



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 2016



## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE "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 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 GEM 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.**

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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

## PRC OFFICE

No. 27 Chaoqian Road  
Science and Technology Industrial Park  
Changping District  
Beijing, PRC

## HONG KONG OFFICE

66th Floor, Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

## WEBSITE

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

## BOARD OF DIRECTORS

*Chairman and Executive Director*

Mr. Wu Lebin

*Vice Chairman and Executive Director*

Mr. Chen Jintian

*Vice Chairman and Non-executive Director*

Dr. Bi Lijun

*Executive Directors*

Dr. Xu Cunmao

Mr. Zhang Haitao

*Non-executive Director*

Mr. Hou Quanmin

*Independent Non-executive Directors*

Dr. Zheng Yongtang

Dr. Hu Canwu Kevin

Mr. Wang Daixue

## SUPERVISORS

Mr. Zhou Jie

Ms. Yan Xiyun

Ms. Huang Aiyu

## AUDIT COMMITTEE

Dr. Zheng Yongtang (*Chairman*)

Dr. Hu Canwu Kevin

Mr. Wang Daixue

## REMUNERATION COMMITTEE

Dr. Zheng Yongtang (*Chairman*)

Dr. Hu Canwu Kevin

Mr. Wang Daixue

## NOMINATION COMMITTEE

Dr. Hu Canwu Kevin (*Chairman*)

Dr. Zheng Yongtang

Mr. Wu Lebin

Mr. Wang Daixue

## COMPANY SECRETARY

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

## QUALIFIED ACCOUNTANT

Mr. Cheung Yeung *CPA*



## CORPORATE INFORMATION

### 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:*  
Loong & Yeung Solicitors

### HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
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:	GEM
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 (“IVD”) 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 IVD reagents products. It provides hospitals and other medical institutions with quality and reliable diagnostic reagents products.

The Company is strongly backed by prominent institutions and individuals: the largest shareholder is the Institute of Biophysics (“IBP”) of the Chinese Academy of Sciences (“CAS”), the leading research institution of life sciences in the PRC. The second largest shareholder is Mr. Chen Jintian, the Chairman of the Beijing Shuoze Health Industry Investment Company Limited (北京碩澤健康產業投資有限公司) (“Beijing Shuoze”); Beijing Shuoze is a professional medical and health industry investment and management company, its core businesses include medical and health industry investment management services, medical and health management consulting services, research and development of health foods and investment consulting services. The third largest shareholder, Beijing Enterprises Holdings Limited (“Beijing Enterprises”), is incorporated in Hong Kong and listed on the Main Board of the Stock Exchange (stock code: 0392). The third largest shareholder together with its subsidiaries are principally engaged in natural gas operations, brewery operations, sewage and water treatment operations as well as solid waste treatment operations in the PRC.

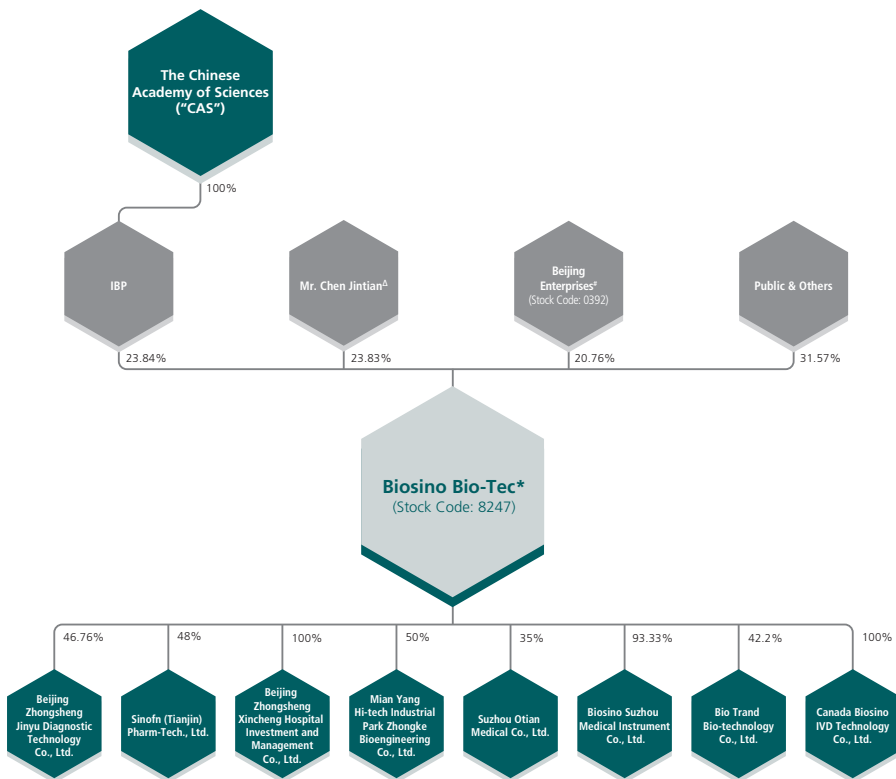
The Group’s “Biosino” brand is highly esteemed by industry peers and end-users of the medical sector. “Biosino” was awarded as a “Renowned Beijing Brand”(北京名牌產品) in 2002 and was awarded the “No. 1 Brand with High Quality and Reputation in the IVD Reagent Market of the PRC”(中國診斷試劑市場用戶滿意質量信譽第一品牌) in 2005. The Group adopts an integrated retail and distribution model in marketing. It has also established an efficient, stable and extensive sales network with more than 600 distributors, covering over 30 provinces, cities and autonomous regions in the PRC. The Group’s diagnostic reagents products are popular amongst domestic hospitals and medical institutions.

In addition, at the heart of Biosino Bio-Tec’s excellent reputation as a leading research hub and the long-term business development of the Group is the solid scientific or research background of the management, a number of the Group’s managers are professors and doctorate holders, some have even had research experience at IBP. The Group’s management is committed to upholding the principles of “By the people, for the people; advocating innovation; quality first; forging excellence and professionalism; moral integrity and compliance”, and strives to enhance the Group’s overall competitiveness.

H shares of the Company have been listed on the GEM since 27 February 2006.

# GROUP STRUCTURE

As at 30 June 2016



\* For identification purposes only

\* 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 Mr. Chen Jintian via Beijing Shuoze and HK Future Investment Group Limited\* (香港未來投資集團有限公司) (“HK Future”) as to 18.67% and 5.16% respectively.



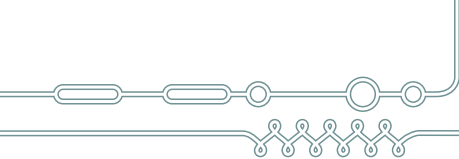
# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW FOR THE FIRST HALF OF 2016

Since the technology barrier for biochemical reagents is relatively low and that biochemical analyzers have become readily acquirable, Chinese enterprises found a way to break into the in-vitro diagnostic (“IVD”) market through manufacturing their own biochemical reagents using foreign technologies and the importation of biochemical analyzers. Today, a batch of sizable Chinese in-vitro diagnostic enterprises that mainly manufacture biochemical reagents have become visible in the market. Biochemical diagnostic reagent is the most developed segment in the IVD industry in the PRC at present; the overall technological levels of which is on par with their international counterparts and the product quality and independent innovation capacity have improved substantially. The improved traceability of diagnostic products has also allowed better benchmarking and improved the accuracy, consistency and comparability of diagnostic tests. The room of import substitution is continuously expanding; currently domestic reagents has over 60% of market share in the biochemical reagent sector of the PRC, hence import substitution had basically completed. However, the high-end biochemical analyzers market is still dominated by foreign brands due to its high technology barrier. This testifies to the importance of research and development in the IVD sector: the sale of reagents is bundled with the sale of analyzers, and it is the sale of analyzers that drives the sale of reagents; while the development of analyzers require more advanced technologies. High-end instruments are almost invariably specific in operations, that is, such instruments are only compatible with specific reagents from specific manufacturers. The domestic biochemical diagnostic reagents manufacturers are highly homogenized, and thus suffer from fierce price competition; their growth rate declined year on year and it is a matter of urgency to develop new technologies and products in order to keep up with international competitors. After all research and development is, again, at the heart of the competition in the IVD instruments and reagents. At present, since residents of the PRC become increasingly aware of disease prevention and health-conscious, and that drug prices are falling in China not least because of the abolishment of drug price mark-ups policies, the diagnostic services will become an increasingly important source of income for hospitals.

It is expected that in next five years, with the population aging and people being increasingly health-conscious, total medical visits will maintain at a growth rate of over 5%; it is also expected that medical expenditure per capita will grow at a rate of 5-7%. While diagnosis is the first step of any medical treatment, and IVD is the prevalent initial inspection and testing measure; it is estimated that about 30% of outpatient medical expenditure will be attributable to the clinical application of IVD products. The increased capacity of PRC enterprises in research and development, the growing demand of medical diagnostics services in primary hospitals, together with medical reforms launched by the PRC government including the implementation of “charging by inspection item/examination” policy will all catalyze the import substitution of IVD instruments and reagents in China further. Under the new requirement for Chinese hospitals to “exercise fiscal prudence”, it is also expected that hospitals will tend to use more domestic reagents, which will be beneficial for domestic reagent enterprises.





## MANAGEMENT DISCUSSION AND ANALYSIS

As advances in diagnostic technologies, diagnostic technologies from screening, diagnosis to treatment becomes further segmented and specialized. Research and development of new technologies and their applications, including advanced diagnostic technology, treatment technology and healthcare management platform have brought about changes that will substantially alter the landscape of clinical diagnosis. In particular, the effect of individualized molecular diagnostic technology on the industry is worth taking a closer look at. In addition, attention should also be paid to the cooperation model amongst manufacturers and distributors: The emergence of several large domestic biochemical diagnostic companies would not have happened without a broad network of distributors and strong sales channels, their relationships are deepened through stronger capital ties and intensified bonding.

## RESEARCH AND DEVELOPMENT

During the reporting period, the Company was granted the rights of 20 patents, including as follows:

Allergen specific IgE detection strip for milk screening and its preparation method; Allergen specific IgE detection strip for fruit screening and its preparation method; Allergen specific IgE detection strip for mushrooms screening and its preparation method; Allergen specific IgE detection strip for cephalosporins screening and its preparation method; Allergen specific IgE detection strip for spices screening and its preparation method; Allergen specific IgE detection strip for insulin screening and its preparation method; Allergen specific IgE detection strip for meat screening and its preparation method; Allergen specific IgE detection strip for cotton screening and its preparation method; Allergen specific IgE detection strip for weeds pollen screening and its preparation method; Allergen specific IgE detection strip for dermatophagoides pteronyssinus screening and its preparation method; Allergen specific IgE detection strip for seafood screening and its preparation method; Allergen specific IgE detection strip for animal fur for scurf screening and its preparation method; Allergen specific IgE detection strip for tetanus antitoxin screening and its preparation method; Allergen specific IgE detection strip for nuts screening and its preparation method; Allergen specific IgE detection strip for silk screening and its preparation method; Allergen specific IgE detection strip for vegetable screening and its preparation method; Allergen specific IgE detection strip for albumen screening and its preparation method; Allergen specific IgE detection strip for pest screening and its preparation method; Allergen specific IgE detection strip for cereal screening and its preparation method; Allergen specific IgE detection strip for fungi screening and its preparation method.

## FINANCIAL REVIEW FOR THE FIRST HALF OF 2016

During the reporting period, the Group achieved a revenue of RMB168 million, representing an increase of 26% when compared with the same period last year. It achieved a net profit of RMB2,475,000, representing an increase of 18.8% when compared with the same period last year, which was mainly due to the increase in sales of commercial reagents and instruments.



## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECT AND OUTLOOK

Consumption of IVD reagents is mainly for the use of clinical medical examination and testing. In China, approximately 90% of IVD reagent products are used by hospitals clients. Other than the 22,700 hospitals of different levels, the clients also include 37,200 town-level health centres, 450 blood stations, as well as numerous emerging physical examination centres and independent medical laboratories.

The launching and implementation of the new medical reform and health sector policies substantively benefit the pharmaceutical sector. In particular, the influence of the medical reform has led to a steady increase in the number of domestic medical visits. This fosters the development of the basic level medical market, further improving the market sentiment and business environment of the industry. The important policies under the reform, such as the encouragement of private capital investment in the medical service industry, will bring new changes to the situation and operation mode of hospitals. It is expected that driven by social capital, the medical service market, especially the basic level medical market and high ended medical service, will be significantly boosted. Thereby, the demand for diagnostic reagents and general materials will continue to increase, benefiting the continuous growth of the Company's business scale and sales. However, with the gradual implementation of new medical reform and the removal of medicine markups policies, the charges of medical services begin to draw public attention. In terms of the criterion for medical service pricing issued, as we can see from some provinces and cities following the new regulations, reduction in the proportion of inspection fee and lowering the inspection and testing item pricing begin to take shape. With the increasing number of sellers, the market competition for IVD reagent sector is becoming more and more intense. Enterprises are also facing on-going challenges in product quality enhancement and optimizing product packages.

### 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. There was no new issue of shares and RMB79.70 million short-term bank borrowings were obtained during the period.

As at 30 June 2016, the Group had cash and bank balances of approximately RMB71.41 million (as at 31 December 2015: approximately RMB70.07 million). The Group had RMB79.70 million unsecured bank loan as at 30 June 2016 (as at 31 December 2015: RMB nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

### FOREIGN CURRENCY RISK

The Group's businesses are mostly located in the PRC and most transactions are conducted in RMB, except that the Group occasionally purchases equipment and some in-vitro diagnostic reagent products from foreign countries for resale in the PRC and administrative expenses incurred by the Canadian subsidiary. Certain bank accounts denominated in Hong Kong dollars are in Hong Kong for the payments of H share dividends and miscellaneous expenses such as professional fees incurred in Hong Kong.

### PLEDGE OF ASSETS OF THE GROUP

At 30 June 2016, certain of the Group's buildings with a net carrying amount of approximately RMB30,842,000 were pledged to secure general bank facilities granted to an associate, Sinofn (Tianjin) Pharm-Tech Co., Ltd. Such bank facilities were not utilised by the associate as at the end of the reporting period.

At 30 June 2016, certain of the Group's prepaid land lease payments with a net carrying amount of approximately RMB2,855,000 were pledged to secure general bank facilities granted to an associate, Sinofn (Tianjin) Pharm-Tech Co., Ltd. Such bank facilities were not utilised by the associate as at the end of the reporting period.

### CONTINGENT LIABILITIES

As at the end of the reporting period, contingent liabilities not provided for in the financial statement were as follows:

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Guarantee given to a bank in connection with the loans granted to an associate	<b>50,000</b>	50,000



## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEE

As at 30 June 2016, approximately 575 full-time employees (as at 31 December 2015: approximately 532) were employed by the Group. The total staff costs of the Group (including the directors' remunerations) for the six months ended 30 June 2016 amounted to approximately RMB41.64 million (2015: approximately RMB40.47 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, 12 August 2016

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 2016 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2016, together with the comparative figures in 2015, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 Unaudited RMB'000	2015 Unaudited RMB'000	2016 Unaudited RMB'000	2015 Unaudited RMB'000
<b>REVENUE</b>	2, 3	<b>88,611</b>	75,100	<b>168,036</b>	133,374
Cost of sales		<b>(51,326)</b>	(40,477)	<b>(97,619)</b>	(69,484)
Gross profit		<b>37,285</b>	34,623	<b>70,417</b>	63,890
Other income and gains, net		<b>(303)</b>	4,502	<b>1,867</b>	5,276
Selling and distribution expenses		<b>(11,022)</b>	(13,349)	<b>(28,580)</b>	(27,390)
Administrative expenses		<b>(13,608)</b>	(12,759)	<b>(20,730)</b>	(23,921)
Research and development expenses		<b>(7,154)</b>	(6,061)	<b>(13,790)</b>	(10,988)
Other expenses		-	(633)	-	(633)
<b>PROFIT FROM OPERATING</b>					
<b>ACTIVITIES</b>	4	<b>5,198</b>	6,323	<b>9,184</b>	6,234
Finance costs	5	<b>(708)</b>	(138)	<b>(953)</b>	(242)
Share of profits and losses of:					
A joint venture		<b>(805)</b>	(819)	<b>(805)</b>	(819)
Associates		<b>(756)</b>	273	<b>(2,832)</b>	(1,381)

		Three months ended 30 June		Six months ended 30 June	
		2016 Unaudited RMB'000	2015 Unaudited RMB'000	2016 Unaudited RMB'000	2015 Unaudited RMB'000
<b>PROFIT BEFORE TAX</b>		<b>2,929</b>	5,639	<b>4,594</b>	3,792
Income tax	6	<b>(1,117)</b>	(1,023)	<b>(2,119)</b>	(1,709)
<b>PROFIT FOR THE PERIOD</b>		<b>1,812</b>	4,616	<b>2,475</b>	2,083
Attributable to:					
Owners of the parent		<b>2,445</b>	3,892	<b>3,841</b>	2,729
Non-controlling interests		<b>(633)</b>	724	<b>(1,366)</b>	(646)
		<b>1,812</b>	4,616	<b>2,475</b>	2,083
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>					
– Basic (RMB)	7	<b>0.02</b>	0.03	<b>0.03</b>	0.02
– Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2016

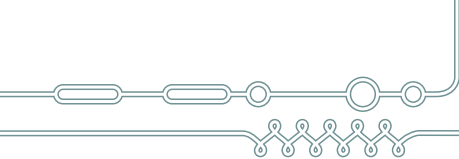
	Three months ended 30 June		Six months ended 30 June	
	2016 Unaudited RMB'000	2015 Unaudited RMB'000	2016 Unaudited RMB'000	2015 Unaudited RMB'000
<b>PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,812</b>	4,616	<b>2,475</b>	2,083
Attributable to:				
Owners of the parent	<b>2,445</b>	3,892	<b>3,841</b>	2,729
Non-controlling interests	<b>(633)</b>	724	<b>(1,366)</b>	(646)
	<b>1,812</b>	4,616	<b>2,475</b>	2,083

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		93,760	82,881
Prepaid land lease payments		3,230	3,230
Goodwill		309	309
Other intangible assets		1,005	1,478
Investment in a joint venture		13,468	14,273
Investments in associates		13,795	16,627
Available-for-sale investment		529	529
Long-term receivables	9	6,754	4,152
Deferred tax assets		1,159	1,159
Total non-current assets		<b>134,009</b>	124,638
<b>CURRENT ASSETS</b>			
Available-for-sale investments		–	3,000
Inventories		44,842	41,845
Trade and bills receivables	9	109,038	87,851
Prepayments, deposits and other receivables		123,022	55,635
Time deposits		9,000	25,000
Cash and cash equivalents		62,405	45,068
Total current assets		<b>348,307</b>	258,399
<b>CURRENT LIABILITIES</b>			
Trade payables	10	49,886	31,941
Other payables and accruals		51,311	42,689
Interest-bearing bank borrowing		79,700	–
Tax payable		2,211	335
Total current liabilities		<b>183,108</b>	74,965
<b>NET CURRENT ASSETS</b>		<b>165,199</b>	183,434
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>299,208</b>	308,072





	<b>30 June 2016 Unaudited RMB'000</b>	31 December 2015 Audited RMB'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>299,208</b>	308,072
<b>NON-CURRENT LIABILITIES</b>		
Deferred income	<b>13,260</b>	11,442
Deferred tax liabilities	<b>505</b>	505
Total non-current liabilities	<b>13,765</b>	11,947
Net assets	<b>285,443</b>	296,125
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	<b>131,304</b>	131,304
Reserves	<b>134,133</b>	143,449
	<b>265,437</b>	274,753
<b>Non-controlling interests</b>	<b>20,006</b>	21,372
Total equity	<b>285,443</b>	296,125

Notes

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserves	Statutory reserves	Retained Profits	Exchange fluctuation reserve	Total	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 2015	131,304	85,697	42,648	27,465	188	287,302	26,463	313,765	
Total comprehensive income/(loss) for the period	-	-	-	2,729	-	2,729	(646)	2,083	
Final 2014 dividend	-	-	-	(13,130)	-	(13,130)	-	(13,130)	
At 30 June 2015	131,304	85,697	42,648	17,064	188	276,901	25,817	302,718	
At 1 January 2016	131,304	86,784	42,817	13,667	181	274,753	21,372	296,125	
Total comprehensive income/(loss) for the period	-	-	-	3,841	(27)	3,814	(1,366)	2,448	
Final 2015 dividend	-	-	-	(13,130)	-	(13,130)	-	(13,130)	
At 30 June 2016	131,304	86,784*	42,817*	4,378*	154*	265,437	20,006	285,443	

\* These reserve accounts comprise the consolidated reserves of RMB134,133,000 and RMB143,449,000 in the consolidated statement of financial position as at 30 June 2016 and 31 December 2015, respectively.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30 June 2016*

	Six months ended 30 June	
	2016 Unaudited RMB'000	2015 Unaudited RMB'000
Net cash (outflow)/inflow from operating activities	(12,671)	10,678
Net cash outflow from investing activities	(66,240)	(2,775)
Net cash inflow/(outflow) from financing activities	80,248	(38)
Increase in cash and cash equivalents	1,337	7,865
Cash and cash equivalents at beginning of period	70,068	81,844
Cash and cash equivalents at end of period	71,405	89,709



# 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 2016 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 (Cap. 622). 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 2015.

## 2. OPERATING 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 and 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.

### Geographical information

During the period ended 30 June 2016 and 2015, almost all of the Group’s revenue was generated from customers located in Mainland China and all of the non-current assets of the Group were located in Mainland China.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. REVENUE

Revenue represents the net invoiced value of goods sold, net of taxations and surcharges, and after allowances for the goods returned and trade discounts.

### 4. PROFIT FROM OPERATING ACTIVITIES

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

	Three months ended 30 June		Six months ended 30 June	
	2016 Unaudited RMB'000	2015 Unaudited RMB'000	2016 Unaudited RMB'000	2015 Unaudited RMB'000
Depreciation	3,502	4,784	7,003	9,567
Amortisation of know-how	374	278	748	556
Amortisation of prepaid land lease payments	25	25	50	50

### 5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2016 Unaudited RMB'000	2015 Unaudited RMB'000	2016 Unaudited RMB'000	2015 Unaudited RMB'000
Interests on bank loans wholly repayable within 5 years	708	138	953	242

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6. INCOME 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 six months ended 30 June 2016 (2015: 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 a subsidiary, being registered as new and high technology enterprises in Beijing, are entitled to concessionary income tax rate of 15%.

	Three months ended 30 June		Six months ended 30 June	
	2016 Unaudited RMB'000	2015 Unaudited RMB'000	2016 Unaudited RMB'000	2015 Unaudited RMB'000
Current – Mainland, the PRC	1,117	1,023	2,119	1,709

### 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 2016 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average number of 131,303,671 (2015: 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 2016 (2015: Nil).

### 8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9. TRADE AND BILLS 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 payment 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:

	<b>30 June 2016 Unaudited RMB'000</b>	31 December 2015 Audited RMB'000
Within 3 months	<b>66,833</b>	60,972
4 to 6 months	<b>25,154</b>	19,309
7 to 12 months	<b>16,943</b>	7,247
1 to 2 years	<b>5,427</b>	2,248
Over 2 years	<b>1,435</b>	2,227
	<b>115,792</b>	92,003
Less: amount shown as non-current	<b>(6,754)</b>	(4,152)
	<b>109,038</b>	87,851

The carrying amounts of the trade receivables were 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:

	<b>30 June 2016 Unaudited RMB'000</b>	31 December 2015 Audited RMB'000
Within 3 months	<b>45,501</b>	25,933
4 to 6 months	<b>3,988</b>	4,043
7 to 12 months	<b>106</b>	90
1 to 2 years	<b>103</b>	1,678
Over 2 years	<b>188</b>	197
	<b>49,886</b>	31,941

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

### 11. ISSUED CAPITAL

	<b>30 June 2016 Unaudited RMB'000</b>	31 December 2015 Audited RMB'000
Registered, issued and fully paid:		
67,017,528 domestic shares of RMB1 each	<b>67,018</b>	67,018
64,286,143 H shares of RMB1 each	<b>64,286</b>	64,286
	<b>131,304</b>	131,304



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. CONTINGENT LIABILITIES

The guarantee given to a bank in connection with loans granted to an associate was RMB50,000,000 as at 30 June 2016 (31 December 2015: RMB50,000,000).

### 13. COMMITMENTS

- (a) The Group did not have any significant capital commitments in respect of plant and equipment as at 30 June 2016 (31 December 2015: 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	
		2016 Unaudited RMB'000	2015 Unaudited RMB'000
	<i>Note</i>		
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	
	2016 Unaudited RMB'000	2015 Unaudited RMB'000
Short term employee benefits	<b>4,681</b>	4,531
Post-employment benefits	–	245
Total compensation paid to key management personnel	<b>4,681</b>	4,776

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



## OTHER INFORMATION

### DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the interests of the Directors, supervisors or chief executive of the Company 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 of Director	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	3,500,878	5.22%	2.67%
Mr. Hou Quanmin	300,000	0.45%	0.23%
Dr. Xu Cunmao	200,000	0.30%	0.15%
Mr. Zhou Jie	150,000	0.22%	0.11%

*Note:* All the above Directors are the registered holders and beneficial owners of the respective domestic shares.

Save as disclosed above, as at 30 June 2016, none of the Directors, supervisors or chief executive of the Company had registered an interest and 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.

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

As at 30 June 2016, as far as is known to any Directors and supervisors of the Company, other than the interest of the Directors, supervisors and chief executive of the Company as disclosed under the section headed "Directors', Supervisors' and Chief Executive's Interests in Shares and Underlying Shares" above, the following persons had interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register 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 of Shareholder	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 Share capital
		Domestic shares	H shares	Domestic shares	H shares	
Institute of Biophysics of Chinese Academy of Sciences	Directly beneficially owned	31,308,576	–	46.72%	0.00%	23.84%
Beijing Shuoze Health Industry Investment Company Limited ("Beijing Shuoze") <sup>#</sup>	Directly beneficially owned	24,506,143	–	36.57%	0.00%	18.67%
Hong Kong Future Investment Group Limited ("HK Future") <sup>#</sup>	Directly beneficially owned	–	6,780,000	0.00%	10.55%	5.16%
Chen Jintian	Through controlled corporations	24,506,143	6,780,000	36.57%	10.55%	23.83%
Beijing Enterprises Holdings Limited <sup>^</sup>	Directly beneficially owned	–	27,256,143	0.00%	42.40%	20.76%
Beijing Enterprises Group Company Limited <sup>^</sup>	Through controlled corporations	–	27,256,143	0.00%	42.40%	20.76%
Chung Shek Enterprises Company Limited	Directly beneficially owned	–	3,800,000	0.00%	5.91%	2.89%
K.C. Wong Education Foundation	Through controlled corporations	–	3,800,000	0.00%	5.91%	2.89%



## OTHER INFORMATION

- # Each of Beijing Shuoze and HK Future is wholly owned by Mr. Chen Jintian who is therefore deemed to be interested in the domestic shares and H shares held by Beijing Shuoze and HK Future respectively pursuant to the SFO.
- ^ 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 pursuant to the SFO.

Save as disclosed above, as far as is known to any Directors or supervisors of the Company, as at 30 June 2016, no person, other than the Directors, supervisors and chief executive of the Company, whose interests are set out in the section headed "Directors', Supervisors' and Chief Executive's Interests in Shares and Underlying Shares" above, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register 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.

## 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 during the six months ended 30 June 2016.

### COMPETING INTERESTS

During the period and up to the date of this report, none of the Directors, supervisors, the substantial shareholders of the Company and their respective close 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.

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

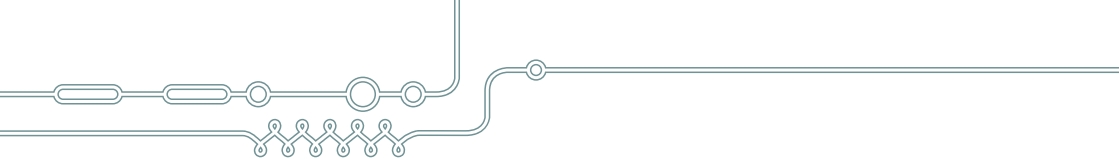
Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

### DIRECTORS' SECURITIES TRANSACTIONS

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' dealings in the securities of the Company. Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standards of dealings and such code of conduct regarding securities transactions by Directors during the six months ended 30 June 2016.

### AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with 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. Zheng Yongtang, Dr. Hu Canwu Kevin and Mr. Wang Daixue.



## OTHER INFORMATION

### CORPORATE GOVERNANCE

For the period ended 30 June 2016, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code (Appendix 15 to the GEM Listing Rules) with the exception of Code Provision A.1.8 as addressed below.

#### Code Provision A.1.8

Under Code Provision A.1.8, the Company should arrange appropriate insurance to cover potential legal actions against its Directors. As at the date of this report, the Company has not arranged such insurance coverage for the Directors.

The Company is in the process of reviewing and comparing the quotations and insurance proposals provided by a number of insurers, and currently targets to purchase the relevant liability insurance for the Directors within 2016.