



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)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS AND
NINE MONTHS ENDED 30 SEPTEMBER 2019**

**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.

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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.

THIRD QUARTERLY RESULTS FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2019

The Board of Directors (the “Board”) of the Company announced the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2019, together with the comparative figures for the same periods in 2018, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended		Nine months ended	
		30 September		30 September	
		2019	2018	2019	2018
		Unaudited	Unaudited	Unaudited	Unaudited
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	3	92,059	80,123	295,952	225,759
Cost of sales		<u>(48,157)</u>	<u>(43,516)</u>	<u>(167,857)</u>	<u>(124,409)</u>
Gross profit		43,902	36,607	128,095	101,350
Other income and gains, net		1,000	(299)	2,096	786
Selling and distribution expenses		(24,081)	(20,057)	(60,073)	(50,385)
Administrative expenses		(8,577)	(7,713)	(28,618)	(34,862)
Research and development expenses		(7,963)	(7,314)	(21,305)	(20,133)
Other expenses, net		<u>(532)</u>	<u>(1,223)</u>	<u>(532)</u>	<u>(1,223)</u>
PROFIT/(LOSS) FROM					
OPERATING ACTIVITIES		3,749	1	19,663	(4,467)
Finance costs		(491)	(3,299)	(1,862)	(8,365)
Share of profit of associates		<u>499</u>	<u>794</u>	<u>1,832</u>	<u>98</u>
PROFIT/(LOSS) BEFORE TAX		3,757	(2,504)	19,633	(12,734)
Income tax	4	<u>759</u>	<u>1,322</u>	<u>(3,599)</u>	<u>3,445</u>

		Three months ended		Nine months ended	
		30 September		30 September	
		2019	2018	2019	2018
		Unaudited	Unaudited	Unaudited	Unaudited
Notes		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT/(LOSS) FOR THE PERIOD		<u>4,516</u>	<u>(1,182)</u>	<u>16,034</u>	<u>(9,289)</u>
Attributable to:					
Owners of the parent		4,068	622	11,281	1,139
Non-controlling interests		<u>448</u>	<u>(1,804)</u>	<u>4,753</u>	<u>(10,428)</u>
		<u>4,516</u>	<u>1,182</u>	<u>16,034</u>	<u>(9,289)</u>
EARNINGS PER SHARE					
ATTRIBUTABLE TO					
OWNERS OF THE PARENT					
5					
Basic and diluted (<i>RMB</i>)		<u>0.03</u>	<u>0.004</u>	<u>0.08</u>	<u>0.008</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2019

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	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	4,516	1,182	16,034	(9,289)
Attributable to:				
Owners of the parent	4,068	622	11,281	1,139
Non-controlling interests	448	(1,804)	4,753	(10,428)
	4,516	1,182	16,034	(9,289)

NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

1. CORPORATE INFORMATION

Biosino Bio-Technology and Science Incorporation (the “Company”) is a company incorporated in the People’s Republic of China (the “PRC”) with limited liability. The registered office of the Company is located at No. 27, Chaoqian Road, Science and Technology Industrial Park, Changping District, Beijing, the PRC.

During the period, the Group principally engaged in the manufacturing, sale and distribution of in-vitro diagnostic reagent products.

2. BASIS OF PREPARATION

The unaudited condensed consolidated income statement and statement of comprehensive income for the three months and nine months ended 30 September 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated income statement and statement of comprehensive income are consistent with those used in the Company’s audited financial statements for the year ended 31 December 2018.

3. REVENUE

Revenue represents the net invoiced value of goods sold, net of value added tax and government surcharges, and after allowances for the goods returned and trade discounts.

4. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has not generated any assessable profits in Hong Kong during the nine months ended 30 September 2019 (2018: Nil). Taxes on profits assessable in Mainland China, where the Group operates, have been calculated at the rates of tax applicable in Mainland China, based on existing legislation, interpretations and practices in respect thereof. According to the relevant PRC income tax law, the Company and a subsidiary, being registered as new and high technology enterprises in Beijing, are entitled to a concessionary income tax rate of 15%.

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB’000	RMB’000	RMB’000	RMB’000
The Current – the PRC	(769)	178	2,641	1,106
Deferred	10	(1,500)	958	(4,551)
	<u>(759)</u>	<u>(1,322)</u>	<u>3,599</u>	<u>(3,445)</u>

5. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share for the three months and nine months ended 30 September 2019 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average of 144,707,176 (2018: 144,707,176) ordinary shares in issue during the period.

No diluted earnings per share have been presented as there was no diluting event existed during the three months and nine months ended 30 September 2019 (2018: Nil).

6. RESERVES

The movements of reserves for the nine months ended 30 September 2019 and 2018 are as follows:

	Attributable to owners of the parent						
	Issued	Capital	Statutory	Exchange	Fair value	Retained	Total
	share	reserves [#]	reserves	fluctuation	reserve	profits	
	capital			reserve	reserve		
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	144,707	105,090	46,066	(139)	–	23,967	319,691
Total comprehensive income for the period	–	–	–	15	–	1,139	1,154
Final 2017 dividend	–	–	–	–	–	(14,471)	(14,471)
At 30 September 2018	<u>144,707</u>	<u>105,090</u>	<u>46,066</u>	<u>(124)</u>	<u>–</u>	<u>10,635</u>	<u>306,374</u>
At 1 January 2019	144,707	105,090	47,995	(173)	(377)	4,661	301,903
Total comprehensive income/(loss) for the period	–	–	–	63	–	11,281	11,344
Acquisition of non-controlling interests	–	(2,550)	–	–	–	–	(2,550)
Final 2018 dividend	–	–	–	–	–	(14,471)	(14,471)
At 30 September 2019	<u>144,707</u>	<u>102,540</u>	<u>47,995</u>	<u>(110)</u>	<u>(377)</u>	<u>1,471</u>	<u>296,226</u>

[#] The capital reserves of the Group include non-distributable reserves of the Company and its subsidiaries created in accordance with accounting and financial regulations of the PRC.

7. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The third quarter of 2019

With the deepening in reform and opening-up as well as the continuous improvement in living standards, people has an increasing demand for health. The in-vitro diagnosis (“IVD”), as an important means for disease diagnosis, has also developed rapidly, in particular when the implementation of the hierarchical medical policy has played a tremendous role in the development of basic-level medical market, which enables the operational situation and market environment to further improve. The IVD products are important medical equipment in the basic-level medical sector, and the continuous development of basic medical treatments, including basic-level medical treatment and basic medical services in large and medium-sized hospitals, is the key driving force for the development of the IVD industry.

The PRC government had successively launched a series of medical insurance cost control reform measures relating to IVD industry in the first half of 2019, which included the “policy for reforming and improving medical consumables procurement”, “cancellation of medical consumables mark-up for public medical institutions”, “mass procurement” and “centralized procurement of consumables”. The gradual implementation of these policies will pose certain or even long-term impact on the medical equipment industry as well as the operation and development of the Company, especially after launching the measures for payment by disease types and payment by diagnosis-related groups. Under the premise of stable quality of products, the focus is more on purchasing affordable products that are adaptable to the diagnostic features of medical institutions. The cost performance and practicality of IVD products have gradually become important factors affecting end-customers’ purchasing decision. Enterprises with higher cost-effective products will increasingly demonstrate their advantages in future market competition and thereby increase their market share gradually.

At present, the biochemical diagnostic reagent has become the most developed segment in the IVD industry in the PRC. The overall technological standard is basically on par with current international standard, and both product quality and independent innovation capacity have improved substantially. However, such segment industry recorded a flat growth. The focuses of competition are mainly concentrated on products and services. Industry competition also includes the real strengths of enterprises, such as technical advantages of product sharing and service level, innovative capabilities and talent advantages of enterprises. In the IVD industry, technological research and development and the pace of innovation of an enterprise will determine its technical barrier and market share when competing with industry peers. Therefore, an enterprise faces continuous challenges in improving product quality and optimising product mix. With the enhancement in the research and development strengths of PRC enterprises, the increase in the number of visits and inspections at basic-level hospitals and the changes in the guiding policy of charging by inspection items/testing method, i.e. hospitals will tend to increasingly use domestic reagents due to the cost control needs of hospitals. This is beneficial to domestic enterprises engaging in reagents production, and at the same time, further facilitate the improvement in import substitution ability and standard in the IVD instruments and reagents.

Revenue for the nine months ended 30 September 2019 was approximately RMB296 million, representing an increase of approximately 31.1% as compared with approximately RMB226 million for the corresponding period last year. Profit attributable to shareholders of the Company for the nine months ended 30 September 2019 was RMB11.28 million, representing an increase of 8.9 times as compared with the corresponding period last year. The increase in profit was mainly due to the Group's active efforts to expand new sales areas and customers and the increase in scope of the consolidated financial statements during the period.

During the reporting period, the Company obtained three Class I filings of sample extraction products; completed the registration renewal of 32 products, such as thyroxine (T4) quantitative testing kits (magnetic particle chemical luminescence method) (甲狀腺素(T4)定量檢測試劑盒(磁微粒化學發光法)). The application of five patents, such as CRP and SAA joint testing kits (CRP和SAA聯合檢測試劑盒) and their preparation methods, had entered into the actual inspection and review stage.

Outlook and future prospect

From a global standpoint, as an important medical equipment in basic-level medical treatment, the market demand for IVD products will be driven by the development of global basic-level medical treatment. In 2018, the global market size of IVD market was US\$65.4 billion and the growth rate in 2019 is expected to be no less than 4%. The growing number of people having chronic and infectious diseases and the continuous development of IVD testing technology are the main factors driving the sustainable development of the IVD market. China's population accounts for about 1/5 of the world's population, however, the IVD market size is still relatively small, representing only 3% of the global market. The per capita annual consumption of IVD products is US\$4.6 in China, representing only half of global average consumption level, and far below the per capita level of developed countries. Globally, the IVD market accounts for about 5% of the total pharmaceutical market, while it is only about 1-1.5% in China. Therefore, when compared with developed countries, the IVD industry is still at its early stage of development in China.

As the IVD industry covers a large group, it is also large enough in terms of market potential and output value. At the same time, these four factors, including the continuous progress of IVD technology, the trend in replacing imported products with domestic products, the promotion of hierarchical diagnostic system, along with the growing demand in the IVD market, will drive the development of the IVD industry in China. Quality products and solutions will certainly generate considerable returns and hence the industry is drawing increasing attention from capital funds and enterprises.

Needless to say, although the IVD market capacity will be further expanded with the facilitation of basic-level medical treatment, convenience of medical services and increasing trend of population aging, it shall take a longer period of time in the construction and upgrading of the basic-level medical services system. The policies and measures introduced for medical insurance cost control are gradually being implemented, and the merger, acquisition and integration are also being carried out continuously. In the foreseeable future, with the rapid development of new operational models such as centralized procurement and bundling of medical consumables and establishment of regional inspection centers, it is expected that market concentration will be further increased with intensifying market competition. This will give rise to more uncertainties and higher competitive requirements are presented to market participants across the entire industry. In facing such a trend, the Company needs to cope with these challenges and pressures by all means.

With the development of “hospital consortium and hospital community” as well as the gradual improvement in the hierarchical medical system focusing on enhancing primary hospitals, high-quality medical resources in the medical service system will gradually, orderly and effectively become available to primary hospitals. The structure of the IVD market will be readjusted accordingly and the flow of various products will also be changed. The facilitation of hospital consortium and hospital community may lead to the construction and development of many regional temporary inspection centers whereby creating more opportunities for the Company. However, at the same time, the marketing mode of the Company will receive increasing challenges due to pharmaceutical policies, whereby the availability and marketing expansion of marketing personnel operating individually will be confined to within a certain range. The Company believes that the future trend is mainly on the development of service quality, focusing on technology research, including the research of model and solution.

OTHER INFORMATION

Directors', supervisors' and chief executive's interests in shares and underlying shares

As at 30 September 2019, the interests of the directors, supervisors or chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and to the Stock Exchange, were as follows:

Long position in shares of the Company:

Name	Number of the Company's domestic shares held	Percentage of the Company's domestic shares	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%	—	—	16.93%
Dr. Xu Cunmao	600,000	0.75%	—	—	0.41%
Mr. Zhou Jie	150,000	0.19%	—	—	0.10%

Note: As at 30 September 2019, Beijing Shuoze Health Industry Investment Company Limited ("Beijing Shuoze") held 24,506,143 domestic shares of the Company. Since Beijing Shuoze is held by Mr. Chen Jintian as to 100%, Mr. Chen Jintian is deemed to be interested in 24,506,143 shares of the Company held by Beijing Shuoze pursuant to the SFO.

Save as disclosed above, as at 30 September 2019, none of the directors, supervisors or chief executive of the Company had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

Substantial shareholders' and other persons' interests in shares and underlying shares

As at 30 September 2019, 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%
Mr. Chen Jintian [#]	Through controlled corporations	24,506,143	–	30.47%	0.00%	16.93%
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%
Ms. Zhang Shiran	Directly beneficially owned	–	6,780,000	0.00%	10.55%	4.69%
Chung Shek Enterprises Company Limited	Directly beneficially owned	–	3,800,000	0.00%	5.91%	2.63%
K.C. Wong Education Foundation	Through controlled corporations	–	3,800,000	0.00%	5.91%	2.63%

[#] *Beijing Shuoze is wholly owned by Mr. Chen Jintian who is therefore deemed to be interested in the domestic shares held by Beijing Shuoze 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 held by Beijing Enterprises Holdings Limited pursuant to the SFO.*

Save as disclosed above, so far as is known to any Directors or supervisors of the Company, as at 30 September 2019, no person, other than the Directors, chief executive or supervisors of the Company, whose interests are set out in the section “Directors’, Supervisors’ and Chief executive’s interests in shares and underlying shares” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange.

DIRECTORS’ AND SUPERVISORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the directors or supervisors or their respective associates (as defined under the GEM Listing Rules) was granted by the Company or its subsidiaries any rights or options to acquire any shares in or debentures of the Company or had exercised any such rights as at 30 September 2019.

COMPETING INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the nine months ended 30 September 2019.

SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the requirements as set out in Rules 5.28 and 5.29 of the GEM Listing Rules. The audit committee's primary duties are the review and supervision of the Company's financial reporting procedures and internal control system. The Group's unaudited condensed consolidated financial statements for the period have been reviewed by the audit committee of the Company with the three independent non-executive directors, namely Dr. Zheng Yongtang, Mr. Ren Fujin and Mr. Pan Chunyu.

CORPORATE GOVERNANCE

For the period ended 30 September 2019, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code (Appendix 15 to the GEM Listing Rules) with the exception of Code Provision A.1.8 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 provided by a number of insurers, and currently targets to purchase the relevant liability insurance for the Directors within 2019.

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

Beijing, the PRC, 14 November 2019

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. Sun Zhe (孫哲博士)

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

Ms. Cheng Yali (程亞利女士)

Independent non-executive Directors

Dr. Zheng Yongtang (鄭永唐博士), Mr. Ren Fujin (任孚今先生) and Mr. Pan Chunyu (潘春雨先生)

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.