



中生北控生物科技股份有限公司

BIOSINO BIO-TECHNOLOGY AND SCIENCE INCORPORATION*

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

Stock Code : 8247

Solid Foundation
Bright Future



First Quarterly Results Report
For The Three Months Ended 31 March 2007

*For Identification Purpose 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid reports in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed companies.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

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Corporate Information

PRC OFFICE

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Science and Technology Industrial Park
Changping District
Beijing, PRC

HONG KONG OFFICE

Room 4301, 43rd Floor
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

WEBSITE

<http://www.zhongsheng.com.cn>
<http://baiao.com.cn>

BOARD OF DIRECTORS

Chairman and executive Director
Mr. Wu Lebin

Vice Chairman and non-executive Directors
Mr. Zhang Yong
Dr. Gao Guang Xia

Executive Directors
Dr. Wang Lin
Mr. Hou Quanmin

Non-executive Directors
Ms. Li Chang
Mr. Rong Yang
Mr. Wang Fu Gen
Ms. Yu Xiaomin

Independent non-executive Directors
Dr. Cheng Jing
Dr. Hua Sheng
Mr. Chan Yiu Kwong

SUPERVISORS

Dr. He Rongqiao
Mr. Wang Xin
Mr. Shao Yimin

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric CPA, CPA (U.S)

QUALIFIED ACCOUNTANT

Mr. Sit Hon Cheong CPA

AUTHORISED REPRESENTATIVES

Mr. Wu Lebin
Mr. Tung Woon Cheung Eric

COMPLIANCE OFFICER

Mr. Wu Lebin

AUDITORS

Ernst & Young

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of Beijing
Industrial and Commercial Bank of China
Bank of China (Hong Kong) Limited

INFORMATION OF SHARE

Place of listing: The Growth Enterprise
Market of The Stock
Exchange of Hong
Kong Limited
Stock code: 8247
Stock short name: Biosino Bio-Tec

Management Discussion and Analysis

BUSINESS REVIEW FOR THE THREE MONTHS ENDED 31 MARCH 2007

The Group achieved revenue of approximately RMB36.46 million for the three months ended 31 March 2007, representing a significant increase of 21.6% as compared with approximately RMB30 million over the corresponding period last year. The revenue of RMB23.25 million of in-vitro diagnostic reagent products accounted for 63.8% of the Group's total revenue, representing a 22.19% increase as compared with RMB19.03 million over the corresponding period last year. Despite the keen competition within the industry of reagent products, both sales volume and revenue increased due to our proactive reinforcement and continued expansion of sales network. Moreover, revenue contributed by Beijing Zhongsheng Jingyu Diagnostic Technology Co., Ltd., a diagnostic reagent manufacturer acquired by the Group at the end of the first quarter of last year, has positive impact on the increase in the Group's revenue for this quarter. As the result, the business of the Group's reagent products was developed stably. For pharmaceutical products, the revenue of RMB13.21 million of Lumbrokinase capsules accounted for 36.2% of the Group's total revenue, representing an increase of 20.45% as compared with RMB10.97 million over the corresponding period last year. Because of the intense competition within the market, the price of Lumbrokinase capsules was declined, the impact of the falling price was completely offset by out-performed growth in sales, resulted the surge in revenue.

In spite of the substantial increase in sales, the overall expenses significantly increased due to the rising expenses for further expansion of the Group's research and development and the consolidation of operational expenses of four subsidiaries which were established or acquired by the Group since the end of the first quarter last year, offsetting part of the increase in profit generated from the out-performed sales. For the three months ended 31 March 2007, the profit from operating activities amounted to RMB6.08 million, representing an increase of 5.5% over the corresponding period last year.

For the three months ended 31 March 2007, the profit attributable to shareholders of the Company amounted to approximately RMB3 million, representing a drop of 30.5% over the corresponding period last year. Such decrease was mainly due to increase in bank borrowings for the usage of research and development of products and business expansion which increased the interest expense of the period. Together with the adjustment in the fixed deductible amount on salary expenses by State Administration of Taxation, the amount of income tax of the period increased accordingly.

PROSPECT AND FUTURE OUTLOOK

In view of China's booming economy and development, the living standard and the well-being of its citizens have been improved. The rising health awareness, increasing population and longer life expectancy resulted in the rapid increase in the demand for clinical diagnostic products and pharmaceutical products, facilitating the flourishing development of entire medical and pharmaceutical industry. As such, China has become one of the world's fastest-growing diagnostic reagent markets.

China has implemented the Eleventh Five-Year Plan and has the strategy of independent innovation since 2006, propelling the establishment of corporate-oriented technological innovation system. The Group has become the leading entity for undertaking the major project of the 863 program, "Bio-medical Key Reagent" (「生物醫學關鍵試劑」), under the Eleventh Five-Year Plan of the Ministry of Science and Technology (「科技部」), such step will further establish the technological leadership of the Group in the industry and bringing boundless opportunities to the Group. Also, the Group will strategically expand, optimise and enrich our production lines, inject more capital into the diagnostic and pharmaceutical platform and boost the research and development of new products such as quick diagnostic reagents. The Group will also develop its new markets and new revenue sources. As the leading enterprise in the in-vitro diagnostic reagent industry in China, the Group will continue to maintain its competitive edges in order to keep on bringing greater returns to shareholders.

For the pharmaceutical segment, the demand of drugs for medical treatments and prophylactic medicines increases as the PRC Government proactively promotes health awareness and social medical insurance which requires employers and employees to make monthly mandatory contributions. The full enforcement and implementation of medical insurance scheme has expanded the business opportunities of the medical and pharmaceutical industry. Meanwhile, the improvement in new drugs approval scheme together with the policies and measures for fighting against business corruption of sales and purchase will bring a complete change to the development and the sales model of the medical and pharmaceutical industry. Such change in the macro business environment will force some small enterprises and pharmaceutical manufacturers who mainly produce counterfeit medicines to fade out in the market. Beijing Baiao Pharmaceuticals Co., Ltd. (“Baiao Pharmaceuticals”), the inventor of Lumbrokinase, will benefit from the strategy and policy of independent innovation of the state. Following the advancement of the reform of China’s medical and pharmaceutical system, and the standardisation and optimisation of the medical and pharmaceutical market, Baiao Pharmaceuticals will surely advance to a more favourable position. In 2007, Baiao Pharmaceuticals will launch new types of pharmaceuticals to the market. The use of the new types of pharmaceuticals in conjunction with Lumbrokinase will form an effective treatment plan and combination to increase the market share of the Company and the influence of its brands in the markets.

By order of the Board

Biosino Bio-Technology and Science Incorporation

Mr. Wu Lebin

Chairman

Beijing, the PRC, 10 May 2007

The First Quarterly Results for the Three Months Ended 31 March 2007

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 2007, together with the comparative figures for the same period in 2006, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31 March	
		2007 Unaudited RMB'000	2006 Unaudited RMB'000
REVENUE	3	36,464	29,999
Cost of sales		(12,846)	(9,861)
Gross profit		23,618	20,138
Other income		1,655	71
Selling and distribution expenses		(7,260)	(7,118)
Administrative expenses		(8,549)	(5,519)
Research and development costs		(2,989)	(1,806)
Other operating expenses		(395)	–
PROFIT FROM OPERATING ACTIVITIES		6,080	5,766
Finance costs		(1,342)	(548)
PROFIT BEFORE TAX		4,738	5,218
Tax	4	(1,464)	(647)
PROFIT FOR THE YEAR		3,274	4,571
Attributable to:			
Shareholders of the Company		3,002	4,318
Minority interests		272	253
		3,274	4,571
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	5		
– Basic (RMB)		0.03	0.05
– Diluted		N/A	N/A

Condensed Notes to the Financial Statements

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 were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the period, the Group 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 2006.

3. REVENUE

Revenue, which is also the Group’s turnover, represents the net invoiced value of goods sold, net of value added tax and government surcharges, and after allowances for the goods returned and trade discounts.

An analysis of the Group’s revenue is as follows:

	Three months ended 31 March	
	2007	2006
	Unaudited RMB’000	Unaudited RMB’000
Sale of in-vitro diagnostic reagent products	23,252	19,030
Sale of a pharmaceutical product	13,212	10,969
	36,464	29,999

Condensed Notes to the Financial Statements (Continued)

4. TAX

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries have not generated any assessable profits in Hong Kong since their respective dates of incorporation. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country 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, being registered as new and high technology enterprises in Beijing, are entitled to a concessionary income tax rates of 15% and 7.5% in their respective subsidiaries, which have been applied for both periods.

	Three months ended	
	31 March	
	2007	2006
	Unaudited	Unaudited
	RMB'000	RMB'000
Group:		
Current – Mainland China	1,464	647

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 100,017,528 (2006: 81,017,528) ordinary shares in issue during the period.

No diluted earnings per share amounts have been presented as no diluting events existed during the period (2006: Nil).

Condensed Notes to the Financial Statements (Continued)

6. RESERVES

The movements of reserves for the three months ended 31 March 2007 and 2006 are as follows:

	Issued share capital Unaudited RMB'000	Capital reserves# Unaudited RMB'000	Statutory reserves Unaudited RMB'000	Retained profits Unaudited RMB'000	Proposed final dividend Unaudited RMB'000	Total Unaudited RMB'000
At 1 January 2006	70,018	7,544	17,286	7,810	10,002	112,660
Issue of shares upon listing	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
At 1 January 2007	100,018	30,309	20,179	10,344	10,002	170,852
Profit for the period attributable to shareholders of the Company	-	-	-	3,002	-	3,002
At 31 March 2007	100,018	30,309	20,179	13,346	10,002	173,854

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

7. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2007 (2006: Nil).

Discloseable Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, the interest and short positions of the directors or supervisors 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")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as 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, were as follows:

Long position in shares of the Company

As at 31 March 2007, none of the directors or supervisors had any interests or short position in shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), that was required to be recorded 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 at 31 March, 2007, as far as is known to any directors or supervisors of the Company, the following persons (other than directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company were recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares

Name of person	Nature of interest	Number of the Company's domestic shares held	Percentage of the Company's domestic shares	Percentage of the Company's total register capital
Institute of Biophysics of the Chinese Academy of Sciences	Domestic shares	31,308,576	46.7	31.3
Beijing Enterprises Holdings High-Tech Development Co., Ltd. ("BEHT")	Domestic shares	24,506,143	36.6	24.5
Beijing Enterprises Holdings Limited ("BEHL") (Note)	Domestic shares	24,506,143	36.6	24.5

Discloseable Information (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long positions in shares (Continued)

Note:

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 2007, no person, other than the directors or supervisors 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 that was 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 subsidiaries any rights or options to acquire any shares in or debentures of the Company or had exercised any such rights as at 31 March 2007.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the period and up to the date of this report, 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").

Discloseable Information (Continued)

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

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 2007 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 to 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 system. The Group's unaudited condensed accounts for the period have been reviewed by the audit committee with the three independent non-executive directors of the Company, namely Dr. Cheng Jing (appointed on 9 January 2007), Dr. Hua Sheng and Mr. Chan Yiu Kwong.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company always puts strong emphasis on the superiority, steadiness and rationality of corporate governance. The Company has complied with all the code provisions in the Code on Corporate Governance Practice (the "Code") by establishing a formal and transparent procedures to protect and maximise the interests of shareholders during the period under review, except for the deviation that Mr. Wu Lebin assumes the role of both the chairman of the Board and the president of the Company.