



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
Third Quarterly Report

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.

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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

THIRD QUARTERLY RESULTS FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2017

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 2017, together with the comparative figures for the same periods in 2016, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 Unaudited RMB'000	2016 Unaudited RMB'000	2017 Unaudited RMB'000	2016 Unaudited RMB'000
REVENUE	3	72,199	79,658	205,036	247,694
Cost of sales		(38,396)	(47,251)	(104,938)	(144,870)
Gross profit		33,803	32,407	100,098	102,824
Other income and gains, net		11,818	574	15,479	2,441
Selling and distribution expenses		(17,340)	(14,741)	(45,903)	(43,321)
Administrative expenses		(11,834)	(8,166)	(31,326)	(28,896)
Research and development expenses		(7,067)	(4,445)	(19,156)	(18,235)
Other expenses, net		(3,633)	(1,433)	(3,633)	(1,433)
PROFIT FROM OPERATING ACTIVITIES		5,747	4,196	15,559	13,380
Finance costs		(2,470)	(1,034)	(5,405)	(1,987)
Share of loss of joint ventures		–	(866)	–	(1,671)
Share of profit/(loss) of associates		(1,337)	3,304	(463)	472
PROFIT BEFORE TAX		1,940	5,600	9,691	10,194
Income tax	4	(117)	(1,601)	(2,683)	(3,720)
PROFIT FOR THE PERIOD		1,823	3,999	7,008	6,474
Attributable to:					
Owners of the parent		3,022	4,517	10,336	8,358
Non-controlling interests		(1,199)	(518)	(3,328)	(1,884)
		1,823	3,999	7,008	6,474
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	5				
Basic					
– For profit for the period		0.02	0.03	0.07	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 2017

	Three months ended 30 September		Nine months ended 30 September	
	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	1,823	3,999	7,008	6,474
Attributable to:				
Owners of the parent	3,022	4,517	10,336	8,358
Non-controlling interests	(1,199)	(518)	(3,328)	(1,884)
	1,823	3,999	7,008	6,474

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 2017 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, 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 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 2016.

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 2017 (2016: 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 a 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	
	2017 Unaudited RMB'000	2016 Unaudited RMB'000	2017 Unaudited RMB'000	2016 Unaudited RMB'000
The Current – the PRC	117	1,601	2,683	3,720

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

NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

6. RESERVES

The movements of reserves for the nine months ended 30 September 2017 and 2016 are as follows:

	Attributable to owners of the parent					
	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	Total Unaudited RMB'000
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 2015 dividend	-	-	-	(13,130)	-	(13,130)
At 30 September 2016	131,304	86,784	42,817	8,895	154	269,954
At 1 January 2017	144,707	105,090	44,436	14,898	(153)	308,978
Total comprehensive income for the period	-	-	-	10,336	(9)	10,327
Final 2016 dividend	-	-	-	(14,471)	-	(14,471)
At 30 September 2017	144,707	105,090	44,436	10,763	(162)	304,834

[#] 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 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

THE THIRD QUARTER OF 2017

The biochemical diagnostic reagent has all along been maintaining a bigger market share by virtue of its low-cost and speedy advantages. Domestic reagent is able to maintain its stable quality and more comprehensive categories after years of development and its import substitution role has basically completed and currently occupies most of the biochemical reagents market. With the continuous technological development, the clinical chemistry analysis in respect of domestic biochemical reagent is also on the path of automation, intelligence and systematization in which it has greatly improved clinical testing efficiency.

It is expected that in the next five years, the development of clinical biochemical diagnosis will focus on improving products quality and continuous exploitation of new-tested projects. The research and development is the core competition barrier for IVD instrument and reagents. The characteristics of IVD industry is the focus of primary importance in determining the research and development of analyzers, 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 imperative and urgent to increase our competitiveness with new technologies and new products.

With the improved strength of PRC enterprises in research and development, the increase in examination and testing quantities in primary hospitals and changes of policy guidance in relation to the charging of testing items/testing methods will further impel the improvement in import substitution capability and level of IVD instrument and reagents, that is under the need of "expense control" by hospitals, hospitals will tend to use more domestic reagents in which its be beneficial to domestic reagent enterprises.

Revenue for the nine months ended 30 September 2017 was approximately RMB205 million, representing a decrease of 17.2% as compared with approximately RMB248 million for the corresponding 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.

Profit attributable to shareholders of the Company for the nine months ended 30 September 2017 was RMB10.34 million, representing an increase of approximately 23.7% as compared with the corresponding period last year, which was mainly due to the increase in investment income.

MANAGEMENT DISCUSSION AND ANALYSIS

For research and development, the Company obtained 3 authorized invention patents during the reporting period and the patent names are as follows:

A kind of reagents kit testing SLC26A4 genetic mutation and its application; A kind of reagents kit testing staphylococcus epidermidis and its application; Enzymatic chemiluminescence substrate solution for alkaline phosphatase.

OUTLOOK AND FUTURE PROSPECT

Despite the late start of IVD sector in China, however, its development is very fast and domestic market competition is becoming more and more intense. With the strong driving momentum of those factors such as respective national policies and aging population, there is a wide development opportunity in IVD sector in China in future. In particular, the introduction and implementation of the new medical reform and health sector policies have substantially benefited the medical sector. The influence of medical reform has led to a steady increase in the number of domestic medical visits which has immense effects for the development of the basic level medical market especially and further improve business sentiment and market environment of the industry. The IVD products will orientate its development direction towards automation, integration, facilitation, miniaturization, personalization and informatization thereafter. Although domestic IVD enterprises are still confronted with numerous predicaments and challenges at the present stage, however the significant changes in medical reform policy, such as the government's encouragement on private capital investment in the medical service industry, will certainly bring new changes for the layout and operation model of hospitals. 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 and abandonment of medicine markups policies, 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 sector is becoming more and more intense. Enterprises are also facing on-going challenges in product quality enhancement and product-mix optimisation.

OTHER INFORMATION

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

As at 30 September 2017, 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	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 September 2017, Beijing Shuoze Health Industry Investment Company Limited ("Beijing Shuoze") and HK Future Investment Group Limited ("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 September 2017, 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.

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

As at 30 September 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 ^a	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%

OTHER INFORMATION

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	
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%

[#] 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 2017, 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 2017.

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 2017.

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.

OTHER INFORMATION

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 2017, 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 2017.

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

Beijing, the PRC, 14 November 2017