



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)

2020
Interim Report



* For identification purpose only

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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

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

Executive Directors

Mr. Wu Lebin (*Chairman*)
Mr. Chen Jintian (*Vice chairman*)
Dr. Xu Cunmao (resigned with
effect from 20 July 2020)
Mr. Chen Jianhua

Non-executive Directors

Dr. Sun Zhe (*Vice chairman*)
Ms. Cheng Yali
Mr. Wang Tao (appointed with effect
from 20 November 2020)

Independent Non-executive Directors

Dr. Zheng Yongtang
Mr. Ren Fujin
Mr. Pan Chunyu (resigned with
effect from 11 March 2020)
Ms. Li Li (appointed with
effect from 11 March 2020)

SUPERVISORS

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

AUDIT COMMITTEE

Dr. Zheng Yongtang (*Chairman*)
Mr. Ren Fujin
Mr. Pan Chunyu (resigned with
effect from 11 March 2020)
Ms. Li Li (appointed with effect from
11 March 2020)

REMUNERATION COMMITTEE

Dr. Zheng Yongtang (*Chairman*)
Mr. Ren Fujin
Mr. Pan Chunyu (resigned with
effect from 11 March 2020)
Ms. Li Li (appointed with effect from
11 March 2020)

NOMINATION COMMITTEE

Mr. Pan Chunyu (*Chairman*, resigned with
effect from 11 March 2020)
Ms. Li Li (*Chairman*, appointed with effect
from 11 March 2020)
Dr. Zheng Yongtang
Mr. Wu Lebin
Mr. Ren Fujin

CHIEF EXECUTIVE

Mr. Lin Yanglin (*President*, appointed
with effect from 3 August 2020)

COMPANY SECRETARY

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

CORPORATE INFORMATION

QUALIFIED ACCOUNTANT

Mr. Cheung Yeung *CPA* (resigned with effect from 15 February 2021)
Mr. Cheng King Yin *CPA, CFA* (appointed with effect from 15 February 2021)

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 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, namely Beijing Saipu Asset Management Co., Ltd. (北京賽普資產管理有限責任公司), is a wholly owned subsidiary of the Institute of Biophysics (“IBP”) of the Chinese Academy of Sciences (“CAS”), which is the leading research institution of life sciences in the PRC. The second 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 second 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.

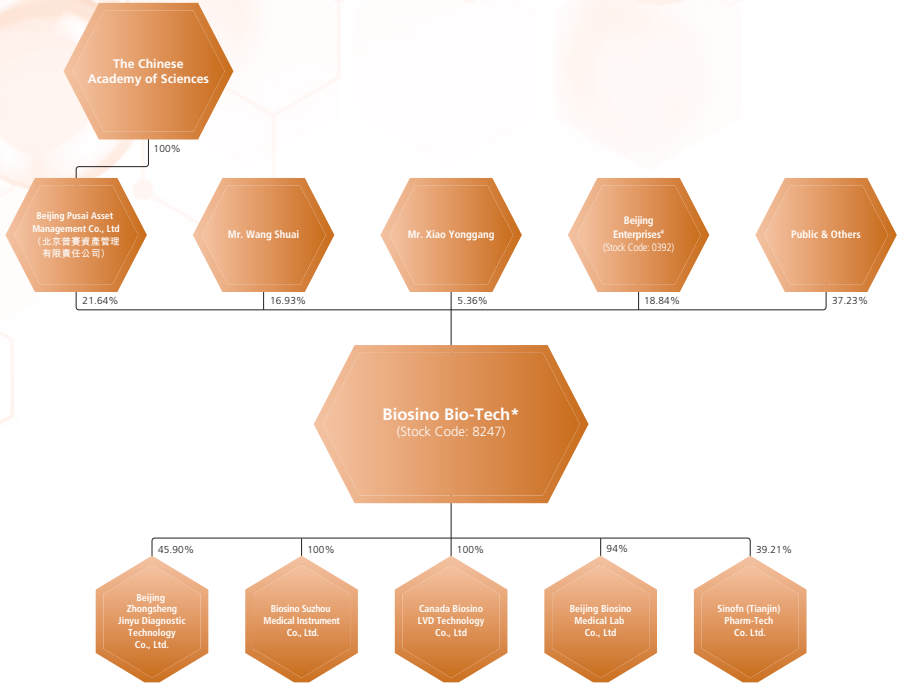
The Group’s “Biosino” brand is highly esteemed by industry peers. “Biosino” was awarded as a “Renowned Beijing Brand” (北京名牌產品) in 2002 and was awarded the “No. 1 Brand with High Quality and Reputation in the IVD Reagent Market of the PRC” (中國診斷試劑市場用戶滿意質量信譽第一品牌) in 2005, as well as was awarded as a “Beijing Famous Trademark”. It was widely recognized by market users in medical sector. 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 2020



- * 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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW FOR THE FIRST HALF OF 2020

In the first half of the year, both China and the world were affected by the unexpected novel coronavirus epidemic. The PRC Government adopted stringent epidemic preventive measures in facing such a complex and acute situation, causing significant impact on all aspects to its domestic economy and society, especially the unprecedented material impact on the medical and IVD industries.

In recent years, the domestic IVD reagent industry experienced rapid development, in which imported products have been gradually substituted by domestic products and the dominant portion of imported products have been reducing gradually. With the increase in China's investments in medical security and improvement in consumption level, the IVD reagent industry has entered its growth stage. Among which, domestic products substitution in the biochemistry and immunology sectors has played an important role and the gap between the products upgraded by domestic manufacturers through technological transformation and imported brands has narrowed. Through the traceability of diagnostic products, the accuracy, consistency and comparability of examination and testing results have improved, the room for import substitution is continuously expanding, hence import substitution basically fulfilled and satisfied the domestic hospital demand at all levels. Hospitals have gradually selected domestic suppliers to reduce the costs of various departments. Domestic products have gradually substituted imported products in the three-tier hospital market, being mid to low-end market to the high-end market, with their obvious cost-effective advantages. According to the preliminary estimates, the market size of IVD reagents in China in 2019 exceeded RMB70 billion, of which the market share of biochemical products was about 35%.

At present, the quality and independent innovation capacity of biochemical diagnostic reagent products has improved substantially. The overall technological standard is basically on par with current international standards and has become one of the most developed segments in the IVD industry in the PRC. The cost of domestic biochemical and immunological diagnostic items and the unit price of diagnostic products have remained stable in general.

The Company is relatively competitive in the biochemical diagnostic reagent market. The Group leverages its own strengths to continue expanding our biochemical product line and accelerating the research and development and launching of immunological products, mass spectrometry products, flow cytometers and molecular products by strengthening continuous development. Through increasing its marketing efforts, 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 and lower cost of sales to mitigate or eliminate market pressure.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company adhered to its “product-centric and market-oriented” strategy by facilitating its efforts in R&D and registration of new products, so as to further enrich the Company’s product lines, strengthen product production and quality management constantly, as well as realize the profit growth quality in sales expansion. In the first half of the year, due to the novel coronavirus pneumonia epidemic, and the number of regular outpatient and emergency visits in hospitals across the country decreased significantly. The marketing activities and various businesses of the Company were affected by the epidemic, and the sales and revenue of the reagent business decreased substantially. Although the Company successfully developed and produced novel coronavirus testing related products by leveraging its advantages in R&D and product line during the epidemic period, however, the actual results still decreased significantly as compared with the corresponding period last year.

RESEARCH AND DEVELOPMENT

Research and development is the core competition barrier for IVD instrument and reagents. During the reporting period, the Company obtained two new product registrations, including the Apolipoprotein E Assay Kit (載脂蛋白E測定試劑盒) (Urbidimetric Inhibition Immuno Assay) (including calibrators and quality control materials) and Total Protein (CSF/Urine) Assay Kit (腦脊液/尿液總蛋白測定試劑盒) (pyrogallol red molybdenum color method (鄰苯三酚紅鉬顯色法)) (including calibrators and quality control materials), completed the registration renewal of 74 products, such as Ischemia Modified Albumin (IMA) Assay Kit (缺血修飾白蛋白測定試劑盒), and obtained the Class I product filing certificates of two products, including nucleic acid extraction solution and sample preservation solution of novel coronavirus. The antibody detection assay kit of novel coronavirus developed by the Company first obtained the European Union’s CE certification, which was then enlisted in the export whitelist of Ministry of Commerce of China.

FINANCIAL REVIEW FOR THE FIRST HALF OF 2020

During the reporting period, the Group achieved a revenue of RMB131 million, representing a decrease of 36% when compared with the same period last year. Loss attributable to the shareholders of the Company was RMB12.31 million, representing a decrease of 2.7 times as compared with a profit of RMB7.21 million for the corresponding period last year. The decrease of profit was mainly due to the negative impact of COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

ADVANCE TO AN ENTITY

Under Rule 17.15 and 17.22 of the GEM Listing Rules, when the advance to an entity from the Company or any of its subsidiaries exceeds 8% of the total assets of the Group and it continues at the end of the Period, the Company is required to disclose the information under Rule 17.17 of the GEM Listing Rules is set out below.

On 26 December 2019, the Company entered into the facility and guarantee agreement with Zhongke (Beijing) Fund Management Company Limited (中科(北京)基金管理有限公司) (“Zhongke Fund”), Beijing Yanqi Lake Resort Co., Ltd. (北京雁栖湖度假村有限公司) (“Yanqi Lake”), Ms. Lin Rongjia, the 70% equity interest holder of Beijing Hengxing Huawei Commerce Co., Ltd. (“Beijing Hengxing”), which set out the repayment obligations and schedule of the loan advances of RMB184.3 million by Zhongke Fund and the guarantee provided by the guarantors.

Under the facility and guarantee agreement, the repayment terms are as follows:

- (i) RMB55,283,107.70 shall be repaid by Zhongke Fund on or before 29 February 2020;
- (ii) RMB128,993,917.96 shall be repaid by Zhongke Fund on or before 30 June 2020; and
- (iii) the remaining balance shall be repaid by Zhongke Fund on or before 31 December 2020.

As specified in the loan advance agreements entered into between the Company and Zhongke Fund when Zhongke Fund was a subsidiary of the Company, the interest rates of the loan advances are primarily between 6.09% and 10.50%.

A guarantee was given by Yanqi Lake and Ms. Lin Rongjia jointly in favour of the Company to guarantee Zhongke Fund’s repayment of all monies due under the facility and guarantee agreement.

FUTURE PROSPECT

The biochemical diagnostic market is characterized by higher demand and high inventory level, with relatively low technological barriers and market concentration. In addition, as the quality of domestic biochemical diagnostic reagents are homogenized seriously, along with fierce price competition, the sales growth rate declined year by year and there is a pressing need to improve own competitiveness with new technologies and new products.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking forward into the second half of 2020, the unpredictability of macroeconomic environment and the spread of the epidemic may also exert direct or indirect impact on the IVD industry. Through solidifying its business foundation, adjusting its operation directives and increasing income and reducing expenditure, the Company is striving to forge ahead under adverse conditions, exploring more business growth drivers to expand its revenue sources, so as to become a respectable enterprise.

SUBSEQUENT EVENTS

On 5 November 2020, as a result of mediation and settlement, Zhongke Fund and the Company received a civil judgment ((2020)京01民特190號) (the “Civil Judgment”) from the No. 1 Intermediate People’s Court of Beijing Municipality (北京市第一中級人民法院). According to the mediation agreement reached by the parties, Zhongke Fund shall transfer 50% of its equity interest in the Yanqi Lake to the Company before 13 November 2020 for the purpose of setting off RMB145,000,000 (being part of the loan advances) owed by Zhongke Fund to the Company under the facility and guarantee agreement dated 26 December 2019 entered into between, among others, the Company, Zhongke Fund and the guarantors; and Zhongke Fund shall repay in cash the remaining balance of the outstanding principal and outstanding interest of the loan advances in the amount of RMB18,220,000 and RMB19,570,117.79, respectively, to the Company before 30 November 2020. The above transfer of equity interest in Yanqi Lake from Zhongke Fund to the Company was completed on 18 November 2020 and Yanqi Lake has become a joint venture of the Company.

On 18 November 2020, Zhongke Fund completed the transfer of 50% of its equity interest in Yanqi Lake to the Company. The fair value of the 50% equity interest in Yanqi Lake together with the guarantees provided by the guarantors was assessed to be approximately RMB50.9 million based on the Company’s estimate.

In November 2020, two residential properties were transferred to the Company to offset RMB5.4 million owed by Zhongke Fund, which had not been provided with any guarantee or pledge on 31 December 2019. The fair value of these two residential properties on the transfer date was assessed to be RMB5.4 million based on the Company’s estimate.

As at the date of this report, Zhongke Fund has not repaid in cash the remaining outstanding balance of RMB37.8 million in accordance with the Civil Judgement.

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 RMB125.63 million short-term bank borrowings were obtained during the period.

As at 30 June 2020, the Group had cash and bank balances of approximately RM82.57 million (as at 31 December 2019: approximately RMB45.75 million). The Group had RMB49.03 million unsecured bank loans as at 30 June 2020 (as at 31 December 2019: RMB19.10 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 2020, all of the Group's buildings and prepaid land lease payments with net carrying amounts of approximately RMB25,745,000 and RMB2,532,000 respectively were pledged to Bank of Beijing, for bank loans granted to the Company with a principal of RMB72,581,755 as at the end of the reporting period.

As at 30 June 2020, certain machinery with a net carrying amount of approximately RMB39.72 million were pledged to independent third parties to secure loans granted to the Company amounted to RMB34.80 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 2020 RMB'000	31 December 2019 RMB'000
Guarantees given to a bank in connection with the loans granted to an associate	36,200	36,500

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE

As at 30 June 2020, approximately 470 full-time employees (as at 31 December 2019: 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 2020 amounted to approximately RMB39.31 million (2019: approximately RMB69.88 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, 30 March 2021

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 2020 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020, together with the comparative figures in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 June 2020

		Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
		Unaudited	Unaudited	Unaudited	Unaudited
		RMB'000	RMB'000	RMB'000	RMB'000
	<i>Notes</i>				
REVENUE	<i>3, 4</i>	84,294	91,729	131,383	203,893
Cost of sales		(51,889)	(43,859)	(84,667)	(119,700)
Gross profit		32,405	47,870	46,716	84,193
Other income and gains, net		5,750	456	8,554	1,096
Selling and distribution expenses		(17,751)	(19,153)	(32,635)	(35,992)
Administrative expenses		(7,861)	(10,591)	(18,482)	(20,041)
Research and development expenses		(8,749)	(8,353)	(14,028)	(13,342)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	<i>5</i>	3,794	10,229	(9,875)	15,914
Finance costs	<i>6</i>	(2,892)	(825)	(5,615)	(1,371)
Share of profits of associates		1,542	1,873	537	1,333

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 Unaudited RMB'000	2019 Unaudited RMB'000	2020 Unaudited RMB'000	2019 Unaudited RMB'000
PROFIT/(LOSS) BEFORE TAX		2,444	11,277	(14,953)	15,876
Income tax expense	7	(21)	(2,882)	(88)	(4,358)
PROFIT/(LOSS) FOR THE PERIOD		2,423	8,395	(15,041)	11,518
Attributable to:					
Owners of the parent		3,491	4,907	(12,305)	7,213
Non-controlling interests		(1,068)	3,488	(2,736)	4,305
		2,423	8,395	(15,041)	11,518
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY					
– Basic and diluted (RMB)	8	0.024	0.034	(0.085)	0.050

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2020

	Three months ended 30 June		Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000	2020 Unaudited RMB'000	2019 Unaudited RMB'000
PROFIT/(LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,459	8,442	(15,072)	11,560
Attributable to:				
Owners of the parent	3,527	4,954	(12,336)	7,255
Non-controlling interests	(1,068)	3,488	(2,736)	4,305
	2,459	8,442	(15,072)	11,560

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
<i>Notes</i>		
NON-CURRENT ASSETS		
Property, plant and equipment	96,748	103,879
Right-of-use assets	14,802	18,491
Prepayments	600	2,150
Goodwill	309	309
Other intangible assets	28,563	24,854
Investments in associates	44,269	47,635
Equity investments designated at fair value through other comprehensive income	511	511
Long-term receivables	15,798	15,439
Deferred tax assets	6,121	6,130
Total non-current assets	207,721	219,398
CURRENT ASSETS		
Inventories	78,332	56,566
Trade and bills receivables	175,382	221,889
Prepayments, other receivables and other assets	79,790	76,910
Financial assets at fair value through profit or loss	15,520	24,449
Pledged deposits	32,600	15,699
Cash and cash equivalents	49,970	30,052
Total current assets	431,594	425,565

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		30 June 2020	31 December 2019
		Unaudited RMB'000	Audited RMB'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables	11	97,152	118,223
Other payables and accruals		135,879	140,582
Interest-bearing bank and other borrowings		132,254	98,835
Lease liabilities		3,212	4,642
Tax payable		1,503	670
Total current liabilities		370,000	362,952
NET CURRENT ASSETS			
		61,594	62,613
TOTAL ASSETS LESS CURRENT LIABILITIES			
		269,315	282,011
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		57,504	55,999
Deferred income		5,143	4,418
Other liabilities		442	363
Lease liabilities		12,584	12,103
Deferred tax liabilities		9,901	9,903
Total non-current liabilities		85,574	82,786
Net assets		183,741	199,225
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	144,707	144,707
Reserves		17,371	30,084
Non-controlling interests		162,078	174,791
		21,663	24,434
Total equity		183,741	199,225

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent								
	Issued capital	Capital reserve	Statutory reserve	Exchange fluctuation reserve	Fair value reserve	Retained profits/(loss)	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
At 1 January 2020	144,707	102,596	47,995	(113)	(359)	(120,035)	174,791	24,434	199,225
Total comprehensive loss for the period	-	-	-	(31)	-	(12,305)	(12,336)	(2,736)	(15,072)
Disposal of a subsidiary	-	(377)	-	-	-	-	(377)	-	(377)
Capital refund to a non-controlling shareholder	-	-	-	-	-	-	-	(35)	(35)
At 30 June 2020	144,707	102,219*	47,995*	(144)*	(359)*	(132,340)*	162,078	21,663	183,741

* These reserve accounts comprise the consolidated reserves of RMB17,371,000 and RMB30,084,000 in the consolidated statement of financial position as at 30 June 2020 and 31 December 2019, respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Net cash inflow/(outflow) from operating activities	(9,290)	26,149
Net cash inflow/(outflow) from investing activities	3,145	(6,616)
Net cash inflow/(outflow) from financing activities	26,063	(26,151)
Increase/(decrease) in cash and cash equivalents	19,918	(6,618)
Cash and cash equivalents at beginning of period	30,052	24,715
Cash and cash equivalents at end of period	49,970	18,097

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 2020 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 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the above revised HKFRSs has had no significant financial effect on this unaudited condensed consolidated financial information and there has been no significant changes to the accounting policies applied in this unaudited condensed consolidated financial information.

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 2020, 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 RMB26,223,000 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	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Depreciation	5,144	5,954	10,287	11,908
Amortisation of know-how	259	255	518	510
Amortisation of prepaid land lease payments	20	20	40	40

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Interests on bank and other loans	2,892	825	5,615	1,371

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 2020 (2019: 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	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Current – the PRC				
Charge for the period	10	2,528	67	3,410
Deferred	11	354	21	948
Total tax charge for the period	21	2,882	88	4,358

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 2020 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average number of 144,707,176 (2019: 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 2020 (2019: Nil).

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: 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 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Within 3 months	143,183	189,742
4 to 6 months	5,715	8,602
7 to 12 months	8,851	4,609
1 to 2 years	14,618	18,614
Over 2 years	3,015	322
	175,382	221,889

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 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Within 3 months	79,031	93,109
4 to 6 months	477	2,972
7 to 12 months	3,384	4,170
1 to 2 years	12,849	17,467
Over 2 years	1,411	505
	97,152	118,223

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 2020 Unaudited RMB'000	31 December 2019 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

13. CONTINGENT LIABILITIES

The guarantees given to a bank and a security company in connection with loans granted to an associate and a subsidiary were RMB36,200,000 as at 30 June 2020 (31 December 2019: RMB36,500,000).

14. COMMITMENTS

The Group did not have any significant capital commitments in respect of plant and equipment as at 30 June 2020.

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	
		2020 Unaudited RMB'000	2019 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	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Short term employee benefits	1,890	1,620
Post-employment benefits	262	543
Total compensation paid to key management personnel	2,152	2,163

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 30 March 2021.

OTHER INFORMATION

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

As at 30 June 2020, 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	Percentage of the Company's total registered share capital
Mr. Wu Lebin	3,500,878	4.35%	2.42%
Dr. Xu Cunmao	600,000	0.75%	0.41%
Mr. Zhou Jie	150,000	0.19%	0.10%

Save as disclosed above, as at 30 June 2020, 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 2020, 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	
Beijing Pusai Asset Management Co., Ltd. (北京普賽資產管理有限責任公司)	Directly beneficially owned	31,308,576	–	38.93%	0.00%	21.64%
Mr. Wang Shuai	Directly beneficially owned	24,506,143	–	30.47%	0.00%	16.93%
Mr. Xiao Yonggang	Directly beneficially owned	7,763,505	–	9.65%	0.00%	5.36%
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%
雲南勝能投資合夥企業(有限合夥) Yunan Shengneng Investment Partnership (Limited Partnership)*	Directly beneficially owned	–	6,780,000	0.00%	10.55%	4.69%
Mr. Li Yangxiong	Through controlled corporations	–	6,780,000	0.00%	10.55%	4.69%
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

^ 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 2020, 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 2020.

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 2020.

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 2020.

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. Ren Fujin and Ms. Li Li, of which Dr. Zheng Yongtang is the chairman. Following Mr. Pan Chunyu's resignation as an independent non-executive Director on 11 March, he ceased to be a member of the Audit Committee and was replaced by Ms. Li Li, an independent non-executive Director appointed on 11 March 2020.

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 2020, 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, A.2.1 and C.2.5 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.

OTHER INFORMATION

Code Provision A.2.1

Code Provision A.2.1 states that the roles of chairman and chief executive (whose function is carried out by the president of the Company) should be separate and should not be performed by the same individual. As the function of the chief executive is being carried out by the president of the Company, there is deviation from Code Provision A.2.1. The Board believes that with the support of the management, vesting the roles of both the Chairman and the president in Mr. Wu Lebin can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, the Board is also supervised by three independent non-executive Directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The Directors will meet regularly to consider major matters affecting the operations of the Group.

Code Provision C.2.5

Code Provision C.2.5 states that the Company should have an internal audit function. Based on the size and simple operating structure of the Group as well as the internal control processes, the Group decided not to set up an internal audit department for the time being. However, the Board has put in place adequate measures to perform the internal audit function in relation to different aspects including (i) the Board has established formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations and (ii) the Company engaged an external consultant to perform an internal review on the scope determined by the Audit Committee. The Company considers that the existing organization structure and close supervision by the management and the abovementioned engagement of the external consultant can maintain sufficient risk management and internal control of the Group. The Board will review the need to set up an internal audit function from time to time and may set up an internal audit team if the need arises.