



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2018**

**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 announcement, 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 announcement.

This announcement, 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 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.

The Board of Directors (the “Board”) of the Company announced the unaudited consolidated statement of profit or loss of the Group for the three months and six months ended 30 June 2018 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018, together with the comparative figures in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 June 2018

		Three months ended		Six months ended	
		30 June		30 June	
		2018	2017	2018	2017
		Unaudited	Unaudited	Unaudited	Unaudited
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	2, 3	72,235	71,883	145,636	132,837
Cost of sales		<u>(35,018)</u>	<u>(36,633)</u>	<u>(80,893)</u>	<u>(66,542)</u>
Gross profit		37,217	35,250	64,743	66,295
Other income and gains, net		(42)	2,593	1,085	3,661
Selling and distribution expenses		(15,630)	(14,184)	(30,328)	(28,563)
Administrative expenses		(13,124)	(9,143)	(27,149)	(19,492)
Research and development expenses		<u>(7,457)</u>	<u>(6,792)</u>	<u>(12,819)</u>	<u>(12,089)</u>
PROFIT/(LOSS) FROM OPERATING					
ACTIVITIES	4	964	7,724	(4,468)	9,812
Finance costs	5	(2,877)	(1,651)	(5,066)	(2,935)
Share of profits/(losses) of associates		<u>352</u>	<u>691</u>	<u>(696)</u>	<u>874</u>
PROFIT/(LOSS) BEFORE TAX		(1,561)	6,764	(10,230)	7,751
Income tax expense	6	<u>2,175</u>	<u>(1,669)</u>	<u>2,123</u>	<u>(2,566)</u>
PROFIT/(LOSS) FOR THE PERIOD		614	5,095	(8,107)	5,185
Attributable to:					
Owners of the parent		4,459	5,400	517	7,314
Non-controlling interests		<u>(3,845)</u>	<u>(305)</u>	<u>(8,624)</u>	<u>(2,129)</u>
		<u>614</u>	<u>5,095</u>	<u>(8,107)</u>	<u>5,185</u>
EARNINGS PER SHARE ATTRIBUTABLE					
TO SHAREHOLDERS OF THE COMPANY	7				
– Basic and diluted (RMB)		<u>0.031</u>	<u>0.040</u>	<u>0.004</u>	<u>0.050</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2018

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	Unaudited	Unaudited	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT/(LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	614	5,095	(8,107)	5,185
Attributable to:				
Owners of the parent	4,459	5,400	517	7,314
Non-controlling interests	<u>(3,845)</u>	<u>(305)</u>	<u>(8,624)</u>	<u>(2,129)</u>
	<u>614</u>	<u>5,095</u>	<u>(8,107)</u>	<u>5,185</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		255,339	251,546
Prepaid land lease payments		2,653	2,653
Prepayments		127,439	88,825
Goodwill		309	309
Other intangible assets		5,199	5,623
Investments in associates		39,427	40,123
Available-for-sale investment		1,579	1,579
Long-term receivables	9	698	1,359
Deferred tax assets		6,872	3,824
Total non-current assets		439,515	395,841
CURRENT ASSETS			
Inventories		51,479	44,844
Trade and bills receivables	9	152,388	124,821
Prepayments, deposits and other receivables		56,568	76,993
Cash and cash equivalents		63,401	26,757
Total current assets		323,836	273,415
CURRENT LIABILITIES			
Trade payables	10	109,231	72,914
Other payables and accruals		98,167	43,082
Interest-bearing bank and other borrowings		138,644	135,142
Tax payable		915	798
Total current liabilities		346,957	251,936
NET CURRENT ASSETS/(LIABILITIES)		(23,121)	21,479
TOTAL ASSETS LESS CURRENT LIABILITIES		416,394	417,320

		30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		416,394	417,320
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		34,508	16,067
Deferred income		8,333	7,527
Deferred tax liabilities		5,440	5,443
Total non-current liabilities		48,281	29,037
Net assets		368,113	388,283
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>11</i>	144,707	144,707
Reserves		160,987	174,984
		305,694	319,691
Non-controlling interests		62,419	68,592
Total equity		368,113	388,283

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory reserve	Retained Profits	Exchange fluctuation reserve	Total		
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	144,707	105,090	44,436	14,898	(153)	308,978	72,565	381,543
Total comprehensive income/(loss) for the period	–	–	–	7,314	16	7,330	(2,129)	5,201
Final 2016 dividend	–	–	–	(14,471)	–	(14,471)	–	(14,471)
At 30 June 2017	<u>144,707</u>	<u>105,090</u>	<u>44,436</u>	<u>7,741</u>	<u>(137)</u>	<u>301,837</u>	<u>70,436</u>	<u>372,273</u>
At 1 January 2018	144,707	105,090	46,066	23,967	(139)	319,691	68,592	388,283
Total comprehensive income/(loss) for the period	–	–	–	517	(43)	474	(8,624)	(8,150)
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	2,451	2,451
Final 2017 dividend	–	–	–	(14,471)	–	(14,471)	–	(14,471)
At 30 June 2018	<u>144,707</u>	<u>105,090*</u>	<u>46,066*</u>	<u>10,013*</u>	<u>(182)*</u>	<u>305,694</u>	<u>62,419</u>	<u>368,113</u>

* These reserve accounts comprise the consolidated reserves of RMB160,987,000 and RMB174,984,000 in the consolidated statement of financial position as at 30 June 2018 and 31 December 2017, respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow/(outflow) from operating activities	48,806	(3,368)
Net cash outflow from investing activities	(37,161)	(58,241)
Net cash inflow from financing activities	24,999	43,695
Increase/(decrease) in cash and cash equivalents	36,644	(17,914)
Cash and cash equivalents at beginning of period	26,757	79,567
Cash and cash equivalents at end of period	63,401	61,653

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months and six months ended 30 June 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the Company’s audited financial statements for the year ended 31 December 2017.

2. OPERATING SEGMENT INFORMATION

For management purposes, starting 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 2018, 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.

Period ended 30 June 2018

	In-vitro diagnostic reagent products <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:			
Sales to external customers	<u>145,636</u>	<u>—</u>	<u>145,636</u>
Segment results:	3,366	(8,669)	(5,303)
<i>Reconciliation:</i>			
Bank interest income			139
Finance costs			<u>(5,066)</u>
Loss before tax			<u><u>(10,230)</u></u>
Segment assets:	655,568	259,038	914,606
<i>Reconciliation:</i>			
Elimination of intersegment receivables			<u>(151,255)</u>
Total assets			<u><u>763,351</u></u>
Segment liabilities:	(383,413)	(163,080)	(546,493)
<i>Reconciliation:</i>			
Elimination of intersegment payables			<u>151,255</u>
Total liabilities			<u><u>(395,238)</u></u>

For the period ended 30 June 2017, 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.

3. REVENUE

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

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging:

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	Unaudited	Unaudited	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	5,168	3,555	10,335	7,109
Amortisation of know-how	378	234	755	468
Amortisation of prepaid land lease payments	25	20	50	40

5. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	Unaudited	Unaudited	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interests on bank loans	2,877	1,651	5,066	2,935

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has not generated any assessable profits in Hong Kong during the six months ended 30 June 2018 (2017: Nil). Taxes on profits assessable in the PRC, where the Group operates, have been calculated at the rates of tax prevailing in the PRC. Under the PRC income tax laws, enterprises are subject to corporate income tax at a rate of 25%. According to the relevant PRC income tax law, the Company and a subsidiary, being registered as new and high technology enterprises in Beijing, are entitled to concessionary income tax rate of 15%.

	Three months ended 30 June		Six months ended 30 June	
	2018 Unaudited RMB'000	2017 Unaudited RMB'000	2018 Unaudited RMB'000	2017 Unaudited RMB'000
Current – the PRC				
Charge for the period	868	1,669	928	2,566
Deferred	<u>(3,043)</u>	<u>–</u>	<u>(3,051)</u>	<u>–</u>
Total tax charge for the period	<u>(2,175)</u>	<u>1,669</u>	<u>(2,123)</u>	<u>2,566</u>

7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share for the three months and six months ended 30 June 2018 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average number of 144,707,176 (2017: 144,707,176) ordinary shares in issue during the period.

No diluted earnings per share have been presented as there was no diluting event existed during the three months and six months ended 30 June 2018 (2017: Nil).

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

9. TRADE AND BILLS RECEIVABLES

Except for certain established customers of the Group which have been granted with payment terms ranging from two to four years in respect of certain sales of instruments, the credit periods of the Group granted to its customers generally range from 60 to 180 days. The Group closely monitors overdue balances, and impairment is made when it is considered that the amounts due may not be recovered. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The trade receivables are non-interest bearing.

An aged analysis of the trade receivables of the Group as at the balance sheet date based on invoice date, is as follows:

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Within 3 months	51,001	76,299
4 to 6 months	43,790	32,197
7 to 12 months	50,687	14,143
1 to 2 years	4,749	3,446
Over 2 years	2,859	95
	<u>153,086</u>	<u>126,180</u>
Less: amount shown as non-current	<u>(698)</u>	<u>(1,359)</u>
	<u>152,388</u>	<u>124,821</u>

10. TRADE PAYABLES

An aged analysis of trade payables of the Group as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Within 3 months	25,737	43,434
4 to 6 months	41,143	17,046
7 to 12 months	40,048	12,126
1 to 2 years	521	110
Over 2 years	1,782	198
	<u>109,231</u>	<u>72,914</u>
	<u>109,231</u>	<u>72,914</u>

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

11. SHARE CAPITAL

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Registered, issued and fully paid:		
80,421,033 domestic shares of RMB1 each	80,421	80,421
64,286,143 H shares of RMB1 each	64,286	64,286
	144,707	144,707

12. CONTINGENT LIABILITIES

The guarantees given to a bank in connection with loans granted to an associate was RMB41,000,000 as at 30 June 2018 (31 December 2017: RMB40,200,000).

13. COMMITMENTS

On 9 December 2004, the Company and its substantial shareholder, IBP, entered into an exclusive technology licensing agreement with regard to the production of diagnostic reagents by employing the technologies owned by IBP. Pursuant to the Licensing Agreement, the Company is required to pay a fee of RMB500,000 per annum to IBP for 20 years, commencing on the effective date of the Licensing Agreement.

In September 2017, the Company entered into investment agreements with two individuals to set up two joint ventures, Zhongsheng (Yunnan) Bio-technology and Science Co., Ltd. and Zhongsheng (Guizhou) Bio-technology and Science Co., Ltd. ("two JVs"). Pursuant to the investment agreement, the Company will invest RMB5.1 million to each of two JVs for 51% equity interest with the controlling rights. As at 30 June 2018 the Company had not made any payments to two JVs. The capital injection should be completed within 20 years after the sign-off of the investment agreements.

14. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the period:

		Six months ended 30 June	
		2018	2017
		Unaudited	Unaudited
		RMB'000	RMB'000
Note			
Technical service fee	(i)	<u>250</u>	<u>250</u>

Note:

- (i) Details of the technical service fee are set out in note 13 to the interim report.
- (b) Compensation of key management personnel of the Group

		Six months ended 30 June	
		2018	2017
		Unaudited	Unaudited
		RMB'000	RMB'000
Short term employee benefits		1,879	4,492
Post-employment benefits		<u>337</u>	<u>385</u>
Total compensation paid to key management personnel		<u>2,216</u>	<u>4,877</u>

The directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the board of directors on 10 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review for the first half of 2018

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 diagnosis as the first step of medical treatment and IVD as a foundation 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 the PRC enterprises in research and development and the increase in examination and testing volume in primary hospitals, under the combined influence of the medical insurance 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 technological standard has basically on par with current international standard, and product quality and independent innovation capacity has 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 technological 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 technological 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 commercial model among the industry, in particular, changes of marketing model. 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 market competition in the future.

Research and development

During the reporting period, the Company applied two new patents in total, namely reagents kit testing *Klebsiella pneumoniae* and a kind of reagents kit of reduced coenzyme complex and its application. We renewed the registration of three products in total.

Financial review for the first half of 2018

During the reporting period, the Group achieved a revenue of RMB146 million, representing an increase of 9.6% when compared with the same period last year. Profit attributable to the shareholders of the Company was RMB0.5 million, representing a decrease of 92.9% as compared with RMB7.3 million for the corresponding period last year. The decrease of profit was mainly due to (i) an increase in cost of sales due to a change in product mix; and (ii) an increase in administrative expenses for coping with the business and market expansion of the Group.

Prospect and outlook

The 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 the PRC will be the world's largest IVD market in 10 to 15 years' time. In the PRC, 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 "dual-invoice system" which are being proactively pushed forward is certainly triggering 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), the technological standard of domestic major manufacturers has basically reached 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 the 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 the 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 using 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 continuous 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 an 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 spendings 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.

Capital structure, financial position and liquidity

The Group generally finances its operations with cash flows generated from sales, capital contributions from shareholders and bank borrowings. There was no new issue of shares and RMB129.63 million short-term bank borrowings were obtained during the period.

As at 30 June 2018, the Group had cash and bank balances of approximately RMB63.4 million (as at 31 December 2017: approximately RMB26.76 million). The Group had RMB78.94 million unsecured bank loans as at 30 June 2018 (as at 31 December 2017: RMB77.53 million).

Foreign currency risk

The Group’s businesses are mostly located in the PRC and most transactions are conducted in RMB, except that the Group occasionally purchases equipment and some in-vitro diagnostic reagent products from foreign countries for resale in the PRC and administrative expenses incurred by the Canadian subsidiary. Certain bank accounts denominated in Hong Kong dollars are in Hong Kong for the payments of H share dividends and miscellaneous expenses such as professional fees incurred in Hong Kong.

Pledge of assets of the group

At 30 June 2018, all of the Group's buildings and prepaid land lease payments with net carrying amounts of approximately RMB28,297,000 and RMB2,693,000 respectively were pledged to Bank of Beijing, for bank loans granted to the Company with a principal of RMB70,000,000 as at the end of the reporting period.

At 30 June 2018, certain machinery with a net carrying amount of approximately RMB20 million were pledged to Far Eastern Leasing Co., Ltd. to serve a loan granted to the Company amounted to RMB27 million with duration of three years.

Contingent liabilities

As at the end of the reporting period, contingent liabilities not provided for in the financial statement were as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Guarantees given to a bank in connection with the loans granted to an associate	41,000	40,200

Employee

As at 30 June 2018, approximately 452 full-time employees (as at 31 December 2017: approximately 490) were employed by the Group. The total staff costs of the Group (including the directors' remunerations) for the six months ended 30 June 2018 amounted to approximately RMB37.92 million (2017: approximately RMB39.23 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.

OTHER INFORMATION

Directors', Supervisors' and Chief Executive's Interests in shares and Underlying Shares

As at 30 June 2018, the interests of the Directors, supervisors or chief executive of the Company in the shares and underlying shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and to the Stock Exchange, were as follows:

Long position in shares of the Company:

Name	Number of the Company's domestic shares held	Percentage of the Company's domestic shares	Number of the Company's H shares held	Percentage of the Company's H shares	Percentage of the Company's total registered share capital
Mr. Wu Lebin	3,500,878	4.35%	–	–	2.42%
Mr. Chen Jintian (<i>Note</i>)	24,506,143	30.47%	6,780,000	10.55%	21.62%
Dr. Xu Cunmao	600,000	0.75%	–	–	0.41%
Mr. Hou Quanmin	300,000	0.37%	–	–	0.21%
Mr. Zhou Jie	150,000	0.19%	–	–	0.10%
Mr. Zhang Haitao (resigned on 19 January 2018)	650,000	0.81%	–	–	0.45%

Note: As at 30 June 2018, Beijing Shuoze and HK Future held 24,506,143 domestic shares and 6,780,000 H shares of the Company, respectively. Since both Beijing Shuoze and HK Future are held by Mr. Chen Jintian as to 100%, Mr. Chen Jintian is deemed to be interested in 31,286,143 shares of the Company held by Beijing Shuoze and HK Future pursuant to the SFO.

Save as disclosed above, as at 30 June 2018, none of the Directors, supervisors or chief executive of the Company had registered an interest and short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 30 June 2018, 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	
Institute of Biophysics of Chinese Academy of Sciences	Directly beneficially owned	31,308,576	–	38.93%	0.00%	21.64%
Beijing Shuoze [#]	Directly beneficially owned	24,506,143	–	30.47%	0.00%	16.93%
Beijing Junfengxiang Bio-technology Company Limited	Directly beneficially owned	7,763,505	–	9.65%	0.00%	5.36%
HK Future	Directly beneficially owned	–	6,780,000	0.00%	10.55%	4.69%
Mr. Chen Jintian [#]	Through controlled corporations	24,506,143	6,780,000	30.47%	10.55%	21.62%
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%
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%

[#] Each of Beijing Shuoze and HK Future is wholly owned by Mr. Chen Jintian who is therefore deemed to be interested in the domestic shares and H shares held by Beijing Shuoze and HK Future respectively pursuant to the SFO.

[^] Beijing Enterprises Group Company Limited is the ultimate holding company of Beijing Enterprises Holdings Limited. Accordingly, it is deemed to be interested in the H shares owned by Beijing Enterprises Holdings Limited pursuant to the SFO.

Save as disclosed above, as far as is known to any Directors or supervisors of the Company, as at 30 June 2018, no person, other than the Directors, supervisors and chief executive of the Company, whose interests are set out in the section headed “Directors’, Supervisors’ and Chief Executive’s Interests in Shares and Underlying Shares” above, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Directors’ and supervisors’ rights to acquire shares or debentures

None of the Directors or supervisors or their respective associates (as defined under the GEM Listing Rules) was granted by the Company or its subsidiaries any rights or options to acquire any shares in or debentures of the Company or had exercised any such rights during the six months ended 30 June 2018.

Competing interests

During the period and up to the date of this announcement, none of the Directors, supervisors, the substantial shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) has an interest in any business that competes or may compete, either directly or indirectly, with the business of the Group, nor any conflicts of interest which has or may have with the Group.

Purchase, sale or redemption of the company’s listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2018.

Directors’ securities transactions

During the period under review, the Company has adopted the standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors’ dealings in the securities of the Company. Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standards of dealings and such code of conduct regarding securities transactions by Directors during the six months ended 30 June 2018.

Audit committee

The Company has established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee's primary duties are the review and supervision of the Company's financial reporting procedures and internal control system. The Group's unaudited condensed consolidated financial statements for the period have been reviewed by the Audit Committee with the three independent non-executive directors of the Company, namely Dr. Zheng Yongtang, Dr. Hu Canwu Kevin and Mr. Wang Daixue.

Corporate Governance

The Company has always valued the superiority, steadiness and rationality of having a sound system of corporate governance.

For the period ended 30 June 2018, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code, with the exception of code provisions A.1.8 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 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 from different insurers, and currently targets to purchase the relevant liability insurance for the Directors within 2018.

By order of the Board
Biosino Bio-Technology and Science Incorporation
Tung Woon Cheung, Eric
Company Secretary

Beijing, the PRC, 10 August 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 executive Director

Mr. Chen Jintian (陳錦添先生)

Vice-chairman and non-executive Director

Dr. Bi Lijun (畢利軍博士)

Executive Director

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 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.