard on these contracts according to the Group's assessment.

For other services provided without the contractual terms in the agreements, which entitled the Group with payment for performance completed to date, these service income is recognised at a point of time when the service have been rendered and accepted by the customers. The accounting treatments of such sales of service without rights to payment for performance to date are the same before and after adoption the HKFRS 15.

A receivable is recognised when the goods are delivered and the customers have inspected and accepted the products, as this is the point in time that consideration is unconditional because only the passage of time is required before the payment is due. The accounting treatments of revenue recognition on sales of goods are the same before and after adoption the HKFRS 15.

The Group's obligations to provide an unconditional refund for products. Accumulated experience is used to estimate such returns at the time of sale. According to the actual situation, the amount of products returned were immaterial. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. As a result, no accounting impact for refunds while applying HKFRS 15.

The Group didn't introduce any customer loyalty programme which is likely to be affected by the HKFRS 15.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

No additional cost occurs to fulfil the contract was identified.

As a result, other than certain reclassification of contract liabilities, the adoption of HKFRS 15 did not have a significant impact to the financial statements.

(b) *Standards, amendments and interpretations to existing standards effective in 2018 but not relevant to the Group.*

		Effective for annual periods beginning on or after
HKAS 40 (Amendments)	Investment property	1 January 2018
HKFRS 1 (Amendments)	First time adoption of HKFRS	1 January 2018
HKAS 28 (Amendments)	Investments in associates and joint ventures	1 January 2018
HKFRS 4 (Amendments)	Insurance contracts	1 January 2018

(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 2018 and have not been early adopted.*

		Effective for annual periods beginning on or after
HKFRS 16 (iii)	Leases	1 January 2019, early adoption is permitted only if HKFRS 15 is adopted at the same time.
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 19	Plan Amendment, curtailment or settlement	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(iii) *HKFRS 16, Leases*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Group's operating leases. Total non-cancellable operating lease commitments of the Group as at 31 December 2018 amounted to approximately RMB4,341,000.

Short-term and low value leases will be recognised on a straight-line basis as expense in profit or loss. To these long term, However, the Group is reviewing all of the Group's leasing arrangements in light of the new lease accounting rules in HKFRS 16 and assessing what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease).

Apart from HKFRS 16, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT INFORMATION

The Group's revenue which represents turnover for the year ended 31 December 2018 and year ended 31 December 2017 is as follows:

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
DNA synthesis products	217,620	181,866
Genetic engineering services	126,570	95,269
Life science research consumables	180,799	137,833
Protein and antibody related products and services	56,611	47,435
	<u>581,600</u>	<u>462,403</u>
Total	<u>581,600</u>	<u>462,403</u>

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

	DNA synthesis products <i>RMB'000</i>	Genetic engineering services <i>RMB'000</i>	Life science research consumables <i>RMB'000</i>	Protein and antibody related products and services <i>RMB'000</i>	Total <i>RMB'000</i>
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	<u>217,620</u>	<u>126,570</u>	<u>180,799</u>	<u>56,611</u>	<u>581,600</u>
Segment cost of sales	<u>(99,922)</u>	<u>(70,948)</u>	<u>(93,029)</u>	<u>(34,420)</u>	<u>(298,319)</u>
Segment gross profit	<u>117,698</u>	<u>55,622</u>	<u>87,770</u>	<u>22,191</u>	<u>283,281</u>

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

	DNA synthesis products <i>RMB'000</i>	Genetic engineering services <i>RMB'000</i>	Life science research consumables <i>RMB'000</i>	Protein and antibody related products and services <i>RMB'000</i>	Total <i>RMB'000</i>
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>

Assets and liabilities related to contract with customers

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

	As at 31 December 2018 <i>RMB'000</i>	As at 1 January 2018 <i>RMB'000</i>
Contract assets related to service contracts (revenue recognised over time)	<u>851</u>	<u>—</u>
Contract liabilities-advance from customers related to contracts	<u>1,378</u>	<u>2,908</u>

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

4 PROPERTY, PLANT AND EQUIPMENT

	Land RMB'000	Buildings RMB'000	Machinery and equipment RMB'000	Office equipment RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2017							
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)
Net book amount	6,985	112,518	71,691	3,100	4,646	79,479	278,419
Year ended 31 December 2017							
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
Closing net book amount	7,030	165,257	87,453	5,216	8,396	155,679	429,031
At 31 December 2017							
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
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

5 INTANGIBLE ASSETS

	Patent <i>RMB'000</i>	Goodwill <i>RMB'000</i>	Computer softwares <i>RMB'000</i>	Brand name <i>RMB'000</i>	Contractual customer relationships <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2017						
Cost	406	7,506	5,529	114	2,351	15,906
Accumulated amortisation	(406)	-	(1,720)	(44)	(562)	(2,732)
Net book amount	-	7,506	3,809	70	1,789	13,174
Year ended 31 December 2017						
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
Closing net book amount	-	7,924	3,555	49	1,620	13,148
At 31 December 2017						
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

6 INVESTMENTS IN ASSOCIATES

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	16,896	9,833
Addition	–	8,020
Share of results	(735)	(957)
Impairment	(700)	–
	<hr/>	<hr/>
At 31 December	<u>15,461</u>	<u>16,896</u>

7(a) AVAILABLE-FOR-SALE FINANCIAL ASSETS (2017)

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

- (i) The average interest rate on the debenture securities during the year ended 31 December 2017 was 0.81%.
- (ii) During the year ended 31 December 2017, the balance represented the Group's investment in a company which did not have a quoted market price in an active market and whose fair value could not be reliably measured.
- (iii) As at 1 January 2018, the Group adopted HKFRS 9 and reclassified the investment to financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

7(b) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets		
Unlisted securities, at fair value		
– Debenture securities	<u>6,916</u>	<u>–</u>

The average interest on debenture securities during the year was 2.00% (2017: 0.81%).

7(c) FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets		
Unlisted securities, at fair value		
– Equity securities	<u>3,640</u>	<u>–</u>

8 INVENTORIES

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	33,150	30,026
Work in progress	2,608	4,102
Finished goods	<u>39,357</u>	<u>30,262</u>
	75,115	64,390
Less: inventory provision	<u>(4,289)</u>	<u>(4,338)</u>
	<u>70,826</u>	<u>60,052</u>

9 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	121,211	97,479
Less: provision for impairment	(4,615)	(3,191)
	<u>116,596</u>	<u>94,288</u>

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

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	97,050	77,816
KRW	12,741	10,996
USD	5,825	5,014
CAD	2,236	760
EUR	2,021	1,935
SGD	835	598
GBP	503	360
	<u>121,211</u>	<u>97,479</u>

As at 31 December 2018 and 2017, the ageing analysis of the trade and bills receivables based on invoice date was as follows:

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	63,896	61,862
3 to 6 months	30,645	14,625
6 to 12 months	16,903	12,829
Over 12 months	9,767	8,163
	<u>121,211</u>	<u>97,479</u>

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current:		
Lease prepayments	–	360
Others	<u>440</u>	<u>504</u>
	<u>440</u>	<u>864</u>
Current:		
Loan to a third party (i)	12,000	2,000
Prepaid value-added tax, current income tax and other taxes	9,938	11,962
Prepayments for purchases of raw materials	5,748	3,788
Deposits	5,048	4,443
Other receivables	2,553	5,203
Prepaid expenses	1,872	1,735
Rent prepayments	394	480
Other prepayments	<u>1,849</u>	<u>2,374</u>
	<u><u>39,402</u></u>	<u><u>31,985</u></u>

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 2018, a loan of RMB12,000,000 (31 December 2017: RMB2,000,000) 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.

The shareholders of BaiZhi'ang had pledged their 100% shares in BaiZhi'ang as the collateral to the loan granted to BaiZhi'ang (31 December 2017: 80% of their shares). The loan is also guaranteed by the three shareholders of BaiZhi'ang. According to the loan agreement, the buildings owned by BaiZhi'ang with a book value of RMB39,950,000 will be registered as collateral to the loan upon completion of the construction, and receipt of the certificate of the property.

11 BANK DEPOSITS WITH MATURITIES OVER 3 MONTHS

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Bank deposits with maturities ranging from 3 months to 12 months	<u>49,537</u>	<u>43,041</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	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
USD	48,134	41,819
KRW(i)	<u>1,403</u>	<u>1,222</u>
	<u>49,537</u>	<u>43,041</u>

- (i) As at 31 December 2018, the bank deposit of KRW200,000,000 (equivalent to RMB1,224,000) was placed with Shinhan Bank as pledge to a vendor of the Group (31 December 2017: KRW200,000,000, equivalent to RMB1,222,000).

12 SHARE CAPITAL AND SHARE PREMIUM

	Number of issued and fully paid shares	Nominal value of ordinary shares <i>HK\$</i>
Authorised: At 31 December 2016, 2017 and 2018	<u>2,000,000,000</u>	<u>20,000,000</u>

	<i>Note</i>	Number of issued and fully paid shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares RMB'000	Share Premium RMB'000
Issued:					
At 1 January 2017		544,166,181	5,441,662	4,304	463,062
Exercise of share options	13	<u>1,350,012</u>	<u>13,500</u>	<u>11</u>	<u>1,244</u>
Balance at 31 December 2017		<u>545,516,193</u>	<u>5,455,162</u>	<u>4,315</u>	<u>464,306</u>
Exercise of share options	13	<u>1,737,995</u>	<u>17,380</u>	<u>14</u>	<u>1,556</u>
Dividend	23	<u>–</u>	<u>–</u>	<u>–</u>	<u>(6,456)</u>
Balance at 31 December 2018		<u>547,254,188</u>	<u>5,472,542</u>	<u>4,329</u>	<u>459,406</u>

13 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. 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.

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.

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 Financila News Agency Limited" (the "**PR firm**") at an exercise price of HK\$3.89 per share. Hong Kong Zhixin Financila News Agency Limited was 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%.

Movement in the number of share options outstanding and their related weighted average exercise prices for the year ended 31 December 2018 was as follows:

	2018		2017	
	Average exercise price in HK\$	Number of options	Average exercise price in HK\$	Number of options
At 1 January	HK\$1.1	7,707,451	HK\$1.1	9,237,972
Granted	HK\$3.5	13,161,000	HK\$1.1	–
Forfeited	HK\$2.7	(596,608)	HK\$1.1	(180,509)
Exercise	HK\$1.1	(1,737,995)	HK\$1.1	(1,350,012)
At 31 December	HK\$2.8	18,533,848	HK\$1.1	7,707,451
Expiry date		Exercise price (HK\$ per share)	Number of options As at 31 December	
			2018	2017
17 January 2019		1.1	460,749	887,130
17 January 2020		1.1	5,372,099	6,820,321
30 September 2021		3.89	5,400,000	–
24 April 2028		3.23	7,301,000	–
			18,533,848	7,707,451

14 TRADE PAYABLES

As at 31 December 2017 and 2018, the ageing analysis of the trade payables based on invoice dates is as follows:

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	17,751	12,884
3 months to 6 months	1,179	161
6 months to 1 year	479	80
Over 1 year	96	24
	<u>19,505</u>	<u>13,149</u>

15 ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Payables for purchase of property, plant and equipment	36,943	33,004
Salary and staff welfare payables	22,441	12,312
Payables for value-added tax and other taxes	5,917	1,913
Advances from customers	139,923	137,745
Payables for professional service fee	1,306	1,387
Other payables	9,674	5,880
	<u>216,204</u>	<u>192,241</u>

As at 31 December 2018 and 2017, the carry amounts of the Group's other payables, approximated their fair values.

16 BORROWINGS

	As at 31 December 2018		
	Current <i>RMB'000</i>	Non-current <i>RMB'000</i>	Total <i>RMB'000</i>
Secured bank loans (i)	2,440	3,596	6,036
Unsecured bank loans	–	612	612
	2,440	4,208	6,648

Note (i): 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). 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-for-profit institution.

The maturity of borrowings is as follows:

	As at 31 December	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Portion of loans due for repayment within 1 year:	2,440	2,550
Loans due for repayment after 1 year:		
Between 1 and 2 years	3,231	168
Between 2 and 5 years	977	3,917
	6,648	6,635

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

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

17 OTHER INCOME – NET

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Government grants	2,150	790
Amortisations of deferred income	–	1,201
	<u>2,150</u>	<u>1,991</u>

18 OTHER LOSSES – NET

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment – net	(88)	(103)
Exchange losses – net	(788)	(466)
Others	(144)	119
	<u>(1,020)</u>	<u>(450)</u>

19 EXPENSES BY NATURE

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Employee benefit expenses	148,773	117,420
Raw materials used	201,695	155,669
Changes in inventories of finished goods and work in progress	(7,601)	(7,530)
Depreciation and amortisation charges	29,789	25,199
Provision for impairment of trade and bills receivables	1,424	513
Reversal of provision for impairment of inventories	(49)	(812)
Impairment of investment in an associate	700	–
Transportation expenses	21,737	18,009
Utilities	6,226	4,941
Professional service fees	2,902	2,676
Research and development expenses	35,993	30,764
Taxes and surcharges	5,544	4,416
Travel expenses	6,216	3,493
Repair expenses	3,506	3,490
Operating leases	4,817	4,318
Office expenses	11,877	7,088
Auditor's remuneration	2,151	2,481
Vehicle expense	4,013	4,028
Other expenses	19,019	18,468
	<u>19,019</u>	<u>18,468</u>
Total cost of sales, selling and distribution costs and administrative expenses	<u>498,732</u>	<u>394,631</u>

20 FINANCE INCOME – NET

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs		
– Net foreign exchange losses	–	(189)
– Interest expense on borrowings	(416)	(170)
– Other finance costs	(624)	(468)
	<u>(1,040)</u>	<u>(827)</u>
Finance income		
– Interest income on financial assets	1,541	2,663
– Net foreign exchange gains	1,459	–
– Interest income on bank deposits	1,687	751
– Other finance income	519	184
	<u>5,206</u>	<u>3,598</u>
Net finance income	<u>4,166</u>	<u>2,771</u>

21 INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	12,419	10,423
Deferred income tax	(936)	(569)
Income tax expense	<u>11,483</u>	<u>9,854</u>

22 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 13.

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	
	2018	2017
Profit attributable to equity holders of the Company (<i>RMB'000</i>)	<u>79,104</u>	<u>64,446</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	546,778	544,414
Adjustments for share option plan	<u>3,965</u>	<u>4,290</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>'000</i>)	<u>550,743</u>	<u>548,704</u>
Basic earnings per share (<i>RMB per share</i>)	<u>0.145</u>	<u>0.118</u>
Diluted earnings per share (<i>RMB per share</i>)	<u>0.144</u>	<u>0.117</u>

23 DIVIDENDS

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of HK\$0.034 (2017: HK\$0.014) per ordinary share	<u>15,927</u>	<u>6,127</u>

The dividends paid in 2018 was HK\$7,657,000 (HK\$0.014 per share), equivalent to RMB6,456,000.

A dividend in respect of the year ended 31 December 2018 of HK\$0.034 per share, amounting to a total dividend of HK\$18,607,000, equivalent to RMB15,927,000, 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		
	2018	2017	Change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	581,600	462,403	119,197
Gross profit	283,281	230,779	52,502
Net profit	75,946	61,273	14,673
Profit attributable to Shareholders of the Company	79,104	64,446	14,658
Earnings per share (<i>RMB</i>)	0.145	0.118	0.027

Revenue

During the Reporting Period, the revenue of the Group was approximately RMB581.60 million, representing an increase of 25.8% as compared with RMB462.40 million for the same period of 2017. This was mainly contributed by keeping a steady growth of the Four Business Segments.

Gross Profit

During the Reporting Period, the Group's gross profit increased by 22.7% from RMB230.78 million for the same period of 2017 to RMB283.28 million. The overall gross profit margin was maintained at a relatively stable level of 48.7%. The fluctuation in the gross profit margin was mainly due to two factors: first, the Company granted share options during Reporting Period, which led to a non-recurrent expenditure. Second, the Company purchased certain scale of plants from expanding business in second and third-tier cities which contributed to depreciation.

Selling and distribution expenses

The selling and distribution expenses increased by 25.0% to RMB111.01 million during the Reporting Period from RMB88.82 million for the same period of 2017. The increase of selling and distribution expenses keeps pace with revenue.

General and administrative expenses

During the Reporting Period, the general and administrative expenses increased by 23.0% to RMB53.41 million from RMB43.43 million for the same period of 2017, 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 17.0% to RMB35.99 million from RMB30.76 million for the same period of 2017. 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 RMB9.85 million for the same period of 2017 to RMB11.48 million for the Reporting Period.

Net profit

During the Reporting Period, net profit of the Group increased by 24.0% from approximately RMB61.27 million for the same period of 2017 to approximately RMB75.95 million.

Trade receivables

	For the year ended 31 December	
	2018	2017
Trade receivables turnover (<i>day</i>)	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	
	2018	2017
Inventory turnover (<i>day</i>)	80	89

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 2018, the property, plant and equipment of the Group amounted to RMB539.11 million, representing an increase of RMB110.08 million from the property, plant and equipment of RMB429.03 million as at 31 December 2017. 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 2018, the Group's net intangible assets amounted to RMB12.30 million, representing a decrease of RMB0.85 million from RMB13.15 million as at 31 December 2017.

Working capital and financial resources

As at 31 December 2018, the cash and cash equivalents of the Group amounted to RMB133.53 million (2017: RMB174.05 million).

Cash flow analysis

During the Reporting Period, the Group recorded an annual net cash inflow of RMB116.36 million generated from operating activities.

During the Reporting Period, the annual cash outflow used in investing activities of the Group was RMB162.18 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 RMB1.37 million.

Capital expenditure

During the Reporting Period, the expenditure incurred in purchasing property, plant and equipment and of construction in process amounted to RMB148.43 million.

Material acquisitions and disposals

During the Reporting Period, the Company did not have any material acquisitions and disposals.

Contingent liabilities and guarantees

As at 31 December 2018, 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 2018, pharmaceutical industry accelerated the launch of policies such as the approval of innovative drug, the establishment of Super National Healthcare Security Administration, “4+7” city centralized purchasing and DRGs pilot scheme. The magnitude and the speed of the launch of policies were much larger and faster than before, even though the industry will experience highs and lows in the short term, the policy environment gradually optimized.

Pharmaceutical and medical are important civil projects of the government, which will not contract or pull down the industry, and medical sanitary expense will still possess the potential of growing faster than the GDP in the very long cycle in the future. Meanwhile, under the new environment, the affordability of the country towards different segment scope such as innovative drug was enhanced significantly, the country optimized the upgrade of pharmaceutical industry structure. Corporations must seize the timing of reform, which can drive the rapid development of upstream and downstream industry.

As a preferential supplier of research products and services scope of life sciences, even though the Company belongs to the midstream and upstream of the industry chain, it commits to maintaining the sustained, healthy and stable growth of the existing business and at the same time, the Company will expand to the third party diagnosis and testing business when appropriate as well as extend to the downstream terminal application, so as to create more economic benefits.

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. Expansion of industrial customers:
 - (1) To deepen and develop the potential demand of businesses based on its original customer base, and seek diversified cooperation with them;
 - (2) To actively develop and serve a broad industrial customer base, further enhance the production capacity and technologies of industrial-grade DNA products as well as research and development of diagnostic kits by leveraging the newly established production facilities, to meet the precise demand of high quality and customized products of industrial customers;
 - (3) In the meantime, the Group will also create a completed closed-loop industry chain by means of merger and acquisitions or equity investment.

2. Improving the portfolio of products and services in both domestic and overseas markets, strengthening presence of the direct sales network in overseas market, enhancing rooms to increase premium of products, and consolidating and expanding revenue level in overseas markets.
3. Third-party testing expands to third-party diagnostic and testing services, and extends to downstream terminal applications:
 - (1) Establishing third-party medical testing laboratories, and undertaking the outsourcing services from related fields such as hospitals, examination agencies etc. Meanwhile, to provide a large number of end-consumers with customized genetic testing services with the application of high-throughput sequencing technology;
 - (2) Accelerating the research and development of diagnostic products of major diseases such as targeted drug and chemotherapy drug (in particular, diagnostic kits for tumors), with a view to enrich and improve the series of its products and services;
 - (3) Actively promoting the business cooperation and negotiation regarding to the above two businesses, and establishing a sales network for diagnostic products and services.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had a total of 1,472 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 recommended the payment of a final dividend of HK\$0.034 per share for the year ended 31 December 2018 (the “**Final Dividend**”), amounting to a total sum of approximately HK\$18,607,000 (approximately equivalent to RMB15,927,000) to the Shareholders. The Final Dividend is subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the “**AGM**”) to be held on Friday, 28 June 2019. The Final Dividend, if approved, is expected to be paid on Wednesday, 31 July 2019 to the Shareholders whose names appear on the register of members of the Company on Friday, 5 July 2019.

CLOSURE OF REGISTER OF MEMBERS

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

In order to determine the entitlement of Shareholders to attend and vote at the AGM to be held on Friday, 28 June 2019, the register of members of the Company will be closed from Tuesday, 25 June 2019 to Friday, 28 June 2019 (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, 24 June 2019.

(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, 5 July 2019 to Wednesday, 10 July 2019 (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, 4 July 2019.

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 2018. 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 2018. 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 2018.

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 2018.

ANNUAL GENERAL MEETING

The AGM will be held on 28 June 2019. A notice convening the AGM will be issued and dispatched to the Shareholders in due course.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2018 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 2018 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, 27 March 2019

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. ZHOU Mi; and the independent non-executive Directors are Mr. XIA Lijun, Mr. HO Kenneth Kai Chung, and Mr. LIU Jianjun.