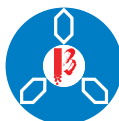


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**中生北控生物科技股份有限公司**

**BIOSINO BIO-TECHNOLOGY AND SCIENCE INCORPORATION\***

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 8247)

**DISCLOSEABLE TRANSACTION –  
CAPITAL INCREASE AGREEMENT**

**CAPITAL INCREASE AGREEMENT**

The Board is pleased to announced that on 13 May 2011, the Company, Shanghai Shenjia, Mr. Robert, Mr. Daire and Suzhou Otian entered into the Capital Increase Agreement, pursuant to which (i) the Company agreed to make a capital contribution in the amount of RMB30,000,0000 in cash to the registered capital of Suzhou Otian, which is owned by Shanghai Shenjia, Mr. Robert and Mr. Daire as to 33.4%, 33.3% and 33.3% respectively as of the date of this announcement; and (ii) Shanghai Shenjia, Mr. Robert, Mr. Daire agreed to make capital contribution to the registered capital of Suzhou Otian by way of injection of the Intangible Assets in the amount of RMB51,710,000. Upon completion of the Proposed Capital Increase, Suzhou Otian will have a registered capital of RMB85,710,000 and will be owned by the Company, Shanghai Shenjia, Mr. Robert and Mr. Daire as to 35%, 21.8%, 21.6% and 21.6% respectively.

**LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios under the GEM Listing Rules in relation to the Company's cash contribution to the registered capital of Suzhou Otian is more than 5% but less than 25%, it constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

**THE CAPITAL INCREASE AGREEMENT**

**Date:** 13 May 2011

**Parties:**

- (1) the Company
- (2) Shanghai Shenjia
- (3) Mr. Robert
- (4) Mr. Daire
- (5) Suzhou Otian

The Company confirms that, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of (i) Shanghai Shenjia, Suzhou Otian and each of their ultimate beneficial owners; (ii) Mr. Robert; and (iii) Mr. Daire is a third party independent of the Company and its connected persons (as defined in the GEM Listing Rules).

The Directors also confirm that to the best of their knowledge, information and belief, there was no prior transaction between the Company (on the one hand) and Shanghai Shenjia, Mr. Robert, Mr. Daire or Suzhou Otian (on the other hand) that requires aggregation under Rule 19.22 of the GEM Listing Rules.

### **Proposed Capital Increase**

Prior to completion of the Proposed Capital Increase, the registered capital of Suzhou Otian is RMB4 million, out of which Shanghai Shenjia, Mr. Robert and Mr. Daire contributed RMB1.334 million, RMB1.333 million and RMB1.333 million, representing 33.4%, 33.3% and 33.3% respectively.

Pursuant to the Capital Increase Agreement, the parties thereto agreed as follows:–

- (i) the Company shall make a capital contribution in the amount of RMB30 million in cash to the registered capital of Suzhou Otian; and
- (ii) Shanghai Shenjia, Mr. Robert, Mr. Daire shall make capital contribution to the registered capital of Suzhou Otian by way of injection of the Intangible Assets in the amount of RMB51,710,000 (which represents a slight discount of the appraised value of the Intangible Assets of RMB51,860,000 as at 28 February 2011).

Upon completion of the Proposed Capital Increase, Suzhou Otian will have a registered capital of RMB85,710,000 and will be owned by the Company, Shanghai Shenjia, Mr. Robert and Mr. Daire as to 35%, 21.8%, 21.6% and 21.6% respectively.

The Company's capital contribution of RMB30 million will be payable on the Completion Date and will be funded through internal resources of the Company. Such amount of capital contribution was determined by the Company, Suzhou Otian and its existing equity holders after arm's length negotiations with reference to the appraised value of the Intangible Assets as at 28 February 2011.

In the course of negotiating the terms of the Capital Increase Agreement, Suzhou Otian and the Company engaged an independent valuer to perform a valuation of the Intangible Assets which are owned by Shanghai Shenjia, Mr. Robert and Mr. Daire and will be injected into Suzhou Otian as registered capital. As at 28 February 2011, the appraised value of the Intangible Assets was RMB51,860,000. The Company's capital contribution of RMB30 million represents approximately 35% of the increased registered capital of Suzhou Otian of RMB85,710,000 upon completion of the Proposed Capital Increase. Since Suzhou Otian was recently established and has no operation since the date of its establishment on 29 January 2011, it has not generated any turnover and has no assets other than its registered capital.

## Other Terms

- (a) It is the intention of the Company and the other joint venture partners of Suzhou Otian that Suzhou Otian will be able to manufacture and launch hematology analysis instruments by utilizing the technologies associated with the Intangible Assets in the future. In the event that Suzhou Otian shall achieve no sale of hematology analysis instruments and the operation costs of Suzhou Otian shall exceed RMB34 million within two years after the Completion Date, Mr. Robert and Mr. Daire shall take all steps to make the appropriate cash contributions to the registered capital of Suzhou Otian in place of their respective contributions by way of injection of the Intangible Assets.
- (b) In the event that Suzhou Otian completed the registration of the hematology analysis instruments with relevant governmental authority of the PRC and commenced production thereof only after two years from the Completion Date (the “Delayed Performance”), Shanghai Shenjia, Mr. Robert and Mr. Daire shall take the following remedial actions:–
- (i) During the first twelve months’ period from the date of the Delayed Performance:
- Shanghai Shenjia, Mr. Robert and Mr. Daire shall transfer to the Company an aggregate of 0.5% of the registered capital of Suzhou Otian for each month of such delayed period at no consideration so that the Company shall be entitled to acquire an aggregate of 6% of the registered capital of Suzhou Otian from Shanghai Shenjia, Mr. Robert and Mr. Daire at the end of the first twelve months’ period from the date of the Delayed Performance.
- (ii) During the second twelve months’ period from the date of the Delayed Performance:
- Shanghai Shenjia, Mr. Robert and Mr. Daire shall transfer to the Company an aggregate of 1% of the registered capital of Suzhou Otian for each month of such delayed period at no consideration so that the Company shall be entitled to acquire an aggregate of 12% of the registered capital of Suzhou Otian from Shanghai Shenjia, Mr. Robert and Mr. Daire at the end of the second twelve months’ period from the date of the Delayed Performance.
- (c) Shanghai Shenjia, Mr. Robert and Mr. Daire may transfer their equity holdings among themselves but cannot transfer more than 10% of their equity holdings in aggregate to any third party.
- (d) The Company has the right of priority to become the controlling shareholder of Suzhou Otian in the future.
- (e) The board of directors of Suzhou Otian shall comprise 7 members, out of which 3 members shall be appointed by Shanghai Shenjia, Mr. Robert and Mr. Daire jointly while the remaining 4 members shall be appointed by the Company. The chairman of the board of directors shall be appointed by Shanghai Shenjia, Mr. Robert and Mr. Daire jointly while the vice chairman of the board of directors shall be appointed by the Company.

## **Condition Precedent**

The completion of the Proposed Capital Increase is subject to the fulfillment of the Condition Precedent that all the approvals from the Approval Authorities in respect of the Proposed Capital Increase including but not limited to the approval of the amended articles of association, revised joint venture contract, updated business licence as well as any other documents that may be required by the Approval Authorities in accordance with the applicable laws of the PRC have been obtained. In the event that the aforesaid Condition Precedent is not fulfilled within 180 days from the date of the Capital Increase Agreement, the Capital Increase Agreement shall become null and void automatically unless Suzhou Otian provides a written statement to the other parties of the Capital Increase Agreement that the Condition Precedent may be fulfilled within an extended period (the “Extended Period”) of not more than one year after the date of the Capital Increase Agreement and in that case, the Capital Increase Agreement shall remain effective during the Extended Period.

## **INFORMATION ABOUT THE COMPANY**

The Company is a joint stock company established in the PRC with limited liability and the shares of which are listed on the GEM.

The Company is principally engaged in the manufacture, sales and distribution of in-vitro diagnostic reagent products and pharmaceutical products.

## **INFORMATION ABOUT SUZHOU OTIAN AND ITS EXISTING EQUITY HOLDERS**

Suzhou Otian is a Sino-foreign joint venture established under the laws of the PRC on 29 January 2011. Its scope of business under its business licence includes research and development of hematology analysis instruments and diagnostic reagents as well as provision of related technology services.

As Suzhou Otian was recently incorporated, no audited or unaudited financial statements for the past two financial years are available. It has not commenced operation and has not generated any turnover as of the date of this announcement.

As of the date of this announcement, Suzhou Otian has a registered capital of RMB4 million and is owned by Shanghai Shenjia, Mr. Robert and Mr. Daire as to 33.4%, 33.3% and 33.3% respectively. Suzhou Otian has no other assets other than its registered capital.

Shanghai Shenjia, a company established under the laws of the PRC, is principally engaged in trading of medical devices.

Both Mr. Robert and Mr. Daire are French nationals.

## **REASONS FOR AND BENEFIT OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT**

As disclosed in the circular of the Company dated 3 March 2010, the Company intends to use the proceeds raised in the H share placing which was completed in early December 2010 for, among others, developing new products including diagnostic reagents and testing apparatuses which will in turn provide the Group with new profit growth opportunities.

Suzhou Otian was established by Shanghai Shenjia, Mr. Robert and Mr. Daire in January 2011 as a vehicle to develop, manufacture and eventually sell hematology analysis instruments and diagnostic reagents. Shanghai Shenjia, Mr. Robert and Mr. Daire own the intellectual property rights and technology to develop and manufacture hematology analysis instruments and related diagnostic reagents but the continuing development of which requires a substantial amount of funding. The Company's capital contribution to Suzhou Otian will provide financial support to Suzhou Otian for its research and development of hematology analysis instruments and eventually its launch of new products. It is also in line with the Company's intention to utilize the proceeds from H share placing to develop new products including diagnostic reagents and testing apparatuses. The Company expects that Suzhou Otian will generate revenue once the research and development of hematology analysis instruments are completed and new products are launched in the market.

The Directors, including the independent non-executive Directors, believe that the Company's cash contribution to the registered capital of Suzhou Otian pursuant to the Capital Increase Agreement are on normal commercial terms, which is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the highest of the applicable percentage ratios under the GEM Listing Rules in relation to the Company's cash contribution to the registered capital of Suzhou Otian pursuant to the Capital Increase Agreement is more than 5% but less than 25%, it constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements.

## **DEFINITIONS**

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Approval Authorities”	the Ministry of Commerce of the PRC, the State Administration of Industry and Commerce of the PRC, the State Administration of Foreign Exchange, the relevant competent authorities in Jiangsu Province or Suzhou Municipality or such other authority as may be designated under the PRC laws and regulations to
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	administer the approval of the transactions under the Capital Increase Agreement and/or any other documents required to be submitted to the Authorized Authorities' approval in connection with the Capital Increase Agreement;
“Board”	the board of Directors;
“Capital Increase Agreement”	the capital increase agreement dated 13 May 2011 entered into among the Company, Shanghai Shenjia, Mr. Robert, Mr. Daire and Suzhou Otian in relation to the Proposed Capital Increase;
“Company”	Biosino Bio-Technology and Science Incorporation* (中生北控生物科技股份有限公司) (stock code: 8247), a joint stock limited company established in the PRC with limited liability, the H Shares of which are listed on the GEM of the Stock Exchange;
“Completion Date”	the date of completion of the Proposed Capital Increase, which is designated to take place within 15 days after fulfillment of the Condition Precedent and/or within 180 days from the date of the Capital increase Agreement, whichever date is earlier;
“Condition Precedent”	the condition to completion of the Proposed Capital Increase;
“Director(s)”	the director(s) of the Company;
“Domestic Shares”	domestic shares of nominal value RMB1.00 each in the share capital of the Company, which are subscribed for or credit as fully paid up in RMB;
“GEM”	the Growth Enterprise Market operated by the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM;
“Group”	the Company and its subsidiaries;
“H Shares”	the overseas listed foreign invested shares in the registered capital of the Company with a nominal value of RMB1.00 each which are subscribed for and traded in HK\$;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Intangible Assets”	the intangible assets, which comprise the technology for production of hematology analysis instruments and related diagnostic reagents, to be injected by Shanghai Shenjia, Mr. Robert and Mr. Daire into Suzhou Otian as registered capital pursuant to the Capital Increase Agreement;
“Mr. Daire”	Philippe Daire, a French national and holds 33.3% of the registered capital of Suzhou Otian as of the date of this announcement;
“Mr. Robert”	Jean-Edouard Robert, a French national and holds 33.3% of the registered capital of Suzhou Otian as of the date of this announcement;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Proposed Capital Increase”	the proposed capital contribution by the Company in the amount RMB30 million in cash to the registered capital of Suzhou Otian and the proposed capital injection by Shanghai Shenjia, Mr. Robert and Mr. Daire in the amount of RMB51,710,000 by way of injection of the Intangible Assets to the registered capital of Suzhou Otian;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanghai Shenjia”	Shanghai Shenjia Medical Device Co., Ltd.* (上海申家醫療器械有限公司), a company established in the PRC with limited liability and holds 33.4% of the registered capital of Suzhou Otian as of the date of this announcement;
“Shareholders”	the holders of the Shares;
“Shares”	the Domestic Shares and the H Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Suzhou Otian”

Suzhou Otian Medical Limited\* (蘇州奧潤醫療科技有限公司), a company established in the PRC with limited liability and is held by Shanghai Shenjia, Mr. Robert and Mr. Daire as to 33.4%, 33.3% and 33.3% respectively as of the date of this announcement; and

“%”

per cent.

By order of the Board of  
**Biosino Bio-Technology and Science Incorporation\***  
**Wu Lebin**  
*Chairman and Executive Director*

Beijing, the PRC, 17 May 2011

\* *For identification purposes only*

As at the date of this announcement, the Board comprises:

***Chairman and Executive Director***

Mr. Wu Lebin (吳樂斌先生)

***Vice Chairman and Non-executive Director***

Dr. Gao Guang Xia (高光俠博士)

***Executive Directors***

Dr. Wang Lin (王琳博士) and Mr. Hou Quanmin (侯全民先生)

***Non-executive Directors***

Mr. Yao Fang (姚方先生), Mr. Qiao Zhicheng (喬志城先生), Mr. Zuo Zhihui (左志輝先生) and Mr. Wang Fu Gen (王福根先生)

***Independent non-executive Directors***

Dr. Rao Yi (饒毅博士), Dr. Hu Canwu Kevin (胡燦武博士) and Mr. John Wong Yik Chung (黃翼忠先生)

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading*

*This announcement will remain on the GEM website with the domain name of [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.zhongsheng.com.cn](http://www.zhongsheng.com.cn).*