



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)

Third Quarterly Report 2016



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 high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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 or deceptive; and (2) there are no other matters the omission of which would make any statement in this report misleading.



CONTENTS

	<i>Page</i>
Corporate Information	3
Condensed Consolidated Income Statement	5
Condensed Consolidated Statement of Comprehensive Income	6
Notes to the Condensed Consolidated Income Statement	7
Management Discussion and Analysis	10
Other Information	13



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

THIRD QUARTERLY RESULTS FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2016

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 2016, together with the comparative figures for the same periods in 2015, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016 Unaudited RMB'000	2015 Unaudited RMB'000	2016 Unaudited RMB'000	2015 Unaudited RMB'000
REVENUE					
Cost of sales	3	79,658 (47,251)	77,188 (40,594)	247,694 (144,870)	210,562 (110,078)
Gross profit		32,407	36,594	102,824	100,484
Other income and gains, net		574	63	2,441	5,339
Selling and distribution expenses		(14,741)	(16,026)	(43,321)	(43,416)
Administrative expenses		(8,166)	(10,285)	(28,896)	(34,206)
Research and development expenses		(4,445)	(4,883)	(18,235)	(15,871)
Other expenses, net		(1,433)	421	(1,433)	(212)
PROFIT FROM OPERATING ACTIVITIES		4,196	5,884	13,380	12,118
Finance costs		(1,034)	-	(1,987)	(242)
Share of loss of joint ventures		(866)	(1,462)	(1,671)	(2,281)
Share of profit/(loss) of associates		3,304	695	472	(686)
PROFIT BEFORE TAX		5,600	5,117	10,194	8,909
Income tax	4	(1,601)	(1,202)	(3,720)	(2,911)
PROFIT FOR THE PERIOD		3,999	3,915	6,474	5,998
Attributable to:					
Owners of the parent		4,517	3,575	8,358	6,304
Non-controlling interests		(518)	340	(1,884)	(306)
		3,999	3,915	6,474	5,998
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT					
Basic	5				
- For profit for the period		0.03	0.03	0.05	0.05
Diluted					
- For profit for the period		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2016

	Three months ended 30 September		Nine months ended 30 September	
	2016 Unaudited RMB'000	2015 Unaudited RMB'000	2016 Unaudited RMB'000	2015 Unaudited RMB'000
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,999	3,915	6,474	5,998
Attributable to:				
Owners of the parent	4,517	3,575	8,358	6,304
Non-controlling interests	(518)	340	(1,884)	(306)
	3,999	3,915	6,474	5,998



NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

1. CORPORATE INFORMATION

Biosino Bio-Technology and Science Incorporation (the “Company”) is a company incorporated in the People’s Republic of China (the “PRC”) with limited liability. 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 manufacturing, sale and distribution of in-vitro diagnostic reagent products.

2. BASIS OF PREPARATION

The unaudited condensed consolidated income statement and statement of comprehensive income for the three months and nine months ended 30 September 2016 have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants 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 and statement of comprehensive income are consistent with those used in the Company’s audited financial statements for the year ended 31 December 2015.

3. REVENUE

Revenue 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 INCOME STATEMENT

4. 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 nine months ended 30 September 2016 (2015: Nil). Taxes on profits assessable in Mainland China, where the Group operates, have been calculated at the rates of tax applicable in Mainland China, based on existing legislation, interpretations and practices in respect thereof. According to the relevant PRC income tax law, the Company and its subsidiary, being registered as new and high technology enterprises in Beijing, are entitled to a concessionary income tax rate of 15%.

	Three months ended 30 September		Nine months ended 30 September	
	2016 Unaudited RMB'000	2015 Unaudited RMB'000	2016 Unaudited RMB'000	2015 Unaudited RMB'000
The Current – Mainland China	1,601	1,202	3,720	2,911

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

NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

6. RESERVES

The movements of reserves for the nine months ended 30 September 2016 and 2015 are as follows:

	Attributable to owners of the parent					Total Unaudited RMB'000
	Issued share capital Unaudited RMB'000	Capital reserves [#] Unaudited RMB'000	Statutory reserves Unaudited RMB'000	Retained profits Unaudited RMB'000	Exchange fluctuation reserves Unaudited RMB'000	
At 1 January 2015	131,304	85,697	42,648	27,465	188	287,302
Total comprehensive income for the period	-	-	-	6,304	-	6,304
Final 2015 dividend	-	-	-	(13,130)	-	(13,130)
At 30 September 2015	131,304	85,697	42,648	20,639	188	280,476
At 1 January 2016	131,304	86,784	42,817	13,667	181	274,753
Total comprehensive income for the period	-	-	-	8,358	(27)	8,331
Final 2016 dividend	-	-	-	(13,130)	-	(13,130)
At 30 September 2016	131,304	86,784	42,817	8,895	154	269,954

[#] 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 2016 (2015: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

THE THIRD QUARTER OF 2016

At present, the biochemical diagnostic reagent has become the most developed segment in the IVD industry in the PRC, the overall technology standard had basically matched the international level for the same period, and product quality and independent innovation capacity have increased substantially. Through the traceability of diagnostic products, the accuracy, consistency and comparability of examination and testing results were improved, the room of import substitution continued to expand, the market share for domestic reagents had reached over 60% in the biochemical reagent sector in the PRC, hence import substitution had basically completed. However, the high-end biochemical analyzers are still dominated by foreign brands due to higher technology barriers. The characteristics of IVD industry is the focus of primary importance in determining the research and development of analyzers. Reagents are permitted to bundle its sales with analyzers, and sales of analyzers can drive up high sales of reagents. As the quality of domestic biochemical diagnostic reagents is homogenized seriously, along with fierce price competition, the growth rate declined year on year. It is urgently necessary to increase our competitiveness with new technologies and new products. The research and development is the most core competition barrier for IVD instruments and reagents.

In next five years, it is expected that with intensifying aging issue and improvement in people's health consciousness, total medical visits will maintain at a growth rate of over 5%, and it is also expected that medical expenditure per capita will also maintain at a growth rate of 5%-7%. With diagnosis as the first step of medical treatment, and IVD as an initial inspection and testing measure, about 30% of outpatient medical expenditure will be attributable to the clinical application of IVD products. With the improved strength of PRC enterprises in research and development and the increase in treatment as well as examination and testing quantities in primary hospitals, together with the change in guideline policy of charging by inspection item/examination and testing methods and so on, it will further facilitate the process of the IVD instruments and reagents to achieve import substitution. That is, under the need of "expense control" by hospitals, hospitals will tend to use more domestic reagents, which will be beneficial to domestic reagent enterprises.

Revenue for the nine months ended 30 September 2016 was approximately RMB248 million, representing an increase of 17.5% as compared with approximately RMB211million for the corresponding period last year.

Profit attributable to shareholders of the Company for the nine months ended 30 September 2016 was RMB8.36 million, representing an increase of approximately 32.7% as compared with the corresponding period last year, which was mainly due to more effective cost control of its subsidiaries.



MANAGEMENT DISCUSSION AND ANALYSIS

In terms of 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.

During the reporting period, the Research and Development Center of the Company was accredited as “Beijing Municipal Enterprise Technology Research and Development Institution” by Beijing Municipal Science & Technology Commission. Its registered trademark was approved as “2015 Beijing Famous Trademark” by Beijing Administration for Industry and Commerce; and it was granted the certificate of “Fast Development Project of Beijing Biomedical Industry – Industry Leader” by Beijing Municipal Science & Technology Commission.



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND FUTURE PROSPECT

Clinical medical examination and testing is the principal consumption direction for IVD reagents. In China, approximately 90% of IVD reagent products are concentrated on hospital clients, including 22,700 all-level hospitals, 37,200 town-level health centers and 450 blood stations, and also those emerging physical examination centers and independent medical laboratories.

With the substantive benefits in the pharmaceutical sector from the launching and implementation of new medical reform and health sector policies, the impact of medical reform is spreading out with a steady increase in the number of domestic medical visits. In particular, they play a significant role in the development of the basic level medical market. As such, the operating atmosphere and market sentiment of the industry were further improved. The important changes in medical reform policies by the government, such as the encouragement of private capital investment in medical service industry, will bring new changes for the setup and management model of hospitals. It is expected that as driven by social capital, the medical service market, in particular the basic level medical market and high-end medical service, will have significant increase. The demand for diagnostic reagents and general consumables will continue to increase, which are beneficial to the continuous growth of our business scale and products sales. However, after 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 by some provinces and cities, reduction in the proportion of inspection fees and lowering the inspection and testing item price begin to take shape. With increasing market participants, the market competition for IVD industry is becoming more and more intense. Enterprises are also facing on-going challenges in product quality enhancement and product-mix optimization.



OTHER INFORMATION

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

As at 30 September 2016, the interests of the directors, supervisors or chief executive of the Company in the shares and underlying shares of the Company or any of its 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	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 persons are the registered holders and beneficial owners of the respective domestic shares.

Save as disclosed above, as at 30 September 2016, none of the directors, supervisors or chief executive of the Company 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 September 2016, 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 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") [#]	Directly beneficially owned	24,506,143	–	36.57%	0.00%	18.67%
Hong Kong Future Investment Group Limited ("HK Future") [#]	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 [^]	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%
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 held by Beijing Enterprises Holdings Limited pursuant to the SFO.

Save as disclosed above, so far as is known to any Directors or supervisors of the Company, as at 30 September 2016, no person, other than the Directors, chief executive or supervisors of the Company, whose interests are set out in the section “Directors’, Supervisors’ and Chief executive’s 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 required to be 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 September 2016.

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.

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 2016.



OTHER INFORMATION

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 standards of dealings as required by 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 of the Company with the three independent non-executive directors, namely Dr. Zheng Yongtang, Dr. Hu Canwu Kevin and Mr. Wang Daixue.

CORPORATE GOVERNANCE

For the period ended 30 September 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.

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

Beijing, the PRC, 14 November 2016