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)

(I) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017; (II) CLOSURE OF REGISTER OF MEMBERS; AND (III) WITHHOLDING AND PAYMENT OF INCOME TAX FOR NON-RESIDENT ENTERPRISE SHAREHOLDERS AND NON-RESIDENT INDIVIDUAL SHAREHOLDERS IN RESPECT OF THE PROPOSED 2017 FINAL DIVIDEND

CHARACTERISTICS OF 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.

This announcement, for which the directors (the "Directors" and each a "Director") 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 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.*

* *For identification purposes only*

FINANCIAL HIGHLIGHTS

- Revenue for the year was approximately RMB295 million, representing a decrease of 9.2% from that of last year.

- Profit for the year amounted to approximately RMB21.20 million, representing an increase of 27.4% from that of last year.

- The Board has proposed a final dividend of RMB0.1 per share for the year ended 31 December 2017.

(I) ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of Directors (the "Board") announced the consolidated results of the Group for the year ended 31 December 2017 (the "Year" or the "Reporting Period") together with the audited comparative figures for 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	4	**295,128**	325,388
Cost of sales	5	**(157,843)**	(182,106)
Gross profit		**137,285**	143,282
Other income and gains		**40,887**	21,252
Selling and distribution expenses		**(65,881)**	(61,076)
Administrative expenses		**(43,340)**	(35,967)
Research and development expenses		**(26,852)**	(28,053)
Other expenses		**(8,304)**	(15,564)
Finance costs	6	**(6,893)**	(3,279)
Share of profits and losses of:			
A joint venture		**–**	(2,055)
Associates		**(2,078)**	3,075
PROFIT BEFORE TAX	5	**24,824**	21,615
Income tax expense	7	**(3,627)**	(4,979)
PROFIT FOR THE YEAR		**21,197**	16,636

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Attributable to:			
Owners of the parent		**25,170**	15,980
Non-controlling interests		**(3,973)**	656
		21,197	16,636
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted			
– For profit for the year		**RMB0.174**	RMB0.120

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**21,197**	16,636
OTHER COMPREHENSIVE INCOME		
Exchange differences:		
Exchange differences on translation of foreign operations	**14**	(334)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**14**	(334)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**14**	(334)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**21,211**	16,302
Attributable to:		
Owners of the parent	**25,184**	15,646
Non-controlling interests	**(3,973)**	656
	21,211	16,302

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**251,546**	98,933
Prepaid land lease payments		**2,653**	2,734
Prepayments		**88,825**	–
Goodwill		**309**	309
Other intangible assets		**5,623**	4,010
Investment in a joint venture		**–**	–
Investments in associates		**40,123**	22,248
Available-for-sale investment		**1,579**	1,579
Long-term receivables		**1,359**	1,907
Deferred tax assets		**3,824**	1,353
Total non-current assets		**395,841**	133,073
CURRENT ASSETS			
Inventories		**44,844**	53,648
Trade and bills receivables	*10*	**124,821**	94,955
Prepayments, deposits and other receivables		**76,993**	236,425
Cash and cash equivalents		**26,757**	79,567
Total current assets		**273,415**	464,595
CURRENT LIABILITIES			
Trade payables	*11*	**72,914**	40,507
Other payables and accruals		**43,082**	50,752
Interest-bearing bank and other borrowings		**135,142**	111,017
Tax payable		**798**	798
Total current liabilities		**251,936**	203,074
NET CURRENT ASSETS		**21,479**	261,521
TOTAL ASSETS LESS CURRENT LIABILITIES		**417,320**	394,594

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**417,320**	394,594
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**16,067**	–
Deferred income		**7,527**	11,511
Deferred tax liabilities		**5,443**	1,540
Total non-current liabilities		**29,037**	13,051
Net assets		**388,283**	381,543
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**144,707**	144,707
Reserves		**174,984**	164,271
		319,691	308,978
Non-controlling interests		**68,592**	72,565
Total equity		**388,283**	381,543

Notes:

1. CORPORATE AND GROUP INFORMATION

Biosino Bio-Technology and Science Incorporation (the "Company") is a limited liability company established in the People's Republic of China (the "PRC"). 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 year, the Company and its subsidiaries (collectively referred to as the "Group") principally engaged in the manufacture, sale and distribution of in-vitro diagnostic reagents.

2.1 BASIS OF PREPARATION

These financial statements 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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
HKFRS 17	*Insurance Contracts*
Amendments to HKAS 28	*Long-term Interests in Associate and Joint Ventures*
Annual Improvements 2015-2017 Cycle	Amendments to a number of HKFRSs

1 *Effective for annual periods beginning on or after 1 January 2018*

2 *Effective for annual periods beginning on or after 1 January 2019*

3 *No mandatory effective date yet determined but available for adoption*

3. OPERATING SEGMENT INFORMATION

For management purposes, from the year of 2017, the Group has two reportable operating segments:

(a) the in-vitro diagnostic reagent products segment, which manufactures, sells and distributes a variety of mono/double diagnostic reagent products;

(b) the property investment segment, which leases show rooms to smart home furniture sellers for its rental income.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, dividend income as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, an amount due to the ultimate holding company, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

In 2017, the property investment segment was in start-up status and did not generate operation income. Therefore, all of the Group's revenue from external customers and profits was generated from the in-vitro diagnostic reagent products segment.

Year ended 31 Dec ember 2017	**In-vitro diagnostic reagent products** *RMB'000*	**Property investment** *RMB'000*	**Total** *RMB'000*
Segment revenue:			
Sales to external customers	295,128	–	295,128
Segment results:	36,551	(5,369)	31,182
Reconciliation:			
Bank interest income			535
Finance costs			(6,893)
Profit before tax			24,824
Segment assets:	607,498	237,877	845,375
Reconciliation:			
Elimination of intersegment receivables			(176,119)
Total assets			669,256
Segment liabilities:	(330,340)	(126,752)	(457,092)
Reconciliation:			
Elimination of intersegment payables			176,119
Total liabilities			(280,973)
Other segment information:			
Share of profits and losses of:			
Associates	(2,078)	–	(2,078)
Impairment losses recognised in the statement of profit or loss	(592)	–	(592)
Depreciation and amortisation	(21,207)	(323)	(21,530)

For the year of 2016, the Group has only one reportable operating segment: the in-vitro diagnostic reagent products segment, which manufactures, sells and distributes a variety of mono/double diagnostic reagent products.

4. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, net of tax and surcharges during the year.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold *(i)*	**157,843**	182,106
Employee benefit expense (including directors' and supervisors' remuneration):		
Wages, salaries and bonuses	**42,048**	42,709
Pension scheme contributions *(ii)*	**6,962**	9,767
Social welfare and other costs	**8,735**	8,997
	57,745	61,473
Gain on deemed disposal on investment in an associate	**(19,953)**	–
Research and development costs *(iii)*	**26,852**	28,053
Government grants released	**(2,765)**	(6,523)
Loss/(gain) on disposal of items of property, plant and equipment, net	**2,368**	(57)
Minimum lease payments under operating leases in respect of land and buildings	**2,428**	927
Auditor's remuneration	**720**	720
Depreciation	**21,530**	18,670
Amortisation of prepaid land lease payments	**81**	96
Amortisation of other intangible assets	**564**	312
Impairment of other intangible assets	**500**	–
Impairment of trade and bills receivables	**84**	329
Impairment of prepayments, deposits and other receivables	**8**	729
Impairment of an investment in a joint venture	**–**	12,218
Loss on disposal of subsidiaries	**–**	788
Gain on acquisition of subsidiaries	**–**	(43)
Foreign exchange differences, net	**176**	(98)

(i) *For the year ended 31 December 2017, cost of inventories sold includes the depreciation of RMB3,108,000 (2016: RMB3,327,000), employee benefit costs of RMB13,682,000 (2016: RMB14,912,000) and rental expenditure of RMB2,096,000 (2016: RMB1,909,000).*

(ii) *As at 31 December 2017 and 2016, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.*

(iii) *For the year ended 31 December 2017, research and development costs include the depreciation of RMB1,637,000 (2016: RMB1,591,000), employee benefit costs of RMB11,859,000 (2016: RMB10,536,000) and rental expenditure of RMB735,000 (2016: RMB888,000).*

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	RMB'000	*RMB'000*
Interest on bank loans	**6,893**	3,279

7. INCOME TAX EXPENSE

Taxes on profits assessable in the PRC, where the Group operates, have been calculated at the rate of tax prevailing in the PRC. Under the PRC income tax laws, enterprises are subject to corporate income tax ("CIT") at a rate of 25%.

The Company and Beijing Zhongsheng Jinyu Diagnostic Technology Co., Ltd., a subsidiary of the Company, are subject to a preferential rate of 15% under the PRC income tax law for a period of three years commencing from 1 January 2017 as they are accredited by the relevant government authorities as High and New Technology Enterprises.

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the year.

	2017	2016
	RMB'000	*RMB'000*
Current – the PRC		
Charge for the year	**2,195**	4,138
Deferred	**1,432**	841
Total tax charge for the year	**3,627**	4,979

8. DIVIDEND

	2017	2016
	RMB'000	*RMB'000*
Proposed final dividend – RMB0.1 (2016: RMB0.1) per share	**14,471**	14,471

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 144,707,176 (2016: 133,176,489) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during both the years ended 31 December 2017 and 2016.

10. TRADE AND BILLS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**127,086**	89,902
Bills receivables	**819**	8,601
Impairment	**(1,725)**	(1,641)
	126,180	96,862
Less: Amount shown as non-current	**(1,359)**	(1,907)
	124,821	94,955

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 aging analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**76,299**	57,799
4 to 6 months	**32,197**	26,072
7 to 12 months	**14,143**	7,710
1 to 2 years	**3,446**	3,458
Over 2 years	**95**	1,823
	126,180	96,862

11. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**43,434**	20,994
4 to 6 months	**17,046**	14,562
7 to 12 months	**12,126**	4,607
1 to 2 years	**110**	74
Over 2 years	**198**	270
	72,914	40,507

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

12. MOVEMENT OF RESERVES

During the year, the Group made transfers of RMB1,630,000 (2016: RMB1,619,000) from retained profits to statutory reserve.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Environment

At present, under the overall background of citizens' increasing awareness in disease prevention and health consciousness, as well as drug price reduction and removal of medicine markup policies, the medical treatment service will become the main income source for hospitals. The PRC has turned into an aged society and it is expected that with intensifying aging issue and improvement in people's health consciousness, total medical visits will maintain at a growth rate of over 5% in the next five years. It is also expected that medical expenditure per capita will maintain a growth rate of 5%-7%. With the diagnostic as the first step of medical treatment and in-vitro diagnostic ("IVD") as a base inspection and testing measure, about 30% of outpatient medical expenditure will be attributable to the clinical application of IVD products. With the advancement of the hierarchical medical system, the improved strength of PRC enterprises in research and development and the increase in examination and testing quantities in primary hospitals, under the combined influence of the medical issuance expense control policy and the need of "expense control" by hospitals, hospitals (especially those at the county level and below) will tend to use more domestic reagents, especially the biochemical diagnosis with relatively high price-performance, which will be beneficial to domestic reagent and instruments enterprises.

At present, the biochemical diagnostic reagent has become the most developed segment in IVD industry in the PRC, the overall technology standard had basically on par with current international standard, and product quality and independent innovation capacity improved substantially. However, such segment industry recorded a flat growth which is expected to be lower than 10%, in which the key growth sector is at primary hospitals. As a result of the relatively low technology barrier of the biochemical reagent industry as well as the opening up of biochemical analyzers market, domestic enterprises entered the market by taking track and imitating foreign technologies and producing reagent products supporting imported biochemical analyzers, thereby forming a batch of sizable IVD enterprises which mainly manufacture biochemical reagents. Through the traceability of diagnostic products, the accuracy, consistency and comparability of examination and testing results were improved, the room of import substitution is continuously expanding, hence import substitution had basically completed and met the domestic hospital demand at all levels. However, the high-end biochemical analyzers are still dominated by foreign brands due to higher technology barriers. The characteristics of IVD industry is the focus of primary importance in determining the research and development of analyzers. Sales of analyzers can drive up high sales of reagents due to the resulted higher barrier in research and development of analyzers. The high-end instruments are mostly run in closed operation, that is, such instruments are only compatible with special reagents from specific manufacturers. As the quality of domestic biochemical diagnostic reagents are homogenized seriously, along with fierce price competition, the growth rate of the sales declined year by year. It is urgently necessary to increase our competitiveness with new technologies and new products. The research and development is the core competition barrier for IVD instrument and reagents.

With the development of diagnostic technology, from the stages of screening, definite diagnosis to treatment, the diagnostic technology has begun to be professionally segmented. Research and development of new technologies and their applications, which include advanced diagnostic technology, treatment technology and health management platform have brought the changes. These changes will certainly generate significant impact on clinical diagnosis. In particular, attention should be focused on the effect on individualised diagnosis, represented by molecular diagnostic technology in the industry. Furthermore, attention should be paid to the cooperation model between manufacturers and distributors. The emergence of several major domestic biochemical diagnostic companies is supported by strong sales channels and distributors, and their interests have been strengthened by way of capital ties and intensified bonding, which will become an important trend in the market competition in the future.

Business Review

Revenue

In 2017, sales revenue from the principal business was RMB295 million, down by 9.2% as compared to last year, which was mainly due to the impact of macro policies and product structure adjustments.

Gross Profit and Gross Profit Margin

The gross profit during the Reporting Period was RMB137 million, down by 4.2% as compared to last year, and gross profit margin was 46.4% (2016: 44%).

Selling and Distribution Expenses

During the Reporting Period, selling and distribution expenses were RMB65.88 million, up by 7.9% as compared to last year. The increase in such expenses was primarily attributable to the strengthening of the marketing efforts during the year.

Research and Development Costs

During the Reporting Period, the Company was granted the rights of 5 patents, which are set out as follows:

a kind of reagents kit testing SLC26A4 genetic mutation and its application; a kind of reagents kit testing staphylococcus epidermidis and its application; enzymatic chemiluminescence substrate solution for alkaline phosphatase; a kind of reagents 3a-HSD and its preparation method and application; a kind of reagents kit testing total bile acid; and renewal the registration of 10 products.

Total research and development costs for the year amounted to RMB26.85 million, down by 4.3% as compared to last year.

Profit for the Year

Profit for the year amounted to RMB21.20 million, up by approximately 27.4% year-on-year as compared to RMB16.64 million of 2016.

Profit Attributable to Owners of the Parent

During the Reporting Period, profit attributable to owners of the parent of the Company was RMB25.17 million, increased by approximately 57.5% year-on-year.

Production Facilities

The Company possesses 2 self-constructed plant complexes covering a total area of 37.17 mu, in which both complexes have passed the examination and acceptance and repair and reconstruction stages, and are in normal use. Of which, Plant Complex No. 1, with a gross floor area of 11,000 square metres, is mainly used for office, research and development, production of biochemical reagents and other purposes. Plant Complex No. 2, with a gross floor area of 5,000 square metres (with five stories above ground), is mainly used as the production facilities for diagnostic reagents, comprising warehouse, workshops, laboratories and offices. The production facilities of each of its subsidiaries are either leased for use or constructed pursuant to relevant laws and regulations, and those facilities currently are all in normal operating conditions.

Outlook and Future Prospects

IVD has become an increasingly important component of disease prevention, diagnosis and treatment for human, hence clinical medical examination and testing is the principal consumption direction for IVD reagents. In 2016, the global market size of IVD was US$56.2 billion and over RMB60 billion in China. It is expected that China will be the world's largest IVD market in 10 to 15 years' time. In China, approximately 90% of IVD reagent products market is clustered at hospitals. They include 22,700 all-level hospitals, 37,200 town-level health centres and 450 blood stations, and also those emerging physical examination centres and independent medical laboratories. With increasing homogenization of diagnostic reagents, diversification in client selection and other changes, strong customer loyalty has become the key of enterprise differentiation and competitiveness. The traditional IVD manufacturing enterprises mainly focus on distribution. During the operating process, the agents have strong bargaining power. The "hierarchical medical system" and "two-invoice system" which are being proactively pushed forward will certainly trigger a substantial change to operation channel, even business model, whereby leading to a significant change to business ecology in the industry. The agents with terminal resources become more important. At present, in the domestic IVD reagents market, biochemical diagnostic reagents and immune diagnostic reagents represented over 50% of total market size. Technically speaking, for the items broadly used in clinical application with vast market prospect (such as enzymes, lipids, liver function, blood glucose, urine test and immune reagent series in clinical biochemistry), technology standard of domestic major manufacturers has basically reached the current international level. The biochemical diagnostic market has the characteristics of higher demand and high stock level, relatively low in technology barrier and market concentration, so industry competition is increasingly fierce. However, the application of new technology and the development of new projects are far less active than immune diagnosis and molecular diagnosis sectors. The enhancement in concentration and industrial chain reconstruction are two main drivers for key IVD enterprises (especially those engaging in clinical biochemical diagnosis) to achieve growth in future. The Company will pay close attention and take active measures to adapt to changes to further strengthen the cooperation with downstream sectors through regional strategies tailored made to local conditions, with a view to improve its product sales volume or market share in diversified methods including consolidation.

The gradual implementation of the new medical reform, medical insurance and health sector policies substantively benefit the pharmaceutical sector. In particular, the influence of the medical reform has led to a steady increase in the number of domestic medical visits. The government encourages private capital investment in medical service industry, further improving the business sentiment and market environment of the industry. It is expected that as driven by social capital, the medical service market, in particular basic level medical market and high-end medical service, will increase substantially. The demand for diagnostic reagents and general consumables will continue to increase, which are beneficial to the continuous growth of the size of our business and will increase the sales of our products. However, with the gradual implementation of new medical reform, the charges of medical services begin to draw public attention. In terms of the criterion for medical service pricing issued for provinces and cities, reduction in the proportion of inspection fee and lowering inspection and testing pricing begins to take shape.

With increasing market participants, market competition for IVD reagent sector is becoming more and more intense. Enterprises are also facing on-going challenges in product quality enhancement and product-mix optimisation. With more stringent product registration and regulatory policies, drop-out rate of vulnerable companies and industry concentration rate will have obvious increase. Under the adjustment and optimisation of the sales team, the Company will take more incentive measures to explore new marketing mode actively, continue intensifying its marketing efforts, accelerate the progress in research and development, launch new products and new instruments compatible with each other or with new functionalities one after another, increase its investment in immune diagnosis and molecular diagnosis, and strive to adapt to new market changes and new demand. In 2018, the Group will put emphasis on the "year of increasing income and reducing expenditure, quality, and entrepreneurship" activities, and pursue the spirit of "Unity, Regulated, Courage, Efficiency, Win-win", initiate all employees to be proactive in establishing entrepreneurial awareness, enhancing occupation quality, improving product quality in all directions and means, and increasing the momentum in marketing efforts to increase the revenue of the Group and reduce unnecessary spending in all directions and means. Through solidifying its business foundation and adjusting its operation directives and increasing income and reducing expenditure, the Group is striving to forge ahead under adverse conditions in order to become a respectable enterprise. With years of hard work and established foundation, the Board directs the Company to step towards the objective of being the "Legend Group" in China's health industry with independent intellectual property rights and international competitiveness, and achieve the best performance and bring satisfactory returns for our shareholders.

Capital Structure

During the Reporting Period, the capital structure of the Company had no significant change as compared to that of last year.

Liquidity and Financial Position

	2017	2016
	RMB million	*RMB million*
Cash and bank balances and time deposits	**27**	80
Short-term loans	**135**	111
Long-term loans	**16**	–
Net debt	**124**	31
Net debt equity ratio	**32%**	8.2%

The Group generally financed its operations with internally generated cash flows, bank and other borrowings and capital contributions from shareholders. As at 31 December 2017, net debt increased by approximately RMB93 million year-on-year as compared to last year, which was mainly due to an increase in the investment in property, plant and equipment during the year.

Foreign Currency Risk

The Group's businesses are mostly located in Mainland China and most transactions are conducted in RMB, except that the Group occasionally purchases equipments and some in-vitro diagnostic reagent products from overseas countries for resale in Mainland China and there are administrative expenses incurred by the Canadian subsidiary. A small amount of cash denominated in Hong Kong dollars ("HKD") is placed in bank accounts in Hong Kong for payments of miscellaneous expenses such as professional fees incurred in Hong Kong.

Pledge of Assets of the Group

At 31 December 2017, all the Group's buildings and prepaid land lease payments with a net carrying amount of approximately RMB28,685,000 and RMB2,734,000 respectively were pledged to Bank of Beijing, for bank loans granted to the Company with a principal of RMB53,784,469 as at the end of the Reporting Period.

At 31 December 2017, certain machinery with original cost of approximately RMB30 million were pledged to Far Eastern Leasing Co., Ltd. to secure a loan granted to the Company amounted to RMB27 million with duration of 3 years.

Significant Investment, Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies

Save as the transactions set out below and as disclosed elsewhere in this announcement, there was no other material investment, material acquisition and disposal of subsidiary or affiliated company for the year ended 31 December 2017:

On 24 August 2017, the Company and Biosino Suzhou Medical Instrument Co., Ltd. ("Biosino Suzhou") entered into a capital increase agreement with Mr. Zhang Haitao ("Mr. Zhang") and Ms. Chen Caibao ("Ms. Chen") whereby Mr. Zhang agreed to contribute RMB4,000,000 (equivalent to approximately HK$4,640,000) in addition and Ms. Chen agreed to contribute RMB26,000,000 (equivalent to approximately HK$30,160,000) to the registered capital of Biosino Suzhou, respectively. Upon completion of the aforesaid transaction, the Group's interest in Biosino Suzhou will decrease from approximately 93.33% to approximately 46.67%, which constitutes a deemed disposal under Rule 19.29 of the GEM Listing Rules. Biosino Suzhou will cease to be a subsidiary of the Group and will remain as an associate of the Group after completion of the transaction. Thereafter, the Company announced on 5 March 2018 that the relevant parties agreed not to proceed with the aforesaid transaction. For details, please refer to the announcements of the Company dated 24 August 2017 and 5 March 2018.

On 27 April 2017, Biosino Suzhou entered into a technology transfer agreement (the "Technology Transfer Agreement") with Suzhou Zhongke Medical Instrument Industry Development Co., Ltd. ("SZMI") whereby, among others, SZMI agreed to sell and Biosino Suzhou agreed to purchase from SZMI the design and manufacturing technology, equipment and the related patents for flow cytometer at the consideration of RMB15,000,000 (equivalent to approximately HK$16,950,000). On the same day, Biosino Suzhou entered into a patent transfer agreement (the "Patent Transfer Agreement") with the Institute of Biophysics of Chinese Academy of Sciences ("IBP") whereby (i) IBP agreed to sell and Biosino Suzhou agreed to purchase from IBP certain patents for development of medical related products subject to and following completion of the relevant patent transfer procedures of the State and CAS; and (ii) Biosino Suzhou agreed to make a prepayment of RMB3,000,000 (equivalent to approximately HK$3,390,000) to IBP to fund the research and development of the Patents before completion of the transfer of the patents. Both SZMI and IBP are connected persons of the Company and the transactions under each of the Technology Transfer Agreement and the Patent Transfer Agreement constitutes a connected transaction of the Company under the GEM Listing Rules. For details, please refer to the announcement of the Company dated 27 April 2017.

CONTINGENT LIABILITIES

At the end of the Reporting Period, contingent liabilities not provided for in the financial statements were as follows:

	2017	2016
	RMB million	*RMB million*
Guarantee given to a bank in connection with the loans granted to an associate	**40,200**	41,000

EMPLOYEES

During the Reporting Period, the Group had a total of 490 full-time employees (2016: 542 employees) based in Hong Kong and China. Total staff costs of the Group (including the Directors' and supervisors' remuneration) for the year ended 31 December 2017 amounted to approximately RMB57.75 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed below, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

On 2 June 2017, the Company entered into subscription agreements with 59 subscribers (including Beijing Junfengxiang Bio-technology Company Limited, two Directors and 56 employees of the Group) (the "Subscribers") whereby the Company agreed to allot and issue an aggregate of 16,084,206 new domestic shares to the Subscribers at the subscription price of RMB2.45 (equivalent to approximately HK$2.77) each under general mandate (the "Subscriptions"). The net proceeds from the Subscriptions, after deducting relevant expenses, will be approximately RMB38,900,000 (equivalent to approximately HK$43,957,000). The Company intends to use such net proceeds to supplement the working capital of the Group.

The allotment and issue of new domestic shares to the two Directors constitute connected transactions of the Company under the GEM Listing Rules.

As at the date of this announcement, completion of the Subscriptions has not taken place. For details, please refer to the announcement of the Company dated 2 June 2017 and the circular of the Company dated 23 June 2017.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there are no material events affecting the Group after the end of the Reporting Period.

CORPORATE GOVERNANCE PRACTICE

During the Reporting Period, the Company complied with all the code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code (Appendix 15 to the GEM Listing Rules) with the exception of Code Provision A.1.8 as addressed below:

Code Provision A.1.8

Under Code Provision A.1.8, the Company should arrange appropriate insurance to cover the potential legal actions against its Directors. As at the date of this announcement, the Company has not arranged such insurance coverage for the Directors.

The Company is in the process of reviewing and comparing the quotations and insurance proposals provided by a number of insurers, and currently targets to purchase the relevant liability insurance for the Directors within 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a model code of conduct for dealing in the Company's securities by Directors, which was formulated in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules for the purpose of setting out the standards adopted by the Company for assessing the conduct of Directors in their dealings in the securities of the Company. Any violation of this code will be regarded as a violation of the GEM Listing Rules. The Company has confirmed, after making specific enquiries with the Directors, that all Directors have complied with the required standard of dealings as set out in the model code of conduct in relation to securities dealings by directors throughout the Reporting Period.

AUDIT COMMITTEE

The Company established the Audit Committee on 10 February 2006 in accordance with the requirements of the GEM Listing Rules.
The duties of the Audit Committee include (but not limited to):

1. supervising the accounting and financial reporting procedures and reviewing the financial statements of the Group;

2. studying carefully all the proceedings proposed by the qualified accountant, compliance officers and auditors of the Group;

3. examining and monitoring the risk management and internal control systems of the Group and other major financial matters; and

4. reviewing the relevant work of the Group's external auditors.

Members of the Audit Committee possess high sense of responsibilities. They have contributed their time and efforts to ensure efficient operation and objectivity of the Board.

The Audit Committee meets once every quarter to review the reporting of financial statements and other information to shareholders, the effectiveness and objectivity of the internal control process, and reviewed all the quarterly, half-yearly and annual results. The Audit Committee also provides an important link between the Board and the Company's auditors in matters that arise within the scope of its terms of reference and continues to review the independence and objectivity of the auditors.

The Audit Committee has reviewed the annual results, financial position, internal control and the management issues of the Group for the Reporting Period.

(II) CLOSURE OF REGISTER OF MEMBERS

Entitlement to Attend the Annual General Meeting

The registers of members of the Company will be closed from 28 April 2018 to 18 May 2018 (both days inclusive) in order to determine the entitlement to attend the annual general meeting (the "AGM") to be held on 18 May 2018. All properly completed H share transfer forms accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 27 April 2018, for registration.

Entitlement to Final Dividend

The Board has recommended the payment of a final dividend of RMB0.1 per share in respect of the year ended 31 December 2017. The registers of members of the Company will be closed from 26 May 2018 to 1 June 2018 (both days inclusive) in order to determine the entitlement to final dividend. All properly completed H share transfer forms accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 25 May 2018, for registration. The final dividend will be payable on or before 31 July 2018.

(III) WITHHOLDING AND PAYMENT OF INCOME TAX FOR NON-RESIDENT CORPORATE SHAREHOLDERS AND NON-RESIDENT INDIVIDUAL SHAREHOLDERS IN RESPECT OF THE PROPOSED 2017 FINAL DIVIDEND

Non-resident Corporate Shareholders

Pursuant to the Law on Corporate Income Tax of the PRC and the relevant implementing regulations, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident corporate shareholders whose names appear on the H share register of members on 1 June 2018. The Company will distribute the final dividend to such non-resident corporate shareholders after withholding a 10% income tax. In order to determine the list of holders of H shares who are entitled to receive the final dividend, the H share register of members of the Company will be closed from 26 May 2018 to 1 June 2018, both days inclusive, during which period no transfer of the Company's H shares will be effected. In order for the holders of H shares to be qualified for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 25 May 2018, for registration.

Non-resident Individual Shareholders

Pursuant to the regulation promulgated by the State General Administration of Taxation of the PRC (Guo Shui Han 2011 No. 348), the Company is required to withhold and pay the non-resident individual income tax for the non-resident individual H shareholders and the non-resident individual H shareholders are entitled to certain tax preferential treatments according to the double tax treaties between those countries where the non-resident individual H shareholders are residents and China and the provisions in respect of double tax treaties between the China and Hong Kong or Macau. The Company would withhold and pay the individual income tax at the tax rate of 10% on behalf of the non-resident individual H shareholders who are Hong Kong residents, Macau residents or residents of those countries having double tax treaties with China for personal income tax rate in respect of dividend of 10%. For non-resident individual H shareholders who are residents of those countries having agreements with China for personal income tax rates in respect of dividend of lower than 10%, the Company would make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa 2009 No. 124)(《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知》(國稅發2009124號)). For non-resident individual H shareholders who are residents of those countries having double tax treaties with China for personal income tax rates in respect of dividend of higher than 10% but lower than 20%, the Company would withhold for payment the individual income tax at the agreed-upon effective tax rate. For non-resident individual H shareholders who are residents of those countries without any double tax treaties with China or having double tax treaties with China for personal income tax in respect of dividend of 20% and other situations, the Company would withhold for payment the individual income tax at a tax rate of 20%.

In order to determine the list of holders of H shares of the Company who are entitled to receive the final dividend, the H share register of members of the Company will be closed from 26 May 2018 to 1 June 2018, both days inclusive.

The Company will determine the country of domicile of the individual H shareholders based on the registered address as recorded in the register of members of the Company (the "Registered Address") on 1 June 2018 and will withhold and pay the individual income tax based on the register of members of the Company as at 1 June 2018. If the country of domicile of the individual H shareholder is not the same as the Registered Address, the individual H shareholder shall notify the Company's H share registrar and provide relevant supporting documents to the Company's H share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 25 May 2018, for registration. If individual H shareholders do not provide the relevant supporting documents to the share registrar of the Company's H shares within the time period stated above, the Company will determine the country of domicile of the individual H shareholders based on the recorded Registered Address on 1 June 2018.

The Company will strictly comply with the relevant PRC tax laws and regulations to withhold for payment such appropriate income tax and the final dividend will only be payable to the shareholders whose names appear on the Company's H share register of members on 1 June 2018.

The Company will have no liability in respect of any claims arising from any delay in, or inaccurate determination, of the status of the shareholders or any disputes over the mechanism of withholding.

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

Beijing, the PRC, 15 March 2018

* *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. Bi Lijun (畢利軍博士)

Vice-chairman and executive Director
Mr. Chen Jintian (陳錦添先生)

Executive Director
Dr. Xu Cunmao (許存茂博士)

Non-executive Director
Mr. Hou Quanmin (侯全民先生)

Independent non-executive Directors
Dr. Zheng Yongtang (鄭永唐博士), Dr. Hu Canwu Kevin (胡燦武博士) and Mr. Wang Daixue (王代雪先生)

This announcement will remain on the GEM website with the domain name of 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.