Bloomage BioTechnology Corporation Limited
華熙生物科技有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 00963)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2016 was approximately RMB844,388,000, representing an increase of approximately RMB193,520,000 or 29.7% compared with the corresponding period in 2015.

- Profit attributable to equity shareholders of the Company for the year ended 31 December 2016 was approximately RMB228,101,000, representing an increase of approximately RMB37,708,000 or 19.8% compared with the corresponding period in 2015.

- The earnings before interest, taxes, depreciation and amortisation (excluding share of profits less losses of associates and share of loss of a joint venture) of the Group for the year ended 31 December 2016 was approximately RMB363,407,000 (2015: approximately RMB290,997,000), representing an increase of approximately RMB72,410,000 or 24.9% as compared to 2015.

- The Board recommends a final dividend of HK$3.1 cents per share for the year ended 31 December 2016 (2015: HK$2.7 cents per share).

The board (the "Board") of directors (the "Directors") of Bloomage BioTechnology Corporation Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016, together with comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Note	2016 *RMB'000*	2015 *RMB'000*
Revenue	4	844,388	650,868
Cost of sales		(251,959)	(163,629)
Gross profit		592,429	487,239
Other revenue	5	26,752	15,799
Distribution costs		(128,744)	(107,070)
Administrative expenses		(175,753)	(141,910)
Other operating (expenses)/income, net		(932)	569
Profit from the operation		313,752	254,627
Finance costs	6(a)	(45,383)	(16,727)
Share of profits less losses of associates		20,481	91
Share of loss of a joint venture		(27)	(66)
Profit before taxation	6	288,823	237,925
Income tax	7	(60,723)	(47,530)
Profit for the year		228,100	190,395
Other comprehensive income for the year (after tax adjustments):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(1,737)	(23)
Share of other comprehensive income of equity-accounted investees		10,999	5,841
Other comprehensive income for the year		9,262	5,818
Total comprehensive income for the year		237,362	196,213

	Note	2016 *RMB'000*	2015 *RMB'000*
Profit attributable to:			
Equity shareholders of the Company		228,101	190,393
Non-controlling interests		(1)	2
Profit for the year		228,100	190,395
Total comprehensive income attributable to:			
Equity shareholders of the Company		237,358	196,211
Non-controlling interests		4	2
Total comprehensive income for the year		237,362	196,213
Earnings per share (RMB)			
Basic	8(a)	0.630	0.565
Diluted	8(b)	0.620	0.553

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2016

	Note	2016 *RMB'000*	2015 *RMB'000*
Non-current assets			
Property, plant and equipment, net	9	331,994	362,731
Construction in progress		16,768	5,383
Intangible assets	10	199,492	208,093
Lease prepayments		57,852	59,161
Interest in associates	11	278,642	240,949
Interest in a joint venture		17,862	—
Deferred tax assets		10,864	11,615
Other non-current assets		125,775	35,723
Total non-current assets		1,039,249	923,655
Current assets			
Inventories		178,702	117,592
Trade and other receivables	12	324,436	251,874
Restricted cash		230,000	255,000
Cash and cash equivalents		646,887	651,050
Total current assets		1,380,025	1,275,516
Current liabilities			
Bank loans		220,000	472,873
Trade and other payables	13	77,018	117,801
Current portion of preferred shares		12,461	11,538
Income tax payable		18,860	21,888
Total current liabilities		328,339	624,100
Net current assets		1,051,686	651,416
Total assets less current liabilities		2,090,935	1,575,071

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Bank loans		128,860	—
Preferred shares		35,398	39,933
Convertible bonds	14	360,948	326,938
Deferred income		13,483	16,243
Total non-current liabilities		538,689	383,114
NET ASSETS		1,552,246	1,191,957
CAPITAL AND RESERVES			
Share capital		3,219	3,117
Reserves		1,548,970	1,188,787
Total equity attributable to equity shareholders of the Company		1,552,189	1,191,904
Non-controlling interests		57	53
TOTAL EQUITY		1,552,246	1,191,957

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserve *RMB'000*	Exchange reserve *RMB'000*	Other reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2015	2,969	97,308	61,192	(3,314)	104,044	490,257	752,456	51	752,507
Changes in equity for 2015:									
Profit for the year	—	—	—	—	—	190,393	190,393	2	190,395
Other comprehensive income	—	—	—	5,818	—	—	5,818	—	5,818
Total comprehensive income for the year	—	—	—	5,818	—	190,393	196,211	2	196,213
Equity settled share-based transactions	—	—	—	—	26,538	—	26,538	—	26,538
Appropriation to statutory reserve	—	—	20,941	—	—	(20,941)	—	—	—
Shares issued on the exercise of share options granted under share option scheme	17	9,581	—	—	(2,226)	—	7,372	—	7,372
Equity component of convertible bonds	—	—	—	—	59,627	—	59,627	—	59,627
Issuance of new shares	131	156,147	—	—	—	—	156,278	—	156,278
Dividends for the year ended 31 December 2014	—	—	—	—	—	(6,578)	(6,578)	—	(6,578)
	148	165,728	20,941	—	83,939	(27,519)	243,237	—	243,237
Balance at 31 December 2015	3,117	263,036	82,133	2,504	187,983	653,131	1,191,904	53	1,191,957

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Statutory reserve	Exchange reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2016	3,117	263,036	82,133	2,504	187,983	653,131	1,191,904	53	1,191,957
Changes in equity for 2016									
Profit for the year	—	—	—	—	—	228,101	228,101	(1)	228,100
Other comprehensive income	—	—	—	9,257	—	—	9,257	5	9,262
Total comprehensive income for the year	—	—	—	9,257	—	228,101	237,358	4	237,362
Appropriation to statutory reserve	—	—	22,745	—	—	(22,745)	—	—	—
Dividends declared in respect of the year ended 31 December 2015	—	—	—	—	—	(8,350)	(8,350)	—	(8,350)
Equity settled share-based transactions	—	—	—	—	22,852	—	22,852	—	22,852
Shares issued on the exercise of share options granted under share option scheme	20	12,347	—	—	(2,313)	—	10,054	—	10,054
Issuance of shares to directors and employees at discount	82	99,865	—	—	(1,576)	—	98,371	—	98,371
	102	112,212	22,745	—	18,963	(31,095)	122,927	—	122,927
Balance at 31 December 2016	3,219	375,248	104,878	11,761	206,946	850,137	1,552,189	57	1,552,246

NOTES TO THE FINANCIAL INFORMATION

1 CORPORATE INFORMATION

Bloomage BioTechnology Corporation Limited (the "Company", and together with its subsidiaries, the "Group") was incorporated in the Cayman Islands on 3 April 2006 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 shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 October 2008. The Group is principally engaged in the manufacture and sale of bio-chemical products (including hyaluronic acid ("HA") raw materials and end products) and trading of cosmetic products and medical devices through its principal subsidiaries Bloomage Freda Biopharmaceutical Co., Ltd. ("Bloomage Biopharm"), Beijing Bloomage Hyinc Technology Company Limited ("Beijing Bloomage Hyinc"), Shandong Bloomage Hyinc Biopharm Company Limited ("Shandong Bloomage Hyinc") and Fumax Investment Limited and investment holding in associates and a joint venture engaging in design, development, manufacturing and sales of cosmetic products.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and the Group's interest in associates and a joint venture.

The measurement basis used in the preparation of these consolidated financial statements is the historical cost basis except that available-for-sale financial assets are stated at their fair values.

The preparation of these consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company's principal subsidiaries operating in the PRC. The Company's functional currency is Hong Kong dollar ("HKD").

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue represents the sales value of goods sold, net of value-added tax.

	2016	**2015**
	RMB'000	*RMB'000*
Sales of self-produced products:		
– HA raw materials	458,015	396,932
– HA end products	294,786	243,360
Revenue from trading of cosmetic products and medical devices	91,587	10,576
	844,388	650,868

The Group's customer base is diversified and includes no customer (2015: no customer) with whom transactions have exceeded 10% of the Group's revenues.

(b) Segment reporting

Segment information disclosed in the financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments.

The Group completed an update of its long-term business strategy in 2016. This strategic update along with the establishment of a separate business line for trading of cosmetic products and devices led to a reassessment of the operating segments. As a result, the Group revised the reportable segments to better align with the current management of the businesses. The Group presented two reportable segments before 2016, namely domestic customers and overseas customers, for which business were mainly derived from the production and sale of bio-chemical products. The Group has presented the following two reportable segments for the year ended 31 December 2016. The corresponding segment information for the comparative period presented in the financial report has been restated to reflect the new reporting segment presentation. No operating segments have been aggregated to form the following reportable segments.

- production and sale of HA raw materials and end products: this segment manages and operates manufacturing plants and generates income from production and sale of HA raw materials and end products to external customers; and
- trading of cosmetic products and medical devices: this segment purchases cosmetic products and devices from external suppliers and sells them to external customers.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets with the exception of interest in associates and deferred tax assets. Segment liabilities include trade and other payables, deferred income, preferred shares and bank loans managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses include the Group's share of revenue and expenses arising from the activities of the Group's joint venture.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation". To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter segment sales, if any, and the Group's share of the joint venture's revenue), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales, if any, are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 are set out below.

	Production and sale of HA raw materials and end products		**Trading of cosmetic products and medical devices**		**Total**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue	752,801	640,292	91,587	10,576	844,388	650,868
Reportable segment profit/(loss) (adjusted EBITDA)	397,541	341,520	17,963	(1,817)	415,504	339,703
Interest income	9,842	7,340	—	—	9,842	7,340
Interest expense	(7,927)	(8,525)	—	—	(7,927)	(8,525)
Depreciation and amortisation for the year	(37,561)	(31,996)	(22,406)	(9,558)	(59,967)	(41,554)
Reportable segment assets (including investment in a joint venture)	1,624,399	1,134,256	294,906	241,053	1,919,305	1,375,309
Additions to non-current segment assets during the year	8,075	6,752	17,862	—	25,937	6,752
Reportable segment liabilities	355,224	165,640	1,030	391	356,254	166,031

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

Revenue	**2016** *RMB'000*	**2015** *RMB'000*
Reportable segment revenue and consolidated revenue	844,388	650,868
Profit		
Reportable segment profit	415,504	339,703
Share of profits less losses of associates	20,481	91
Interest income	14,695	7,678
Depreciation and amortisation	(59,967)	(41,554)
Finance costs	(45,383)	(16,727)
Unallocated head office and corporate expenses	(56,507)	(51,266)
Consolidated profit before taxation	288,823	237,925

Assets	**2016** *RMB'000*	**2015** *RMB'000*
Reportable segment assets	1,919,305	1,375,309
Interests in associates	278,642	240,949
Deferred tax assets	10,864	11,615
Unallocated head office and corporate assets	210,463	571,298
Consolidated total assets	2,419,274	2,199,171
Liabilities		
Reportable segment liabilities	356,254	166,031
Income tax payable	18,860	21,888
Bank loans (unallocated)	128,860	472,873
Convertible bonds	360,948	326,938
Other unallocated head office and corporate liabilities	2,106	19,484
Consolidated total liabilities	867,028	1,007,214

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets with the exception of deferred tax assets ("specified non-current assets"). The geographical location of customers is based on the location at which the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, lease prepayments and construction in progress, the location of the operation to which they are allocated, in the case of intangible assets and other non-current assets, and the location of operations, in the case of interest in associates and interest in a joint venture.

	Revenues from external customers		**Specified non-current assets**	
	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
China (including Hong Kong)	665,102	540,728	749,587	670,883
Americas	82,703	50,465	156	208
Asia	60,340	31,492	30,535	18,748
Europe	36,165	26,350	248,107	222,201
Other regions	78	1,833	—	—
	844,388	650,868	1,028,385	912,040

5 OTHER REVENUE

	Note	2016 *RMB'000*	2015 *RMB'000*
Government grants	(a)	9,244	4,447
Interest income on cash at bank		10,312	5,184
Interest income on loans made to directors and employees		2,884	—
Investment income on available-for-sale financial assets		1,499	2,494
Rental income		1,515	2,141
Others		1,298	1,533
		26,752	15,799

(a) Government grants

The grants represent incentives and awards of RMB 9,244,000 which are mainly in relation to the Group's technical achievement on the research and development of HA products and its expansion of business to overseas markets during the year ended 31 December 2016 (2015: incentives and awards of RMB 4,447,000 mainly in relation to the Group's technical achievement on the research and development of HA products).

There are no unfulfilled conditions and other contingencies attached to the receipt of these government grants. There is no assurance that the Group will receive government grants in the future in respect of any of the Group's research and development and other activities.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2016	2015
	RMB'000	*RMB'000*
Interest on bank loans	9,805	5,304
Dividends on preferred shares	7,926	8,525
Interest on convertible bonds (Note 14)	27,652	2,898
	45,383	16,727

(b) Staff costs

	2016	2015
	RMB'000	*RMB'000*
Salaries, wages and other benefits	139,160	99,464
Contributions to defined contribution retirement plan	8,760	6,875
Equity-settled share-based payment expenses		
– share option scheme	3,642	6,972
– share-based payment transaction settled by the controlling shareholder	19,210	17,990
– shares granted to employees at discount	—	1,576
	170,772	132,877

Pursuant to the relevant labour rules and regulations in the PRC, the subsidiaries of the Group established in the PRC (the "PRC subsidiaries") participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the PRC subsidiaries are required to make contributions to the Schemes at 18%~20% (2015: 18%~20%) of the eligible employees' salaries during the year. The local government authorities are responsible for the entire retirement plan obligation payable to retired employees.

The employees of the Company who are stationed in Hong Kong participates in the Mandatory Provident Fund Scheme ("MPF Scheme"), whereby the Company is required to contribute to the MPF Scheme at 5% of the employee's basic salaries.

For those forfeited contributions under the Schemes and MPF Scheme, the amounts could not be used by the Group to reduce the existing level of contributions.

The Group has no other obligation for the payment of pension benefits beyond the contributions described above.

(c) Other items

		2016	**2015**
	Note	*RMB'000*	*RMB'000*
Amortisation			
– intangible assets		22,888	9,905
– lease prepayments		1,309	1,309
Auditors' remuneration		1,850	1,770
Depreciation		35,770	30,340
Net foreign exchange gain		(3,860)	(1,455)
Net loss on disposal of property, plant and equipment		1,098	8
Provision for impairment loss on trade receivables		13,765	732
Operating lease charges in respect of leased property, plant and equipment		8,700	6,407
Cost of inventories	(i)	251,959	163,629
Research and development costs	(ii)	34,624	29,803

(i) Cost of inventories for the year ended 31 December 2016 included RMB 68,608,000 (2015: RMB 53,388,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

(ii) Research and development costs for the year ended 31 December 2016 included RMB 18,033,000 (2015: RMB 12,319,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2016	**2015**
	RMB'000	*RMB'000*
Current tax - PRC income tax		
Provision for the year	59,272	47,974
Under/(over)-provision in respect of prior year	700	(212)
Deferred tax		
Origination and reversal of temporary differences	(3,309)	(232)
Effect of change in tax rate *	4,060	—
	60,723	47,530

* Pursuant to the notice [Guo Ke Huo Zi (2016) No.187] issued by the Department of Science & Technology of Shandong Province, Finance Bureau of Shandong Province, National Taxation Bureau of Shandong Province and Local Taxation Bureau of Shandong Province on 30 December 2016, Shangdong Bloomage Hyinc was granted the qualification of advanced and new technology enterprise and enjoyed a tax concession of 10% for the three years from 1 January 2016 to 31 December 2018. As a result, the applicable PRC income tax rate of Shangdong Bloomage Hyinc changed from 25% in 2015 to 15% in 2016.

(b) Reconciliation between actual tax expense and accounting profit at applicable tax rates:

	Note	2016 *RMB'000*	2015 *RMB'000*
Profit before taxation		288,823	237,925
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned		89,754	72,848
Tax effect of tax concession	(i)	(36,690)	(29,639)
Tax effect of non-deductible expenses		3,535	4,605
Tax effect of unused tax losses not recognised		76	1,092
Utilisation of previous years' unrecognised tax losses		(712)	(1,164)
Under/(over) provision in respect of prior year		700	(212)
Effect of change in tax rate		4,060	—
Income tax		60,723	47,530

(i) The statutory income tax rate is 25% for the PRC subsidiaries. Certain subsidiaries established in the PRC are entitled to a concession on the PRC income tax of 10% as they have satisfied certain conditions in the income tax law and was granted the qualification of advanced and new technology enterprise. As a result, the PRC subsidiaries are subject to income tax rates ranging from 15% to 25% for the year ended 31 December 2016 (2015: 15% to 25%).

(ii) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2016 (2015: Nil).

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2016 of RMB 228,101,000 (2015: RMB 190,393,000) and the weighted average number of ordinary shares in issue during the year ended 31 December 2016 of 361,976,000 shares (2015: 336,907,000 ordinary shares), calculated as follows:

(i) Weighted average number of ordinary shares (basic)

	2016	**2015**
	'000	*'000*
Issued ordinary shares at 1 January	351,320	333,124
Effect of shares issued to directors and employees at discount	9,687	1,460
Effect of issuance of new shares	—	1,814
Effect of exercise of share options granted under share option scheme	969	509
Weighted average number of ordinary shares (basic) at 31 December	361,976	336,907

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB 228,101,000 (2015: RMB 190,393,000) and the weighted average number of ordinary shares of 367,686,000 Shares (2015: 344,437,000 ordinary shares), calculated as follows:

(i) Weighted average number of ordinary shares (diluted)

	2016	**2015**
	'000	*'000*
Weighted average number of ordinary shares at 31 December (basic)	361,976	336,907
Effect of deemed issue of shares for nil consideration for the share options granted in 2012	5,710	7,530
Weighted average number of ordinary shares at 31 December (diluted)	367,686	344,437

Note: All other potential ordinary shares including convertible bonds, warrants and share options granted in 2013 have anti-dilutive effect to the basic earnings per share for the years ended 31 December 2016 and 2015.

9 PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2015	255,075	176,843	3,875	14,788	450,581
Additions	—	204	231	7,838	8,273
Transferred from construction in progress	—	9,175	—	9	9,184
Disposal	—	(9)	—	—	(9)
At 31 December 2015	255,075	186,213	4,106	22,635	468,029
At 1 January 2016	255,075	186,213	4,106	22,635	468,029
Additions	—	560	21	565	1,146
Transferred from construction in progress	1,778	3,202	—	5	4,985
Disposal	—	(865)	—	(1,268)	(2,133)
At 31 December 2016	256,853	189,110	4,127	21,937	472,027
Accumulated depreciation:					
At 1 January 2015	24,719	42,753	2,306	5,181	74,959
Charge for the year	11,307	15,531	514	2,988	30,340
Written back on disposal	—	(1)	—	—	(1)
At 31 December 2015	36,026	58,283	2,820	8,169	105,298
At 1 January 2016	36,026	58,283	2,820	8,169	105,298
Charge for the year	14,273	17,661	511	3,325	35,770
Written back on disposal	—	(116)	—	(919)	(1,035)
At 31 December 2016	50,299	75,828	3,331	10,575	140,033
Net book value:					
At 31 December 2015	219,049	127,930	1,286	14,466	362,731
At 31 December 2016	206,554	113,282	796	11,362	331,994

The Group's property, plant and equipment are mainly located in the PRC. As at 31 December 2016, property certificates of certain properties of the Group with an aggregate net book value of RMB 18,050,000 (31 December 2015: RMB 19,600,000) are yet to be obtained. Management expects that the related certificates will be obtained within one year.

(a) Buildings and plant leased out under operating leases

The Group leases out part of the buildings and plant to certain related parties under operating leases. The leases run for a period of one year. None of the leases includes contingent rentals. The Directors consider that these leases are temporary and the Group has the plan to occupy the leased portion of the buildings and plant as factories for the production of HA products or as administrative offices in the short run. Accordingly, the leased portion of the buildings and plant has been accounted for as property, plant and equipment in the consolidated financial statements.

10 INTANGIBLE ASSETS

	2016	**2015**
	RMB'000	*RMB'000*
Cost:		
At 1 January	219,171	2,046
Additions	1,137	204,592
Exchange adjustments	14,544	12,533
At 31 December	234,852	219,171
Accumulated amortisation:		
At 1 January	11,078	886
Charge for the year	22,888	9,905
Exchange adjustments	1,394	287
At 31 December	35,360	11,078
Net book value:		
At 31 December	199,492	208,093

Intangible assets mainly represent the exclusive distribution right acquired for the distribution of Laboratoires Vivacy SAS ("Vivacy")'s products in certain countries in the Asia-Pacific region.

The exclusive distribution right is fully allocated to the cash generating unit ("CGU") of the Group's trading of Vivacy products. The management performed an impairment test on the CGU for the year ended 31 December 2016. The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering the effective period of the exclusive distribution right. The cash flows are discounted using a discount rate of 16.2%. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The carrying amount of the CGU does not exceed its recoverable amount. As a result, no impairment of intangible assets is recognised for the year.

11 INTEREST IN ASSOCIATES

	2016	**2015**
	RMB'000	*RMB'000*
Interest in a material associate	248,107	222,201
Interest in immaterial associates	30,535	18,748
	278,642	240,949

(a) Interest in a material associate

The following list contains only the particulars of a material associate whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
V Plus S.A.	Incorporated	Luxembourg	1,560,000 ordinary shares of Euro 1 each	38.18%	—	38.18%	Design, development, manufacturing and sales of medical aesthetics devices

On 15 July 2015, the Group acquired 37.32% of the issued shares of V Plus S.A., an investment holding company with no substantial business activities other than its shareholding of its controlling subsidiaries including Vivacy which is principally engaged in the design, development, manufacturing and sales of medical aesthetics devices including dermal fillers and cosmetics.

On 22 December 2016, V Plus S.A. repurchased 35,000 shares from two shareholders. As a result, the effective interest held by the Group in V Plus S.A. increased from 37.32% to 38.18%. The excess of the deemed cost to acquire the additional 0.86% over the carrying amount of the underlying net assets of the associate in the amount of RMB12,899,000 has been recognized as goodwill which is included in the interest in the associate.

This material associate is accounted for using the equity method of accounting in the consolidated financial statements.

Summarised financial information of this material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Gross amounts of this material associate	**2016**	**2015**
	RMB'000	*RMB'000*
Current assets	188,026	122,619
Non-current assets	315,336	330,121
Current liabilities	(79,271)	(35,639)
Non-current liabilities	(38,703)	(47,868)
Equity attributable to the shareholders of V Plus S.A.	346,618	330,500
Equity attributable to non-controlling interests	38,770	38,733
Revenue	292,865	83,234
Profit from continuing operations	66,631	7,416
Attributable to the shareholders of V Plus S.A.	60,898	6,638
Attributable to non-controlling interests	5,733	778
Post-tax profit or loss from discontinued operations	—	—
Other comprehensive income	15,393	17,545
Attributable to the shareholders of V Plus S.A.	14,251	15,705
Attributable to non-controlling interests	1,142	1,840
Total comprehensive income	82,024	24,961
Attributable to the shareholders of V Plus S.A.	75,149	22,343
Attributable to non-controlling interests	6,875	2,618
Dividend declared from the associate to the Group	5,375	—
Reconciled to the Group's interest in this material associate		
Gross amounts of equity attributable to the shareholders of V Plus S.A.	346,618	330,500
The Group's effective interest (%)	38.18%	37.32%
The Group's share of equity attributable to the shareholders of V Plus S.A.	132,339	123,343
Goodwill	116,428	100,532
Elimination of unrealised profit on V Plus S.A. group's sales to the Group	(660)	(1,674)
Carrying amount in the consolidated financial statements	248,107	222,201

(b) Interest in immaterial associates

Aggregate information of associates that are not individually material:

	2016	**2015**
	RMB'000	*RMB'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	30,535	18,748
Aggregate amounts of the Group's share of those associates		
Loss from continuing operations	(3,258)	(713)
Post-tax profit or loss from discontinued operations	—	—
Other comprehensive income	1,784	(20)
Total comprehensive income	(1,474)	(733)

12 TRADE AND OTHER RECEIVABLES

	2016	**2015**
	RMB'000	*RMB'000*
Trade receivables from:		
– Third parties	244,059	147,964
– Related parties	899	948
	244,958	148,912
Less: allowance for doubtful debts	(14,497)	(732)
	230,461	148,180
Bills receivable	43,201	63,598
Prepayments and other receivables from:		
– Third parties	47,994	37,843
– Related parties	2,780	2,253
	324,436	251,874

All of the trade receivables and bills receivable of the Group are expected to be recovered within one year.

(i) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follow:

	2016	**2015**
	RMB'000	*RMB'000*
Within 3 months	193,359	190,131
3 to 6 months	26,732	9,294
6 to 9 months	42,246	7,957
9 to 12 months	5,046	195
Over 1 year	6,279	4,201
	273,662	211,778

(ii) Impairment of trade receivables and bills receivable

The movement in the allowance for doubtful debts during the year is as follows:

	2016	**2015**
	RMB'000	*RMB'000*
At 1 January	732	—
Impairment loss recognised	13,765	732
At 31 December	14,497	732

At 31 December 2016, the Group's trade receivables of RMB14,497,000 (31 December 2015: RMB732,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB13,765,000 (2015: RMB 732,000) were recognised during the year ended 31 December 2016.

(iii) Trade receivables and bills receivable that are not impaired

The analysis of trade receivables and bills receivable, based on the current and overdue status, that are neither individually nor collectively considered to be impaired are as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Current	177,360	180,634
1 to 3 months overdue	28,848	20,699
3 to 6 months overdue	56,870	7,676
6 months to 1 year overdue	7,485	2,203
More than 1 year overdue	3,099	566
	273,662	211,778

The credit term for trade receivables is generally 30 to 120 days. Bills receivable are generally due within 180 days from the date of billing.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Group believes that no impairment allowance is necessary as there has not been any significant change in credit quality and these receivables were considered fully recoverable. The Group has not held any collateral over these balances.

13 TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	30,528	35,091
Payables for construction of plant and purchase of equipment	6,126	21,504
Receipts in advance	7,603	15,721
Value added tax payable	16,241	12,852
Other payables due to related parties	—	1,563
Accrued expenses and other payables	16,520	31,070
	77,018	117,801

All of the trade and other payables of the Group are expected to be settled within one year or are repayable on demand.

As of the end of reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	29,254	24,884
3 to 6 months	824	9,898
6 months to 1 year	440	186
Over 1 year	10	123
	30,528	35,091

The maturity analysis of trade and bills payables is as follows:

	2016	2015
	RMB'000	*RMB'000*
Due within 1 month or on demand	30,528	35,091

14 CONVERTIBLE BONDS

The movement of the carrying amount of the convertible bonds for the year ended 31 December 2016 is set out below:

	Liability component *RMB'000*	Equity component *RMB'000*	Total *RMB'000*
At 1 January 2016	326,938	59,627	386,565
Interest charged during the year (Note 6(a))	27,652	—	27,652
Interest paid	(16,154)	—	(16,154)
Exchange adjustments	22,512	—	22,512
At 31 December 2016	360,948	59,627	420,575

On 20 November 2015, the Company issued convertible bonds in the aggregate principal amount of HK$465,000,000 to Ora Investment Pte. Ltd.. The convertible bonds bear interest rate at 4% per annum payable semi-annually. The maturity date of the convertible bonds is 20 November 2020. The convertible bonds are convertible into ordinary shares at the option of the holders of the convertible bonds at any time on or after the date of issue of the convertible bonds and up to the date falling seven days prior to the maturity date at a conversion price of HK$17.2 per share, subject to adjustments.

15 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2016 *RMB'000*	2015 *RMB'000*
Final dividends proposed after the end of the reporting period of HKD 3.1 cents per ordinary Share (2015: HKD 2.7 cents per ordinary Share)	10,070	8,350

The final dividends proposed after the end of the reporting period have not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2016	2015
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the year, of HKD 2.7 cents per ordinary share (2015: HKD 2.5 cents per ordinary Share)	8,350	6,578

16 COMMITMENTS

(a) As at 31 December 2016, the Group had capital commitments for construction of property, plant and equipment as follows:

	2016	2015
	RMB'000	*RMB'000*
Authorised and contracted for	787	8,000
Authorised but not contracted for	—	—
	787	8,000

(b) As at 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	8,402	1,533
After 1 year but within 5 years	1,228	2,683
	9,630	4,216

BUSINESS REVIEW

The Group's revenue for the year ended 31 December 2016 amounted to approximately RMB844.388 million, representing an increase of approximately 29.7% compared with the corresponding period in 2015. The Group's gross profit increased by approximately 21.6% from approximately RMB487.239 million for the year ended 31 December 2015 to approximately RMB592.429 million for the year ended 31 December 2016. Profit attributable to equity shareholders of the Company increased by approximately 19.8% from approximately RMB190.393 million for the year ended 31 December 2015 to approximately RMB228.101 million for the year ended 31 December 2016. Subject to approval by the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting, the Directors recommend the payment of a final dividend for the year ended 31 December 2016 of HK$3.1 cents per share (2015: HK$2.7 cents per share) to the Shareholders whose names appear on the register of members of the Company on Friday, 16 June 2017, amounting to approximately HK$11,257,000 (equivalent to approximately RMB10,070,000) in total.

HA raw material and end products business

Raw material product

For the year ended 31 December 2016, the Group's raw material business continued to grow steadily, recording sales of approximately RMB458.015 million in 2016, representing an increase of approximately 15.4% year-on-year.

Benefitting from the Group's global strategic plan and in-depth capturing of the pharmaceutical market, the Group and the renowned international pharmaceutical companies reached cooperation successively, resulted in a significant improvement of the Group's raw material business, in terms of medical-grade products sales and overseas sales. The Group also participated deeply in world leading technological conferences, such as TFOS (Tear Film & Ocular Surface) and WBC (World Biomaterials Congress), to continue the nurturing of medical-grade HA global market and accumulate momentum for the growth of its medical-grade raw material business.

In the international registration of HA, the Group obtained the Russian registration certificate and CEP registration certificates for two products with new specifications. In addition, substantive progress in registration was achieved in other countries, including India and South Korea. Annual reviews of food grade HA and products such as γ-aminobutyric acid for Kosher and HALAL certification, reviews of cosmetic grade HA for ECOCERT certification and Hydrolyzed Hyaluronic Acid for ECOCERT initial certification were completed, providing the necessary conditions to develop overseas markets for existing products. On 18 March 2016, one of the Group's principal operating subsidiaries Bloomage Freda Biopharmaceutical Co., Ltd. ("Bloomage Biopharm") established its office in Japan, which was the second overseas business development centre after its US subsidiary, representing an important step of the Group towards its strategic plan of business globalization.

The Group insisted on technological innovations and persisted to leverage on the Group's professional fermentation technology platform with HA as the core to develop HA derivatives and non-HA products for pursuing the diversification strategy. In 2016, the Group successively launched a number of products, including Hyafactor™-PGA (聚谷氨酸鈉) which has better moisturizing effect and enhanced synergy with HA, and Hymagic™-AcHA, a superb hydrating sodium acetylated hyaluronate with double moisturizing effect. Existing products also won more awards in the industry. For example, miniHA® was awarded the "Innovative Product Award of the Cosmetic Industry (化妝品行業創新產品獎)" by the China Association of Fragrance Flavor and Cosmetic Industries (中國香料香精化妝品工業協會). Hyacross, a hyaluronic acid elastomer, was also awarded the "Personal Care and Cosmetics Technology Innovation Award in China (中國個人護理品及化妝品技術創新獎)", adding new momentum of growth to the raw material business of the Group. Meanwhile, by leveraging on the advanced hyaluronic acid research technology, microbiological fermentation technology and the results obtained, Bloomage Biopharm was awarded with honorable titles, including "National High and New Technology Enterprise (國家高新技術企業)", "Outstanding Enterprise Technological Centre in Shandong Province (山東省優秀企業技術中心)", "Hyaluronic Acid Engineering Technology Demonstration Centre in Shandong Province (山東省透明質酸工程技術示範中心)" and "Excellent Innovative Team in Hyaluronic Acid Fermentation Technology in Jinan City (濟南市透明質酸發酵技術優秀創新團隊)", and its solid research and development capabilities accumulated strength for the Group's sustainable development in raw material business.

End product

For the year ended 31 December 2016, the Group entered into the third year of launching serial product solutions and marketing product portfolios comprising a variety of categories. Underpinned by a diversified layout and the skin management business, the Group achieved steady improvements in the end product business. In 2016, sales revenue realized by the Group's end product business was approximately RMB294.786 million, representing an increase of approximately 21.1% compared with the corresponding period in 2015.

The medical aesthetics market in the PRC was still under rapid development, however, imbalance development trend existed across the market, market competition also intensified. With refinement and improvement in the laws and regulations of the medical aesthetics industry and the implementation of policy which allows medical doctors' multi-location practices, many large-scale medical institutions faced challenges from medium and small size medical clinics, and consumers' loyalty to large medical institutions was reduced. Faced with such changes in the market, the Group capitalized on the advantages of its resources focusing on providing support to its major customers, deploying more efforts to develop second-tier and third-tier cities as well as medium and small size customers, and providing customers with customized and comprehensive services and support, as at the end of 2016, successfully covered over one thousand effective customers across the nation. On the other hand, with the launch of a wide range of HA injectable filler products and increasingly fierce competition in the market, as at the end of December 2016, China Food and Drug Administration (CFDA) granted medical device registration approvals for a total of 17 HA injectable filler products under 13 brands. Among these brands, 6 came from mature medical aesthetics markets, such as Europe, US, South Korea and Taiwan. With intensive competition in the injectable filler industry, many brands increased their marketing efforts and adopted price cutting measures to fight for market shares, creating pressure on the sales performance of the Group's "BioHyalux", a HA injectable filler, to a certain extent. The Group continued to adhere to its product combo strategy, on the one hand, minimized pricing pressure through comprehensive services and portfolio proposal; on the other hand, intensified its efforts in development and launch of new HA injectable filler products. The Group launched a brand new product, Dermallure, which was an injectable hyaluronic soft tissue filling gel containing lidocaine hydrochloride in September 2016, targeting at high-end individuals in the mass market and in the medical aesthetic industry. The Group aims to satisfy customized needs of facial shaping by different users through product differentiation positioning, thereby enhancing the competitiveness for the Group's injection products.

For the year ended 31 December 2016, the Group continued to lead the domestic medical aesthetics market in the promotion of skin management business. Through comprehensive training programs, accurate market positioning and diversified product portfolio, the Group further enhanced the Bio-MESO product line, and created a strong driving force to business development during the year. In 2016, the Group achieved great results in HA+ medical skincare products business under the support of its unique "skin repairing" philosophy. HA Fast Repair Mask and Single-Use HA Aqua Stoste (HA次抛原液) were highly praised in the professional cosmetic market. Meanwhile the commencement of online business and publicity through new media platforms helped the Group's skincare beauty products establish extensive awareness and good comments among the Group's broad target consumer groups as well. The Group expects that all of these will provide a strong support to the development of the Group's overall end product business.

Research and development and innovations are driving forces for sustainable development of the Group's business. For the year ended 31 December 2016, the Group completed a number of medical aesthetics skincare technological development. Moreover, the clinical trials for a range of sodium hyaluronate filler products, Bio-MESO products and hemostatic products were progressing smoothly. For international registration of end products, renewal of listing certificate for Medical HA Gel for ophthalmologic use "HYMOIS" in Hong Kong was completed, while registration procedures for BioHyalux and its product series in Russia were in active progress. Obtaining these new qualifications, the development and marketing of new products and the promotion and application of new technologies will enrich the product line and provide sustainable support for the Group to be an integrated solutions provider.

Trading business

As at 31 December 2016, the total revenue of trading business amounted to approximately RMB 91.587 million, which was mainly attributable to the promotion and sales of products of Laboratoires Vivacy SAS ("Vivacy") in the Asia Pacific region, as well as distribution of aesthetic devices. Since the obtaining of the exclusive distribution rights of Vivacy products in the Asia Pacific region in 2015, the Group has been actively expanding its sales networks in Asia Pacific and launched the registration of Vivacy products in a number of countries and regions. In August 2016, the Vivacy Stylage series of facial injectable products (Vivacy Stylage系列面部注射產品) has obtained the Certificate for Listing of Medical Device (療儀器表列證書) issued by the Department of Health of the Hong Kong Special Administrative Region, which has greatly enhanced the recognition of the product among local medical aesthetics institutions and doctors and enabled the product to enter the Hong Kong mainstream market. Apart from Hong Kong, the Vivacy products have successfully entered into countries and regions such as Taiwan, Singapore and Thailand. In addition, Vivacy products have strong foothold in Japan and South Korea with relatively strong market competitiveness. With the gradual implementation of its medical aesthetic solution strategy and further promotion of the marketing plan with a combination of "devices + product + service", the Group also made some progress in devices distribution.

Acquisition Business

Following the cooperation with Vivacy, a company incorporated in France and Medytox Inc. ("Medytox"), a company incorporated in South Korea, the globalization strategy of the Group made new achievement. On 6 January 2017, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement to acquire the entire equity interest of Revitacare ("Revitacare France"), a company incorporated on France which focuses on the research and development and sales of skin repair and hair growth products with powerful strength in preparation and formula. The acquisition of Revitacare France (the "Acquisition") greatly supplements the skin management business of the Group, which is the focus of development of the Group. By acquiring of Revitacare France, the Group can fully master advanced technologies and new products in the field of skin management to further enrich the Group's product line, while leveraging its technological advantages and the scalability of product development to continuously expand the product portfolio and develop more products and solutions. On the other hand, the Acquisition enables the Group to explore more market opportunities through the "Made in France" high-end brand image and to speed up the globalization process with its multi-products, multi-brands and multi-channels strategy, thereby further enhancing the Group's competitiveness in the field of medical aesthetics. The Acquisition was completed on 19 January 2017. For details of the Acquisitions, please refer to the announcements of the Company dated 6 January 2017 and 19 January 2017, respectively.

Human Resources

At 31 December 2016, the Group had a total of 789 employees, including 333 female employees and 456 male employees. With continuous expansion of business both at home and abroad, the Group insists on actively attracting high-level talents and providing corresponding personnel training and reserve to ensure smooth implementation of the Group's long-term strategy. Meanwhile, in order to further improve its executive capability, the Group actively made adjustment to its organizational structure, implemented the "triple delegation" model of management including management delegation, R&D delegation and product management delegation, and established and improved the marketing mechanism with product manager as the center of connection to form a multi-department linkage for its efficient operation.

OUTLOOK AND PROSPECTS

In 2017, the economic condition and the competition of medical aesthetics industry in the PRC will further intensify. The Group will implement a medical aesthetics ecological chain strategy by providing greater product portfolio and solution with a focus on customer experience. The Group will optimize the organizational structure and enhance the execution capability of its team. Facing with the characteristics of fast upgrade and regeneration as well as the unregulated competition of medical aesthetics industry, the Group will also accelerate the change in the development pace with innovation and diversification to strive for sustainable growth.

Raw material product business

The Group will continue to take HA as the core raw material and diversify HA's traditional applications by vigorous exploration of domestic and international markets of medical-grade HA and opening new areas of HA applications. Leveraging on professional R&D platform and production technology of fermentation, the Group will strengthen the R&D and marketing of non-HA fermental products and their derivative products, striving to achieve medium- and long-term sustained and steady growth of the Group's raw materials business segment.

End product business

The market demand for medical aesthetics in China continues to expand. Meanwhile, as the market matures, the fierce industry competition is also intensifying. In 2017, the sales of HA injectable filler products will still face difficulties and challenges. The Group will continue to develop the marketing strategy supported by skin care product portfolio, keep track of the medical aesthetic development trend, strengthen product and service innovation with a focus on customer to provide the industry with more precise services and business options.

The Group will continue to promote the clinical registration of various domestic and imported brands of HA injectable filler to cope with more fierce competition and more refined demands from consumer groups. In 2017, the Group will strengthen the construction of the sales team, reinforce market positioning and brand segmentation of BioHyalux (潤百顔) and Dermallure, and carry out accurate marketing and sales of product combo in collaboration with other skincare treatments to consolidate its market share of HA injectable filler.

In 2017, the Group will further develop and expand the BACT (biological activated combined treatment) project as well as medical skincare business to create more skin beauty solution and medical skincare products with a focus on HA benefiting from the full launch of the CYTOCARE series of Revitacare France, whose entire equity interest was acquired by the Group in January 2017, the Group will redefine the breadth of skin beauty, from facial skin to body skin and then to scalp skin, so as to comprehensively meet the ultimate demand for beauty from consumers. The Bloomage Academy will also launch trainings for the use of HA products and related equipment for skin in different parts of the body. In 2017, the Group will strengthen consumer education and brand concepts cultivation by focusing more on the demand from consumers, pay more attention to consumer experience, and launch more skincare products to cater for consumers' demands.

Trading business

The Group expects that in the next two years it will successively obtain the access approval for the Stylage series of facial injectable products of Vivacy and the series of products of Revitacare in more countries and regions in Asia. The Group will achieve steady growth in sales business by enhancing investment in market promotion through running various marketing activities jointly with local distributors to introduce new technologies and new application concepts to local medical aesthetics institutions.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2016 was approximately RMB844.388 million, representing an increase of approximately 29.7% or approximately RMB193.520 million as compared to the corresponding period of 2015.

The breakdown of the Group's revenue by products was as follows:

	For the year ended 31 December			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Sales of self-produced products:				
– HA raw materials	**458,015**	**54.2**	396,932	61.0
– HA end products	**294,786**	**34.9**	243,360	37.4
Trading Business	**91,587**	**10.9**	10,576	1.6
Total	**844,388**	**100.0**	650,868	100.0

Cost of sales

Cost of sales for the year ended 31 December 2016 was approximately RMB251.959 million, representing an increase of approximately 54.0% as compared to approximately RMB163.629 million for the corresponding period of 2015. The increase was mainly due to the increase of sales volume.

Gross profit margin

The Group's gross profit margin for the year ended 31 December 2016 slightly decreased to approximately 70.2% from approximately 74.9% in the year ended 31 December 2015. The decrease was mainly due to the new business segment of trading of cosmetics products and devices, which has a lower gross profit margin than that of the existing business from HA raw materials and HA end products.

Other revenue

Other revenue of the Group was approximately RMB26.752 million for the year ended 31 December 2016, representing an increase of approximately 69.3% from approximately RMB15.799 million for the year ended 31 December 2015. The increase in other revenue was mainly attributable to the increase of interest income from deposit at bank.

Distribution costs

The Group's distribution costs for the year ended 31 December 2016 were approximately RMB128.744 million, representing an increase of approximately 20.2% from approximately RMB107.070 million for the year ended 31 December 2015. The increase was mainly attributable to the combined effect of the increase in amortisation expense of intangible assets related to the exclusive distribution agreements for the distribution of Vivacy's products in certain countries in the Asia-Pacific region and increase in marketing costs of HA end products, which is in line with the Group's strategy on promotion enhancement and business development. The amortisation expenses of intangible assets included in the distribution costs for the year ended 31 December 2016 were approximately RMB22.209 million (2015: approximately RMB9.557 million).

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2016 were approximately RMB175.753 million, representing an increase of approximately 23.8% from approximately RMB141.910 million for the year ended 31 December 2015. The increase in administrative expenses was mainly due to the increase in staff costs as a result of increase in the number of staff. The non-cash equity-settled share-based payment expenses included in the administration expenses for the year ended 31 December 2016 were approximately RMB22.852 million (2015: approximately RMB26.538 million).

Other operating expenses/income, net

The Group's other operating expenses, net for the year ended 31 December 2016 were approximately RMB0.932 million, representing an increase of approximately RMB1.501 million from approximately RMB0.569 million of other operating income, net for the year ended 31 December 2015.

Finance costs

The Group's finance costs for the year ended 31 December 2016 were approximately RMB45.383 million, representing an increase of approximately 171.3% from approximately RMB16.727 million for the year ended 31 December 2015. The Group's finance costs include the dividends on the preferred shares, interest on bank loans and interest on convertible bonds.

Profit for the year

The Group's profit for the year ended 31 December 2016 was approximately RMB228.100 million, representing an increase of approximately 19.8% from approximately RMB190.395 million for the year ended 31 December 2015. The earnings before interest, taxes, depreciation and amortisation (excluding share of profits less losses of associates and share of loss of a joint venture) of the Group for the year ended 31 December 2016 was approximately RMB363,407,000 (2015: approximately RMB290,997,000), representing an increase of approximately RMB72,410,000 or 24.9% as compared to the corresponding period of 2015.

Final dividend

The Board proposed the payment of a final dividend of HK$3.1 cents (2015: HK$2.7 cents) per share for the year ended 31 December 2016 to the Shareholders whose names appear on the register of members of the Company on 16 June 2017. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, 6 June 2017 (the "AGM"), it is expected that the final dividend will be paid on or around Wednesday, 12 July 2017.

Purchase, sale or redemption of the Company's listed securities

Pursuant to the management subscription agreements (the "**Management Subscription Agreements**") dated 6 November 2015 and entered into by the Company and each of the 23 subscribers (the "**Subscribers**"), being senior management personnel of the Group, the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 9,687,500 Shares (the "**Management Subscription Shares**") at HK$12.00 per Management Subscription Share (the "**Management Subscription**"). The Management Subscription was completed on 8 January 2016 and an aggregate of 9,687,500 Management Subscription Shares, representing approximately 2.76% of the issued share capital of the Company as at 8 January 2016, were allotted and issued to the Subscribers at the aggregate subscription consideration of HK$116,250,000 under the specific mandate granted to the Board by the independent Shareholders at the extraordinary general meeting of the Company held on 17 December 2015.

For details of the Management Subscription, please refer to the announcements of the Company dated 6 November 2015, 17 December 2015 and 8 January 2016, respectively, and the circular of the Company dated 2 December 2015.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

Closure of register of members

The transfer books and register of members of the Company will be closed from 1 June 2017 to 6 June 2017 (both days inclusive) for the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 31 May 2017. In addition, the transfer books and register of members of the Company will be closed from 14 June 2017 to 16 June 2017 (both days inclusive) for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend for the year ended 31 December 2016. (if approved at the AGM). In order to qualify for the proposed final dividend for the year ended 31 December 2016. (if approved at the AGM), all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at the above-mentioned address for registration no later than 4:30 p.m. on Tuesday, 13 June 2017. During such periods, no share transfers will be effected.

Liquidity, capital structure and financial resources

As at 31 December 2016, the Group had current assets of approximately RMB1,380.025 million (2015: approximately RMB1,275.516 million) and current liabilities of approximately RMB328.339 million (2015: approximately RMB624.100 million). The current ratio of the Group as at 31 December 2016 was approximately 420.3% (2015: approximately 204.4%).

As at 31 December 2016, the Group had cash and cash equivalents of approximately RMB646.887 million (2015: approximately RMB651.050 million), of which approximately 68% (2015: approximately 10%) was denominated in RMB, approximately 1% (2015: approximately 4%) in HKD, approximately 28% (2015: approximately 84%) in United States Dollars ("USD"), approximately 2% (2015: approximately 1%) in Euro and approximately 1% (2015: approximately 1%) in Japanese Yen ("JPY").

Total liabilities of the Group amounted to approximately RMB867.028 million (2015: approximately RMB1,007.214 million) as at 31 December 2016.

As at 31 December 2016, the Group's total bank borrowing was approximately RMB348.860 million (31 December 2015: RMB472.873 million).

As at 31 December 2016, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was approximately 35.8% (2015: approximately 45.8%). The decrease in gearing ratio as at 31 December 2016 as compared to that as at 31 December 2015 was principally attributable to partial repayment of bank loans.

Net cash generated from operating activities for the year ended 31 December 2016 was approximately RMB183.134 million (2015: approximately RMB159.161 million).

Net cash used in investing activities for the year ended 31 December 2016 was approximately RMB36.283 million (2015: approximately RMB681.733 million), mainly representing the expenditure for the purchase of equipments.

Net cash used in financing activities for the year ended 31 December 2016 was approximately RMB161.058 million (2015: net cash generated from financing activities of approximately RMB975.264 million), mainly representing the repayment of the bank loans.

The Board is of the opinion that the Group is in a strong and healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

Treasury Policy

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. During the year ended 31 December 2016, the Group continued to adopt a conservative approach to financial risk management. Most of the assets, receipts and payments of the Group are denominated in RMB.

Exchange risk exposure

The Group's sales were principally made in RMB, USD, HKD and Euro, with the majority of which were denominated in RMB. The Group's bank loans at 31 December 2016 were denominated in RMB and USD. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to have a material impact on the Group's operations. The Group had not adopted formal hedging policies and no instruments had been applied for foreign currency hedging purposes during the year ended 31 December 2016. The Group will closely monitor the foreign exchange risk and take appropriate measures when needed to address the risk.

Contingent liabilities

As at 31 December 2016, the Group had no material contingent liabilities.

Capital commitment

As at 31 December 2016, the capital commitment of the Group was approximately RMB0.787 million (2015: approximately RMB8.000 million).

Employee information

As at 31 December 2016, the Group had a total of 789 (2015: 717) employees, the majority of whom were stationed in the PRC. Total remuneration for the year ended 31 December 2016 amounted to approximately RMB170.772 million (2015: approximately RMB132.877 million). The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed on a performance-related basis.

Charge on assets

As at 31 December 2016, the Group's borrowing of RMB 220.000 million is secured by pledged of the Group's bank deposits of RMB 230.000 million.

Significant investment, material acquisitions and disposal of subsidiaries and associated companies

During the year ended 31 December 2016, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group.

EVENTS AFTER 31 DECEMBER 2016

As disclosed in the paragraph headed "Acquisition Business" under the section headed "Management's Discussion and Analysis – Business Review" in this results announcement, the Group entered into a sale and purchase agreement to acquire the entire equity interest in Revitacare France, a company incorporated in France which focuses on the research and development and sales of skin repair and hair growth products with powerful strength in preparation and formula. The Acquisition was completed on 19 January 2017. For details of the Acquisition, please refer to the announcements of the Company dated 6 January 2017 and 19 January 2017, respectively.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of conduct regarding dealing in securities of the Company by the Directors. The Company has also adopted the Model Code for the relevant employees. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2016. Moreover, no incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE

During the year ended 31 December 2016, the Company had complied with all applicable code provisions as set out in the corporate governance code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The primary duties of the audit committee of the Company (the "Audit Committee") are to review and supervise the financial reporting process, internal control procedures and risk management systems of the Group. As at the date of this results announcement, the members of the Audit Committee comprise of three independent non-executive Directors, namely Mr. Li Junhong, Ms. Zhan Lili and Mr. Xue Zhaofeng. Mr. Li Junhong, who possesses rich financial management experience and relevant expertise, is the chairman of the Audit Committee. The written terms of reference of the Audit Committee adopted by the Board are in compliance with the Corporate Governance Code and are available on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2016, the Audit Committee has reviewed the Group's internal controls. The Group's annual results for the year ended 31 December 2016 had been reviewed and discussed by the Audit Committee before submission to the Board for approval. The audit committee has also reviewed this result announcement, and confirms that it is complete and accurate and complies with all applicable accounting standards and requirements with sufficient disclosure according to the Listing Rules. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of this results announcement of the Group's results for the year ended 31 December 2016 have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by KPMG on this results announcement.

PUBLICATION OF ANNUAL REPORT

The 2016 annual report of the Company will be dispatched to the Shareholders and published on the website of the Stock Exchange (www.hkex.com.hk) and the Company (www.bloomagebio-tech.com) respectively in due course.

By order of the Board
Bloomage BioTechnology Corporation Limited
Zhao Yan
Chairman

Hong Kong, 22 March 2017

As at the date of this announcement, the executive Directors are Ms. Zhao Yan, Mr. Jin Xuekun, Mr. Gong Anmin and Ms. Wang Aihua; the non-executive Director is Mr. Yau Wai Yan; the independent non-executive Directors are Ms. Zhan Lili, Mr. Li Junhong and Mr. Xue Zhaofeng.