



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)

2019 
Interim Report





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This report, for which the directors (the “Directors”) of Biosino Bio-Technology and Science Incorporation (the “Company”, together with its subsidiaries, the “Group”) 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”) 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 herein or this report misleading.*



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CORPORATE INFORMATION

PRC OFFICE

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Beijing, PRC

HONG KONG OFFICE

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Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

WEBSITE

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

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Lebin (*Chairman*)
Mr. Chen Jintian (*Vice chairman*)
Dr. Xu Cunmao
Mr. Chen Jianhua

Non-executive Directors

Dr. Sun Zhe (*Vice chairman*)
Ms. Cheng Yali

Independent Non-executive Directors

Dr. Zheng Yongtang
Mr. Wang Daixue
Mr. Pan Chunyu

SUPERVISORS

Mr. Zhou Jie
Ms. Huang Aiyu
Dr. Shen Sheng

AUDIT COMMITTEE

Dr. Zheng Yongtang (*Chairman*)
Mr. Wang Daixue
Mr. Pan Chunyu

REMUNERATION COMMITTEE

Dr. Zheng Yongtang (*Chairman*)
Mr. Wang Daixue
Mr. Pan Chunyu

NOMINATION COMMITTEE

Mr. Pan Chunyu (*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*

AUTHORISED REPRESENTATIVES

Mr. Wu Lebin
Mr. Tung Woon Cheung Eric



CORPORATE INFORMATION

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 54, 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.

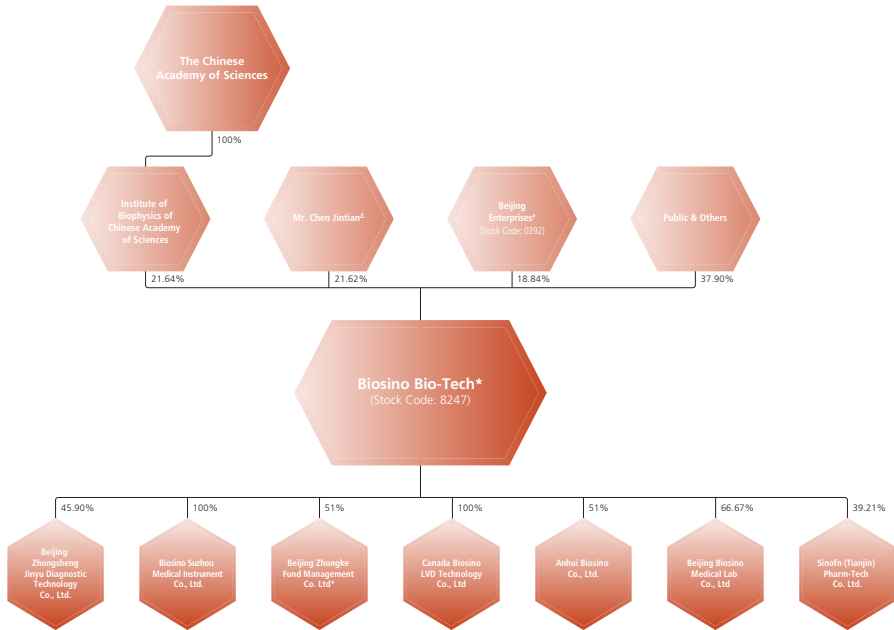
The Group’s “Biosino” brand is highly esteemed by industry peers and end-users of the medical sector. “Biosino” was awarded as a “Renowned Beijing Brand”(北京名牌產品) in 2002 and was awarded the “No. 1 Brand with High Quality and Reputation in the IVD Reagent Market of the PRC”(中國診斷試劑市場用戶滿意質量信譽第一品牌) in 2005. 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 2019



* The H shares of Biosino Bio-Technology and Science Incorporation (the “Company” or “Bio-Tech”) are listed on the GEM

The shares of Beijing Enterprises Holdings Limited (“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 Health Industry Investment Company Limited (“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 2019

As medical and health expenses in Mainland China are increasing year by year and in accelerated growth, therefore medical expenses continued to increase. At the same time, the pace of raising funds through medical insurance has slowed down, and augmented by ageing population, it has brought unprecedented pressure on the income and expenditure balance of domestic medical insurance in China. The demand for lowering the procurement cost of medicine and medical devices has become a fundamental trend for future medical industry reform. With the medical reform continues its in-depth development momentum, while continuing to implement those policies such as “dual-invoice system + replacement of business tax with value-added tax” and “integration of urban and rural social insurance”, the PRC government successively launched a series of medical insurance cost control reform measures relating to IVD industry in the first half of 2019, which include the “policy for reforming and improving medical consumables procurement”, “cancellation of medical consumables mark-up for public medical institutions”, “mass procurement” and “centralized procurement of consumables”. The gradual implementation of these policies will no doubt pose some or even long-term impact on the medical device industry and the operation and development of the Company. The aforesaid measures will directly erode the profit margin of relevant manufacturers and make pricing become a key factor for market competition. Every market player at different sector requires manufacturers to lower ex-factory price and reduce their own operating costs. Currently, as there are many Chinese reagent manufacturers, market competition will naturally become more intense.

During the Reporting Period, the Group actively coped with the challenges by striving to explore new marketing models and new sales channels to adapt to market changes while ensuring product quality and expanding its product offerings. We continued to work closely with distributors and hospitals and introduced outstanding sales talents, strengthened and adjusted the performance-oriented guidance for sales team, and enhanced budget-based performance assessment mechanism. We also improved internal cost management inside the Company to conserve energy, control costs and enhance market competitiveness.



MANAGEMENT DISCUSSION AND ANALYSIS

DEVELOPMENT TREND

It is a lengthy process for the entire medical industry to change, and the future development of the IVD industry is bound to be closely related to the progress of the medical reform in China. The Company should and also must keep a close eye on policy trend for medical reform as well as its market situations and follow accordingly. Hospital consortium and hospital community, as the future's major players in medical market, will be one of the focused sectors to be monitored and tracked by the Company. With the development of "hospital consortium and hospital community" as well as the gradual improvement in the hierarchical medical system focusing on enhancing primary hospitals, high-quality medical resources in the medical service system will gradually, orderly and effectively become available to primary hospitals. The structure of the IVD market will be readjusted accordingly and the flow of various products will also change. The facilitation of hospital consortium and hospital community may lead to the construction and development of many regional temporary inspection centers whereby they will create more opportunities for the Company.

The Group will leverage our own strengths to continue expanding our biochemical and immune product line and accelerating the research and development and launching of mass spectrometry products, flow cytometers and molecular products. The Company will continue to adopt the approach of integrating distribution and direct sales. For internal management, we will broaden the sources of income, reduce expenditure and reduce consumption, lower cost of sales, and mitigate or eliminate market pressure.

RESEARCH AND DEVELOPMENT

During the Reporting Period, the Company completed the registration renewal of 31 products, such as alpha -L-fucosidase antigen kit (α -L-岩藻糖苷酶測定試劑盒) and obtained Class I filing certificates for 36 mass spectrometry sample pretreatment solution products.

FINANCIAL REVIEW FOR THE FIRST HALF OF 2019

During the reporting period, the Group achieved a revenue of RMB204 million, representing an increase of 40% when compared with the same period last year. Profit attributable to the shareholders of the Company was RMB7.21 million, representing an increase of 13 times as compared with RMB0.5 million for the corresponding period last year. The increase of profit was mainly due to the Group's active efforts to expand new sales areas and customers and the increase in scope of the consolidated financial statements during the period.



MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECT

The in-vitro diagnostic is an indispensable part of the medical system in ensuring human healthiness. Amid the rapid development of various new technologies, the gradual improvement in medical security policies in most countries, huge population base and rapid economic growth, China will continue to be the most promising region in the global in-vitro diagnostic industry and its market size will be further expanded.

The implementation of the hierarchical medical system and the development of the hospital consortium and hospital community are causing changes to the sales channels and business models in the medical device industry, and primary medical institutions will be highly contended by industry market players.

While active expansion of the hospital market in large and medium-sized cities, the Group has long been attaching great importance to the development and utilization of primary market resources such as county and township medical institutions. The Company will fully leverage its own advantages and strive to achieve good business development in the future.

Of course, despite the fact that the IVD market size will be further expanded with increasing convenient primary medical consultation as well as medical services and ageing population, however, the development and upgrading of primary medical services system will still take quite some time. The policies and measures for controlling medical insurance expenses that have already been launched are gradually implementing and mergers and acquisitions and integrations are taking place in the market. With centralized medical procurement and the rapid development of new operation models such as regional inspection centers in the foreseeable future, it is expected that industry market concentration will be further enhanced and market competition will be further intensified, in which they will result more uncertainties and impose stricter competitive requirements on market players for the entire industry. Under such background, the Company needs to try every means to cope with the challenges and pressure that it will encounter.

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 RMB101.05 million short-term bank borrowings were obtained during the period.

As at 30 June 2019, the Group had cash and bank balances of approximately RMB18.1 million (as at 31 December 2018: approximately RMB24.72 million). The Group had RMB29.49 million unsecured bank loans as at 30 June 2019 (as at 31 December 2018: RMB47.48 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 2019, all of the Group's buildings and prepaid land lease payments with net carrying amounts of approximately RMB27,021,000 and RMB2,612,000 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.

At 30 June 2019, certain machinery with a net carrying amount of approximately RMB61.78 million were pledged to independent third parties to secure loans granted to the Company amounted to RMB67.1 million with duration of 2 to 3 years.

CONTINGENT LIABILITIES

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

	30 June 2019 RMB'000	31 December 2018 RMB'000
Guarantees given to a bank in connection with the loans granted to an associate	36,800	38,100



MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE

As at 30 June 2019, approximately 491 full-time employees (as at 31 December 2018: approximately 479) were employed by the Group. The total staff costs of the Group (including the directors' remunerations) for the six months ended 30 June 2019 amounted to approximately RMB42.17 million (2018: approximately RMB37.92 million). The Group determines and reviews the emoluments of its staff and the Directors based on their qualifications and experience, performance and market rates, so as to maintain the remuneration of its staff and the Directors at a competitive level. The Group participates in various defined contribution retirement plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of China and Hong Kong. The Directors believe that employees are one of the most valuable assets of the Group who contribute significantly to the success of the Group. The Group recognises the importance of training of its staff and hence provides regular training for the Group's staff members to enhance their technical and product knowledge.

Other than the company secretary and qualified accountant, the employees of the Group are all stationed in China.

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 2019

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 2019 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019, together with the comparative figures in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 June 2019

		Three months ended 30 June		Six months ended 30 June	
		2019 Unaudited RMB'000	2018 Unaudited RMB'000	2019 Unaudited RMB'000	2018 Unaudited RMB'000
	<i>Notes</i>				
REVENUE	3, 4	91,729	72,235	203,893	145,636
Cost of sales		(43,859)	(35,018)	(119,700)	(80,893)
Gross profit		47,870	37,217	84,193	64,743
Other income and gains, net		456	(42)	1,096	1,085
Selling and distribution expenses		(19,153)	(15,630)	(35,992)	(30,328)
Administrative expenses		(10,591)	(13,124)	(20,041)	(27,149)
Research and development expenses		(8,353)	(7,457)	(13,342)	(12,819)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	10,229	964	15,914	(4,468)
Finance costs	6	(825)	(2,877)	(1,371)	(5,066)
Share of profits/(losses) of associates		1,873	352	1,333	(696)

		Three months ended 30 June		Six months ended 30 June	
		2019 Unaudited RMB'000	2018 Unaudited RMB'000	2019 Unaudited RMB'000	2018 Unaudited RMB'000
PROFIT/(LOSS) BEFORE TAX		11,277	(1,561)	15,876	(10,230)
Income tax expense	7	(2,882)	2,175	(4,358)	2,123
PROFIT/(LOSS) FOR THE PERIOD		8,395	614	11,518	(8,107)
Attributable to:					
Owners of the parent		4,907	4,459	7,213	517
Non-controlling interests		3,488	(3,845)	4,305	(8,624)
		8,395	614	11,518	(8,107)
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY					
– Basic and diluted (RMB)	8	0.034	0.031	0.050	0.004

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2019

	Three months ended 30 June		Six months ended 30 June	
	2019 Unaudited RMB'000	2018 Unaudited RMB'000	2019 Unaudited RMB'000	2018 Unaudited RMB'000
PROFIT/(LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,395	614	11,518	(8,107)
Attributable to:				
Owners of the parent	4,907	4,459	7,213	517
Non-controlling interests	3,488	(3,845)	4,305	(8,624)
	8,395	614	11,518	(8,107)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
<i>Notes</i>		
NON-CURRENT ASSETS		
Property, plant and equipment	104,597	264,390
Prepaid land lease payments	2,572	2,572
Prepayments	600	600
Goodwill	309	309
Other intangible assets	25,146	20,888
Investments in associates	43,852	42,519
Equity investments designated at fair value through other comprehensive income	1,117	1,117
Long-term receivables	14,572	6,752
Deferred tax assets	4,138	4,147
Total non-current assets	196,903	343,294
CURRENT ASSETS		
Inventories	61,001	58,821
Trade and bills receivables	202,873	141,685
Prepayments, other receivables and other assets	30,054	191,145
Financial assets at fair value through profit or loss	53,623	16,348
Pledged deposits	1,877	6,507
Cash and cash equivalents	16,220	18,208
	365,648	432,714
Assets of disposal groups classified as held for sale	289,068	–
Total current assets	654,716	432,714

		30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables	11	134,603	119,274
Other payables and accruals		145,437	84,313
Interest-bearing bank and other borrowings		131,752	166,437
Tax payable		5,167	1,074
		416,959	371,098
Liabilities directly associated with assets classified as held for sale		24,566	–
Total current liabilities		441,525	371,098
NET CURRENT ASSETS			
		213,191	61,616
TOTAL ASSETS LESS CURRENT LIABILITIES			
		410,094	404,910
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		34,835	28,565
Deferred income		7,401	6,175
Deferred tax liabilities		6,646	5,707
Total non-current liabilities		48,882	40,447
Net assets		361,212	364,463
EQUITY			
Equity attributable to owners of the parent			
Share capital		144,707	144,707
Reserves	12	147,430	157,196
		292,137	301,903
Non-controlling interests			
		69,075	62,560
Total equity		361,212	364,463

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserve	Exchange		Fair value reserve	Retained profits	Total		
			Statutory reserve	fluctuation reserve					
Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	144,707	105,090	46,066	(139)	-	23,967	319,691	68,592	388,283
Total comprehensive income/(loss) for the period	-	-	-	(43)	-	517	474	(8,624)	(8,150)
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	2,451	2,451
Final 2017 dividend	-	-	-	-	-	(14,471)	(14,471)	-	(14,471)
At 30 June 2018	144,707	105,090*	46,066*	(182)*	-	10,013*	305,694	62,419	368,113
At 1 January 2019	144,707	105,090	47,995	(173)	(377)	4,661	301,903	62,560	364,463
Total comprehensive income for the period	-	-	-	42	-	7,213	7,255	4,305	11,560
Acquisition of non-controlling interests	-	(2,550)	-	-	-	-	(2,550)	2,010	(540)
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	200	200
Final 2018 dividend	-	-	-	-	-	(14,471)	(14,471)	-	(14,471)
At 30 June 2019	144,707	102,540*	47,995*	(131)*	(377)*	(2,597)*	292,137	69,075	361,212

* These reserve accounts comprise the consolidated reserves of RMB147,430,000 and RMB157,196,000 in the consolidated statement of financial position as at 30 June 2019 and 31 December 2018, respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 Unaudited RMB'000	2018 Unaudited RMB'000
Net cash inflow from operating activities	26,149	48,806
Net cash outflow from investing activities	(6,616)	(37,161)
Net cash inflow/(outflow) from financing activities	(26,151)	24,999
Increase/(decrease) in cash and cash equivalents	(6,618)	36,644
Cash and cash equivalents at beginning of period	24,715	26,757
Cash and cash equivalents at end of period	18,097	63,401



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 2019 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 2018.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) effective as of 1 January 2019 are as follows:

Amendments to HKFRS 9 HKFRS 16	<i>Prepayment Features with Negative Compensation Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11 HKAS 12 and HKAS 23

The adoption of the above new and revised HKFRSs has had no significant financial effect on the interim condensed consolidated financial statements of the Group.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. 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 the Group's 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 2019, 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

Revenue of approximately RMB64,644,000 was derived from sales by the in-vitro diagnostic reagent products segment to a single customer, which amounted to more than 10% of the Group's total revenue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for return and trade discounts, net of tax and surcharges during the period

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2019 Unaudited RMB'000	2018 Unaudited RMB'000	2019 Unaudited RMB'000	2018 Unaudited RMB'000
Depreciation	5,954	5,168	11,908	10,335
Amortisation of know-how	255	378	510	755
Amortisation of prepaid land lease payments	20	25	40	50

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2019 Unaudited RMB'000	2018 Unaudited RMB'000	2019 Unaudited RMB'000	2018 Unaudited RMB'000
Interests on bank and other loans	825	2,877	1,371	5,066

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has not generated any assessable profits in Hong Kong during the six months ended 30 June 2019 (2018: 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	
	2019 Unaudited RMB'000	2018 Unaudited RMB'000	2019 Unaudited RMB'000	2018 Unaudited RMB'000
Current – the PRC				
Charge for the period	2,528	868	3,410	928
Deferred	354	(3,043)	948	(3,051)
Total tax charge for the period	2,882	(2,175)	4,358	(2,123)

8. 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 2019 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average number of 144,707,176 (2018: 144,707,176) 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 2019 (2018: Nil).

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE AND BILLS RECEIVABLES

Except for certain established customers of the Group which have been granted with payment terms ranging from two to four years in respect of certain sales of instruments, the credit periods of the Group granted to its customers generally range from 60 to 180 days. The Group closely monitors overdue balances, and impairment is made when it is considered that the 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The trade receivables are non-interest bearing.

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 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
Within 3 months	29,378	61,262
4 to 6 months	64,177	34,833
7 to 12 months	107,105	38,681
1 to 2 years	8,324	6,164
Over 2 years	1,408	1,176
	210,392	142,116
Less: Amounts shown as non-current	(7,519)	(431)
	202,873	141,685

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. 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 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
Within 3 months	77,930	36,777
4 to 6 months	2,158	26,662
7 to 12 months	41,798	53,697
1 to 2 years	10,655	1,881
Over 2 years	2,062	257
	134,603	119,274

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

12. SHARE CAPITAL

	30 June 2019 Unaudited RMB'000	31 December 2018 Unaudited 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

13. CONTINGENT LIABILITIES

The guarantees given to a bank in connection with loans granted to an associate was RMB36,800,000 as at 30 June 2019 (31 December 2018: RMB38,100,000).

14. COMMITMENTS

The Group did not have any significant capital commitments in respect of plant and equipment as at 30 June 2019.

On 9 December 2004, the Company and its substantial shareholder, IBP, entered into an exclusive technology licensing agreement with regard to the production of diagnostic reagents by employing the technologies owned by IBP. Pursuant to the Licensing Agreement, the Company is required to pay a fee of RMB500,000 per annum to IBP for 20 years, commencing on the effective date of the Licensing Agreement.

15. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
		2019 Unaudited RMB'000	2018 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 14 to the interim report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2019 Unaudited RMB'000	2018 Unaudited RMB'000
Short term employee benefits	1,620	1,879
Post-employment benefits	543	337
Total compensation paid to key management personnel	2,163	2,216

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

16. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the board of directors on 12 August 2019.

OTHER INFORMATION

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

As at 30 June 2019, 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. Wu Lebin	3,500,878	4.35%	–	–	2.42%
Mr. Chen Jintian <i>(Note)</i>	24,506,143	30.47%	6,780,000	10.55%	21.62%
Dr. Xu Cunmao	600,000	0.75%	–	–	0.41%
Mr. Zhou Jie	150,000	0.19%	–	–	0.10%

Note: As at 30 June 2019, 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 2019, 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 2019, 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%
Mr. Chen Jintian ^a	Through controlled corporations	24,506,143	6,780,000	30.47%	10.55%	21.62%
Beijing Enterprises Holdings Limited ^a	Directly beneficially owned	–	27,256,143	0.00%	42.40%	18.84%
Beijing Enterprises Group Company Limited ^a	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 2019, 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 2019.

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 2019.



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 2019.

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, Mr. Wang Daixue and Mr. Pan Chunyu.

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 2019, 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 2019.