



# 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



Third Quarterly Results Report  
For The Nine Months Ended 30 September 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

No. 27 Chaoqian Road,  
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 NINE MONTHS ENDED 30 SEPTEMBER 2007

The revenue for the nine months ended 30 September 2007 was approximately RMB130 million, representing an increase of 22.10% as compared with approximately RMB107 million for the corresponding period last year. During the period, the revenue of approximately RMB84.48 million was generated from the sales of in-vitro diagnostic reagents which accounted for 64.85% of the Group's total revenue, representing a 24.06% increase as compared with RMB68.09 million for the corresponding period last year. For pharmaceutical products, the revenue of RMB45.79 million of Lumbrokinase capsules accounted for 35.15% of the Group's total revenue, representing an increase of 18.56% as compared with RMB38.62 million for the corresponding period last year.

For the nine months ended 30 September 2007, profit from operating activities amounted to RMB24.75 million, representing an increase of 32.9% as compared with the corresponding period last year. Despite the consolidation of the operational expenses of new subsidiaries and higher research and development expenses for continued effort of new products, there was still a growth in profit from operating activities because of satisfactory increase in revenue.

Profit attributable to shareholders for the nine months ended 30 September 2007 was RMB13.81 million, representing an increase of approximately 4.6% as compared with the corresponding period last year. Such increase was mainly attributable to the increase in revenue and profit from operating activities, which completely offset the increase in interest expenses as a result of the increase in the bank borrowings for research and development and business expansion, and higher income tax expense as a result of the adjustment in the fixed deductible amount on salary expenses imposed by State Administration of Taxation.

# Management Discussion and Analysis (Continued)

## PROSPECT AND FUTURE OUTLOOK

It is expected that the economy of China will continue to grow stably with improvement in living standard and health consciousness of people. The PRC government is going to introduce new social medical protection policies which will facilitate the healthy and stable development of clinical diagnostic products and pharmaceutical products. As such, China will remain one of the world's fastest growing markets of these industries.

Looking forward, the Directors believe that the market share of our products will be expanded steadily throughout the result of our gradual endeavour and timely effort for market development. The overseas sales of our diagnostic products will rise after some of our diagnostic reagents have passed the "CE" certification.

The research and development and the sales model of the entire medical industry will be changed upon the introduction and implementation of new social medical protection policies of the state. Baiao Pharmaceuticals, the inventor of Lumbrokinase, will be well-positioned to benefit from the rectification and improvement of the medical market order of the state.

The Group is confident that our market share and return of shareholders will be increased as a result of our continuous efforts in research and development in order to launch more new products and enhance promotion effort in the near future.

By order of the Board

**Biosino Bio-Technology and Science Incorporation**

**Mr. Wu Lebin**

*Chairman*

Beijing, the PRC, 8 November 2007

# The Third Quarterly Results for the Three Months and Nine Months Ended 30 September 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 and nine months ended 30 September 2007, together with the comparative figures for the same period in 2006, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2007 Unaudited RMB'000	2006 Unaudited RMB'000	2007 Unaudited RMB'000	2006 Unaudited RMB'000
<b>REVENUE</b>	3	<b>46,612</b>	38,541	<b>130,264</b>	106,711
Cost of sales		<b>(16,315)</b>	(12,305)	<b>(45,633)</b>	(34,830)
Gross profit		<b>30,297</b>	26,236	<b>84,631</b>	71,881
Other income		<b>3,343</b>	126	<b>7,031</b>	570
Selling and distribution expenses		<b>(11,252)</b>	(10,820)	<b>(29,834)</b>	(28,641)
Administrative expenses		<b>(9,062)</b>	(7,137)	<b>(28,838)</b>	(19,459)
Research and development costs		<b>(2,588)</b>	(1,698)	<b>(7,606)</b>	(5,727)
Other operating expenses		<b>(83)</b>	–	<b>(639)</b>	–
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>10,655</b>	6,707	<b>24,745</b>	18,624
Finance costs		<b>(1,394)</b>	(1,291)	<b>(4,126)</b>	(2,335)
<b>PROFIT BEFORE TAX</b>		<b>9,261</b>	5,416	<b>20,619</b>	16,289
Tax	4	<b>(2,223)</b>	(857)	<b>(5,517)</b>	(2,481)
<b>PROFIT FOR THE PERIOD</b>		<b>7,038</b>	4,559	<b>15,102</b>	13,808
Attributable to:					
Shareholders of the Company		<b>6,632</b>	4,532	<b>13,814</b>	13,214
Minority interests		<b>406</b>	27	<b>1,288</b>	594
		<b>7,038</b>	4,559	<b>15,102</b>	13,808
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>	5				
– Basic (RMB)		<b>0.07</b>	0.05	<b>0.14</b>	0.13
– Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

# Notes to the Condensed 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 30 September		Nine months ended 30 September	
	2007	2006	2007	2006
	Unaudited RMB’000	Unaudited RMB’000	Unaudited RMB’000	Unaudited RMB’000
Sale of in-vitro diagnostic reagent products	<b>30,450</b>	24,439	<b>84,476</b>	68,091
Sale of a pharmaceutical product	<b>16,162</b>	14,102	<b>45,788</b>	38,620
	<b>46,612</b>	38,541	<b>130,264</b>	106,711



# Notes to the Condensed 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 30 September		Nine months ended 30 September	
	2007	2006	2007	2006
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
Group:				
Current – Mainland China	<b>2,223</b>	857	<b>5,517</b>	2,481

## 5. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 30 September 2007 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average of 100,017,528 (2006: 100,017,528) registered shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 30 September 2007 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average of 100,017,528 (2006: 92,980,491) registered shares in issue during the period.

No diluted earnings per share have been presented as no diluting event existed during the three months and nine months ended 30 September 2007 (2006: Nil).

# Notes to the Condensed Financial Statements (Continued)

## 6. RESERVES

The movements of reserves for the nine months ended 30 September 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
Proceeds from issue of shares	30,000	32,400	-	-	-	62,400
Share issuance costs	-	(13,501)	-	-	-	(13,501)
Profit for the period attributable to shareholders of the Company	-	-	-	13,214	-	13,214
Final 2005 dividend declared	-	-	-	-	(10,002)	(10,002)
At 30 September 2006	100,018	26,443	17,286	21,024	-	164,771
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	-	-	-	13,814	-	13,814
Final 2006 dividend declared	-	-	-	-	(10,002)	(10,002)
At 30 September 2007	100,018	30,309	20,179	24,158	-	174,664

# 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 nine months ended 30 September 2007 (2006: Nil).

## **Discloseable Information**

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

As at 30 September 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 30 September 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.

## Discloseable Information (Continued)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September, 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 of the Company

Name of person	Type of shares	Number of shares held	Percentage of the Company's respective type of shares (%)	Percentage of the Company's total register capital (%)
Institute of Biophysics of the Chinese Academy of Sciences	Domestic shares	31,308,576	46.72	31.30
Beijing Enterprises Holdings High-Tech Development Co., Ltd. ("BEHT")	Domestic shares	24,506,143	36.57	24.50
Beijing Enterprises Holdings Limited ("BEHL") (Note a)	Domestic shares	24,506,143	36.57	24.50
Chung Shek Enterprises Company Limited	H shares	3,800,000	11.52	3.80
K.C. Wong Education Foundation (Note b)	H shares	3,800,000	11.52	3.80
Pheim Asset Management (Asia) Pte. Ltd. (Note c)	H shares	3,050,000	9.24	3.05
YHT NO.8 (YHT 8 GOU TOUSHIJIGYOKUMIAI) (Note c)	H shares	1,976,000	5.99	1.98
Deutsche Bank Aktiengesellschaft	H shares	1,840,000	5.58	1.84

## Discloseable Information (Continued)

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

#### Long positions in shares of the Company (Continued)

Note:

- (a) 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.
- (b) The interest represents the shares held by Chung Shek Enterprises Company Limited, which is held directly as to 100% by K.C. Wong Education Foundation. Accordingly, K.C. Wong Education Foundation is deemed to be interested in shares held by Chung Shek Enterprises Company Limited.
- (c) The interests disclosed are shares held as investment managers.

Save as disclosed above, as far as is known to any directors or supervisors of the Company, as at 30 September 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 30 September 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 30 September 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.

### COMPLIANCE WITH 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.