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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 AND CONNECTED TRANSACTION
CAPITAL INCREASE AGREEMENT

THE CAPITAL INCREASE AGREEMENT

On 24 July 2018, the Company, CAS Holdings and Biosino Lab entered into the Capital Increase Agreement, pursuant to which the Company proposed to make capital contribution in the amount of RMB41,000,000 (equivalent to HK\$47,560,000) to the registered capital of Biosino Lab.

Upon the completion of the Capital Increase, the registered capital of Biosino Lab will be increased from RMB9,000,000 to RMB50,000,000, of which 94% and 6% equity interest will be owned by the Company and CAS Holdings, respectively. Biosino Lab will remain as a non wholly-owned subsidiary of the Company with its financial results being consolidated into the financial statements of the Group.

GEM LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios under the GEM Listing Rules in relation to the transaction as contemplated under the Capital Increase Agreement is more than 5% but less than 25%, the entering into of the Capital Increase Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, (i) CAS Holdings is a wholly-owned subsidiary of CAS; and (ii) CAS is interested in 21.64% of the total number of issued Shares through IBP, its wholly-owned institution. CAS Holdings is therefore a connected person of the Company and the transaction as contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE, APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER AND DESPATCH OF CIRCULAR

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Capital Increase Agreement and the transaction as contemplated thereunder.

The Company has appointed VBG Capital Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Capital Increase Agreement.

A circular containing details of the Capital Increase Agreement, the letter from the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders on or before 14 August 2018, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Shareholders and potential investors should note that the Capital Increase is subject to the satisfaction of the conditions precedent set out in the Capital Increase Agreement and may or may not proceed to completion, Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

THE CAPITAL INCREASE AGREEMENT

The salient terms of the Capital Increase Agreement are set out as follows:

Date

24 July 2018

Parties

- (1) the Company;
- (2) CAS Holdings; and
- (3) Biosino Lab

Capital Increase

As at the date of this announcement, the registered capital of Biosino Lab is RMB9,000,000, which is held by the Company and CAS Holdings as to RMB6,000,000 and RMB3,000,000, representing approximately 66.67% and 33.33% respectively.

Pursuant to the Capital Increase Agreement, the Company proposed to make capital contribution in the amount of RMB41,000,000 (equivalent to HK\$47,560,000) to the registered capital of Biosino Lab. The capital contribution shall be made by way of cash, injection of intangible assets or equity interest in subsidiaries. Such amount of capital contribution was determined by the parties to the Capital Increase Agreement after arm's length negotiations taking into account the future business plan and capital requirements of Biosino Lab. For details, please refer to the paragraph headed "Reasons for and Benefit of Entering into the Capital Increase Agreement" below.

Completion

Subject to (i) the parties to the Capital Increase Agreement having obtained the relevant approvals from the respective competent authorities in respect of the Capital Increase; and (ii) the Company having obtained the Independent Shareholder's approval and complied with the relevant requirements under the GEM Listing Rules in respect of the Capital Increase, the completion of the Capital Increase shall take place within 120 working days from the date of the Capital Increase Agreement.

Upon the completion of the Capital Increase, the registered capital of Biosino Lab will be increased from RMB9,000,000 to RMB50,000,000, of which 94% and 6% equity interest will be owned by the Company and CAS Holdings, respectively. Biosino Lab will remain as a non wholly-owned subsidiary of the Company with its financial results being consolidated into the financial statements of the Group.

Change of company name and business scope

The parties to the Capital Increase Agreement agree that following completion of the Capital Increase, (i) the company name of Biosino Lab shall be changed to 中科高新產業發展有限公司 (Zhongke High-tech Industry Development Company Limited); and (ii) the business scope of Biosino Lab shall be changed to investment management.

INFORMATION ABOUT THE PARTIES TO THE CAPITAL INCREASE AGREEMENT

Information about the Company and the Group

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 Group is principally engaged in the manufacture, sales and distribution of in-vitro diagnostic reagents products.

Information about CAS Holdings

Established under the authority of the State Council of the PRC, CAS Holdings is the first centrally operating state-owned asset management company. CAS Holdings, which completed its business registration as a wholly state-owned limited liability company on 12 April 2002, acts on behalf of the CAS to exercise the right of investor over the direct investment in the operating state-owned assets in the wholly-owned, controlled and joint-venture enterprises and assumes the corresponding responsibility for preserving and increasing the enterprises' values. The main business of CAS Holdings includes: (i) assuming the responsibility of investor over the enterprises in which it holds equity interest; (ii) private equity fund investment; (iii) strategic direct investment; and (iv) supervising and guiding the management of operating state-owned assets owned by entities under the CAS.

Information about Biosino Lab

Biosino Lab is a company established under the laws of the PRC on 13 October 2006 and is engaged in research and development, manufacture and sale of quality control materials for in-vitro diagnostic reagents.

As at the date of this announcement, Biosino Lab has a registered and paid-up capital of RMB9,000,000, which is held by the Company and CAS Holdings as to RMB6,000,000 and RMB3,000,000, representing approximately 66.67% and 33.33% respectively.

Set out below is the audited financial information of Biosino Lab for the two years ended 31 December 2017 prepared in accordance with the China Accounting Standards for Business Enterprises:

	For the year ended 31 December 2017 RMB	For the year ended 31 December 2016 RMB
Net loss before tax and extraordinary items	32,373.53	1,996,108.33
Net loss after tax and extraordinary items	36,199.45	2,009,151.72

As at 30 April 2018, the consolidated total and net asset values of Biosino Lab are RMB5,164,801.08 and RMB2,557,085.67, respectively.

REASONS FOR AND BENEFIT OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

Biosino Lab is a joint venture between the Company and CAS Holdings and is engaged in research and development, manufacture and sale of quality control materials for in-vitro diagnostic reagents. Due to its single product structure, the development of the business operations of Biosino Lab since its establishment has been slow. In this regard, the joint venture partners entered into negotiations and decided to diversify Biosino Lab's businesses. Biosino Lab will change its business scope to investment management and introduce new in-vitro diagnostic products and professional team members. Leveraging on the resources and competitive advantages of its joint venture partners in areas of research and development and technology integration, Biosino Lab targets to establish a complete closed-loop high-tech diagnostic and health platform focusing on in-vitro diagnostic and molecular diagnostic technologies. To achieve the said target, the Company as the controlling shareholder of Biosino Lab has agreed to provide further capital contribution according to the Capital Increase Agreement.

The Directors, including the independent non-executive Directors, consider that the Company's proposed contribution to the registered capital of Biosino Lab 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.

At the Board meeting held to approve the Capital Increase, Mr. Wu Lebin, the Chairman of the Board and an executive Director, was considered to be interested in the transaction as contemplated under the Capital Increase Agreement and have abstained from voting in respect of the resolution proposed to approve the Capital Increase.

GEM LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios under the GEM Listing Rules in relation to the transaction as contemplated under the Capital Increase Agreement is more than 5% but less than 25%, the entering into of the Capital Increase Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, (i) CAS Holdings is a wholly-owned subsidiary of CAS; and (ii) CAS is interested in 21.64% of the total number of issued Shares through IBP, its wholly-owned institution. CAS Holdings is therefore a connected person of the Company and the transaction as contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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A circular containing details of the Capital Increase Agreement, the letter from the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders on or before 14 August 2018, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Shareholders and potential investors should note that the Capital Increase is subject to the satisfaction of the conditions precedent set out in the Capital Increase Agreement and may or may not proceed to completion, Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Biosino Lab”	北京中生醫學檢驗所有限公司 (Beijing Biosino Medical Lab Company Limited), a limited liability established in the PRC and a subsidiary of the Company
“Board”	the board of Directors
“Capital Increase”	the proposed capital contribution by the Company the amount of RMB41,000,000 (equivalent to approximately HK\$47,560,000) to the registered capital of Biosino Lab, subject to and upon the terms and conditions of the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 24 July 2018 entered into among the Company, CAS Holdings and Biosino Lab in relation to the Capital Increase
“CAS”	中國科學院 (Chinese Academy of Sciences)
“CAS Holdings”	中國科學院控股有限公司 (Chinese Academy of Sciences Holdings Co., Ltd) (formerly known as 中國科學院國有資產經營有限責任公司)
“Company”	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 established in the PRC with limited liability on 26 April 2001
“Director(s)”	the director(s) of the Company
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IBP”	Institute of Biophysics of the CAS, a substantial Shareholder
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the terms of the Capital Increase Agreement and the transaction as contemplated thereunder
“Independent Shareholders”	the Shareholders other than IBP and its associates
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

Unless otherwise specified in this announcement, amounts denominated in RMB have been converted, for the purpose of illustration only, into HK\$ at the rate of RMB1.00 = HK\$1.16. The exchange rate does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

The English names of the PRC entities referred to in this announcement are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.

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

Hong Kong, 24 July 2018

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 Directors

Dr. Xu Cunmao (許存茂博士) and Mr. Chen Jianhua (陳建華先生)

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, 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 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.