



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



PROGRESSIVE EXPANSION

SOLID IMPROVEMENT

Third Quarterly Report 2008

* For Identification Purposes Only

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 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. Qin Xuemin
Mr. Rong Yang
Mr. Wang Fu Gen
Ms. Yu Xiaomin

Independent non-executive Directors
Dr. Rao Yi
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. Cheung Yeung 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
Number of H shares issued:	33,000,000 H shares
Nominal value:	RMB1.00 per H share

Management Discussion and Analysis

BUSINESS REVIEW FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

Revenue for the nine months ended 30 September 2008 was approximately RMB150 million, representing a substantial increase of 15.38% as compared with approximately RMB130 million for the corresponding period last year. For the revenue of this period, approximately RMB100 million was generated from the sale of in-vitro diagnostic reagent products, accounting for 66.44% of the Group's total revenue and representing an increase of 18.61% as compared with RMB84.48 million for the corresponding period last year. As to pharmaceutical products, revenue of this period from the sale of Lumbrokinase capsules was RMB50.61 million, accounting for 33.56% of the Group's total revenue and representing an increase of 10.53% as compared with RMB45.79 million for the corresponding period last year.

For the nine months ended 30 September 2008, profit from operating activities amounted to RMB21.89 million. Excluding loss from investment in listed securities for the period, profit from the principal businesses amounted to RMB25.53 million, representing an increase of 12% as compared with RMB22.78 million for the corresponding period last year. Despite the increased expenses for this period, profit from the principal businesses increased as a result of the satisfactory increase in revenue.

Profit attributable to shareholders of the Company for the nine months ended 30 September 2008 was RMB11.11 million, representing a decrease of RMB2.7 million or approximately 19.55% as compared with the corresponding period last year. Due to the adverse impact of the overall financial market environment, the Group suffered from a loss on listed security investments for the period which, in turn, resulted in a decline in the profit attributable to shareholders of the Company.

PROSPECTS AND OUTLOOK

The medical and pharmaceutical sector in the PRC is facing the adverse impact of the global financial crisis and the propelling effect of the rapid development of the healthcare sector in the PRC. These will bring uncertainties to the Group's business development in the future. The management believes the new social medical reform policy, which will soon to be introduced by the government, will facilitate the healthy and stable development of the sectors for clinical diagnostic products and pharmaceutical products. In the opinion of the directors, the principal business the Group is operating in one of the fast-growing sectors in the PRC.

Management Discussion and Analysis (Continued)

PROSPECTS AND OUTLOOK (Continued)

Based on the above conclusion, the directors believe as the resources committed to market development have begun to realise progressively, leading by the “863 Program” in particular, the market share to be taken up by our diagnostic reagent products, being one of our principal businesses, will remain to be increasing steadily. As to the pharmaceutical sector, the sale of Lumbrokinase products will enjoy a steady growth, while the upcoming launch of other products such as Octreotide on the market will further generate revenue for the Group.

As a result of the financial crisis, the management has conducted a thorough self-examination for the impact on the Group’s overall results performance affected by the Company’s loss on investment securities in previous quarters, and realised that such investments shall be conducted in a more prudent manner.

The Group is confident that by putting continuous efforts in the research and development of new products, launch of more new products and marketing activities for further increasing the market share would result in yielding higher return for the shareholders.

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 2008, together with the comparative figures for the same period in 2007, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2008 Unaudited RMB'000	2007 Unaudited RMB'000	2008 Unaudited RMB'000	2007 Unaudited RMB'000
REVENUE	3	46,480	46,612	150,813	130,264
Cost of sales		(14,996)	(16,315)	(49,207)	(45,633)
Gross profit		31,484	30,297	101,606	84,631
Other income and gain		1,283	3,343	6,092	7,031
Selling and distribution expenses		(13,541)	(11,252)	(39,445)	(29,834)
Administrative expenses		(10,592)	(9,062)	(35,860)	(28,838)
Research and development costs		(763)	(2,588)	(5,439)	(7,606)
Other operating expenses		(2,672)	(83)	(5,067)	(639)
PROFIT FROM OPERATING ACTIVITIES		5,199	10,655	21,887	24,745
Finance costs		(1,680)	(1,394)	(4,657)	(4,126)
Share of loss of a jointly-controlled entity		–	–	(268)	–
PROFIT BEFORE TAX		3,519	9,261	16,962	20,619
Tax	4	(860)	(2,223)	(4,637)	(5,517)
PROFIT FOR THE PERIOD		2,659	7,038	12,325	15,102
Attributable to:					
Shareholders of the Company		2,131	6,632	11,113	13,814
Minority interests		528	406	1,212	1,288
		2,659	7,038	12,325	15,102
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	5				
– Basic (RMB)		0.02	0.07	0.11	0.14
– Diluted		N/A	N/A	N/A	N/A

Notes to the Condensed Consolidated Income Statement

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.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated income statement for the three months and nine months ended 30 September 2008 has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, 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 consolidated income statement are consistent with those used in the Company's audited financial statements for the year ended 31 December 2007.

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 for the three months and nine months ended 30 September 2008 is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	2008	2007
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of in-vitro diagnostic reagent products	29,515	30,450	100,204	84,476
Sale of pharmaceutical products	16,965	16,162	50,609	45,788
	46,480	46,612	150,813	130,264

Notes to the Condensed Consolidated Income Statement (Continued)

4. TAX

No provision for Hong Kong profits tax has been made as the Group has not generated any assessable profits in Hong Kong during the nine months ended 30 September 2008 (2007: Nil). Taxes on profits assessable in Mainland China, where the Group operates, have been calculated at the rates of tax prevailing in Mainland China, based on existing legislation, interpretations and practices in respect thereof. According to the relevant PRC income tax law, the Company and certain of 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%, where appropriate, which have been applied for both periods.

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	2008	2007
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
Group:				
Current – Mainland China	860	2,223	4,637	5,517

5. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share for the three months and nine months ended 30 September 2008 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average of 100,017,528 (2007: 100,017,528) registered shares in issue during the period.

No diluted earnings per share have been presented as there was no diluting event existed during the three months and nine months ended 30 September 2008 (2007: Nil).

Notes to the Condensed Consolidated Income Statement (Continued)

6. RESERVES

The movements of reserves for the nine months ended 30 September 2008 and 2007 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 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
At 1 January 2008	100,018	30,557	22,531	17,919	10,002	181,027
Profit for the period attributable to shareholders of the Company	-	-	-	11,113	-	11,113
Final 2007 dividend declared	-	-	-	-	(10,002)	(10,002)
At 30 September 2008	100,018	30,557	22,531	29,032	-	182,138

[#] 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 2008 (2007: Nil).

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2008, 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:

Name	Number of the Company's domestic shares held	Percentage of the Company's domestic shares	Percentage of the Company's total registered share capital
Mr. Wu Lebin (note)	1,000,000	1.5%	1.00%
Mr. Hou Quanmin (note)	150,000	0.2%	0.15%
Dr. Wang Lin (note)	100,000	0.1%	0.10%

Note: The directors are the registered holders and beneficial owners of the respective domestic shares.

Save as disclosed above, as at 30 September 2008, none of the directors or supervisors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2008, as far as is known to any directors and supervisors of the Company, the following interests of 5% or more of the issued capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares of the Company:

Name	Capacity and nature of interest	Number of the Company's shares held		Percentage of the Company's respective type of shares	Percentage of the Company's total registered capital
		Domestic Shares	H Shares		
The IBP	Directly beneficially owned	31,308,576	–	46.7%	31.3%
Beijing Enterprises Holdings High-Tech Development Co., Ltd. ("BEHT")	Directly beneficially owned	24,506,143	–	36.6%	24.5%
Beijing Enterprises Holdings Limited ("BEHL") (note)	Through a controlled corporation	24,506,143	–	36.6%	24.5%
Beijing Enterprises Group (BVI) Company Limited ("BE(BVI)") (note)	Through controlled corporations	24,506,143	–	36.6%	24.5%
北京控股集團有限責任公司 (Beijing Enterprises Group Company Limited) ("BEGC") (note)	Through controlled corporations	24,506,143	–	36.6%	24.5%
Chung Shek Enterprises Company Limited	Through controlled corporations	–	3,800,000	11.52%	3.8%
K.C. Wong Education Foundation	Directly beneficially owned	–	3,800,000	11.52%	3.8%
Pheim Asset Management (Asia) Pte Ltd	Through controlled corporations	–	3,050,000	9.24%	3.05%
Deutsche Bank Aktiengesellschaft	Through controlled corporations	–	1,840,000	5.58%	1.84%

Other Information (Continued)

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

Note: These domestic shares are registered in the name of BEHT. BEHL, BE(BVI) and BEGC are the immediate holding company, an intermediate holding company and the ultimate holding company of BEHT, respectively. Accordingly, each of them is deemed to be interested in the domestic shares of the Company owned by BEHT.

Save as disclosed above, as far as is known to any directors or supervisors of the Company, as at 30 September 2008, no person, other than the directors or supervisors of the Company, whose interests are set out in the section "Directors' and supervisors' interests in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' 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 2008.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the period and up to the date of this report, none of the directors is 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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2008.

Other Information (Continued)

COMPLIANCE ADVISER'S INTEREST

As updated and notified by the Company's compliance adviser, Guangdong Securities 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 or any member of the Group (including options or rights to subscribe for such securities) as at 30 September 2008 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 24 June 2008 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 28 June 2008 to 31 March 2009 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 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 consolidated income statement for the period has been reviewed by the audit committee with the three independent non-executive directors of the Company, namely Dr. Rao Yi, Dr. Hua Sheng (resigned on 10 November 2008) 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. Except for the deviation that Mr. Wu Lebin assumes the role of both the chairman of the Board and the president of the Company, the Company has complied with all the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules for the period ended 30 September 2008 by establishing a formal and transparent procedures to protect and maximise the interests of shareholders during the year under review. The Board is of the view that it is in the best interests of the Group to have Mr. Wu, who have vast and solid experience in the medical industry to perform the dual role so that the Board can have the benefits of a chairman who is knowledgeable about the business of the Group and is most capable to guide and brief the Board in a timely manner on pertinent issues.