



(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 1035

INTERIM REPORT

2017





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CORPORATE PROFILE

BBI Life Sciences Corporation (the “**Company**” or “**BBI Life Sciences**”, together with its subsidiaries, the “**Group**”) is a renowned supplier of life science products and services in the People’s Republic of China (the “**PRC**”). Its wide-range products and services include (1) DNA synthesis products; (2) genetic engineering services; (3) life sciences research consumables; and (4) protein and antibody related products and services (the “**Four Business Segments**”). Its diversified client portfolio comprises mainly universities, research institutes, and pharmaceutical and biotech companies. As one of the largest DNA synthesis product providers in the PRC, BBI Life Sciences has been expanding its product offerings, consistently providing high quality products to its customers. The Group’s mission is to become a one-stop solution provider in the long run. Leveraging on our strong research and development capabilities, extensive direct sales network and comprehensive product offerings under the brands “Sangon” and “BBI”, the Group serves both domestic and overseas professional markets. We are now ready and prepared to capture opportunities in the market, becoming the preferred supplier for our customers in the life sciences industry.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Qisong
Ms. Wang Luojia
Ms. Wang Jin

Non-executive Director

Mr. Hu Xubo

Independent Non-executive Directors

Mr. Xia Lijun
Mr. Ho Kenneth Kai Chung
Mr. Liu Jianjun

AUDIT COMMITTEE

Mr. Xia Lijun (*Chairman*)
Mr. Ho Kenneth Kai Chung
Mr. Liu Jianjun

REMUNERATION COMMITTEE

Mr. Ho Kenneth Kai Chung (*Chairman*)
Mr. Xia Lijun
Mr. Liu Jianjun

NOMINATION COMMITTEE

Mr. Liu Jianjun (*Chairman*)
Mr. Ho Kenneth Kai Chung
Mr. Xia Lijun

RISK MANAGEMENT COMMITTEE

Mr. Liu Jianjun (*Chairman*)
Mr. Ho Kenneth Kai Chung
Mr. Xia Lijun

JOINT COMPANY SECRETARIES

Ms. Hu Heng
Ms. Ng Sau Mei

AUTHORISED REPRESENTATIVES

Ms. Wang Luojia
Ms. Ng Sau Mei

LEGAL ADVISERS

Hong Kong Law:

Howse Williams Bowers
27/F, Alexandra House
18 Chater Road, Central
Hong Kong

Cayman Islands Law:

Conyers Dill & Pearman (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111
Cayman Islands

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

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No. 698, Xiangmin Road
Songjiang District
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two
Times Square, 1 Matheson Street
Causeway Bay, Hong Kong



CORPORATE INFORMATION (CONTINUED)

TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
16/F, Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

Industrial and Commercial Bank of The PRC
2/F, No. 218, Zhongshan Road
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Shanghai, PRC

WEBSITES

<http://www.bbifesciences.com>
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<http://www.biobasic.com>

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LISTING DATE

30 December 2014

FINANCIAL HIGHLIGHT

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



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

During the Reporting Period, the revenue of DNA synthesis products, genetic engineering services, life sciences research consumables and protein and antibody related products and services accounted for approximately 36.5%, 21.8%, 31.5% and 10.2% respectively of the total revenue of the Group.

On 3 March 2017, Sangon Biotech (Shanghai) Company Limited* (生工生物工程(上海)股份有限公司) ("**Sangon Biotech**", a subsidiary of the Company), Sangon Health Sci-Tech (Shanghai) Company Limited* (生工健康科技(上海)有限公司) ("**Sangon Health**") and Mr. Wang Qisong (an executive director, a controlling shareholder of the Company and the sole shareholder of Sangon Health) entered into various agreements in respect of the variable interest entity arrangement ("**VIE Agreements**"), to facilitate the development of genetic diagnosis business of the Group. The structure established through the entering into of the VIE Agreements ("**VIE Structure**") allows Sangon Biotech to exercise full control over Sangon Health and effectively holds 100% through the VIE Structure of the equity interests in Sangon Health which principally engages in genetic diagnosis and related treatment products and services business. Sangon Biotech has effective control over the finance and operations, and the entire economic interest and benefits of Sangon Health through the VIE Agreements. Sangon Health became a subsidiary of the Company and its financial results are consolidated into the financial statements of the Group.

On 6 March 2017, Sangon Health entered into an investment agreement with the shareholders of Tianjin Hengjia Biotech Development Company Limited (天津亨佳生物科技發展有限公司) ("**Tianjin Hengjia**") pursuant to which Sangon Health obtained 34% equity interest of Tianjin Hengjia, with an increase in the capital amount of RMB6 million in Tianjin Hengjia. Tianjin Hengjia principally engages in the research and application of technologies and therapeutic methods related to "autologous mutation peptides for treatment of cancer".

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Results Analysis of the Four Business Segments

1. DNA Synthesis Products

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

2. Genetic Engineering Services

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

3. Life Sciences Research Consumables

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

4. Protein and Antibody Related Products and Services

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

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

Revenue

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

Gross profit

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

Selling and distribution expenses

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

General and administrative expenses

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

Research and development expenses

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

Income tax expenses

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Net profit

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

Significant investments held, material acquisitions and disposals

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

Contingent liabilities and guarantees

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

Future plans for significant investment or capital assets

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

Current ratio and gearing ratio

At June 30, 2017, the Group's current ratio (current assets to current liabilities) was approximately 2.73 (as at December 31, 2016: 3.03); and gearing ratio (total liabilities to total assets) was approximately 19.6% (as at December 31, 2016: 19.8%).

Bank Loans

As at June 30, 2017, the Group did not have any bank loans.

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.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 and past history of making payments, and take 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 2017, the Group had no charges over assets.

Working capital and financial resources

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

Capital expenditure

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

Employees and remuneration policies

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

For the Reporting Period, the Group's total expenses on the remuneration of employees were approximately RMB57.81 million (excluding share-based payment of approximately RMB0.31 million), representing 26.3% of the revenue of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 4 September 2014, the Company adopted the First 2014 Employee Stock Option Plan A (“**Pre-IPO Scheme A**”) and First 2014 Stock Option Plan B (“**Pre-IPO Scheme B**”) (collectively, the “**Pre-IPO Share Option Schemes**”). On 8 December 2014, the Company adopted a Post-IPO share option scheme (“**Post-IPO Share Option Scheme**”) (together with the Pre-IPO Share Option Schemes, the “**Share Option Schemes**”). No further options have been granted under Pre-IPO Scheme A and Pre-IPO Scheme B for the six months end 30 June 2017. No options have been granted under the Post-IPO Share Option Scheme since 8 December 2014 up to 30 June 2017.

The number of employees of the Group categorised by function as at 30 June 2017 is set forth as follows:

Function	Number of employees	Percentage
Production	513	42.47%
Sales and marketing	331	27.40%
Administration	119	9.85%
Research and development	148	12.25%
Management	97	8.03%
Total:	1,208	100.00%

The Group’s remuneration policy and structure for remuneration of the directors of the Company (the “**Directors**”) and senior management of the Group are based on the Group’s operating results, individual performance and comparable market statistics and are reviewed by the remuneration committee of the Company periodically.

The remuneration of the Directors is recommended by the Remuneration Committee and is decided by the board of Directors (the “**Board**”), having regard to the merit, qualifications and competence of individual Director, the Group’s operating results and comparable market statistics.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FUTURE PROSPECTS

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

- complete the products and services portfolio of new branches at home and abroad, and raise the sales proportion of high-profit product services;
- establish medical testing agencies to provide a large number of end-consumers with direct genetic diagnosis and screening services with the application of high-throughput sequencing technology in order to expand target market;
- increase the pace of the research and development of vitro diagnostic products (in particular, diagnostic kits for tumors) to align with the launch of products and services related to vitro diagnosis, with a view to improving our integrated portfolio of products and services;
- further expand the market share by taking prompt measures of mergers and acquisitions;
- continue promoting automatic transformation of DNA synthesis products segment and genetic engineering services segment, industrial process optimization and raw material utilization management, relying on the newly completed plant facilities at the Shanghai headquarters;
- enhance new overseas subsidiaries' company information management level, and optimize the production line configuration;
- optimize internal management structure and process, and effectively improve the management efficiency.

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

The management of the Company is confident in the future development of the Group and believes that they are able to create more returns for the Group and its shareholders (the "**Shareholders**").

OTHER INFORMATION

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2017, no Directors or any of their close associates had any interests in any business which competed or were likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are set out as follows:

Name of Director	Nature of interest	Number of Shares/ underlying Shares held	Shareholding percentage (%)	Long position/ Short position/ Lending pool
Wang Luojia (Notes 1, 2, 3)	Beneficial owner, trustee of a trust, interest in a controlled corporation and interests held jointly with another person	312,221,948	57.36	Long position
Wang Jin (Notes 1, 2, 4)	Trustee of a trust and interests held jointly with another person	312,221,948	57.36	Long position
Wang Qisong (Notes 1, 2, 5)	Beneficial owner, settlor of a trust and interests held jointly with another person	312,221,948	57.36	Long position

Note:

1. Wang J Family Trust is an irrevocable trust constituted under the laws of the Province of Ontario, with Wang Qisong as the settlor, Wang Luojia as the trustee and Wang Jin and her children as the beneficiaries. Wang J Family Trust owns 51.15% of the total issued shares of LJ Peace Ltd. and 50% of the total issued shares of LJ Venture Ltd.
2. Wang L Family Trust is an irrevocable trust constituted under the laws of the Province of Ontario, with Wang Qisong as the settlor, Wang Jin as the trustee and Wang Luojia and her children as the beneficiaries. Wang L Family Trust owns 48.85% of the issued shares of LJ Peace Ltd. and 50% of the issued shares of LJ Venture Ltd.



OTHER INFORMATION (CONTINUED)

3. Wang Luojia (i) is the trustee of Wang J Family Trust which owns 51.15% of the total issued shares of LJ Peace Ltd. and 50% of the total issued shares of LJ Venture Ltd.; (ii) owns 50% of the total issued shares of LJ Hope Ltd. which in turn holds 8,449,833 Shares; (iii) is the grantee of an option granted pursuant to the Pre-IPO Share Option Schemes pursuant to which 483,149 Shares will be issued to Wang Luojia upon exercise of the same; (iv) personally owns 322,099 Shares as beneficial owner and (v) is a party to the a deed of confirmation ("**Acting in Concert Deed**") dated 4 November 2014 executed by Wang Qisong, Wang Luojia and Wang Jin, pursuant to which each of Wang Qisong, Wang Luojia and Wang Jin has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting of the Company in a unanimous manner. Wang Luojia is therefore deemed to be interested in the Shares held by LJ Peace Ltd., LJ Venture Ltd. and LJ Hope Ltd. respectively and the underlying Shares in respect of the options granted to herself and to Wang Qisong pursuant to the Pre-IPO Share Option Schemes under the SFO. Each of Wang Luojia, Wang Jin and Wang Qisong is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
4. Wang Jin is the trustee of Wang L Family Trust which owns 48.85% of the total issued shares of LJ Peace Ltd. and 50% of the total issued shares of LJ Venture Ltd. Accordingly, Wang Jin, being the trustee of Wang L Family Trust, is deemed to be interested in the Shares held by LJ Peace Ltd. and LJ Venture Ltd. respectively under the SFO. Pursuant to the Acting in Concert Deed, each of Wang Qisong, Wang Luojia and Wang Jin has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting of the Company in a unanimous manner and hence each of Wang Luojia, Wang Jin and Wang Qisong is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
5. In light of notes 1 and 2, Wang Qisong, being the settlor of both Wang L Family Trust and Wang J Family Trust, is deemed to be interested in the Shares held by LJ Venture Ltd. and LJ Peace Ltd., respectively. Wang Qisong personally owns 760,776 Shares as beneficial owner. Pursuant to the Acting in Concert Deed, each of Wang Qisong, Wang Luojia and Wang Jin has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting of the Company in a unanimous manner and hence each of Wang Luojia, Wang Jin and Wang Qisong is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that (i) was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise (ii) was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of shareholder	Nature of interest	Number of Shares/ underlying Shares held	Shareholding percentage %	Long position/ Short position/ Lending pool
LJ Peace Ltd. (Notes 1, 2)	Beneficial owner	184,156,346	33.83	Long position
LJ Venture Ltd. (Notes 1, 2)	Beneficial owner	118,049,745	21.69	Long position
Mai Jun (Note 3)	Interest of a spouse and interest in a controlled corporation	312,221,948	57.36	Long position
Lu Guang Yi (Note 4)	Interest of a spouse	312,221,948	57.36	Long position
Qiming Venture Partners II, L.P. ("QVP II") (Note 5)	Beneficial owner and person acting in concert	82,841,176	15.22	Long position
Qiming Venture Partners II-C, L.P. ("QVP II-C") (Note 5)	Beneficial owner and person acting in concert	82,841,176	15.22	Long position
Qiming Managing Directors Fund II, L.P. ("QMDF") (Note 5)	Beneficial owner and person acting in concert	82,841,176	15.22	Long position
Grandeur Peak Global Advisors, LLC	Investment Manager	49,369,500	9.07	Long position



OTHER INFORMATION (CONTINUED)

Notes:

1. Wang J Family Trust is an irrevocable trust constituted under the laws of the Province of Ontario, with Wang Qisong as the settlor, Wang Luojia as the trustee and Wang Jin and her children as the beneficiaries. Wang J Family Trust owns 51.15% of the total issued shares of LJ Peace Ltd. and 50% of the total issued shares of LJ Venture Ltd.
2. Wang L Family Trust is an irrevocable trust constituted under the laws of the Province of Ontario, with Wang Qisong as the settlor, Wang Jin as the trustee and Wang Luojia and her children as the beneficiaries. Wang L Family Trust owns 48.85% of the issued shares of LJ Peace Ltd. and 50% of the issued shares of LJ Venture Ltd.
3. Mai Jun is the spouse of Wang Luojia and is deemed to be interested in the Shares which are deemed to be interested by Wang Luojia under the SFO. Mai Jun also owns 50% of LJ Hope Ltd. and is therefore also deemed to be interested in the Shares held by LJ Hope Ltd.
4. Lu Guang Yi is the spouse of Wang Jin. Accordingly, Lu Guang Yi is deemed to be interested in the Shares which are deemed to be interested by Wang Jin under the SFO.
5. QVP II, QVP II-C and QMDF beneficially hold 75,161,799 Shares, 6,585,871 Shares and 1,093,506 Shares respectively, representing approximately 13.81%, 1.21% and 0.20% respectively of the total issued share capital of the Company. By virtue of QVP II acting in concert with QVP II-C and QMDF, each of QVP II, QVP II-C and QMDF is deemed to be interested in all Shares held by them in aggregate under the SFO.

Save as disclosed above, as at 30 June 2017, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

As disclosed above, the Company has adopted the Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme. The purpose of the Share Option Schemes is to enable us to grant options to selected participants as incentives or rewards for their contributions. The Directors consider the Share Option Schemes, with its broad basis of participation, will enable the Company to reward its employees, Directors and other selected participants for their contributions. During the six months ended 30 June 2017, no further option has been granted under the Pre-IPO Share Option Schemes and no option has been granted under the Post-IPO Share Option Scheme.

OTHER INFORMATION (CONTINUED)

Set out below are details of the outstanding options under the Pre-IPO Share Option Schemes:

Category/ Name of Grantee	Scheme Type	Date of Grant	Number of Outstanding Options		Exercise Price per Share	Exercised during the Reporting Period	Weighted average closing price before the exercised dates (HK\$)	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Vesting/Exercise period (Day/Month/Year)
			As at 1 January 2017	As at 30 June 2017						
Wang Luojia	B	16/01/2014	483,149	483,149	HK\$1.1	0	—	—	—	16/01/2014-16/01/2019
4 Employees	A	16/01/2014	94,256	94,256	HK\$1.1	0	—	—	—	note 1
Sub-Total			577,405	577,405	HK\$1.1	0		—	—	
79 Employees	A	04/09/2014	1,075,866	1,075,866	HK\$1.1	0	—	—	—	note 1
76 Employees	B	04/09/2014	7,584,701	7,391,973	HK\$1.1	115,636	1.87	—	77,092	16/01/2014-16/01/2019
Total			9,237,972	9,045,244		115,636		—	77,092	

Note:

- At any time and from time to time up to the last day of the 5th anniversary of 16 January 2014.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, at no time during the Reporting Period and up to the date of this interim report was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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 interim report.

DIVIDEND

A final dividend of approximately HK\$6,531,381 (equivalent to RMB5,707,840) in respect of the year ended 31 December 2016 was fully paid to the Shareholders in June 2017. The Board resolved not to declare any interim dividend for the six months ended 30 June 2017.

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.



OTHER INFORMATION (CONTINUED)

MODEL CODE FOR SECURITIES TRANSACTIONS OF THE DIRECTORS

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

CORPORATE GOVERNANCE

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

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

AUDIT COMMITTEE

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

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

CHANGES TO DIRECTORS’ INFORMATION

Save as disclosed in this interim report, the Directors confirmed that there has been no change to any of the information required to be disclosed in relation to any Director pursuant to Rule 13.51B(1) of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

No significant events occurred subsequent to 30 June 2017 up to the date of this interim report.

INTERIM CONSOLIDATED BALANCE SHEET

For the six months ended 30 June 2017

	<i>Note</i>	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	344,221	278,419
Land use rights	6	29,174	29,507
Intangible assets	6	13,266	13,174
Investment in an associate	9	14,569	9,833
Available-for-sales financial assets		2,000	2,000
Deferred income tax assets		1,278	1,388
Other non-current assets	8	1,559	1,335
		406,067	335,656
Current assets			
Inventories		58,635	52,680
Trade and bills receivables	7	105,934	73,740
Prepayments, deposits and other receivables	8	32,819	27,222
Bank deposits with maturities over 3 months		56,047	49,198
Restricted cash		1,185	–
Cash and cash equivalents		152,599	245,852
Non-current assets held for sale		–	7,894
		407,219	456,586
Total assets		813,286	792,242
EQUITY			
Share capital	10	4,305	4,304
Share premium	10	463,174	463,062
Other reserves	11	(37,518)	(43,905)
Retained earnings		223,376	207,333
		653,337	630,794
Non-controlling interests		497	4,374
Total equity		653,834	635,168

The notes on page 19 to 44 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED BALANCE SHEET

For the six months ended 30 June 2017

	<i>Note</i>	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		4,044	–
Deferred income tax liabilities		5,419	5,474
Deferred income		800	934
		10,263	6,408
Current liabilities			
Trade payables	13	15,810	11,365
Accruals and other payables	14	131,230	139,034
Dividend payable	18	–	–
Borrowings		1,882	–
Current portion of deferred income		267	267
		149,189	150,666
Total liabilities		159,452	157,074
Total equity and liabilities		813,286	792,242

The notes on page 19 to 44 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

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

The notes on page 19 to 44 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

For the six months ended 30 June 2017

	<i>Note</i>	Six months ended 30 June	
		2017 Unaudited RMB'000	2016 Unaudited RMB'000
Total profit attributable to:			
Equity holders of the Company		29,828	28,733
Non-controlling interests		(1,776)	(95)
Total comprehensive income attributable to:			
Equity holders of the Company		27,824	32,542
Non-controlling interests		(1,776)	(95)
		26,048	32,447
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic earnings per share (expressed in RMB per share)		0.055	0.053
– Diluted earnings per share (expressed in RMB per share)	17	0.055	0.053

The notes on page 19 to 44 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

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

The notes on page 19 to 44 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

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

The notes on page 19 to 44 are an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

1 GENERAL INFORMATION

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

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

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

Significant event

On 3 March 2017, Sangon Biotech (Shanghai) Company Limited (“**Sangon Biotech**”), a subsidiary of the Company), Sangon Health Sci-Tech (Shanghai) Company Limited* (生工健康科技(上海)有限公司) (“**Sangon Health**”) and Mr. Wang Qisong (an executive director, a controlling shareholder of the Company and the sole shareholder of Sangon Health) entered into various agreements in respect of the variable interest entity arrangement (“**VIE Agreements**”). The structure based on those VIE Agreements (the “**VIE Structure**”) allows Sangon Biotech to exercise full control over Sangon Health. As a result, Sangon Biotech effectively holds, through the VIE Structure, 100% of the equity interests in Sangon Health.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.1.1 Changes in accounting policy and disclosures

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

Subsidiaries arising from contractual arrangements

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

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

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

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

(a) New and amended standards adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning 1 January 2017.

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

Amendments and interpretations as mentioned above are not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

Subsidiaries arising from contractual arrangements (continued)

- (b) Standards, amendments and interpretations to existing standards effective in 2016 but not relevant to the Group.

**Effective for annual
periods beginning
on or after**

HKFRS 12 (Amendment)	Disclosure of interest in other entities	1 January 2017
HKFRS 12 (Amendment)	Income taxes	1 January 2017

- (c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group:

**Effective for annual
periods beginning
on or after**

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

The Company is still in the process of assessing the impacts on adoption of these new standards and amendments and yet to conclude whether or not it will result in substantial changes to the consolidated financial statements of the Group upon adoption.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

3 ESTIMATES

Useful lives of Property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and the practice in similar industry. Management will increase or decrease the depreciation charge where updated estimated useful lives of the property, plant and equipment are less or more than previously estimated useful lives. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation expenses in the future periods.

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

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

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

4 FINANCIAL RISK MANAGEMENT

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 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 2017 and 2016 is as follows:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

5 SEGMENT INFORMATION (CONTINUED)

(b) Segment information

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

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

The segment information for the six months ended 30 June 2016 is as follows:

	DNA synthesis products RMB'000	Genetic engineering services RMB'000	Life science research consumables RMB'000	Protein and antibody related products and services RMB'000	Total RMB'000
Segment sales	65,218	33,770	47,153	18,066	164,207
Segment cost of sales	(25,598)	(18,012)	(24,093)	(11,319)	(79,022)
Segment gross profit	39,620	15,758	23,060	6,747	85,185

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

5 SEGMENT INFORMATION (CONTINUED)

(c) Entity-wide information

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

7 TRADE AND BILLS RECEIVABLES

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

8 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

In April 2014, the Group disposed its equity interest in Prime Gene, an associate of the Group, to a third party company. According to the payment terms stipulated in the sales and purchase agreement, the buyer committed to pay RMB9,441,000 within 1 year from the transaction date, and pay RMB7,627,000 at each of the second and third anniversary of the sales transaction date. The Group has received RMB7,627,000 during the six months ended 30 June 2017. As at 30 June 2017, the Group has received all cash consideration.

9 INVESTMENT IN ASSOCIATES

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

10 SHARE CAPITAL AND SHARE PREMIUM

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

11 OTHER RESERVES

	Capital reserve (i) RMB'000	Statutory reserve (ii) RMB'000	Share- based payment reserve RMB'000	Currency translation reserve RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	(91,004)	22,556	14,940	16,058	(6,455)	(43,905)
Currency translation differences	–	–	–	(2,004)	–	(2,004)
Share-based payment-value of employee service	–	–	314	–	–	314
Appropriation to statutory reserve	–	8,077	–	–	–	8,077
At 30 June 2017	(91,004)	30,633	15,254	14,054	(6,455)	(37,518)
At 1 January 2016	(91,004)	15,977	14,166	8,791	(6,455)	(58,525)
Currency translation differences	–	–	–	3,809	–	3,809
Share-based payment-value of employee service	–	–	503	–	–	503
Appropriation to statutory reserve	–	6,579	–	–	–	6,579
At 30 June 2016	(91,004)	22,556	14,669	12,600	(6,455)	(47,634)

(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

12 SHARE-BASED PAYMENT

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

13 TRADE PAYABLES

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

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

14 ACCRUALS AND OTHER PAYABLES

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

15 EXPENSES BY NATURE

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

16 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Current income tax	5,217	7,699
Deferred income tax	16	684
	5,233	8,383

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

16 INCOME TAX EXPENSE (CONTINUED)

(i) Cayman Islands profits tax

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

(ii) Hong Kong profits tax

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

(iii) PRC corporate income tax

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

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

(iv) PRC withholding income tax

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

(v) Canada profits tax

Canada profits tax has been provided for at the rate of 26.50% on the estimated assessable profits for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 26.50%).

(vi) The United States profits tax

The United States profits tax has been provided for at the rate of 15% on the estimated assessable profits for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 15%).

(vii) The United Kingdom profits tax

The United Kingdom profits tax has been provided for at the rate of 20% on the estimated assessable profits for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 20%).

(viii) Singapore profits tax

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

(ix) The Republic of Korea profits tax

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

17 EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

18 DIVIDENDS

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

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

19 COMMITMENTS

(a) Capital commitments

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

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

(b) Operating lease commitments

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

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

20 RELATED-PARTY TRANSACTIONS

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

Save as disclosed elsewhere in the condensed consolidated interim financial information, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the period ended 30 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

20 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Name and relationship with related parties

(i) Controlling Party

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

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

(ii) Associates of the Group

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

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

Tianjin Hengjia

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

(i) Sales of goods and services

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

(ii) Purchases of goods and services

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Shanghai Youlong	294	92

(iii) Sales of property, plant and equipment

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Tianjin Hengjia	274	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

20 RELATED-PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties

(i) Trade receivables

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Tianjin Hengjia	84	–

(ii) Trade payables

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Shanghai Youlong	59	16

(iii) Prepayment, deposits and other receivables

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

(d) Key management compensation

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

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

21 CONTINGENT LIABILITIES

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

22 PRINCIPAL SUBSIDIARIES

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

Company name	Country/Place of incorporation/ operation	Paid in capital as of 30 June 2017 ('000)	Effective interests held %	Principal activities
Directly Owned:				
BBI International Limited	Hong Kong	USD5,843	100	Investment holding
BBI Asia Limited	Hong Kong	USD12,973	100	Investment holding
Indirectly Owned:				
Sangon Biotech	PRC	RMB180,000	99.99	Manufacturing and sales of various life science products and provide life science related services
BBI China	PRC	RMB52,420	100	Investment holding and management consulting
Bio Basic (Canada)	Canada	CAD3,000	99.99	Manufacturing and sales of various life science products and provide life science related services
Bio Basic (US)	USA	USD2,000	99.99	Manufacturing and sales of various life science products and provide life science related services
NBL (UK)	UK	GBP100	100	Manufacturing and sales of various life science products and provide life science related services
Sangon Peptide (Ningbo) Co., Ltd.	PRC	RMB8,000	100	Manufacturing and sales of various life science products and provide life science related services
Bio Basic Asia Pacific PTE. Ltd.	Singapore	SGD135,785	65	Manufacturing and sales of various life science products and provide life science related services
Bionics Co., Ltd.	The Republic of Korea	KRW188,350,000	73	Manufacturing and sales of various life science products and provide life science related services
Sangon Health (i)	PRC	RMB0	–	Technology development, technical service, technical consultation, technical transformation and medical device operation in the areas of health, biology and medical technology.

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