



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

Third Quarterly Report

* For identification purpose only

CHARACTERISTICS OF THE 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 higher investment risk may be attached than other companies listed on the Stock Exchange. 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Biosino Bio-Technology and Science Incorporation (the “Company”, 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.)*

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)

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 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

THIRD QUARTERLY RESULTS FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2020

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 2020, together with the comparative figures for the same periods in 2019, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 Unaudited RMB'000	2019 Unaudited RMB'000	2020 Unaudited RMB'000	2019 Unaudited RMB'000
REVENUE	3	94,171	92,059	225,554	295,952
Cost of sales		(56,101)	(48,157)	(140,768)	(167,857)
Gross profit		38,070	43,902	84,786	128,095
Other income and gains, net		2,476	468	11,030	1,564
Selling and distribution expenses		(19,403)	(24,081)	(52,038)	(60,073)
Administrative expenses		(10,966)	(8,577)	(29,448)	(28,618)
Research and development expenses		(6,268)	(7,963)	(20,296)	(21,305)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		3,909	3,749	(5,966)	19,663
Finance costs		(2,406)	(491)	(8,021)	(1,862)
Share of profits of associates		1,331	499	1,868	1,832
PROFIT/(LOSS) BEFORE TAX		2,834	3,757	(12,119)	19,633
Income tax	4	(210)	759	(298)	(3,599)
PROFIT/(LOSS) FOR THE PERIOD		2,624	4,516	(12,417)	16,034
Attributable to:					
Owners of the parent		2,492	4,068	(9,813)	11,281
Non-controlling interests		132	448	(2,604)	4,753
		2,624	4,516	(12,417)	16,034
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT					
Basic and diluted (RMB)	5	0.02	0.03	(0.07)	0.08

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2020

	Three months ended 30 September		Nine months ended 30 September	
	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	2,606	4,537	(12,466)	16,097
Attributable to:				
Owners of the parent	2,474	4,089	(9,862)	11,344
Non-controlling interests	132	448	(2,604)	4,753
	2,606	4,537	(12,466)	16,097

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 research and development, 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 2020 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 2019.

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 2020 (2019: 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	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000	2020 Unaudited RMB'000	2019 Unaudited RMB'000
The Current – the PRC	199	(769)	266	2,641
Deferred	11	10	32	958
	210	(759)	298	3,599

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 2020 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average 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 nine months ended 30 September 2020 (2019: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

6. RESERVES

The movements of reserves for the nine months ended 30 September 2020 and 2019 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	Exchange fluctuation reserve Unaudited RMB'000	Fair value reserve Unaudited RMB'000	Retained profits/(loss) Unaudited RMB'000	Total Unaudited RMB'000
At 1 January 2019	144,707	105,090	47,995	(173)	(377)	4,661	301,903
Total comprehensive income/(loss) for the period	-	-	-	63	-	11,281	11,344
Acquisition of non-controlling interests	-	(2,550)	-	-	-	-	(2,550)
Final 2018 dividend	-	-	-	-	-	(14,471)	(14,471)
At 30 September 2019	144,707	102,540	47,995	(110)	(377)	1,471	296,226
At 1 January 2020	144,707	102,596	47,995	(113)	(359)	(120,035)	174,791
Total comprehensive loss for the period	-	-	-	(49)	-	(9,813)	(9,862)
Disposal of a subsidiary	-	(377)	-	-	-	-	(377)
At 30 September 2020	144,707	102,219	47,995	(162)	(359)	(129,848)	164,552

[#] 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 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

THE THIRD QUARTER OF 2020

Thanks to the concerted efforts contributed by all sectors of the society, the epidemic outbreak in China is effectively under control. Although the epidemic situation remains acute globally and a few confirmed cases were still spotted across China, however, both the economic and social activities, especially the medical and clinical examination works, in most domestic regions are recovering back to its basic conditions. The Company is actively exploring make-up solutions and strives to reduce losses due to the decline in sales revenue and profitability as a result of the adverse impact on the Company brought by the epidemic outbreak.

With the rapid development of diagnostic technologies, the improvement of disease awareness and the change of disease treatment methods have driven the rapid development of the IVD industry in recent years. In-vitro diagnostic is a technology-intensive industry and its technological innovation evolves rapidly. With relatively high gross profit margin, the IVD industry has attracted large amounts of capital inflow to enter the market. There are a large number of in-vitro diagnostic enterprises in the PRC, but most of them have limited product technology, single business scope, small business scale and poor overall economies of scale, which lead to fierce competition among the small and fragmented domestic companies. The ability to develop new products that meet market demand and technological development trend is a key factor for the Company to maintain its leading position in market competition and expand its advantages continuously. With the improvement of R&D and technical strengths and the expansion of business scale of leading domestic enterprises, it is expected that industry market concentration will be further enhanced, and the competitiveness of leading domestic enterprises and foreign enterprises in the high-end market will also increase rapidly.

The Company firmly adheres to its “product-centric and market-oriented” strategy with step-by-step promotion of the Company’s 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, and also to pursue quality profit growth in the course of sales volume expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue for the nine months ended 30 September 2020 was approximately RMB226 million, representing a decrease of approximately 23.8% as compared with approximately RMB296 million for the corresponding period last year. Loss attributable to shareholders of the Company for the nine months ended 30 September 2020 was RMB9.81 million as compared with the profit attributable to shareholders of the Company of RMB11.28 million recorded in the corresponding period last year, which was mainly due to the negative impact of COVID 19.

During the reporting period, the Company obtained the patent of the serum vitamin A and E rapid determination method by the liquid chromatography tandem mass spectrometry (液相色譜串聯質譜), two new product registration certificates 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 nucleic acid extraction solution and sample preservation solution of novel coronavirus. The antibody detection assay kit of novel coronavirus developed by the Company obtained the European Union's CE certification firstly, then was enlisted in the export whitelist of Ministry of Commerce of China.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

OUTLOOK AND FUTURE PROSPECT

For the products development direction in future, on one hand, the Company will focus on the continuous improvement of existing products quality by leveraging its original advantages, while on the other hand, the advancement of industry technology brings about the continuous development of new testing projects. For the market development strategy, going forward, the Company will consolidate the competitive advantages of its original biochemical diagnostics market, explore and strive to improve the market shares of other products, enhance the horizontal union with its direct users, further deepen resources utilization, business integration platform and mechanism, commence industry cooperation of total industry chain and its ecosystem to enhance its market shares, and at the same time, continue to improve its remuneration system and incentive mechanism to attract talents in joining the Group.

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 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 Judgment.

OTHER INFORMATION

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

As at 30 September 2020, the interests of the directors, supervisors or chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and to the Stock Exchange, were as follows:

Long position in shares of the Company:

Name	Number of the Company's domestic shares held	Percentage of the Company's domestic shares	Percentage of the Company's total registered share capital
Mr. Wu Lebin	3,500,878	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 September 2020, 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 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%

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	
雲南勝能投資合夥企業 (有限合夥) Yunnan Shengneng Investment Partnership (Limited Partnership)*	Directly beneficially owned	–	6,780,000	0.00%	10.55%	4.69%
Li Yangxiong	Directly beneficially owned	–	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%

^ 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 2020, 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 2020.

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 2020.

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, 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

For the period ended 30 September 2020, 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, 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

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 2020.

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 prior to the resignation of Mr. Wu Lebin as the president and the appointment of Mr. Lin Yanglin as the president of the Company with effect from 3 August 2020.

The Board believes that with the support of the management, vesting the roles of both the Chairman and the president in Mr. Wu Lebin could facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, the Board is supervised by three independent non-executive Directors. The Board considers that the previous structure would 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 would meet regularly to consider major matters affecting the operations of the Group.

OTHER INFORMATION

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.

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

Beijing, the PRC, 30 March 2021