



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)

2017
Interim Report

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

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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

Mr. Zhang Haitao

Dr. Xu Cunmao

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.

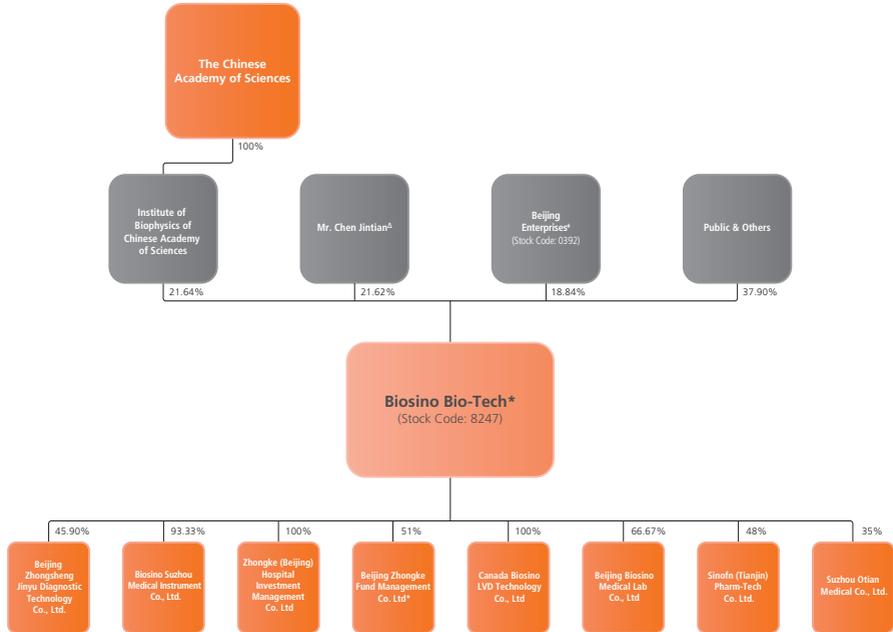
The Group’s “Biosino” brand is highly esteemed by industry peers and end-users of the medical sector. “Biosino” was awarded as a “Renowned Beijing Brand”(北京名牌產品) in 2002 and was awarded the “No. 1 Brand with High Quality and Reputation in the IVD Reagent Market of the PRC”(中國診斷試劑市場用戶滿意質量信譽第一品牌) in 2005. 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 2017



* The H shares of the Company are listed on the GEM

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

△ Mr. Chen Jintian holds 16.93% and 4.69% of Biosino Bio-Tech via Beijing Shuoze and HK Future Investment Group Limited (“HK Future”) respectively, totalling 21.62% shareholding.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW FOR THE FIRST HALF OF 2017

At present, the biochemical diagnostic reagent has become the most developed segment in the in-vitro diagnostic (“IVD”) industry in the PRC, in which its overall technology standard had basically matched the current international standard, and product quality and independent innovation capacity have increased substantially. However, such segment industry recorded a flat growth. As the biochemical reagent technology barrier is relatively low as well as the opening up of biochemical analyzers, domestic enterprises entered the market by taking track and imitating foreign technologies and producing reagent products supporting imported biochemical analyzers, thereby forming a batch of sizable IVD enterprises which mainly manufacture biochemical reagents. Through the traceability of diagnostic products, the accuracy, consistency and comparability of examination and testing results were improved, the room of import substitution is continuously expanding, 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. Sales of reagents and analyzers may be bundled together, and sales of analyzers can drive up high sales of reagents due to the resulted higher barrier in research and development of analyzers. The high-end instruments are mostly run in closed operation, that is, such instruments are only compatible with special reagents from specific manufacturers. 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 core competition barrier for IVD instrument and reagents.

At present, under the overall background of citizens’ increasing awareness in disease prevention and health consciousness, as well as drugs price reduction and removal of medicine markups policies, the medical treatment service will become the main income source for hospitals. The PRC has turned into an aged society. 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 expected that medical expenditure per capita will also maintain a growth rate of 5%-7%. With IVD as the first step of medical treatment, and IVD as a base inspection and testing measure, about 30% of outpatient medical expenditure will be attributable to the clinical application of IVD products. With the advancement of the hierarchical medical system, the improved strength of PRC enterprises in research and development and the increase in examination and testing quantities in primary hospitals, under the combined influence of the medical issuance expense control policy and the need of “expense control” by hospitals, hospitals (especially those at the county level and below) will tend to use more domestic reagents, especially the biochemical diagnosis with relatively high price-performance, which will be beneficial to domestic reagent and instruments enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS

With the development of diagnostic technology, from the stages of screening, definite diagnosis to treatment, the diagnostic technology has begun to be professionally segmented. Research and development of new technologies and their applications, which include advanced diagnostic technology, treatment technology and health management platform have brought the changes. These changes will certainly generate significant impact on clinical diagnosis. In particular, attention should be focused on the effect on individualised diagnosis, represented by molecular diagnostic technology in the industry. Furthermore, attention should be paid to the cooperation model between manufacturers and distributors. The emergence of several major domestic biochemical diagnostic companies is supported by strong sales channels and distributors, and their interests have been strengthened by way of capital ties and intensified bonding, which will become an important trend in the market competition in the future.

RESEARCH AND DEVELOPMENT

During the reporting period, the Company submitted the applications of 2 new patents in total, which are a kind of reagents kit testing SLC26A4 genetic mutation and its application and a kind of reagents kit testing staphylococcus epidermidis and its application. The Company also renewed the registration of 9 products.

FINANCIAL REVIEW FOR THE FIRST HALF OF 2017

During the reporting period, the Group achieved a revenue of RMB133 million, representing a decrease of 20.9% when compared with the same period last year. It achieved a net profit of RMB5,185,000, representing an increase of 109.5% when compared with the same period last year. The decrease in revenue was mainly due to the fact that the Company made strategic adjustment to vigorously launch its self-produced reagents which led a decline in sales volume of commodity reagents. The increase in net profit was attributable to the decrease in expenses and the increase in investment income.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT AND OUTLOOK

IVD has become an increasingly important component of disease prevention, diagnosis and treatment for human, hence clinical medical examination and testing is the principal consumption direction for IVD reagents. In China, approximately 90% of IVD reagent products market is clustered at hospitals. They include 22,700 all-level hospitals, 37,200 town-level health centres and 450 blood stations, and also those emerging physical examination centres and independent medical laboratories. With increasing homogenization of diagnostic reagents, diversification in client selection and other changes, strong customer loyalty has become the key of enterprise differentiation and competitiveness. The traditional IVD manufacturing enterprises mainly focus on distribution. During the operating process, the agents have strong bargaining power. The “hierarchical medical system” and “two-invoice system” which is being proactively pushed forward will certainly trigger a substantial change to the operation channel and even business model, whereby leading to a significant change to business ecology in the industry. The agents with terminal resources become more important. At present, in the domestic IVD reagents market, biochemical diagnostic reagents and immune diagnostic reagents represented over 50% of total market size. Technically speaking, for the items broadly used in clinical application with vast market prospect (such as enzymes, lipids, liver function, blood glucose, urine test and immune reagent series in clinical biochemistry), technology standard of domestic major manufacturers has basically reached current international level. The biochemical diagnostic market has the characteristics of higher demand and high inventory level, relatively low in technology barrier and market concentration, so industry competition is increasingly fierce. However, the application of new technology and the development of new projects are far less active than immune diagnosis and molecular diagnosis sectors. The enhancement in concentration and industrial chain reconstruction are two main drivers for key IVD enterprises (especially those engaging in clinical biochemical diagnosis) to achieve growth in future. The Company will pay close attention and take active measures to adapt to changes to further strengthen the cooperation with downstream sectors through regional strategies tailored made to local conditions, with a view to improve its product sales volume or market share in diversified methods including consolidation.

MANAGEMENT DISCUSSION AND ANALYSIS

The gradual implementation of the new medical reform, medical insurance and health sector policies have substantively benefited the pharmaceutical sector. In particular, the influence of medical reform has led to a steady increase in the number of domestic medical visits. The government encourages private capital investment in the medical service industry to further improve business sentiment and market environment of the industry. It is expected that as driven by social capital, the medical service market, in particular basic level medical market and high-end medical service, will increase substantially. The demand for diagnostic reagents and general consumables will continue to increase, which are beneficial to the continuous growth of the size of our business and will increase the sales of our products. However, with the gradual implementation of new medical reform, the charges of medical services begin to draw public attention. In terms of the criterion for medical service pricing issued for provinces and cities, reduction in the proportion of inspection fee and lowering inspection and testing pricing begins to take shape.

With increasing market participants, market competition for IVD reagent sector is becoming more and more intense. Enterprises are also facing on-going challenges in product quality enhancement and product-mix optimisation. Under the adjustment and optimisation of the sales team, the Company will take more incentive measures to explore new marketing mode actively, continue intensifying its marketing efforts, accelerate the progress in research and development, launch new products and new instruments compatible with each other or with new functionalities one after another, and strive to adapt to new market changes and new demand. In 2017, the Group will pursue the spirit of “Unity, Regulated, Courage, Efficiency, Win-win”, initiate all employees to be proactive in enhancing their occupation quality, improve their self-competitiveness in all directions and means, and increase the momentum in marketing efforts to increase the revenue of the Group in all directions and means. Through solidifying its business foundation and adjusting its operation directives, the Group is striving to forge ahead under adverse conditions in order to become a respectable enterprise. With years of hard work and established foundation, the Board directs the Company to step towards the objective of being the “Legend Group” in China’s health industry with independent intellectual property rights and international competitiveness, and achieve the best performance, bringing satisfactory returns for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB106.68 million short-term bank borrowings were obtained during the period.

As at 30 June 2017, the Group had cash and bank balances of approximately RMB61.65 million (as at 31 December 2016: approximately RMB79.57 million). The Group had RMB89.02 million unsecured bank loans as at 30 June 2017 (as at 31 December 2016: RMB61 million).

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 2017, all of the Group's buildings and prepaid land lease payments with net carrying amounts of approximately RMB29,573,000 and RMB2,774,000 respectively were pledged to Bank of Beijing, for bank loans granted to the Company with a principal of RMB70,000,000 as at the end of the reporting period. The loans will be due in June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

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

	30 June 2017 RMB'000	31 December 2016 RMB'000
Guarantees given to a bank in connection with the loans granted to an associate	41,000	41,000

EMPLOYEE

As at 30 June 2017, approximately 458 full-time employees (as at 31 December 2016: approximately 542) were employed by the Group. The total staff costs of the Group (including the directors' remunerations) for the six months ended 30 June 2017 amounted to approximately RMB39.23 million (2016: approximately RMB41.64 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, 10 August 2017

The Board of Directors (the "Board") of the Company announced the unaudited consolidated statement of profit or loss of the Group for the three months and six months ended 30 June 2017 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017, together with the comparative figures in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 June 2017

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017 Unaudited RMB'000	2016 Unaudited RMB'000	2017 Unaudited RMB'000	2016 Unaudited RMB'000
REVENUE	2, 3	71,883	88,611	132,837	168,036
Cost of sales		(36,633)	(51,326)	(66,542)	(97,619)
Gross profit		35,250	37,285	66,295	70,417
Other income and gains		2,593	(303)	3,661	1,867
Selling and distribution expenses		(14,184)	(11,022)	(28,563)	(28,580)
Administrative expenses		(9,143)	(13,608)	(19,492)	(20,730)
Research and development expenses		(6,792)	(7,154)	(12,089)	(13,790)
PROFIT FROM OPERATING					
ACTIVITIES	4	7,724	5,198	9,812	9,184
Finance costs	5	(1,651)	(708)	(2,935)	(953)
Share of profits and losses of:					
A joint venture		-	(805)	-	(805)
Associates		691	(756)	874	(2,832)

		Three months ended 30 June		Six months ended 30 June	
		2017 Unaudited RMB'000	2016 Unaudited RMB'000	2017 Unaudited RMB'000	2016 Unaudited RMB'000
	<i>Notes</i>				
PROFIT BEFORE TAX		6,764	2,929	7,751	4,594
Income tax expense	6	(1,669)	(1,117)	(2,566)	(2,119)
PROFIT FOR THE PERIOD		5,095	1,812	5,185	2,475
Attributable to:					
Owners of the parent		5,400	2,445	7,314	3,841
Non-controlling interests		(305)	(633)	(2,129)	(1,366)
		5,095	1,812	5,185	2,475
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY					
– Basic and diluted (RMB)	7	0.04	0.02	0.05	0.03

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2017

	Three months ended 30 June		Six months ended 30 June	
	2017 Unaudited RMB'000	2016 Unaudited RMB'000	2017 Unaudited RMB'000	2016 Unaudited RMB'000
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,095	1,812	5,185	2,475
Attributable to:				
Owners of the parent	5,400	2,445	7,314	3,841
Non-controlling interests	(305)	(633)	(2,129)	(1,366)
	5,095	1,812	5,185	2,475

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	30 June 2017	31 December 2016
<i>Notes</i>	Unaudited RMB'000	Audited RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	202,780	98,933
Prepaid land lease payments	2,734	2,734
Goodwill	309	309
Other intangible assets	17,979	4,010
Investments in associates	23,122	22,248
Available-for-sale investment	1,579	1,579
Long-term receivables	648	1,907
Deferred tax assets	1,362	1,353
Total non-current assets	250,513	133,073
CURRENT ASSETS		
Inventories	55,977	53,648
Trade and bills receivables	91,040	94,955
Prepayments, deposits and other receivables	171,432	236,425
Cash and cash equivalents	61,653	79,567
Total current assets	380,102	464,595
CURRENT LIABILITIES		
Trade payables	49,896	40,507
Other payables and accruals	36,390	50,752
Interest-bearing bank borrowings	157,801	111,017
Tax payable	1,840	798
Total current liabilities	245,927	203,074
NET CURRENT ASSETS	134,175	261,521
TOTAL ASSETS LESS CURRENT LIABILITIES	384,688	394,594

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES	384,688	394,594
NON-CURRENT LIABILITIES		
Deferred income	10,871	11,511
Deferred tax liabilities	1,544	1,540
Total non-current liabilities	12,415	13,051
Net assets	372,273	381,543
EQUITY		
Equity attributable to owners of the parent		
Issued capital	144,707	144,707
Reserves	157,130	164,271
	301,837	308,978
Non-controlling interests	70,436	72,565
Total equity	372,273	381,543

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory reserve	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 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	
At 1 January 2017	144,707	105,090	44,436	14,898	(153)	308,978	72,565	381,543	
Total comprehensive income/(loss) for the period	-	-	-	7,314	16	7,330	(2,129)	5,201	
Final 2016 dividend	-	-	-	(14,471)	-	(14,471)	-	(14,471)	
At 30 June 2017	144,707	105,090*	44,436*	7,741*	(137)*	301,837	70,436	372,273	

* These reserve accounts comprise the consolidated reserves of RMB157,130,000 and RMB164,271,000 in the consolidated statement of financial position as at 30 June 2017 and 31 December 2016, respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 Unaudited RMB'000	2016 Unaudited RMB'000
Net cash outflow from operating activities	(3,368)	(12,671)
Net cash outflow from investing activities	(58,241)	(66,240)
Net cash inflow from financing activities	43,695	80,248
(Decrease)/increase in cash and cash equivalents	(17,914)	1,337
Cash and cash equivalents at beginning of period	79,567	70,068
Cash and cash equivalents at end of period	61,653	71,405

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 2017 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 2016.

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 are generated from this single segment.

Geographical information

During the period ended 30 June 2017, 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.

Information about major customers

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

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	
	2017 Unaudited RMB'000	2016 Unaudited RMB'000	2017 Unaudited RMB'000	2016 Unaudited RMB'000
Depreciation	3,555	3,502	7,109	7,003
Amortisation of know-how	234	374	468	748
Amortisation of prepaid land lease payments	20	25	40	50

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2017 Unaudited RMB'000	2016 Unaudited RMB'000	2017 Unaudited RMB'000	2016 Unaudited RMB'000
Interests on bank loans	1,651	708	2,935	953

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INCOME TAX EXPENSES

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 2017 (2016: Nil). Taxes on profits assessable in the PRC, where the Group operates, have been calculated at the rates of tax prevailing in the PRC. Under the PRC income tax laws, enterprises are subject to corporate income tax at a rate of 25%. 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	
	2017 Unaudited RMB'000	2016 Unaudited RMB'000	2017 Unaudited RMB'000	2016 Unaudited RMB'000
Current – the PRC	1,669	1,117	2,566	2,119

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 2017 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average number of 144,707,176 (2016: 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 2017 (2016: Nil).

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: 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:

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Within 3 months	56,909	57,799
4 to 6 months	22,284	26,072
7 to 12 months	8,437	7,710
1 to 2 years	2,501	3,458
Over 2 years	1,557	1,823
	91,688	96,862
Less: amount shown as non-current	(648)	1,907
	91,040	94,955

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 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Within 3 months	33,613	20,994
4 to 6 months	10,038	14,562
7 to 12 months	4,176	4,607
1 to 2 years	1,261	74
Over 2 years	808	270
	49,896	40,507

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

11. SHARE CAPITAL

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Registered, issued and fully paid:		
80,421,033 domestic shares of RMB1 each	80,421	80,421
64,286,143 H shares of RMB1 each	64,286	64,286
	144,707	144,707

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CONTINGENT LIABILITIES

The guarantees given to a bank in connection with loans granted to an associate was RMB41,000,000 as at 30 June 2017 (31 December 2016: RMB41,000,000).

13. COMMITMENTS

- (a) The Group did not have any significant capital commitments in respect of plant and equipment as at 30 June 2017 (31 December 2016: 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	
		2017 Unaudited RMB'000	2016 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	
	2017 Unaudited RMB'000	2016 Unaudited RMB'000
Short term employee benefits	4,492	4,681
Post-employment benefits	385	–
Total compensation paid to key management personnel	4,877	4,681

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

15. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the board of directors on 10 August 2017.

OTHER INFORMATION

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

As at 30 June 2017, 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	Number of the Company's domestic shares held	Percentage of the Company's domestic shares	Number of the Company's H shares held	Percentage of the Company's H shares	Percentage of the Company's total registered share capital
Mr. Chen Jintian (<i>Note</i>)	24,506,143	30.47%	6,780,000	10.55%	21.62%
Mr. Wu Lebin	3,500,878	4.35%	–	–	2.42%
Mr. Zhang Haitao	650,000	0.81%	–	–	0.45%
Dr. Xu Cunmao	600,000	0.75%	–	–	0.41%
Mr. Hou Quanmin	300,000	0.37%	–	–	0.21%
Mr. Zhou Jie	150,000	0.19%	–	–	0.10%

Note: As at 30 June 2017, Beijing Shuoze and HK Future held 24,506,143 domestic shares and 6,780,000 H shares of the Company, respectively. Since both Beijing Shuoze and HK Future are held by Mr. Chen Jintian as to 100%, Mr. Chen Jintian is deemed to be interested in 31,286,143 shares of the Company held by Beijing Shuoze and HK Future pursuant to the SFO.

Save as disclosed above, as at 30 June 2017, 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.

OTHER INFORMATION

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

As at 30 June 2017, 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	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	
Institute of Biophysics of Chinese Academy of Sciences	Directly beneficially owned	31,308,576	–	38.93%	0.00%	21.64%
Beijing Shuoze [†]	Directly beneficially owned	24,506,143	–	30.47%	0.00%	16.93%
Beijing Junfengxiang Bio-technology Company Limited	Directly beneficially owned	7,763,505	–	9.65%	0.00%	5.36%
HK Future	Directly beneficially owned	–	6,780,000	0.00%	10.55%	4.69%
Mr. Chen Jintian [†]	Through controlled corporations	24,506,143	6,780,000	30.47%	10.55%	21.62%
Beijing Enterprises Holdings Limited [†]	Directly beneficially owned	–	27,256,143	0.00%	42.40%	18.84%
Beijing Enterprises Group Company Limited [†]	Through controlled corporations	–	27,256,143	0.00%	42.40%	18.84%
Chung Shek Enterprises Company Limited	Directly beneficially owned	–	3,800,000	0.00%	5.91%	2.63%
K.C. Wong Education Foundation	Through controlled corporations	–	3,800,000	0.00%	5.91%	2.63%

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 2017, 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 2017.

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 2017.

OTHER INFORMATION

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 2017.

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.

CORPORATE GOVERNANCE

The Company has always valued the superiority, steadiness and rationality of having a sound system of corporate governance.

For the period ended 30 June 2017, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code, with the exception of code provisions 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 from different insurers, and currently targets to purchase the relevant liability insurance for the Directors within 2017.