



# 中生北控生物科技股份有限公司

BIOSINO BIO-TECHNOLOGY AND SCIENCE INCORPORATION\*

(Registered in the People's Republic of China with limited liability)

Stock Code: 8247

*QUALITY PRODUCTS CREATE HEALTHY LIFE*



**FIRST QUARTERLY RESULTS REPORT  
FOR THE THREE MONTHS ENDED 31 MARCH 2006**

\*For identification purposes only

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (the “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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*This report, for which the directors (the “Directors”) of Biosino Bio-Technology and Science Incorporation (the “Company”) collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## The First Quarterly Results for the Three Months Ended 31 March 2006

The Board of Directors (the "Board") of the Company announced the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2006, together with the comparative figures for the same period in 2005, as follows:

	Notes	For the three months ended 31 March	
		2006 Unaudited RMB'000	2005 Unaudited RMB'000
<b>TURNOVER</b>	3	<b>29,999</b>	30,299
Cost of sales		<b>(9,861)</b>	(9,003)
Gross profit		<b>20,138</b>	21,296
Other revenue and gains		<b>71</b>	158
Selling and distribution costs		<b>(7,118)</b>	(6,216)
Administrative expenses		<b>(5,519)</b>	(5,196)
Research and development costs		<b>(1,806)</b>	(1,508)
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>5,766</b>	8,534
Finance costs		<b>(548)</b>	(17)
<b>PROFIT BEFORE TAX</b>		<b>5,218</b>	8,517
Tax	4	<b>(647)</b>	(896)
<b>PROFIT FOR THE YEAR</b>		<b>4,571</b>	7,621
Attributable to:			
Shareholders of the Company		<b>4,318</b>	7,058
Minority interest		<b>253</b>	563
		<b>4,571</b>	7,621
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>	5		
– Basic (RMB)		<b>0.05</b>	0.10

Notes:

**1. CORPORATE INFORMATION**

Biosino Bio-Technology and Science Incorporation (the “Company”) is a limited liability company incorporated in the People’s Republic of China (the “PRC”). The registered office of the Company is located at No. 27, Chaoqian Road Science and Technology Industrial Park, Changping District, Beijing, the PRC. H shares of the Company have been listed on The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 27 February 2006.

During the period, the Group was principally engaged in the manufacture, sale and distribution of in-vitro diagnostic reagent products and a pharmaceutical product.

**2. BASIS OF PREPARATION**

The unaudited condensed accounts have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. The accounting policies and basis of preparation used in the preparation of the unaudited condensed accounts are consistent with those used in the Company’s audited financial statements for the year ended 31 December 2005.

**3. TURNOVER**

Turnover represents the net invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for goods returned and trade discounts. An analysis of the Group’s turnover for the period is as follows:

	<b>For the three months ended 31 March</b>	
	<b>2006</b>	2005
	<b>Unaudited RMB’000</b>	Unaudited RMB’000
Sale of in-vitro diagnostic reagent products	<b>19,030</b>	17,395
Sale of a pharmaceutical product	<b>10,969</b>	12,904
	<b>29,999</b>	30,299

#### 4. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2005: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. According to the relevant PRC income tax law, the Company and its subsidiaries, registered as new and high technology enterprises in Beijing, are entitled to a concessionary income tax rate of 15%, which has been applied for both periods.

	<b>For the three months ended 31 March</b>	
	<b>2006</b>	2005
	<b>Unaudited RMB'000</b>	Unaudited RMB'000
Group:		
Current – Mainland China	<b>647</b>	896

#### 5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average of 81,017,528 (2004: 70,017,528) registered shares in issue during the period.

No diluted earnings per share have been presented as no diluting event existed during the period (2004: Nil).

## 6. RESERVES

The movements of reserves for the three months ended 31 March 2006 and 2005 are as follows:

	Issued share capital Unaudited RMB'000	Proposed Capital reserves <sup>#</sup> Unaudited RMB'000	Statutory reserves Unaudited RMB'000	Retained profits Unaudited RMB'000	final dividend Unaudited RMB'000	Total Unaudited RMB'000
At 1 January 2005	70,018	2,959	12,811	2,520	18,000	106,308
Profit for the period attributable to shareholders of the Company	-	-	-	7,058	-	7,058
At 31 March 2005	70,018	2,959	12,811	9,578	18,000	113,366
At 1 January 2006	70,018	7,544	17,286	7,810	10,002	112,660
Net proceeds from issuing of new H shares	30,000	20,064	-	-	-	50,064
Profit for the period attributable to shareholders of the Company	-	-	-	4,318	-	4,318
At 31 March 2006	100,018	27,608	17,286	12,128	10,002	167,042

# The capital reserves of the Group include non-distributable reserves of the Company and its subsidiary created in accordance with accounting and financial regulations in the PRC.

## 7. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2006 (2005: Nil).

# Management Discussion and Analysis

## BUSINESS REVIEW FOR THE FIRST QUARTER

The Group reported turnover of approximately RMB30 million for the three months ended 31 March 2006, representing a slight decrease of 1% over the comparable period last year. In-vitro diagnostic reagent segment's turnover amounted to approximately RMB19.03 million (or contributed 63.4% of the Group's total turnover) and representing a 9.4% increase over the comparable period last year of RMB17.4 million. Despite the price of reagent products slightly decreased as compared to the corresponding period of last year, the increase in sales volume has made up the shortfall caused by such decrease that the overall revenue still manage to increase as compared to that of last year. For sale of a pharmaceutical product, the Group recorded different declining extents in terms of sales volume and selling price of Lumbrokinase capsules due to the consolidation of the pharmaceutical industry. As such, turnover from this section for the period decreased by approximately 15% to RMB10.7 million,

Profit attributable to shareholders for the three months ended 31 March 2006 dropped by approximately 38.8% over the comparable period last year to approximately RMB4.32 million. Decreased in turnover, increased in operating costs of a new base, enhanced efforts in organising academic-based marketing and promotional activities in reaction to market conditions by the Group, and increased in finance costs as a result of the Group's financing activities are major factors of the decrease in profit attributable to shareholders.

## PROSPECT AND FUTURE OUTLOOK

The Group has moved in to a new production base with state-of-the-art manufacturing facilities in Science and Technology Industrial Park in Changping District and commenced operations in March 2006. This set forth a solidified foundation to enable a long lasting growth to the Group.

Looking ahead, the Group will take great leap forward in expanding its market share in the in-vitro diagnostic reagent sector, exploring into new horizons and providing quality products and services to domestic customers. Given the gradual development and expansion in domestic clinical diagnostic markets, its annual growth rate is expected to be 15%-20%. In addition, the perfection of state medical system and the setting up of new rural medical system embedded the reagent markets with tremendous business opportunities. With these advantages, the Group is set to become a leading player in the in-vitro diagnostic reagent sector by consolidating its foothold in the existing markets, and tapping further business opportunities in basic-tier markets. At the same time, we will strengthen the sales revenue derived from trading of reagent-related equipment and setup extensive strategic alliances in order to flourish a solid foundation to foster the leading market status and sustain long-term development of the Group.

From the view of recent developments in pharmaceutical industry in 2006, the Eleventh Five Year Plans, which requires "self-developed ideas, innovative tactics", "reforms in approval mechanism for new drugs" and "the crack down of commercial bribes in merchandising fields", will impact significantly on research and development and sales modeling of the entire pharmaceutical industry, and a large pool of new business opportunities for the Group will be emerging from such a massive environmental change. "Baiao Lumbrokinase" was originally researched and developed by Baiao Pharmaceuticals and is therefore compiled with the requirements of "self-developed ideas, innovative tactics" as set out in the Eleventh Five Year Plans. Under the new policies, we are confident of achieving high market concentrations for Baiao Pharmaceuticals and greater market shares for its products by striving towards future market withdrawals of those small counterparties engaging in manufacturing of counterfeit pharmaceutical products. The business environment of pharmaceutical products will become more matured under the reforms carried out by the Chinese government, and Baiao Pharmaceuticals will benefit from competitive advantages over other small-sized and unorganised pharmaceutical manufacturers. Moreover, sufficient market capacities will also ensure the consumption of Baiao Lumbrokinase capsules.

## OTHER ISSUE

On 8 May 2006, a winding up petition against the Company was served by Lily Fenn & Partners which were the former legal advisers to the sponsors of the listing of the Company on the GEM of the Stock Exchange. The management of the Company is monitoring the matter closely and will make appropriate disclosure as and when required.



## Further Information

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, the interests and short positions of the directors in the shares and underlying shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and to the Stock Exchange, will be as follows:

#### Long position in issued shares of the Company

<b>Name of director</b>	<b>Nature of interest</b>	<b>Number of domestic shares</b>	<b>Percentage of domestic shares held</b>	<b>Percentage of total registered share capital</b>
Zhu Yigui (Note)	Personal	1,050,263	1.5	1.05

Note: Zhu Yigui is the registered holder and beneficial owner of the 1,050,263 domestic shares.

Save as disclosed above, as at 31 March 2006, none of the directors or supervisors had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under the SFO) or will be required pursuant to the required standard of dealings by directors as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules or Section 352 of the SFO to be entered in the register of interests referred to therein.

## Substantial Shareholders' interests in Shares and Underlying Shares

As far as is known to any directors or supervisors of the Company, as at 31 March 2006, the following persons (other than directors or supervisors of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register to be kept under Section 336 of the SFO:

### Long positions in shares

Name of person	Nature of interest	Total number of domestic shares	Percentage of domestic shares	Percentage of total register capital
Institute of Biophysics of the Chinese Academy of Sciences	Domestic Shares	31,308,576	44%	31.3%
Beijing Enterprises Holdings High-Tech Development Co., Ltd. ("BEHT")	Domestic Shares	24,506,143	35%	24.5%
Beijing Enterprises Holdings Limited ("BEHL") (Note 1)	Domestic Shares	24,506,143	35%	24.5%

Note:

- 1 These domestic shares are registered in the name of BEHT. As BEHL is entitled to exercise or control the exercise of one-third or more of the voting rights at the general meetings of BEHT, for the purpose of the SFO, BEHL is deemed to be interested in all the domestic shares in which BEHT is interested.

Save as disclosed above, as far as is known to any directors or supervisors of the Company, as at 31 March 2006, no person, other than the director of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register required to be recorded pursuant to Section 336 of the SFO.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

None of the directors or supervisors or their respective associates (as defined under the GEM Listing Rules) was granted by the Company or its subsidiary any rights or options to acquire any shares in or debentures of the Company or had exercised any such rights as at 31 March 2006.

## **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

During the period and up to the date of this announcement, none of the directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the directors have been appointed or were appointed as directors to represent the interests of the Company and/or the Group, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

H shares of the Company have been listed on the GEM of the Stock Exchange since 27 February 2006. During the period from the listing date to 31 March 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## COMPLIANCE ADVISER'S INTEREST

As updated and notified by the Company's compliance adviser, Partners Capital International Limited (the "Compliance Adviser"), none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company as at 31 March 2006 pursuant to Rule 6.36 of the GEM Listing Rules. Pursuant to an agreement dated 27 February 2006 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Company's compliance adviser for the period from 27 February 2006 and end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year ending 31 December 2008 or until the agreement is terminated in accordance with the terms and conditions set out therein.

## AUDIT COMMITTEE

The Company has established an audit committee on 10 February 2006 with written terms of reference in compliance with the requirements as set out in Rules 5.28 and 5.29 of the GEM Listing Rules. The audit committee's primary duties are the review and supervision of the Company's financial reporting procedures and internal control systems. The audit committee consists of the three independent non-executive directors, namely Prof. Yang Zhenhua, Dr. Hua Sheng and Mr. Chan Yiu Kwong. The unaudited condensed accounts have been reviewed by the audit committee of the Company.

By order of the Board

**Biosino Bio-Technology and Science Incorporation**

**Dr. Rao Zihe**

*Chairman*

Beijing, the PRC, 9 May 2006