



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)

Interim Report

2013



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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 or deceptive; and (2) there are no other matters the omission of which would make any statement in this report misleading.

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CORPORATE INFORMATION

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Changping District
Beijing, PRC

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WEBSITES

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

BOARD OF DIRECTORS

Chairman and Executive Director
Mr. Wu Lebin

Vice Chairmen and Non-executive Directors
Dr. Gao Guang Xia
Mr. Ni Xiaowei

Executive Directors
Dr. Wang Lin
Mr. Hou Quanmin

Non-executive Directors
Mr. Yao Fang
Mr. Yu Tongle
Mr. Wang Fu Gen

Independent Non-executive Directors

Dr. Rao Yi
Dr. Hu Canwu Kevin
Mr. John Wong Yik Chung
Mr. Wang Daixue

SUPERVISORS

Dr. He Rongqiao
Mr. Shao Yimin
Ms. Guan Xiaohui

AUDIT COMMITTEE

Dr. Rao Yi (*Chairman*)
Dr. Hu Canwu Kevin
Mr. John Wong Yik Chung
Mr. Wang Daixue

REMUNERATION COMMITTEE

Dr. Rao Yi (*Chairman*)
Dr. Hu Canwu Kevin
Mr. John Wong Yik Chung
Mr. Wang Daixue

NOMINATION COMMITTEE

Dr. Hu Canwu Kevin (*Chairman*)
Dr. Rao Yi
Mr. John Wong Yik Chung
Mr. Wu Lebin
Mr. Wang Daixue

COMPANY SECRETARY

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

CORPORATE INFORMATION

QUALIFIED ACCOUNTANT

Mr. Cheung Yeung CPA

AUTHORISED REPRESENTATIVES

Mr. Wu Lebin
Mr. Tung Woon Cheung Eric

COMPLIANCE OFFICER

Mr. Wu Lebin

AUDITORS

Ernst & Young

LEGAL ADVISERS

As to Hong Kong law:

Li & Partners

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 H SHARES

Place of listing:	The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
Stock code:	8247
Number of H shares issued:	64,286,143 H shares
Nominal value:	RMB1.00 per H share
Stock short name:	Biosino Bio-Tec

GROUP PROFILE

Biosino Bio-Technology and Science Incorporation (“Biosino Bio-Tec” or the “Company”) is the leading supplier of in-vitro diagnostic reagents in the People’s Republic of China (“PRC” or “China”). The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the research and development, manufacturing, sale and distribution of in-vitro diagnostic reagents products, and providing hospital and other medical institutions with quality and reliable diagnostic reagents products.

The major equity holders of the Company have strong background. Our largest shareholder, the Institute of Biophysics of the Chinese Academy of Sciences (the “IBP”), is the leading research institution in life sciences in the PRC. Our second largest shareholder is Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司) (“Fosun Pharmaceutical”, together with its subsidiaries, the “Fosun Pharmaceutical Group”), a PRC joint stock company whose A shares are listed on the Shanghai Stock Exchange and which is principally engaged in the manufacturing, research and development, wholesaling and retailing of pharmaceutical products. Our third largest shareholder is Beijing Enterprises Holdings Limited (“Beijing Enterprises”), a Hong Kong company whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and which together with its subsidiaries are utilities conglomerate with urban energy services as core business.

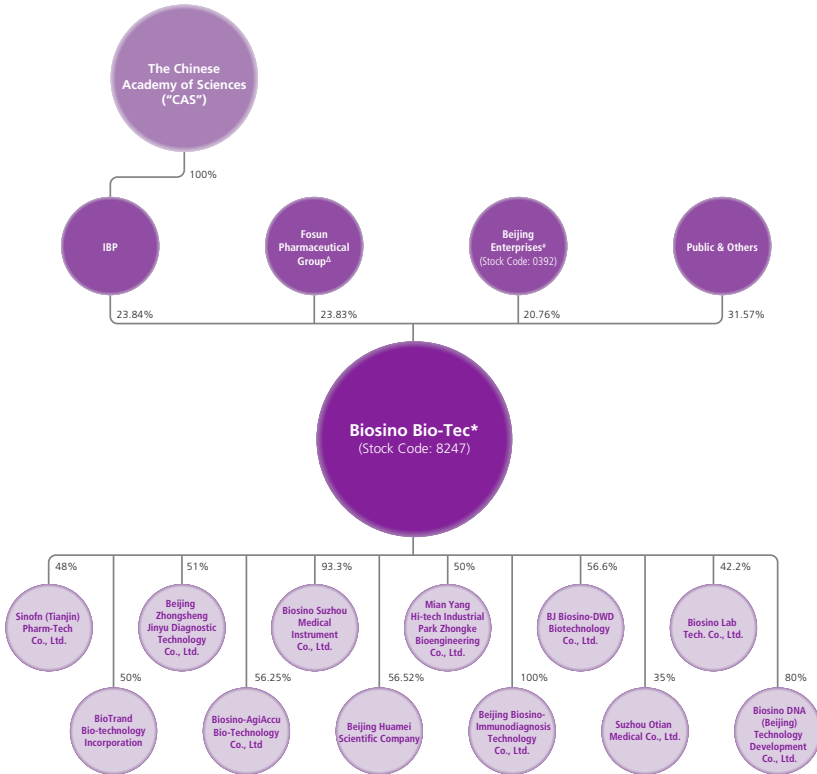
The “Biosino” brand of the Group is well-known in the industry. “Biosino” was awarded as “Renowned Beijing Brand”(北京名牌產品) in 2002 and was awarded “No. 1 Brand with High Quality and Reputation in the In-vitro Diagnostic Reagent Market of the PRC”(中國診斷試劑市場用戶滿意質量信譽第一品牌) in 2005, and it is highly recognised among market users and in the medical sector. The Group adopted an integrated retail and distribution model in marketing, and established an efficient, stable and extensive sales network covering over 30 provinces, cities and autonomous regions with more than 600 distributors. The Group’s diagnostic reagents products are well received at domestic hospitals and medical institutions.

In addition, a number of management members of the Group are professors in universities or holding doctorate degrees. Upholding our business principles of “By the people, for the people; advocating innovation; unquestionable quality pursuing perfection; genuine craftsmanship and lawful operation”, our management strives to strengthen our overall competitiveness. The solid scientific research background and aspiration of our management team members, some of whom had research experience in the IBP, laid down firm research foundation of Biosino Bio-Tec, which is advantageous to the long-term business development of the Group.

H shares of the Company have been listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange since 27 February 2006.

GROUP STRUCTURE

As at 30 June 2013



* The H shares of Biosino Bio-Tech are listed on the GEM

The Shares of Beijing Enterprises are listed on the Main Board of the Stock Exchange

△ The 23.83% shareholding is held by the Fosun Pharmaceutical Group via Shanghai Fosun Pingyao Investment Management Company Limited (上海復星平耀投資管理有限公司) and Fosun Industrial Co., Limited (復星實業(香港)有限公司), both being wholly-owned subsidiaries of Fosun Pharmaceutical, as to 18.67% and 5.16% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW FOR THE FIRST HALF OF 2013

In the first half of 2013, under the overall background of imposing the policies on the “removal of price markups on medicine in hospitals” (i.e. controlling the proportion of medicine) in the PRC, the demand for diagnostic reagents industry increased due to the rise in the proportion of revenue from body checks in hospitals, hence, the industry still possesses a stable investment value. By leveraging on its own finance, research and development and brand advantages, the Group will continue to focus on the in-vitro diagnostic industry, promote the sales integration of reagents and apparatus to improve the core competitiveness of the Company.

For its research and development, during the reporting period, the Company implemented actively its research and development objectives and plans and facilitated the research and development innovation of new products and improvement of old products under its developing strategies. The Company received four new product registration certificates, the Potassium Ion Detection Kit (鉀離子測定試劑盒) (Pyruvate kinase), D-Dimer Detection Kit (D-二聚體測定試劑盒) (latex immunoturbidimetry), D-Dimer Calibrator (D-二聚體校準品), and Specific Protein Calibrator (特種蛋白校準品). The quality management system of the Company passed the CMDCAS certification of TUV (蘭德集團) (an authorized institution in Canada), and the Company obtained the product registration certificates of biochemical diagnostic reagent products from Health Canada for its biochemical reagent products. The Company is the first biochemical company in China to obtain the product registration in Canada, signifying an important step for the Company's products in marching towards the North American and other international markets. Meanwhile, the Company was recognized as the supplier of Made-in-China websites by SGS (the world's most authoritative certification body) and received an authentication certificate.

FINANCIAL REVIEW FOR THE FIRST HALF OF 2013

In the first half year, the Group continued to expand its sales channels, optimized its sales team and strived to explore new marketing models and endeavored to promote a breakthrough in segmented markets and regional sales for the Group's products. The Group achieved a revenue of RMB110 million during the period, representing an increase of 15% as compared with the same period of last year. However, its net profit decreased by 58% as compared with the same period of last year, due to the slow business development of its subsidiaries in which most of them were loss-making and increase in the Group's administrative expenses and selling expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT AND OUTLOOK

The aging and medical insurance reimbursements are becoming the growth momentum for the pharmaceutical industry through the next decade, and the urbanisation will become a new and important driver in the development of the pharmaceutical industry. It will particularly play a huge promotional role for the rapid growth of the grassroots medical market. The pharmaceutical industry will remain as one of the fast-growing industries in the PRC.

In 2013, the “removal of the policies against price markups on medicine” will be imposed on hospitals in the PRC. This is becoming one of the biggest policy changes in medical reform. It resulted in the biggest change of hospitals’ business model in the last 60 years. We believe that after the removal of the policies against having price markups on medicine imposed on hospitals, revenue from inspection will improve, and the demand for diagnostic reagents and general consumables will increase substantially, which are beneficial to the continuous growth of the size of our business and will increase the sales of our products.

The Board is still confident that in transforming the Group into a leader in the health-enhancing protein industry with capability in creating intellectual property rights and the ability to compete internationally, we sincerely hope to strive to achieve better benefits and returns for all shareholders.

CAPITAL STRUCTURE, FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with cash flows generated from sales, capital contributions from shareholders and bank borrowings. During the period, cash generated from operating activities was approximately RMB2.5 million. There were no new issue of shares and no bank borrowings were obtained during the period.

As at 30 June 2013, the Group had cash and bank balances of approximately RMB96 million (as at 31 December 2012: approximately RMB74 million). The Group had Nil unsecured bank loan as at 30 June 2013 and 31 December 2012 respectively. The Group was in a net cash position of approximately RMB96 million (as at 31 December 2012: approximately RMB74 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY RISK

The Group's businesses are located in the PRC and all transactions are denominated in Renminbi, except for the fact that the Group occasionally purchases equipment from overseas countries for resale in the PRC. As the purchase amount was not significant, fluctuations of the exchange rates of Renminbi against foreign currencies are not expected to have significant impact on the results of the Group.

PLEDGE OF ASSETS OF THE GROUP

As at 30 June 2013, the Group did not have any assets being pledged.

CONTINGENT LIABILITIES

As at 30 June 2013 and 31 December 2012, the Group did not have any contingent liabilities.

EMPLOYEE

On 30 June 2013, approximately 643 full-time employees (as at 31 December 2012: approximately 640) were employed by the Group. The total staff costs of the Group (including the directors' remunerations) for the six months ended 30 June 2013 amounted to approximately RMB36.3 million (2012: approximately RMB20.2 million). The Group fixes and reviews the emoluments of its staff and directors based on their qualification, experience, performance, and market rates, so as to maintain the remunerations of its staff and directors at a competitive level.

APPRECIATION

On behalf of the Board, I would like to extend my sincere thanks to all shareholders and business partners of the Group for their unwavering support, and to the entire staff of the Group for their valuable contribution.

By order of the Board
Biosino Bio-Technology and Science Incorporation
Wu Lebin
Chairman

Beijing, the PRC, 14 August 2013

The Board of Directors (the "Board") of the Company announced the unaudited consolidated income statement of the Group for the three months and six months ended 30 June 2013 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2013, together with the comparative figures in 2012, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2013

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013 Unaudited RMB'000	2012 Unaudited RMB'000	2013 Unaudited RMB'000	2012 Unaudited RMB'000
CONTINUING OPERATIONS					
REVENUE	2, 3	61,676	54,790	109,897	95,794
Cost of sales		(27,354)	(23,377)	(49,967)	(40,448)
Gross profit		34,322	31,413	59,930	55,346
Other income and gains		4,925	4,499	8,994	12,309
Selling and distribution expenses		(11,033)	(11,876)	(23,265)	(18,126)
Administrative expenses		(13,902)	(11,875)	(26,663)	(23,752)
Research and development expenses		(5,515)	(4,314)	(11,684)	(9,668)
Other expenses		(15)	(521)	(15)	(521)
PROFIT FROM OPERATING					
ACTIVITIES FROM					
CONTINUING OPERATIONS					
Finance costs	4	8,782	7,326	7,297	15,588
Share of losses of jointly-controlled entities	5	–	(368)	–	(869)
Share of profit/(losses) of associates		(1,973)	–	(1,973)	–
		(403)	1,061	(1,473)	(1,099)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013 Unaudited RMB'000	2012 Unaudited RMB'000	2013 Unaudited RMB'000	2012 Unaudited RMB'000
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		6,406	8,019	3,851	13,620
Income tax expense	6	(1,189)	(6,063)	(1,730)	(6,551)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		5,217	1,956	2,121	7,069
DISCONTINUED OPERATION					
Loss for the period from a discontinued operation		-	-	-	(2,046)
PROFIT FOR THE PERIOD		5,217	1,956	2,121	5,023
Attributable to:					
Owners of the parent		3,370	1,509	2,006	5,314
Non-controlling interests		1,847	447	115	(291)
		5,217	1,956	2,121	5,023
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY					
- Basic (RMB)	7	0.03	0.01	0.02	0.04
- Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2013

	Three months ended 30 June		Six months ended 30 June	
	2013 Unaudited RMB'000	2012 Unaudited RMB'000	2013 Unaudited RMB'000	2012 Unaudited RMB'000
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,217	1,956	2,121	5,023
Attributable to:				
Owners of the parent	3,370	1,509	2,006	5,314
Non-controlling interests	1,847	447	115	(291)
	5,217	1,956	2,121	5,023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	<i>Notes</i>	30 June 2013 Unaudited RMB'000	31 December 2012 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		89,614	97,781
Prepaid land lease payments		3,413	3,533
Goodwill		308	309
Other intangible assets		8,142	9,166
Investments in jointly-controlled entities		28,351	30,324
Investments in associates		24,115	25,589
Long-term receivables		6,321	8,893
Deferred tax assets		327	327
Total non-current assets		160,591	175,922
CURRENT ASSETS			
Available-for-sale investments		6,600	40,200
Inventories		39,567	35,507
Trade receivables	9	49,158	39,229
Prepayments, deposits and other receivables		23,397	9,094
Cash and bank balances		96,221	74,156
Total current assets		214,943	198,186
CURRENT LIABILITIES			
Trade payables	10	11,970	9,142
Other payables and accruals		45,809	35,517
Taxes payable		2,820	381
Total current liabilities		60,599	45,040
NET CURRENT ASSETS		154,344	153,146
TOTAL ASSETS LESS CURRENT LIABILITIES		314,935	329,068

	30 June 2013 Unaudited RMB'000	31 December 2012 Audited RMB'000
<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES	314,935	329,068
NON-CURRENT LIABILITY		
Deferred income	4,899	8,023
Total non-current liability	4,899	8,023
Net assets	310,036	321,045
EQUITY		
Equity attributable to owners of the parent		
Issued capital	131,304	131,304
Reserves	153,329	151,323
Proposed final dividend	–	13,130
	284,633	295,757
Non-controlling interests	25,403	25,288
Total equity	310,036	321,045

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Issued capital	Capital reserves	Statutory reserves	Retained Profits	Proposed			
					final dividend			
Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	131,304	61,773	38,624	47,570	13,130	292,401	39,305	331,706
Total comprehensive income/(loss) for the period	-	-	-	5,314	-	5,314	(291)	5,023
Final 2011 dividend	-	-	-	-	(13,130)	(13,130)	-	(13,130)
Disposal of a subsidiary	-	(12,961)	(8,385)	21,346	-	-	(11,075)	(11,075)
At 30 June 2012	131,304	48,812	30,239	74,230	-	284,585	27,939	312,524
At 1 January 2013	131,304	61,017	43,202	47,104	13,130	295,757	25,288	321,045
Total comprehensive income for the period	-	-	-	2,006	-	2,006	115	2,121
Final 2012 dividend	-	-	-	-	(13,130)	(13,130)	-	(13,130)
At 30 June 2013	131,304	61,017 [†]	43,202 [†]	49,110 [†]	-	284,633	25,403	310,036

[†] These reserve accounts comprise the consolidated reserves of RMB153,329,000 and RMB151,323,000 in the consolidated statement of financial position as at 30 June 2013 and 31 December 2012, respectively.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 Unaudited RMB'000	2012 Unaudited RMB'000
Net cash inflow from operating activities	2,480	17,115
Net cash inflow from investing activities	17,988	8,001
Net cash inflow/(outflow) from financing activities	1,597	(30,458)
Increase/(decrease) in cash and cash equivalents	22,065	(5,342)
Cash and cash equivalents at beginning of period	74,156	133,489
Cash and cash equivalents at end of period	96,221	128,147

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months and six months ended 30 June 2013 have 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the Company’s audited financial statements for the year ended 31 December 2012.

2. SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment: the in-vitro diagnostic reagent products segment, which manufactures, sells and distributes a variety of mono/double diagnostic reagent products.

Management monitors the operating results of its business units as a whole for the purpose of making decisions about resources allocation of performance assessment. All of the Group’s revenue from external customers and profits from continuing operations are generated from this single segment.

Information about major customers

No revenue from transactions with a single customer amounted to more than 10% of the Group’s total revenue.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2013 Unaudited RMB'000	2012 Unaudited RMB'000	2013 Unaudited RMB'000	2012 Unaudited RMB'000
Depreciation	3,873	3,380	7,746	6,759
Amortisation of know-how	585	419	1,170	837
Amortisation of prepaid land lease payments	44	44	87	87

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2013 Unaudited RMB'000	2012 Unaudited RMB'000	2013 Unaudited RMB'000	2012 Unaudited RMB'000
Interests on bank loans wholly repayable within 5 years	-	368	-	869

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has not generated any assessable profits in Hong Kong during the six months ended 30 June 2013 (2012: Nil). Taxes on profits assessable in the PRC, where the Group operates, have been calculated at the rates of tax prevailing in the PRC, 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 concessionary income tax rate of 15%, where appropriate.

	Three months ended 30 June		Six months ended 30 June	
	2013 Unaudited RMB'000	2012 Unaudited RMB'000	2013 Unaudited RMB'000	2012 Unaudited RMB'000
Current – Mainland, the PRC	1,189	6,063	1,730	6,551

7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share for the three months and six months ended 30 June 2013 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average number of 131,303,671 (2012: 131,303,671) ordinary 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 six months ended 30 June 2013 (2012: Nil).

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. TRADE RECEIVABLES

Except for certain established customers of the Group for several instalment sales contracts entered into with payment terms ranging from two to four years, the credit period of the Group granted to its customers generally for a period ranging from 60 days to 180 days. The Group closely monitors overdue balances, and impairment is made when it is considered that amounts due may not be recovered. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are interest-free.

An aged analysis of the trade receivables of the Group as at the balance sheet date based on invoice date, is as follows:

	30 June 2013 Unaudited RMB'000	31 December 2012 Audited RMB'000
Within 3 months	36,527	32,382
4 to 6 months	6,362	3,954
7 to 12 months	4,330	1,324
1 to 2 years	464	4,850
Over 2 years	1,475	1,112
	49,158	43,622
Less: amount shown as non-current	–	(4,393)
	49,158	39,229

The carrying amounts of the trade receivables approximate to their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE PAYABLES

An aged analysis of trade payables of the Group as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2013 Unaudited RMB'000	31 December 2012 Audited RMB'000
Within 3 months	10,328	7,600
4 to 6 months	539	801
7 to 12 months	263	26
1 to 2 years	536	569
Over 2 years	304	146
	11,970	9,142

The trade payables are non-interest-bearing and are normally settled on credit terms ranging from 30 days to 90 days.

11. ISSUED CAPITAL

	30 June 2013 Unaudited RMB'000	31 December 2012 Audited RMB'000
Registered, issued and fully paid:		
67,017,528 domestic shares of RMB1 each	67,018	67,018
64,286,143 H shares of RMB1 each	64,286	64,286
	131,304	131,304

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2013 (2012: Nil).

13. COMMITMENTS

- (a) The Group did not have any significant capital commitments in respect of plant and machinery as at 30 June 2013 (2012: Nil).
- (b) On 9 December 2004, the IBP and the Group entered into an exclusive technology licensing agreement (the "Licensing Agreement") in regard to the production of diagnostic reagents by employing the technologies owned by the IBP. Pursuant to the Licensing Agreement, the Company is required to pay a fee of RMB500,000 per annum to the IBP for 20 years, commencing on the effective date of the Licensing Agreement.

14. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the period:

		Six months ended 30 June	
		2013 Unaudited RMB'000	2012 Unaudited RMB'000
	Note		
Technical service fee	(i)	250	250

Note:

- (i) Details of the technical service fee are set out in note 13(b) to the interim report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2013 Unaudited RMB'000	2012 Unaudited RMB'000
Short term employee benefits	4,288	4,780
Post-employment benefits	205	205
Total compensation paid to key management personnel	4,493	4,985

The directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

OTHER INFORMATION

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, 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 (<i>note</i>)	3,500,878	5.22%	2.67%
Mr. Hou Quanmin (<i>note</i>)	300,000	0.45%	0.23%
Dr. Wang Lin (<i>note</i>)	200,000	0.30%	0.15%

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

Save as disclosed above, as at 30 June 2013, 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

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

At 30 June 2013, 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, or as otherwise notified to the Company and the Stock Exchange:

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	Domestic shares	H Shares	
IBP	Directly beneficially owned	31,308,576	–	46.72%	0.00%	23.84%
Shanghai Fosun Pingyao Investment Management Company Limited*	Directly beneficially owned	24,506,143	–	36.57%	0.00%	18.67%
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*	Through controlled corporations	24,506,143	6,780,000	36.57%	10.55%	23.83%
Shanghai Fosun High Technology (Group) Co., Ltd.*	Through controlled corporations	24,506,143	6,780,000	36.57%	10.55%	23.83%
Fosun International Limited*	Through controlled corporations	24,506,143	6,780,000	36.57%	10.55%	23.83%
Fosun Holdings Limited*	Through controlled corporations	24,506,143	6,780,000	36.57%	10.55%	23.83%
Fosun International Holdings Ltd.*	Through controlled corporations	24,506,143	6,780,000	36.57%	10.55%	23.83%
Guo Guangchang*	Through controlled corporations	24,506,143	6,780,000	36.57%	10.55%	23.83%
Fosun Industrial Co., Limited*	Directly beneficially owned	–	6,780,000	0.00%	10.55%	5.16%
Beijing Enterprises Holdings Limited*	Directly beneficially owned	–	27,256,143	0.00%	42.40%	20.76%
Beijing Enterprises Group Company Limited	Through controlled corporations	–	27,256,143	0.00%	42.40%	20.76%

OTHER INFORMATION

- # Each of Shanghai Fosun Pingyao Investment Management Company Limited (“Fosun Pingyao”) and Fosun Industrial Co., Limited (“Fosun Industrial”) is a wholly-owned subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (“Fosun Pharmaceutical”). Fosun Pharmaceutical is in turn held by 48.05% and 0.01% by Shanghai Fosun High Technology (Group) Co., Ltd. (“Fosun Hi-Tech”) and Mr. Guo Guangchang respectively. Fosun Hi-Tech is wholly-owned by Fosun International Limited (“Fosun International”) which is in turn held by Fosun Holdings Limited (“Fosun Holdings”) as to 78.24%. Fosun Holdings is wholly-owned by Fosun International Holdings Ltd. (“Fosun International Holdings”) which is in turn held by Mr. Guo Guangchang as to 58%. Pursuant to the SFO, each of Fosun Pharmaceutical, Fosun Hi-Tech, Fosun International, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang is deemed to be interested in the 24,506,143 domestic shares held by Fosun Pingyao and the 6,780,000 H shares held by Fosun Industrial.
- * Beijing Enterprises Group Company Limited is the ultimate holding company of Beijing Enterprises Holdings Limited. Accordingly, it is deemed to be interested in the H shares owned by Beijing Enterprises Holdings Limited.

Save as disclosed above, as far as is known to any directors or supervisors of the Company, as at 30 June 2013, 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, or as otherwise notified to the Company and the Stock Exchange.

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 June 2013.

COMPETING INTERESTS

During the period and up to the date of this report, none of the directors, supervisors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has an interest in any business that competes or may compete, either directly or indirectly, with the business of the Group, nor any conflicts of interest which has or may have with the Group.

OTHER INFORMATION

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 six months ended 30 June 2013.

SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company has adopted the standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. Having made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standards of dealings its code of conduct regarding securities transactions by Directors.

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 financial statements for the period have been reviewed by the audit committee with the three independent non-executive directors of the Company, namely Dr. Rao Yi, Dr. Hu Canwu Kevin, Mr. John Wong Yik Chung and Mr. Wang Daixue.

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 (the "Code") for the period ended 30 June 2013 by establishing a formal and transparent procedures to protect and maximise the interests of the shareholders during the period under review. The Board is of the view that it is in the best interests of the Group to have Mr. Wu, who has 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.