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BBI LIFE SCIENCES CORPORATION

BBI生命科學有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1035)

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

INTERIM RESULTS HIGHLIGHTS

- For the six months ended 30 June 2018 (the “**Reporting Period**”), the revenue of the Group was approximately RMB268.45 million, representing an increase of 21.9% as compared with RMB220.22 million for the same period of 2017.
- For the six months ended 30 June 2018, the gross profit increased by 28.6% from RMB106.68 million for the same period of 2017 to RMB137.23 million.
- For the six months ended 30 June 2018, net profit of the Group increased by 33.0% from approximately RMB28.05 million for the same period of 2017 to approximately RMB37.31 million.
- For the six months ended 30 June 2018, profit attributable to equity holders of the Company increased by 26.5% from approximately RMB29.83 million for the same period of 2017 to approximately RMB37.74 million.

POSITIONING OF THE COMPANY

BBI Life Sciences Corporation (the “**Company**”, or “**BBI Life Science**”, together with its subsidiaries, the “**Group**”) is a well-recognized supplier of life science research products and services in the People’s Republic of China (“**PRC**”). The Company mainly engages in the following businesses: (1) DNA synthesis products; (2) genetic engineering services; (3) life sciences research consumables and (4) protein and antibody related products and services (the “**Four Business Segments**”). Leveraging on its quality and cost-effective products and services under “Sangon” and “BBI” brands as well as efficient delivery, the Group has been highly acknowledged by customers in both domestic and overseas markets.

BUSINESS REVIEW

For the six months ended 30 June 2018, the Group’s overall revenue increased by 21.9% to RMB268.45 million (the same period in 2017: RMB220.22 million). Gross profit increased by 28.6% to RMB137.23 million (the same period in 2017: RMB106.68 million). Gross profit margin arrived at 51.1% (the same period in 2017: 48.4%), it is primarily attributed to the sustained and rapid development of the Group’s main business and the significant narrowing in loss of Bionics Co., Ltd. (“**Bionics**”), a subsidiary of the Group. The profit attributable to equity holders of the Company recorded a year-on-year increase of 26.5% to RMB37.74 million (the same period in 2017: RMB29.83 million).

During the Reporting Period, the revenue of DNA synthesis products, genetic engineering services, life sciences research consumables and protein and antibody related products and services of the Group accounted for approximately 35.0%, 21.9%, 32.6% and 10.5% respectively of the total revenue of the Group.

Results Analysis of the Four Business Segments

1. *DNA Synthesis Products*

As the biggest supplier of DNA synthesis products in the PRC, during the Reporting Period, revenue of such segment recorded a year-on-year increase of 16.6% to RMB93.90 million (the same period in 2017: RMB80.51 million). Leveraging on its leading position in the industry, the Group provides high-quality customized products through flexibility and quick response while promoting process update, thereby maintaining the good growth momentum for order volume, resulting in an increase of overall gross profit margin of the segment to 58.1% for the Reporting Period from 53.8% for the same period last year.

2. *Genetic Engineering Services*

During the Reporting Period, revenue of genetic engineering services recorded a year-on-year increase of 22.5% to RMB58.74 million (the same period in 2017: RMB47.94 million). With the fast layout of service outlets in China, quick response is provided for the entire value chain, enabling faster services for customers and thus driving order demands. Gross profit margin increased to 46.0% during the Reporting Period from 43.2% for the same period last year.

3. *Life Sciences Research Consumables*

During the Reporting Period, in addition to actively exploring overseas markets, the Group optimized and integrated production and logistics models in China to improve its operational efficiency, thereby boosting order quantity both local and abroad. Therefore, revenue of life sciences research consumables increased by 26.2% to RMB87.54 million compared to the same period last year (the same period in 2017: RMB69.36 million), gross profit margin for the Reporting Period increased to 49.3% from 48.6% for the same period last year.

4. *Protein and Antibody Related Products and Services*

With investments in research and development and channel expansion, the business and profitability of this segment became sizeable. In the future, the Group will continue to promote product diversity and customization to further increase gross profit margin. During the Reporting Period, revenue of protein and antibody related products and services segment increased by 26.2% to RMB28.27 million compared to the same period last year (the same period in 2017: RMB22.41 million). Gross profit margin increased from 40.2% for the same period last year to 44.2% for the Reporting Period.

INTERIM RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated interim results of the Group for the Reporting Period prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities of the Stock Exchange (the “**Listing Rules**”), together with the comparative figures for the corresponding period in 2017 as follows:

INTERIM CONSOLIDATED BALANCE SHEET

For the six months ended 30 June 2018

		As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	6	467,143	429,031
Land use rights	6	28,504	28,836
Intangible assets	6	12,712	13,148
Investment in an associate	9	16,329	16,896
Available-for-sales financial assets		–	9,899
Financial assets at amortised cost		4,641	–
Financial assets at fair value through other comprehensive income		3,640	–
Deferred income tax assets		1,105	1,046
Other non-current assets	8	1,021	864
		<u>535,095</u>	<u>499,720</u>
Current assets			
Inventories		67,744	60,052
Trade and bills receivables	7	127,145	94,288
Prepayments, deposits and other receivables	8	47,583	31,985
Bank deposits with maturities over 3 months		62,054	43,041
Cash and cash equivalents		102,687	174,052
		<u>407,213</u>	<u>403,418</u>
Total assets		<u><u>942,308</u></u>	<u><u>903,138</u></u>

The notes on pages 10 to 31 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED BALANCE SHEET (continued)*For the six months ended 30 June 2018*

		As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
	<i>Note</i>		
EQUITY			
Share capital	<i>10</i>	4,327	4,315
Share premium	<i>10</i>	465,588	464,306
Other reserves	<i>11</i>	(23,655)	(38,994)
Retained earnings		<u>280,213</u>	<u>257,993</u>
		<u>726,473</u>	<u>687,620</u>
Non-controlling interests		<u>(1,537)</u>	<u>(1,109)</u>
Total equity		<u>724,936</u>	<u>686,511</u>
LIABILITIES			
Non-current liabilities			
Borrowings		3,866	4,085
Deferred income tax liabilities		<u>4,125</u>	<u>4,602</u>
		<u>7,991</u>	<u>8,687</u>
Current liabilities			
Trade payables	<i>13</i>	16,941	13,149
Contract liabilities		2,595	–
Accruals and other payable	<i>14</i>	180,978	192,241
Dividend payable	<i>18</i>	6,456	–
Borrowings		<u>2,411</u>	<u>2,550</u>
		<u>209,381</u>	<u>207,940</u>
Total liabilities		<u>217,372</u>	<u>216,627</u>
Total equity and liabilities		<u>942,308</u>	<u>903,138</u>

The notes on pages 10 to 31 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	<i>Note</i>	Six months ended 30 June	
		2018 Unaudited RMB'000	2017 Unaudited RMB'000
Revenue	5	268,450	220,216
Cost of sales	5, 15	<u>(131,224)</u>	<u>(113,537)</u>
Gross profit		137,226	106,679
Selling and distribution costs	15	(49,909)	(42,150)
Administrative expenses	15	(44,710)	(31,922)
Other income – net		–	330
Other gains – net		<u>250</u>	<u>196</u>
Operating profit		42,857	33,133
Finance income		1,696	2,029
Finance costs		<u>(962)</u>	<u>(613)</u>
Finance income – net		734	1,416
Share of profit of associates		<u>(567)</u>	<u>(1,264)</u>
Profit before income tax		43,024	33,285
Income tax expense	16	<u>(5,717)</u>	<u>(5,233)</u>
Profit for the period		37,307	28,052
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		<u>4,158</u>	<u>(2,004)</u>
Total comprehensive income for the period		<u>41,465</u>	<u>26,048</u>

The notes on pages 10 to 31 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	<i>Note</i>	Unaudited	Unaudited
		RMB'000	RMB'000
Total profit attributable to:			
Equity holders of the Company		37,735	29,828
Non-controlling interests		<u>(428)</u>	<u>(1,776)</u>
Total comprehensive income attributable to:			
Equity holders of the Company		41,893	27,824
Non-controlling interests		<u>(428)</u>	<u>(1,776)</u>
		<u>41,465</u>	<u>26,048</u>
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic earnings per share (expressed in RMB per share)		<u>0.069</u>	<u>0.055</u>
– Diluted earnings per share (expressed in RMB per share)	<i>17</i>	<u>0.068</u>	<u>0.055</u>

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Unaudited Attributable to equity holders of the Company						Total equity RMB'000
	Share capital RMB'000 (Note 10)	Share premium RMB'000 (Note 10)	Other reserves RMB'000 (Note 11)	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	
Balance as at 31 December 2017	4,315	464,306	(38,994)	257,993	687,620	(1,109)	686,511
Change in accounting policy – HKFRS 9	–	–	1,394	–	1,394	–	1,394
Balance at 1 January 2018	4,315	464,306	(37,600)	257,993	689,014	(1,109)	687,905
Comprehensive income							
Profit/(loss) for the period	–	–	–	37,735	37,735	(428)	37,307
Currency translation differences	–	–	4,158	–	4,158	–	4,158
Total comprehensive income	–	–	4,158	37,735	41,893	(428)	41,465
Transactions with owners							
Share-based payment							
– Value of employee services	–	–	728	–	728	–	728
– Exercise of share options	12	1,282	–	–	1,294	–	1,294
Dividends	–	–	–	(6,456)	(6,456)	–	(6,456)
Appropriation to statutory reserve	–	–	9,059	(9,059)	–	–	–
Total transactions with owners	12	1,282	9,787	(15,515)	(4,434)	–	(4,434)
Balance as at 30 June 2018 (unaudited)	4,327	465,588	(23,655)	280,213	726,473	(1,537)	724,936
Balance at 1 January 2017	4,304	463,062	(43,905)	207,333	630,794	4,374	635,168
Comprehensive income							
Profit/(loss) for the period	–	–	–	29,828	29,828	(1,776)	28,052
Currency translation differences	–	–	(2,004)	–	(2,004)	–	(2,004)
Total comprehensive income	–	–	(2,004)	29,828	27,824	(1,776)	26,048
Transactions with owners							
Share-based payment							
– Value of employee services	–	–	314	–	314	–	314
– Exercise of share options	1	112	–	–	113	–	113
Dividends	–	–	–	(5,708)	(5,708)	–	(5,708)
Appropriation to statutory reserve	–	–	8,077	(8,077)	–	–	–
Acquisition of equity interests from a non-controlling shareholder	–	–	–	–	–	(2,101)	(2,101)
Total transactions with owners	1	112	8,391	(13,785)	(5,281)	(2,101)	(7,382)
Balance as at 30 June 2017 (unaudited)	4,305	463,174	(37,518)	223,376	653,337	497	653,834

The notes on pages 10 to 31 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Note	Six months ended 30 June	
		2018 Unaudited RMB'000	2017 Unaudited RMB'000
Cash flows from operating activities			
Cash used in operations		(1,636)	(6,076)
Interest paid		(130)	–
Income tax received/(paid)		1,652	(12,688)
Net cash used in from operating activities		(114)	(18,764)
Cash flows from investing activities			
Investment of an associate	9	–	(6,000)
Purchase of property, plant and equipment		(47,552)	(76,355)
Purchase of intangible assets		(6)	(199)
Proceeds from disposal of an associate	8	–	7,627
Interest received from available-for-sale financial assets		865	1,506
Loan granted to a third party		(10,000)	–
Proceeds from disposal of property, plant and equipment		24	8,975
Receipt from bank deposits with maturities over 3 months		43,041	–
Payment of bank deposits with maturities over 3 months		(62,054)	(6,849)
Purchases of available-for-sale financial assets		(117,641)	(100,000)
Disposal of available-for-sale financial assets		120,899	100,000
Net cash used in investing activities		(72,424)	(71,295)
Cash flows from financing activities			
Proceeds from issue of shares			
– Proceeds from issue of shares due to Exercise of share option	12	1,294	113
Dividends paid to equity holders of the Company	18	–	(5,708)
Acquisition of equity interests from a non-controlling shareholder		–	(2,101)
Borrowings		(140)	5,926
Net cash generated from/(used in) financing activities		1,154	(1,770)
Net decrease in cash and cash equivalents		(71,384)	(91,829)
Cash and cash equivalents at beginning of the period		174,052	245,852
Effect of foreign exchange rate changes on cash and cash equivalents		19	(1,424)
Cash and cash equivalents at end of the period		102,687	152,599

The notes on pages 10 to 31 are an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

1 GENERAL INFORMATION

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

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

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

This condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), unless otherwise stated, and were approved for issue by the Board of Directors on 30 August 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reports (“**HKFRS**”).

2.1.1 Changes in accounting policy and disclosures

Except as described below, the accounting policies applied are consistent with those of the consolidated financial statements of the Company for the year ended 31 December 2017, as described in those consolidated financial statements.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of adopting following standards are disclosed below:

- (i) HKFRS 9 Financial instruments, and
- (ii) HKFRS 15 Revenue from contracts with customers.

The other newly adopted standards did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. 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) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

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

	31 December			
	2017	HKFRS 9	HKFRS 15	1 January 2018
	As originally presented			Restated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 amortised cost	–	7,899	–	7,899
Deferred income tax assets	1,046	–	–	1,046
Other non-current assets	864	–	–	864
Total non-current assets	<u>499,720</u>	<u>1,640</u>	<u>–</u>	<u>501,360</u>
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><u>903,138</u></u>	<u><u>1,640</u></u>	<u><u>–</u></u>	<u><u>904,778</u></u>

	31 December 2017	HKFRS 9	HKFRS 15	1 January 2018
	As originally presented			Restated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>(1,109)</u>	<u>–</u>	<u>–</u>	<u>(1,109)</u>
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
	<u>8,687</u>	<u>246</u>	<u>–</u>	<u>8,933</u>
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
	<u>207,940</u>	<u>–</u>	<u>–</u>	<u>207,940</u>
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 impact on the statement of profit or loss and other comprehensive income for the six months ended 30 June 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 and related defer tax liabilities of RMB246,000 were recognized in the opening balance of other reserve as 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 recognized 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 recognized in the opening balance sheet as at 1 January 2018.

The Group has trade receivables for sales of products and services 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 IFRS 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 significant impact on the amounts reported in the opening balance sheet on 1 January 2018 and the financial information during the six months ended 30 June 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 <i>RMB'000</i>	Reclassification <i>RMB'000</i>	HKFRS 15 carrying amount 1 January 2018 <i>RMB'000</i>
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.

A receivable is recognized when the goods are delivered, the services have been rendered and the customers has inspected and accepted the products or the result of the services as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The accounting treatments are the same before and after adopting 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 recognized. 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 as the timing of revenue recognition on sales of products is not changed.

(b) New standards, amendments and interpretations of HKFRS not yet adopted

The following new standards, amendments and interpretations of HKFRS which are relevant to the Group's operations have been issued but are not yet effective and have not been early adopted by the Group. The Group is still in the process of assessing the impacts on adoption of these new standards, amendments and interpretations and is yet to conclude whether or not it will result in substantial changes to the consolidated financial statements of the Group.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019 ⁱ⁾
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 17	Insurance contracts	1 January 2021, with earlier application permitted as long as HKFRS9 and HKFRS15 are also applied.

- i)* HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized 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 recognized. The only exceptions are short term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB3,093,000. The Group will recognize these short-term and low value leases on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed 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 recognized 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 standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

3 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Other than those impacts by adopting HKFRS 9 and HKFRS 15, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

4 FINANCIAL RISK MANAGEMENT

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017.

There have been no material changes in any material risk management policies since 31 December 2017.

5 SEGMENT INFORMATION

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

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

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

(a) Revenue

The Group's revenue which represents turnover for the six months ended 30 June 2018 and 2017 is as follows:

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
DNA synthesis products	93,900	80,514
Genetic engineering services	58,734	47,935
Life science research consumables	87,543	69,360
Protein and antibody related products and services	28,273	22,407
	<u>268,450</u>	<u>220,216</u>

(b) Segment information

The segment information for the six months ended 30 June 2018 is as follows:

	DNA synthesis products	Genetic engineering services	Life science research consumables	Protein and antibody related products and services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment sales	<u>93,900</u>	<u>58,734</u>	<u>87,543</u>	<u>28,273</u>	<u>268,450</u>
Segment cost of sales	<u>(39,304)</u>	<u>(31,747)</u>	<u>(44,384)</u>	<u>(15,789)</u>	<u>(131,224)</u>
Segment gross profit	<u>54,596</u>	<u>26,987</u>	<u>43,159</u>	<u>12,484</u>	<u>137,226</u>

The segment information for the six months ended 30 June 2017 is as follows:

	DNA synthesis products	Genetic engineering services	Life science research consumables	Protein and antibody related products and services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment sales	<u>80,514</u>	<u>47,935</u>	<u>69,360</u>	<u>22,407</u>	<u>220,216</u>
Segment cost of sales	<u>(37,235)</u>	<u>(27,227)</u>	<u>(35,667)</u>	<u>(13,408)</u>	<u>(113,537)</u>
Segment gross profit	<u>43,279</u>	<u>20,708</u>	<u>33,693</u>	<u>8,999</u>	<u>106,679</u>

(c) **Entity-wide information**

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

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
PRC	202,028	163,350
Overseas countries	66,422	<u>56,866</u>
	<u>268,450</u>	<u>220,216</u>

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

	As at	As at
	30 June	31 December
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets other than deferred income tax assets		
– PRC	497,962	455,796
– Overseas countries	36,028	42,878
Deferred income tax assets	1,105	<u>1,046</u>
	<u>535,095</u>	<u>499,720</u>

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

	Property, plant and equipment <i>RMB'000</i>	Land use rights <i>RMB'000</i>	Intangible assets <i>RMB'000</i>
As at 1 January 2018			
Cost	535,492	33,505	16,681
Accumulated depreciation	<u>(106,461)</u>	<u>(4,669)</u>	<u>(3,533)</u>
Net book amount	<u><u>429,031</u></u>	<u><u>28,836</u></u>	<u><u>13,148</u></u>
As at 30 June 2018			
Opening net book amount	429,031	28,836	13,148
Additions	52,340	–	6
Disposals	(217)	–	–
Depreciation and amortisation (<i>Note 15</i>)	(12,970)	(332)	(391)
Exchange difference	<u>(1,041)</u>	<u>–</u>	<u>(51)</u>
Closing net book amount	<u><u>467,143</u></u>	<u><u>28,504</u></u>	<u><u>12,712</u></u>
As at 30 June 2018			
Cost	586,014	33,505	16,248
Accumulated depreciation	<u>(118,871)</u>	<u>(5,001)</u>	<u>(3,536)</u>
Net book amount	<u><u>467,143</u></u>	<u><u>28,504</u></u>	<u><u>12,712</u></u>
As at 1 January 2017			
Cost	363,490	33,505	15,906
Accumulated depreciation	<u>(85,071)</u>	<u>(3,998)</u>	<u>(2,732)</u>
Net book amount	<u><u>278,419</u></u>	<u><u>29,507</u></u>	<u><u>13,174</u></u>
As at 30 June 2017			
Opening net book amount	278,419	29,507	13,174
Additions	76,265	–	276
Disposals	(505)	–	–
Depreciation and amortisation (<i>Note 15</i>)	(10,100)	(333)	(387)
Exchange difference	<u>142</u>	<u>–</u>	<u>203</u>
Closing net book amount	<u><u>344,221</u></u>	<u><u>29,174</u></u>	<u><u>13,266</u></u>
As at 30 June 2017			
Cost	438,317	33,505	16,123
Accumulated depreciation	<u>(94,096)</u>	<u>(4,331)</u>	<u>(2,857)</u>
Net book amount	<u><u>344,221</u></u>	<u><u>29,174</u></u>	<u><u>13,266</u></u>

7 TRADE AND BILLS RECEIVABLES

	As at 30 June 2018 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>
Trade and bills receivables	130,763	97,479
Less: provision for impairment of trade receivables	<u>(3,618)</u>	<u>(3,191)</u>
Trade and bills receivables – net	<u>127,145</u>	<u>94,288</u>

The majority of the Group's sales are on credit with credit terms ranging from 1 month to 6 months. Trade receivables are non-interest bearing.

As at 30 June 2018 and 31 December 2017, the ageing analysis of the trade and bills receivables based on invoice date was as follows:

	As at 30 June 2018 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>
Within 3 months	88,037	61,862
3 to 6 months	26,680	14,625
6 to 12 months	6,438	12,829
Over 12 months	<u>9,608</u>	<u>8,163</u>
	<u>130,763</u>	<u>97,479</u>

8 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2018 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>
Non-current:		
Lease prepayments	699	360
Others	322	504
	<u>1,021</u>	<u>864</u>
Current:		
Prepayments for purchases of raw materials	11,614	3,788
Prepaid value-added tax, current income tax and other taxes	12,510	11,962
Others	23,459	16,235
	<u>47,583</u>	<u>31,985</u>

9 INVESTMENT IN ASSOCIATES

	Six months ended 30 June	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Opening net assets at investment date	16,896	9,833
Addition	–	6,000
Share of losses of an associate	(567)	(1,264)
	<u>16,329</u>	<u>14,569</u>

10 SHARE CAPITAL AND SHARE PREMIUM

	Number of authorised ordinary shares	Number of issued and fully paid shares	Nominal value of ordinary shares <i>HK\$</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>	Share Premium <i>RMB'000</i>
At 1 January 2018	2,000,000,000	545,516,193	5,455,162	4,315	464,306
Share-based payment					
– exercise of share option	–	1,430,001	14,300	12	1,282
At 30 June 2018	<u>2,000,000,000</u>	<u>546,946,194</u>	<u>5,469,462</u>	<u>4,327</u>	<u>465,588</u>
At 1 January 2017	2,000,000,000	544,166,181	5,441,662	4,304	463,062
Share-based payment					
– exercise of share option	–	115,636	1,156	1	112
Balance at 30 June 2017	<u>2,000,000,000</u>	<u>544,281,817</u>	<u>5,442,818</u>	<u>4,305</u>	<u>463,174</u>

11 OTHER RESERVES

	Capital reserve ⁽ⁱ⁾ RMB'000	Statutory reserve ⁽ⁱⁱ⁾ RMB'000	Share- based payment reserve RMB'000	Currency translation reserve RMB'000	Others RMB'000	Total RMB'000
Balance as at 31 December 2017	(91,004)	30,633	15,412	12,420	(6,455)	(38,994)
Change in accounting policy- HKFRS 9	-	-	-	-	1,394	1,394
At 1 January 2018	(91,004)	30,633	15,412	12,420	(5,061)	(37,600)
Currency translation differences	-	-	-	4,158	-	4,158
Share-based payment-value of employee service	-	-	728	-	-	728
Appropriation to statutory reserve	-	9,059	-	-	-	9,059
At 30 June 2018	<u>(91,004)</u>	<u>39,692</u>	<u>16,140</u>	<u>16,578</u>	<u>(5,061)</u>	<u>(23,655)</u>
At 1 January 2017	(91,004)	22,556	14,940	16,058	(6,455)	(43,905)
Currency translation differences	-	-	-	(2,004)	-	(2,004)
Share-based payment-value of employee service	-	-	314	-	-	314
Appropriation to statutory reserve	-	8,077	-	-	-	8,077
At 30 June 2017	<u>(91,004)</u>	<u>30,633</u>	<u>15,254</u>	<u>14,054</u>	<u>(6,455)</u>	<u>(37,518)</u>

- (i) Capital reserve represents the difference between the share capital and premium issued by the Company for acquisition of the subsidiaries pursuant to the reorganisation before its listing and the aggregate capital of the subsidiaries being acquired at the time of the reorganisation.
- (ii) In accordance with the PRC regulations and the articles of association of the companies of the Group, before distributing the net profit of each year, companies of the Group registered in the PRC are required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory reserve. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional.

12 SHARE-BASED PAYMENT

Movement in the number of share options outstanding and their related weighted average exercise prices for the six months ended 30 June 2018 was as follows:

	Six months ended 30 June 2018	
	Average exercise price in HK\$	Number of options
At 1 January 2018	1.1	7,707,451
Granted (Note 1)	3.23	7,761,000
Forfeited	1.1	(164,613)
Exercised	<u>1.1</u>	<u>(1,430,001)</u>
At 30 June 2018	<u><u>2.29</u></u>	<u><u>13,873,837</u></u>

Note 1: On 24 April 2018, the Board meeting of BBI Life Science Corporation 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 upon listing of the Company's shares on Stock Exchange:

- (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 respectively.

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 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 2017.

Options exercised during the six months ended 30 June 2018 resulted in 1,430,001 shares being issued (six months ended 30 June 2017: 115,636 shares), with exercise proceeds of HK\$1,573,001 (equivalent to RMB1,293,603) (six months ended 30 June 2017: HK\$127,200, equivalent to RMB112,619).

Share options outstanding at 30 June 2018 and 31 December 2017 have the following expiry dates and exercise prices:

Expiry date	Exercise price (HK\$ per share)	Number of options	
		As at 30 June 2018	As at 31 December 2017
17 January 2019	1.1	732,874	887,130
17 January 2020	1.1	5,458,735	6,820,321
23 April 2028	3.23	7,682,228	—
		<u>13,873,837</u>	<u>7,707,451</u>

13 TRADE PAYABLES

As at 30 June 2018 and 31 December 2017 the ageing analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Within 3 months	14,804	12,884
3 months to 6 months	1,916	161
6 months to 1 year	138	80
Over 1 year	83	24
	<u>16,941</u>	<u>13,149</u>

14 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Payables for purchase of property, plant and equipment	41,032	33,004
Salary and staff welfare payables	10,831	12,312
Payables for value-added tax and other taxes	3,785	1,913
Advance from customers	114,867	137,745
Payables for professional fees	2,119	1,387
Other payables	8,344	5,880
	<u>180,978</u>	<u>192,241</u>

15 EXPENSES BY NATURE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Raw materials used	82,712	73,592
Changes in inventories of finished goods and work in progress	(5,468)	(3,908)
Employee benefit expenses	78,318	58,128
Research and development expenses	18,874	10,277
Depreciation and amortisation charges (Note 6)	13,693	10,820
Transportation expenses	7,103	6,622
Office expenses	8,953	9,891
Taxes and surcharges	1,521	1,800
Repair expenses	2,255	1,968
Utilities	2,893	2,039
Travel expenses	6,748	4,395
Professional service fees	2,802	2,559
Operating leases	2,321	2,204
Provision for impairment of trade and bills receivables	427	602
Auditor's remuneration	1,434	1,238
Provision/(Reversal of provision) for write-down of inventories	250	(288)
Other expenses	1,007	5,670
	<u>225,843</u>	<u>187,609</u>
Total cost of sales, selling and distribution costs and administrative expenses	<u>225,843</u>	<u>187,609</u>

16 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current income tax	5,843	5,217
Deferred income tax	(126)	16
	<u>5,717</u>	<u>5,233</u>

(i) Cayman Islands profits tax

The Company is not subject to any taxation of Cayman Islands income tax.

(ii) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits.

(iii) PRC corporate income tax

The corporate income tax (“CIT”) is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

Pursuant to the PRC Corporate Income Tax Law (“the CIT Law”), the CIT is unified at 25% for all type of entities, effective from 1 January 2008. Sangon Biotech had enjoyed a preferential CIT rate of 15% during a 3 years period from 2013 to 2015, as it was certified as High and New Technology Enterprises (“HNTE”). As at 31 December 2016, Sangon Biotech had successfully renewed the HNTE qualification, and entitled to a preferential CIT rate of 15% from 2016 to 2018.

(iv) PRC withholding income tax

Pursuant to the CIT Law, a 10% withholding tax will be levied on the dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007.

(v) Canada profits tax

Canada profits tax has been provided for at the rate of 26.50% on the estimated assessable profits for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 26.50%).

(vi) The United States profits tax

The United States profits tax has been provided for at the rate of 15% on the estimated assessable profits for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 15%).

(vii) The United Kingdom profits tax

The United Kingdom profits tax has been provided for at the rate of 20% on the estimated assessable profits for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 20%).

(viii) Singapore profits tax

Singapore profits tax has been provided for at the rate of 8.50% on the estimated assessable profits for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 8.50%).

(ix) The Republic of Korea profits tax

The Republic of Korea profits tax has been provided for at the rate of 20% on the estimated assessable profits for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 20%).

17 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2018	2017
Profit attributable to equity holders of the Company (RMB'000)	<u>37,735</u>	<u>29,828</u>
Weighted average number of ordinary shares in issue ('000)	<u>546,543</u>	<u>544,230</u>
Basic earnings per share (RMB per share)	<u>0.069</u>	<u>0.055</u>

(b) Diluted

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

The Company has only one category of dilutive potential ordinary shares, which is the share option plan mentioned in Note 12.

For the share option plan, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period when the options are outstanding) based on the monetary value of the subscription rights attached to outstanding options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the options.

	Six months ended 30 June	
	2018	2017
Profit attributable to equity holders of the Company (RMB'000)	<u>37,735</u>	<u>29,828</u>
Weighted average number of ordinary shares in issue after capitalisation ('000)	<u>546,543</u>	<u>544,230</u>
Adjustments for share option plan ('000)	<u>6,947</u>	<u>243</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>553,490</u>	<u>544,473</u>
Diluted earnings per share (RMB per share)	<u>0.068</u>	<u>0.055</u>

18 DIVIDENDS

A final dividend in respect of the year ended 31 December 2017 of HK\$0.014 per ordinary share, totalling HK\$7,657,246 (equivalent to RMB6,455,825), has been resolved to declare at the annual general meeting on 29 June 2018 and is payable to shareholders who are on register at 6 July 2018. The final dividend has been recognized as a liability in this interim financial information.

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017 interim dividend: nil).

19 COMMITMENTS

(a) Capital commitments

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

	As at 30 June 2018 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>
Property, plant and equipment	<u>23,484</u>	<u>17,545</u>

(b) Operating lease commitments

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

	As at 30 June 2018 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>
No later than 1 year	1,893	1,519
Later than 1 year and no later than 5 years	<u>1,200</u>	<u>630</u>
	<u>3,093</u>	<u>2,149</u>

20 RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, has joint control over the party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

Save as disclosed elsewhere in the condensed consolidated interim financial information, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the period ended 30 June 2018.

(a) **Name and relationship with related parties**

(i) **Controlling Party**

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

* As Mr. Wang Qisong, Ms. Wang Luoia, and Ms. Wang Jin entered into an agreement for acting in concert, they are collectively regarded as the Controlling Party with a controlling shareholding of 59.51% of the Company through LJ Hope Ltd., LJ Peace Ltd., and LJ Venture Ltd..

(ii) **Associates of the Group**

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

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

Tianjin Hengjia

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

(i) **Sales of goods and services**

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Tianjin Hengjia	143	107
Wuxi Fuyang	1	—
Total	144	107

(ii) **Purchases of goods and services**

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Shanghai Youlong	83	294

(iii) **Sales of property, plant and equipment**

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Tianjin Hengjia	—	274

(c) **Balances with related parties**

(i) *Trade receivables*

	As at 30 June 2018 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>
Tianjin Hengjia	247	122
Wuxi Fuyang	<u>1</u>	<u>–</u>
Total	<u><u>248</u></u>	<u><u>122</u></u>

(ii) *Trade payables*

	As at 30 June 2018 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>
Shanghai Youlong	<u>–</u>	<u>1</u>

(iii) *Prepayment, deposits and other receivables*

	As at 30 June 2018 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>
Ms. Wang Luojia	<u><u>2,760</u></u>	<u><u>3,000</u></u>

(d) **Key management compensation**

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Salaries and other employee benefits	<u><u>1,772</u></u>	<u><u>1,767</u></u>

21 CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities.

22 PRINCIPAL SUBSIDIARIES

The Group had direct or indirect interests in the following principal subsidiaries as at 30 June 2018:

Company name	Country/Place of incorporation/operation	Paid in capital as of 30 June 2018 (000')	Effective interests held %	Principal activities
Directly Owned:				
BBI Asia Limited	Hong Kong	USD12,973	100	Investment holding
Indirectly Owned:				
Sangon Biotech	PRC	RMB180,000	99.99	Manufacturing and sales of various life science products and provide life science related services
Bio Basic (Canada)	Canada	CAD 3,000	99.99	Manufacturing and sales of various life science products and provide life science related services
Bio Basic (US)	USA	USD2,000	99.99	Manufacturing and sales of various life science products and provide life science related services
BBI China	PRC	RMB52,420	100	Investment holding and management consulting
Bionics Co., Ltd.	The Republic of Korea	KRW 188,350,000	73	Manufacturing and sales of various life science products and provide life science related services

FINANCIAL REVIEW

	Six months ended 30 June		Change
	2018	2017	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	268,450	220,216	21.9%
Gross profit	137,226	106,679	28.6%
Net profit	37,307	28,052	33.0%
Profit attributable to the equity holders of the Company	37,735	29,828	26.5%
Earnings per share (<i>RMB</i>)	0.069	0.055	25.5%

Revenue

During the Reporting Period, the Group recorded revenue of RMB268.45 million, representing an increase of 21.9% from RMB220.22 million for the same period of 2017. It was contributed by the steady growth of the Four Business Segments.

Gross profit

During the Reporting Period, the Group's gross profit increased by 28.6% to RMB137.23 million from RMB106.68 million for the same period of 2017. Gross profit margin increased from 48.4% for the same period last year to 51.1% for the Reporting Period, mainly due to gross profit margin of Bionics has been promoting gradually.

Selling and distribution expenses

The selling and distribution expenses increased by 18.4% to RMB49.91 million during the Reporting Period from RMB42.15 million for the same period of 2017. It was attributed by new market development and sales promotion.

General and administrative expenses

During the Reporting Period, the general and administrative expenses increased by 20.2% to RMB24.76 million from RMB20.60 million for the same period of 2017, excluding the research and development expenses. The increase in general and administrative expenses is mainly due to the increase in remuneration of employees.

Research and development expenses

During the Reporting Period, the research and development expenses increased by 76.2% to RMB19.95 million from RMB11.32 million for the same period of 2017. This was mainly because the Company accelerated the upgrade of its technology and expanded into the new business segment.

Income tax expenses

The income tax expenses decreased from RMB5.23 million for the same period of 2017 to RMB5.72 million for the Reporting Period, mainly because of the profit growth.

Net profit

During the Reporting Period, net profit of the Group increased by 33.0% from approximately RMB28.05 million for the same period of 2017 to approximately RMB37.31 million. The increase in net profit is primarily attributed to the sustained and rapid development of the Group's main business and a significant narrowing in loss of Bionics.

Significant investments held, material acquisitions and disposals

The Group did not have any significant investments held, material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2018.

Contingent liabilities and guarantees

As at 30 June 2018, the Group did not have any material contingent liabilities or guarantees.

Future plans for significant investment or capital assets

Save as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 30 June 2018.

Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollar and United States dollar. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. The Group did not hedge against any fluctuation in foreign currency during the Reporting Period. The management of the Group may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in future.

Cash flow and fair value interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. The management of the Group does not anticipate any significant impact on interest-bearing assets resulting from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

Credit risk

The carrying amounts of cash and cash equivalents, trade bills and other receivables are the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

In respect of trade bills and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments, taking into account information specific to the counterparty and 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.

Charges on Group assets

As at 30 June 2018, the Group had no charges over assets.

Working capital and financial resources

As at 30 June 2018, the cash and cash equivalents of the Group amounted to RMB102.7 million (as at 31 December 2017: RMB174.1 million).

Capital expenditure

During the Reporting Period, the expenditure incurred in the purchase of intangible assets, mainly computer software, was RMB0.01 million, while the expenditure incurred in the purchase of property, plant and equipment and of construction in process amounted to RMB47.6 million.

Future prospects

Looking ahead to the second half of 2018, the Group will steadily advance its strategic development by:

1. Accelerating GMP standardization for the new laboratory to enlarge integrated capacity

With a total floor area of 7,000 square meters, the DNA synthesis production building in the Group's Shanghai head office is expected to be completed at the end of 2018, upon which we will accelerate the GMP standardization for the new laboratory. In the future, we will rely on the laboratory to improve the integrated capacity for high-quality DNA synthesis products applied in the area of precision medicine and consolidate and expand the current market share.

2. Pushing forward the trial productive operation of the medical laboratory

Following the completion of the medical laboratory, it is expected to be put into trial productive operation in the second half of 2018. We will rely on high-throughput sequencing technologies to directly provide genetic screening services to a large amount of end consumers, thereby expanding our target customer base. Meanwhile, we will accelerate the research and development of vitro diagnosis products, especially tumor diagnostic kits, to further enhance the Group's product and service portfolio and build an industry ecosystem.

3. Enhancing product and service portfolio of newly established overseas branches, increasing outlets of the direct-sale network, and adjusting the structure of high-value-added products, so as to improve overseas market shares and profitability.

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

As at 30 June 2018, the Group has a total of 1,377 employees. The Group has entered into employment contracts covering positions, employment conditions and terms, salary, employee benefits, responsibility for breach of contractual obligations and reason for termination with its employees. The remuneration package of the Group's employees includes basic salary, subsidies and other employees' benefits, which are determined with reference to the experience and working years of the employees and general situations.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2018, no directors of the Company (the “**Directors**”) or any of their close associates had any interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

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

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2018. The Board does not expect any waiver of future dividends by any Shareholder.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MODEL CODE FOR SECURITIES TRANSACTIONS CONDUCTED BY THE DIRECTORS

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

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the “**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has been in compliance with the code provisions of the Corporate Governance Code throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

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

The Audit Committee has, together with the management and external auditors, reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the Group's unaudited consolidated interim results for the six months ended 30 June 2018.

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

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

ACKNOWLEDGEMENT

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

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

Hong Kong, 30 August 2018

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