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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)

**(I) ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020; AND
(II) CLOSURE OF REGISTER OF MEMBERS**

(I) ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Board (the “**Board**”) of Directors (the “**Directors**”) of Biosino Bio-Technology and Science Incorporation (the “**Company**”) hereby announces the audited results of the Company and its subsidiaries for the year ended 31 December 2020. This announcement, containing the full text of the 2020 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of annual results. Printed version of the Company’s 2020 annual report will be delivered to the shareholders of the Company and available for viewing on the websites of the GEM at www.hkgem.com and the Company at www.zhongsheng.com.cn on 31 March 2021.

(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 2021 to 18 May 2021 (both days inclusive) in order to determine the entitlement to attend the annual general meeting to be held on 18 May 2021. 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on 27 April 2021, for registration.

* For identification purposes only

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 report, 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 of the Stock Exchange (the "GEM Listing Rules of the Stock Exchange") 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 report 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 report misleading.*

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CORPORATE INFORMATION

PRC OFFICE

No. 27 Chaoqian Road
Science and Technology Industrial Park
Changping District
Beijing, PRC

HONG KONG OFFICE

66th Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

WEBSITE

<http://www.zhongsheng.com.cn>

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Lebin (*Chairman*)
Mr. Chen Jintian (*Vice chairman*)
Dr. Xu Cunmao (resigned with effect from 20 July 2020)
Mr. Chen Jianhua

Non-executive Directors

Dr. Sun Zhe (*Vice chairman*)
Ms. Cheng Yali
Mr. Wang Tao (appointed with effect from 20 November 2020)

Independent Non-executive Directors

Dr. Zheng Yongtang
Mr. Ren Fujin
Ms. Li Li (appointed with effect from 11 March 2020)
Mr. Pan Chunyu (resigned with effect from 11 March 2020)

SUPERVISORS

Mr. Zhou Jie
Ms. Huang Aiyu
Dr. Shen Sheng

AUDIT COMMITTEE

Dr. Zheng Yongtang (*Chairman*)
Mr. Ren Fujin
Ms. Li Li (appointed with effect from 11 March 2020)
Mr. Pan Chunyu (resigned with effect from 11 March 2020)

REMUNERATION COMMITTEE

Dr. Zheng Yongtang (*Chairman*)
Mr. Ren Fujin
Ms. Li Li (appointed with effect from 11 March 2020)
Mr. Pan Chunyu (resigned with effect from 11 March 2020)

NOMINATION COMMITTEE

Mr. Pan Chunyu (*Chairman*)
(resigned with effect from 11 March 2020)
Ms. Li Li (*Chairman*)
(appointed with effect from 11 March 2020)
Dr. Zheng Yongtang
Mr. Wu Lebin
Mr. Ren Fujin

CHIEF EXECUTIVE

Mr. Lin Yanglin (*President*, appointed with effect from 3 August 2020)

COMPANY SECRETARY

Mr. Tung Woon Cheung *Eric CPA, CPA (U.S.)*

QUALIFIED ACCOUNTANT

Mr. Cheung Yeung *CPA*
(resigned with effect from 15 February 2021)
Mr. Cheng King Yin *CPA, CFA*
(appointed with effect from 15 February 2021)

CORPORATE INFORMATION

AUTHORISED REPRESENTATIVES

Mr. Wu Lebin
Mr. Tung Woon Cheung Eric

COMPLIANCE OFFICER

Mr. Wu Lebin

AUDITORS

Ernst & Young

LEGAL ADVISERS

As to Hong Kong law:
Loong & Yeung Solicitors

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of Beijing
Industrial and Commercial Bank of China
Bank of China (Hong Kong) Limited

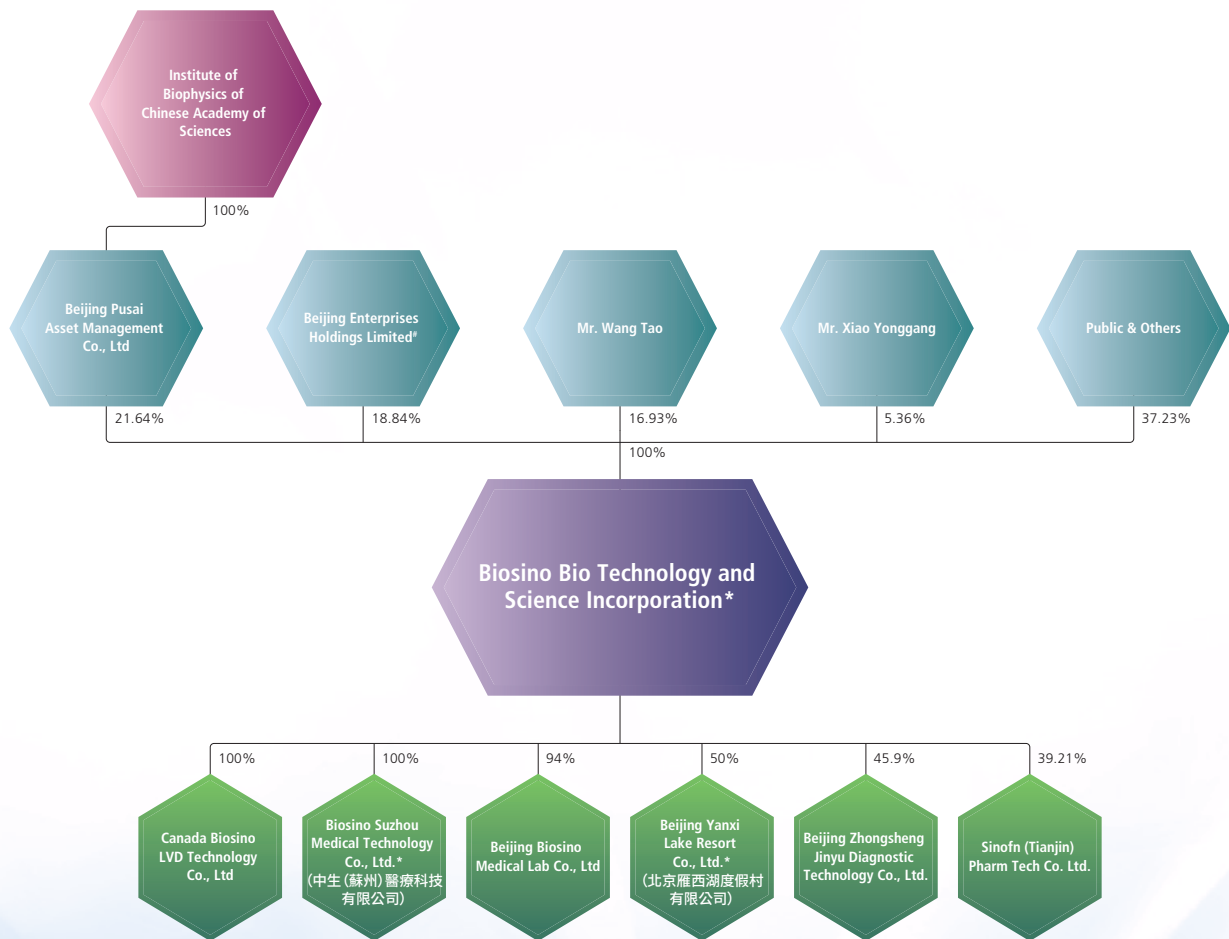
INFORMATION OF H SHARES

Place of listing:	GEM
Stock code:	8247
Number of H shares issued:	64,286,143 H shares
Nominal value:	RMB1.00 per H share
Stock short name:	Biosino Bio-Tec

GROUP PROFILE

GROUP STRUCTURE

As at 31 December 2020



* For identification only

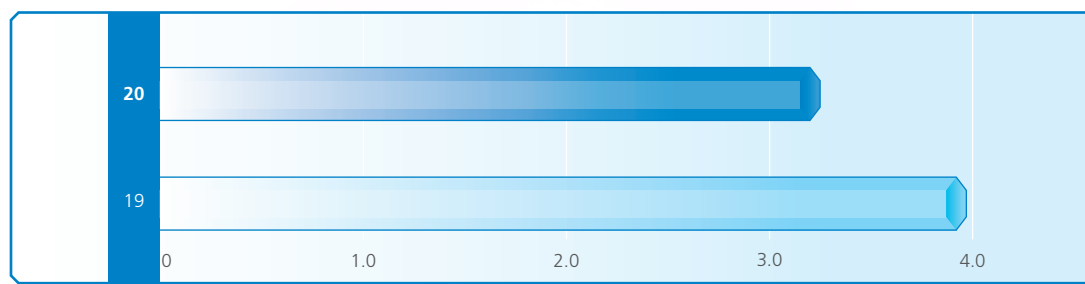
- * The H shares of Biosino Bio-Technology and Science Incorporation (the “Company” or “Bio-Tech”) are listed on the GEM of the Stock Exchange
- # The shares of Beijing Enterprises Holdings Limited (“Beijing Enterprises”) are listed on the Main Board of the Stock Exchange

FINANCIAL HIGHLIGHTS

- Revenue for the year amounted to approximately RMB325 million, representing a decrease of 18% from that of last year.
- The Board does not propose to declare any dividend for the year ended 31 December 2020.

1. REVENUE FOR THE YEAR

(RMB hundred million)



CHAIRMAN'S STATEMENT



**OVERCOME
DIFFICULTIES**
and **STRIVE FORWARD**

Dear shareholders,

It is with great pleasure that, on behalf of the board of directors (collectively referred to as the "Board") of Biosino Bio-Technology and Science Corporation, I hereby present to you the annual results report of Biosino Bio-Technology and Science Corporation together with its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020 (hereinafter referred to the "Year" or the "Reporting Period").

CHAIRMAN'S STATEMENT

DIVIDENDS

Taking into account of the Group's financial condition, cash flow, operating and capital requirements as well as maintaining a sustainable business development in the future, the Board does not recommend the payment of any dividend for the financial year ended 31 December 2020 (2019: Nil).

BUSINESS REVIEW

In 2020, both China and the world were affected by the unexpected coronavirus pandemic. China had adopted stringent pandemic preventive measures in facing such a complex and acute situation, causing significant impact on all aspects of the domestic economy and society. In particular, this led to a cliff-like decline in the number of hospital visits across the country, causing an unprecedented material impact to over 1,400 production and R&D companies and tens of thousands of other companies in the in-vitro diagnostic ("IVD") industry. According to the statistics, the national medical service figures from January to August 2020 revealed that hospitals nationwide received 2.04 billion outpatient consultations, a year-on-year decrease of 17.2%, the number of discharged patients from medical and health institutions nationwide was 117.015 million, decreased 13.3% year-on-year, and the hospital bed utilization rate was 70.7 %, a year-on-year decrease of 14.6 percentage points. The number of hospital visits nationwide dropped by 50% when compared with 2019, and some regions even saw a drop down to around 25% of the capacity level. Especially for the severely affected regions in the first half year, many hospitals have been designated as the appointed hospitals for pandemic prevention and treatment of the coronavirus pandemic, and accepted no other patients during this period. The number of hospital visits is directly related to the market demand for IVD reagent products, that is, the greater the number of medical visits, the greater the demand or consumption for clinical test reagent products. Therefore, the decline in the number of patients of the entire medical system and the decline in product demand in 2020 had seriously affected the sales volume of IVD reagents. The general decline in market demand had led to a significant drop in market sales and operating income of the Company.

Facing the sudden and long enduring COVID-19 epidemic and increasingly fierce competition environment as well as the huge debt claims perplexing the survival and development of the Company, the Group overcame the challenges brought by multiple unfavourable factors both internally and externally and strived to carry out related business activities focusing on its main business. While continuing to propel the development and introduction of medical diagnostic products, the Group constantly enriched its original product lines. While adjusting product structure according to market, the Group strengthened its internal control management, optimized production processes, lowered production costs, and strived to increase corporate revenue and total profit. In terms of research and development, we explored innovative research and development mechanisms, reformed and innovated the operational mechanism of research and development projects. The Company has established a project-focused performance evaluation system, and shifted the focus of research and development ("R & D") center management from controlling project process to focusing on project establishment and results acceptance. In terms of marketing, we continued to focus on constructing our sales teams and market expansion. We strengthened both the domestic and overseas sales networks and professional marketing team construction by enriching sales personnel. At the same time, we strengthened close cooperation with dealers and terminal hospitals etc. to name a few, constantly trying to diversify marketing models, expanded sales channels from multiple directions, increased products in market segments and regional sales, and deepened all-round services and cooperation with end customers. In terms of investment, the Group began to slow down our expansion pace, halted blind investment, and divested non-performing assets. We required further optimization of investment structure while consolidating and enhancing comprehensive strengths, paid attention to asset operation efficiency, so as to deploy more resources and energy back to our main business that have our own distinctive advantages, and strived to consolidate and enhance our core competitiveness and market position. By rationalizing internal processes, conducting stringent process management, clarifying specific responsibilities of responsible persons of each link to reduce waste and improve efficiency.

CHAIRMAN'S STATEMENT

FUTURE PROSPECTS

The biochemical diagnostics reagent market is featured with relatively large demand in inventory, low technical barriers and low market concentration, while the domestic biochemical diagnostics reagents are of serious homogeneity and intense price war. The market growth rate is declining year by year, and new technologies and products desperately need to improve competitiveness.

Looking into 2021, the macroeconomic environment and the spread of the pandemic are unpredictable, and the IVD industry may also be directly or indirectly affected. By consolidating our business foundation, adjusting business strategies, increasing revenue and reducing expenditures, we will strive against the headwind, look for more business growth points, expand income source, and endeavor to return to our leading position in the industry.

With the growth of China's per capita disposable income, increased medical insurance coverage, and matured medical consumption concepts, the domestic per capita IVD consumption increased from US\$5 in 2016 to US\$7.1 in 2018, up by 42% in two years; The short-term target is 30% more versus the global average per capita consumption of US\$9.1. The long-term target is of 3.2-7.8 multiples in terms of growth potential when compared to the US and European per capita consumption of US\$30 to US\$62.8 (source: First Enterprise Industry Research (第一創業産業研究)). In the context of increasing the awareness of national disease prevention and physical examination and universal medical insurance, the future market of the IVD industry has tremendous potential.

At present, the overall situation of a strong external and weak domestic IVD market is basically established. With the gradual implementation of medical reform policies are carrying out such as medical insurance control fees, pressed by cost control pressure, hospitals are more motivated to choose domestic brands that have higher cost performance. Under the condition that foreign investors have maintained their original pricing system, domestic enterprises have ushered in the opportunity of price advantage for quantity. At this moment, whether launching high-quality products with import substitution capabilities becomes the critical point. At the same time, the differences in their respective product layouts and R&D capabilities will quickly widen the gap in the competitiveness of IVD product manufacturers. In the future, the threshold for the IVD industry will increase rapidly, premier IVD companies that have implemented full product line layout and integrated front-line pipelines will benefit. Therefore, the industry is more concerned about innovations and profit models in company processes and services. The two-invoice system had reduced the circulation link, with inspection price drops and diagnostic related groups ("DRGs") implemented, the hospital inspection department may shift from being a profit center to a cost center. The IVD intermediary link may also be weakened due to price pressure. The restructuring of the industrial chain value initiated by payment end will guide the industry trend from downstream to upstream, and the IVD market capacity will further expand with the easing up of basic medical treatment, the convenience of medical services and the aging population. In the foreseeable future. As a result of the rapid development of new operating models such as the collection and packaging of medical consumables and regional inspection centers, it is expected that market concentration within the industry will further increase, market competition will further intensify and lead to more uncertainty. The market players of the entire industry have put forward higher competition requirements, which will force products to continue speeding up their upgrading and running to ease up price pressures. At the same time, they will occupy the market through product diversification and the synergy effects formed in R&D, channels, brands would continue to form positive feedback and promote further development of the Group. Meanwhile, the pressure of the two-invoice system and fee control policies have promoted the "de-intermediary" market. The product agency marketing models that the market relied on in the past had become inappropriately suitable for market needs. Therefore, the Group must focus on innovation and create distinctive technologies to establish advantages and barriers. The Group continues to adapt to market needs, and on the basis of adjusting and optimizing the sales team, it will take more incentive measures, actively explore new marketing models, continue to increase marketing efforts, accelerate research and development progress, and launch new products and also their respective or new instruments with new functions, increase investment in research and development, marketing, etc. one after another, and strive to adapt to new market changes and new needs.

CHAIRMAN'S STATEMENT

After more than 30 years of steady development, the Company has accumulated rich experience. 2021 will be an extraordinary year for Biosino, and the Company will face major challenges. The Company will follow the market change trend relentlessly, and adhere to the business philosophy of legal compliance, promote reform and propel transformation. The Company will continue to consolidate and enhance its existing business segments, fully integrate internal resources, and actively lay out and deepen the nationwide profitable hospital projects. It will continue to strengthen its business and service capabilities, innovate cooperation models, and provide customers with more high-quality and comprehensive services. At the same time, the Group will follow the development trend of the IVD industry, focus on future strategy, and actively explore new profit models. Based on our existing brand advantages, channels advantages, and total market-oriented institutional advantages, the Group will continue to promote the deepening of reform and resources integration to improve market-based remuneration, assessment and incentive mechanisms to stimulate operational vibrancy and endogenous motivation, so as to achieve product upgrades, market upgrades, and management upgrades.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our sincere appreciation towards all of our shareholders for their guidance and support, and to thank all of our employees for their invaluable long-term contribution and dedication.

By order of the Board

Wu Lebin

Chairman

Beijing, the People's Republic of China

31 March 2021

MANAGEMENT DISCUSSION and ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT

Under the situation that both the global and PRC economy are still full of challenges and uncertainties, a series of reform policies for the medical industry have been launched one after another: strengthen grassroot level, family doctor contracting service, construction of a hierarchical diagnosis and treatment system, and “Internet + Medical Treatment” will be the main government medical reform policy direction. In particular, the construction of 100 urban medical groups and 500 county medical communities will exert more attention to resources allocation efficiency and medical services quality, and strive to change the incentive mechanism, introduce market and competition mechanisms, and practice the value medical concept. At the same time, the medical reform continued to implement policies such as “Two-invoice system + replace business tax with value-added tax”, “Integration Policy of Social Health Insurance”. In 2019, the government issued the “Medical Consumables Procurement Policy”, “Abolition of Public Medical Institutions Medical Consumables with Margi” and “Procurement with Volume”, “Consumables Collection”, and pilot trials of DRGs payment in 30 cities and others, which are a series of reform measures related to medical insurance control cost in the IVD industry. The gradual implementation of these policies will undoubtedly bring a certain degree of impact, or even a long-term impact, on the medical device industry and the Company’s business development. The market terminal is changing from profit end to cost end, and the downward pressure on downstream service end is transmitting to midstream and upstream. The IVD industry chain is undergoing profound changes. The direct impact is to squeeze the profit margins of related manufacturing companies and make price a key factor of the game, such that every link in the market requires lowering the ex-factory price of production enterprises and reducing their own operating costs. At present, there are many domestic reagent manufacturers, and market competition will naturally become more and more intense.

On the other hand, China’s health industry has huge potential. The aging and urbanization acceleration have brought continuous increase in the demand for health services, especially the IVD market in China is still growing constantly. The Asia Pacific region is the second largest region in the global IVD market.

At present, the demand for biochemical diagnostic reagents and immunodiagnostic reagents in the domestic IVD reagent market still account for over 50% of the entire IVD reagent market demand. Among the IVD services, biochemical diagnostic reagents and immunodiagnostic reagents aim at the basic diagnostic services of more than one billion people and account for a small proportion of medical insurance costs. At present, national awareness of disease prevention and physical examination has increased, drug prices have been reduced, and drug price margin has been cancelled, diagnosis and treatment services will become the main source of income for hospitals. With the improvement of national payment ability and the pursuit of quality of life, we believe that there is still a large market potential for such products. Conversely, products with low cost performance that cannot be differentiated will be gradually phased out and will no longer be able to enjoy the benefits of the aging industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Revenue

In 2020, the operating revenue during the year was approximately RMB325 million, representing a decrease of 18% over the previous year.

Gross Profit and Gross Profit Margin

The gross profit during the Reporting Period was RMB111 million, representing a decrease of 34% as compared to last year, and the gross profit margin was 34% (2019: 42%).

Selling and Distribution Expenses

During the Reporting Period, selling and distribution expenses were RMB60.01 million, decreased by 26% as compared to last year. The increase in such expenses was primarily attributable to the strengthening of cost control during the Year.

Research and Development Costs

In 2020, the Company obtained two invention patents, namely rapid determination of serum vitamin A and E by liquid chromatography-tandem mass spectrometry and stable biochemical compound calibration product and its preparation method. During the reporting period, the Company obtained Apolipoprotein E Assay Kit (Urbidimetric Inhibition Immuno Assay, including calibrators and quality control materials) and Total Protein (CSF/Urine) Assay Kit (pyrogallol red molybdenum color method, including calibrators and quality control materials), completed the registration renewal of 74 products, such as Ischemia Modified Albumin (IMA) Assay Kit, and obtained the Class I product filing certificates of two products, including nucleic acid extraction solution and sample preservation solution of novel coronavirus. The antibody detection assay kit of novel coronavirus developed by the Company first obtained the European Union's CE certification, which was then enlisted in the export whitelist of Ministry of Commerce of China.

Total research and development costs for the Year amounted to RMB28.23 million, down by 4% when compared to that of last year (RMB29.32 million).

Loss for the Year

Loss for the Year amounted to approximately RMB0.71 million, as compared with a loss of RMB118 million in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit/loss Attributable to Owners of the Parent

During the Reporting Period, profit attributable to owners of the parent of the Company was RMB2.72 million, as compared with a loss attributable to owners of the parent of RMB110 million for the year ended 31 December 2019, which was mainly attributable to the great impact caused by impairment on financial assets last year.

PRODUCTION FACILITIES

The Company owns two self-constructed plant complexes, covering a total area of 37.17 mu. Both complexes have passed the examination and acceptance and repair and reconstruction stages, and are in normal use. Among 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 storeys 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.

FUTURE PROSPECTS

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MANAGEMENT DISCUSSION AND ANALYSIS

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MANAGEMENT DISCUSSION AND ANALYSIS

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

	2020 RMB million	2019 RMB million
Cash and bank balances	45	46
Short-term loans	167	99
Long-term loans	25	56
Net debt	147	109
Net debt equity ratio	75%	55%

The Group generally financed its operations with internally generated cash flows, bank and other borrowings and capital contributions from shareholders. As at 31 December 2020, net debt increased by approximately RMB38 million year-on-year as compared to last year, which was mainly due to the cash flows of investing activities during the Year.

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 overseas countries for resale in the PRC and there are administrative expenses incurred by the Canadian subsidiary. A small amount of cash denominated in Hong Kong dollar ("HKD") is placed in bank accounts in Hong Kong for payment of miscellaneous expenses such as professional fees incurred in Hong Kong.

PLEDGE OF ASSETS OF THE GROUP

At 31 December 2020, the Group's buildings with a net carrying amount of approximately RMB25.11 million, and prepaid land lease payments with a net carrying amount of approximately RMB2.49 million were pledged to Bank of Beijing to secure the bank loans granted to the Company with a principal of RMB76.58 million. The loans will be due in January and March 2022.

At 31 December 2020, certain machineries with original cost of approximately RMB120 million were pledged to third parties to secure loans granted to the Company amounted to RMB17.74 million with durations of 2 to 3 years.

MANAGEMENT DISCUSSION AND ANALYSIS

ADVANCE TO AN ENTITY

Under Rule 17.22 of the GEM Listing Rules, when the advance to an entity from the Company or any of its subsidiaries exceeds 8% of the total assets of the Group and it continues at the year end, the Company is required to the information under Rule 17.17 of the GEM Listing Rules which is set out below.

On 26 December 2019, the Company entered into the facility and guarantee agreement with Zhongke (Beijing) Fund Management Company Limited (“Zhongke Fund”), Beijing Yanqi Lake Resort Co., Ltd. (北京雁栖湖度假村有限公司) (“Yanqi Lake”), Ms. Lin Rongjia, the 70% equity interest holder of Beijing Hengxing to set out the repayment obligations and schedule of the loan advances of RMB184.3 million by Zhongke Fund and the guarantee provided by the guarantors.

Under the facility and guarantee agreement, the repayment terms are as follows:

- (i) RMB55,283,107.70 shall be repaid by Zhongke Fund on or before 29 February 2020;
- (ii) RMB128,993,917.96 shall be repaid by Zhongke Fund on or before 30 June 2020; and
- (iii) the remaining balance shall be repaid by Zhongke Fund on or before 31 December 2020.

As specified in the loan advance agreements entered into between the Company and Zhongke Fund when Zhongke Fund was a subsidiary of the Company, the interest rates of the loan advances are primarily between 6.09% and 10.50%.

A guarantee was given by Yanqi Lake and Ms. Lin Rongjia jointly in favour of the Company to guarantee Zhongke Fund’s repayment of all monies due under the facility and guarantee agreement.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 5 November 2020, as a result of mediation and settlement, Zhongke Fund and the Company received a civil judgment ((2020)京01民特190號) (the “Civil Judgment”) from the No. 1 Intermediate People’s Court of Beijing Municipality (北京市第一中級人民法院). According to the mediation agreement reached by the parties, Zhongke Fund shall transfer 50% of its equity interest in the Yanqi Lake to the Company before 13 November 2020 for the purpose of setting off RMB145,000,000 (being part of the loan advances) owed by Zhongke Fund to the Company under the facility and guarantee agreement dated 26 December 2019 entered into between, among others, the Company, Zhongke Fund and the guarantors; and Zhongke Fund shall repay in cash the remaining balance of the outstanding principal and outstanding interest of the loan advances in the amount of RMB18,220,000 and RMB19,570,117.79, respectively, to the Company before 30 November 2020. The above transfer of equity interest in Yanqi Lake from Zhongke Fund to the Company was completed on 18 November 2020 and Yanqi Lake has become a joint venture of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

On 18 November 2020, Zhongke Fund completed the transfer of 50% of its equity interest in Yanqi Lake to the Company. The fair value of the 50% equity interest in Yanqi Lake together with the guarantees provided by the guarantors was assessed to be approximately RMB50.9 million based on the Company's estimate.

In November 2020, two residential properties were transferred to the Company to offset RMB5.4 million owed by Zhongke Fund, which had not been provided with any guarantee or pledge on 31 December 2019. The fair value of these two residential properties on the transfer date was assessed to be RMB5.4 million based on the Company's estimate.

As at the date of this report, Zhongke Fund has not repaid in cash the remaining outstanding balance of RMB37.8 million in accordance with the Civil Judgement.

For further details, please refer to Note 24(a) to the financial statements.

CONTINGENT LIABILITIES

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

	2020 RMB'000	2019 RMB'000
Guarantees given to a bank in connection with loans granted to an associate	15,100	33,500
Counter-guarantees given to a security company in connection with loans granted to a subsidiary	6,000	3,000
	21,100	36,500

EMPLOYEES

On 31 December 2020, the Group had a total of 450 full-time employees (last year: 542 employees) based in Hong Kong and the PRC. Total staff costs of the Group (including the Directors' and supervisors' remuneration) for the year ended 31 December 2020 amounted to approximately RMB59.06 million (2019: RMB69.88 million). The Group determines 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 the PRC and Hong Kong. The Board of the Company believes 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 remaining employees of the Group are stationed in the PRC.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Company always puts strong emphasis on the superiority, steadiness and rationality of corporate governance.

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, A.2.1 and C.2.5 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 report, 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 2021.

Code Provision A.2.1

Code Provision A.2.1 states that the roles of chairman and chief executive (whose function is carried out by the president of the Company) should be separate and should not be performed by the same individual. As the function of the chief executive is being carried out by the president of the Company before Mr. Wu Lebin resigned as the president and Mr. Lin Yanglin was appointed as the president of the Company (effective from 3 August 2020), therefore, there is deviation from code provision A.2.1.

The Board believes that with the support of the management, vesting the roles of both the chairman and the president in Mr. Wu Lebin can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, the Board is also supervised by three independent non-executive Directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operations. The Directors will meet regularly to consider major matters affecting the operations of the Group.

Code Provision C.2.5

Code Provision C.2.5 states that the Company should have an internal audit function. Based on the size and simple operating structure of the Group as well as the internal control processes, the Group decided not to set up an internal audit department for the time being. However, the Board has put in place adequate measures to perform the internal audit function in relation to different aspects including (i) the Board has established formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations and (ii) the Company engaged an external consultant to perform an internal review on the scope determined by the Audit Committee. The Company considers that the existing organization structure and close supervision by the management and the abovementioned engagement of the external consultant can maintain sufficient risk management and internal control of the Group. The Board will review the need to set up an internal audit function from time to time and may set up an internal audit team if the need arises.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS

During the Reporting Period, the Board comprised nine Directors, including the chairman, executive Directors, non-executive Directors and independent non-executive Directors. Each of the Directors (including the non-executive Directors and independent non-executive Directors) has entered into a service contract with the Company for a term of three years, but is subject to retirement by rotation at the Company's annual general meeting in accordance with the Articles of Association of the Company. The Board is mainly accountable to the owners of the parent. It is also in charge of the management, business, strategy, annual, interim and quarterly results, risk management, major acquisitions, disposals and capital transactions and other major operational and financial aspects of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual, interim and quarterly accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal control systems and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

No corporate governance committee has been established and the Board is delegated with the corporate governance functions under Code Provision D.3.1 of the Corporate Governance Code.

The Board, in carrying out its corporate governance functions, is responsible for (a) developing and reviewing the Company's policies and practices on corporate governance; (b) reviewing and monitoring the training and continuous professional development of Directors and senior management; (c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) reviewing the Company's compliance with the code and disclosure in this corporate governance report.

Details of backgrounds and qualifications of the chairman of the Board and the other Directors are set out in the Report of the Directors. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience, knowledge and execution ability to hold the position so as to carry out his or her duties effectively and efficiently. There is no relationship among the members of the Board.

During the Reporting Period, the chairman of the Board kept a close relationship with all Directors to ensure steady exchange of information with them in the course of operation and decision-making.

The executive Directors are in charge of different areas of duty. One of them is always responsible for the management of the Group's day-to-day operations such as production, operation, and financial management. Another executive Director is in charge of the research and technique as well as international relations of the Company. The remaining executive Director is responsible for the daily operations of the Group.

CORPORATE GOVERNANCE REPORT

All non-executive Directors are independent of the management and are in possession of solid experience in the business of the industry. These non-executive Directors provided significant advice and contribution to the development of the Company during the Reporting Period.

The Board fulfilled the minimum requirement of appointing at least one-third of the members of the Board as independent non-executive Directors. They have professional knowledge and extensive experience in science and technology, medical science and economics, which also conforms with the requirement of having one independent non-executive Director with appropriate qualification on professional accounting or financial management expertise. They are able to fully represent the interests of the shareholders. The Board has received an annual confirmation of independence from each of the independent non-executive Director. The Company considers all of them to be independent from the Company in accordance with the guidelines set out in Rule 5.09 of the GEM Listing Rules as at the date of this report.

In 2020, the Board held a total of eight meetings. The average attendance rate of Directors and Supervisors reached 92.9%. The details of the attendance rate of the Board and respective Directors are as follows:

Date of meeting	Total number of Directors	Number of Directors present	Attendance rate
12 January 2020	9	9	100%
25 March 2020	9	8	89%
17 April 2020	9	9	100%
13 July 2020	9	9	100%
3 August 2020	8	6	75%
23 October 2020	8	7	88%
22 November 2020	9	8	89%
15 December 2020	9	9	100%

Name of Directors	Number of meetings attended
Mr. Wu Lebin (<i>Chairman and executive Director</i>)	8/8
Mr. Chen Jintian (<i>Vice chairman and executive Director</i>)	8/8
Dr. Sun Zhe (<i>Vice chairman and non-executive Director</i>)	8/8
Dr. Xu Cunmao (<i>Former Executive Director, resigned with effect from 20 July 2020</i>)	4/4
Mr. Chen Jianhua (<i>Executive Director</i>)	6/8
Ms. Cheng Yali (<i>Non-executive Director</i>)	7/8
Dr. Zheng Yongtang (<i>Independent non-executive Director</i>)	8/8
Mr. Ren Fujin (<i>Independent non-executive Director</i>)	8/8
Ms. Li Li (<i>Independent non-executive Director, appointed with effect from 11 March 2020</i>)	5/7
Mr. Wang Tao (<i>Non-executive Director, appointed with effect from 20 November 2020</i>)	2/2
Mr. Pan Chunyu (<i>Former Independent non-executive Director, resigned with effect from 11 March 2020</i>)	1/1

CORPORATE GOVERNANCE REPORT

ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING HELD IN 2020

The Company did not hold any annual general meeting or extraordinary general meeting in 2020. The Board of directors will convene an annual general meeting soon to adopt the audited consolidated financial statements for the years ended 31 December 2019 and 2020.

CHAIRMAN AND PRESIDENT

Code Provision A.2.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules states that the roles of chairman and chief executive (whose function is carried out by the president of the Company) should be separate and should not be performed by the same individual. As the function of the chief executive is being carried out by the chairman of the Company before the new president is appointed, there is deviation from code provision A.2.1.

The Board believes that with the support of the management, vesting the roles of both the chairman and the president in Mr. Wu Lebin can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, the Board is also supervised by three independent non-executive Directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The Directors will meet regularly to consider major matters affecting the operations of the Group.

On 3 August 2020, Mr. Lin Yanglin was appointed as the President of the Company to replace Mr. Wu Lebin in the position of President.

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.

BOARD COMMITTEES

The Board has established three Board committees, namely remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee") and audit committee (the "Audit Committee") to oversee the particular aspect of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee was established in accordance with the code provisions as set out in Appendix 15 to the GEM Listing Rules with written terms of reference. The main duties of the Remuneration Committee are the determination of specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board on the remuneration of non-executive Directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and feasibility of performance based remuneration.

During the Reporting Period, members of the Remuneration Committee included all independent non-executive Directors, Dr. Zheng Yongtang, Mr. Ren Fjuin, Mr. Pan Chunyu and Ms. Li Li, with Dr. Zheng Yongtang as the chairman of the Remuneration Committee. Following Mr. Pan Chunyu's retirement as an independent non-executive Director on 11 March 2020, he ceased to be a member of the Remuneration Committee and was replaced by Ms. Li Li, an independent non-executive Director appointed on the same day.

The Remuneration Committee held two meetings to review and approve the remuneration packages of the Directors and senior management of the Group for the Reporting Period and up to the publication of this report.

The Remuneration Committee meets regularly to determine, with delegated responsibility from the Board, the policy for the remuneration packages of individual Directors and senior management and assess the performance of executive Directors and senior management of the Company. During the Reporting Period and prior to the publication of this report, the Remuneration Committee met twice and the individual attendance of each member is set out below:

Name of Directors	Number of meetings attended
Dr. Zheng Yongtang	2/2
Mr. Ren Fujin	2/2
Ms. Li Li (<i>appointed with effect from 11 March 2020</i>)	2/2
Mr. Pan Chunyu (<i>resigned with effect from 11 March 2020</i>)	0/2

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 December 2020 is set out below:

Remuneration bands	Number of person
RMB1,000,000 and under	9

Further particulars regarding Directors' remuneration and the five highest paid employees are set out in notes 8 and 9 to the financial statements, respectively.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee was established on 20 March 2012. The Nomination Committee is responsible for, including but not limited to, reviewing the structure, size, composition and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board and making recommendation to the Board on selection of candidates for directorships. In addition, the Nomination Committee is also responsible for (including but not limited) (i) reviewing the policy for the nomination of Directors and to make disclosure of the summary of nomination policy in annual report of the Company annually; (ii) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, having due regard for the board diversity policy and nomination policy of the Company; (iii) assessing the independence of the independent non-executive Directors; (iv) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer; and (v) reviewing the board diversity policy as appropriate and making recommendations on any required changes to the Board for consideration and approval, and monitor its implementation so as to ensure its effectiveness, and make disclosure of its summary and the progress of its implementation in the corporate governance report.

During the Reporting Period, the Board has adopted the board diversity policy (the "Board Diversity Policy"). All Board appointments will be based on merit, and candidates will be considered against selection criteria based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

During the Reporting Period, the Nomination Committee comprised an executive Director, namely Mr. Wu Lebin, and four independent non-executive Directors, namely Mr. Pan Chunyu, Ms. Li Li, Dr. Zheng Yongtang and Mr. Ren Fujin. Following Mr. Pan Chunyu's retirement as an independent non-executive Director 11 March 2020, Ms. Li Li was the chairman of the Nomination Committee. Mr. Pan Chunyu ceased to be the chairman of the Nomination Committee and was replaced by Ms. Li Li, an independent non-executive Director appointed on the same day.

In carrying out its functions, the Nomination Committee met four times during the Reporting Period and prior to the publication of this report. The attendance record of the said meeting is set out as follows:

Name of Directors	Number of meetings attended
Mr. Pan Chunyu (<i>resigned with effect from 11 March 2020</i>)	1/4
Ms. Li Li (<i>appointed with effect from 11 March 2020</i>)	4/4
Dr. Zheng Yongtang	4/4
Mr. Wu Lebin	4/4
Mr. Ren Fujin	4/4

CORPORATE GOVERNANCE REPORT

Nomination Policy

The Board has adopted the “Nomination Policy” on 8 January 2019 in relation to the nomination, appointment, re-appointment of new Directors and the nomination procedures of the Company, which provides that in evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates’ character and integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time to discharge duties as a Board member and such other criteria that are appropriate to the business of the Company.

Board Diversity Policy

The Board has adopted the revised “Board Diversity Policy” on 8 January 2019 in relation to the nomination and appointment of new Directors, which provides that the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company’s business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The above measurements were also reviewed and adopted when the Nomination Committee reviewed the composition of the Board. After assessing the suitability of the Directors’ skills and experience to the Company’s business, the Nomination Committee confirmed that the existing Board was appropriately structured and no change was required.

AUDIT COMMITTEE

The Company established the audit committee (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.

CORPORATE GOVERNANCE REPORT

During the Reporting Period and prior to the publication of this report, two Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of Directors	Number of meetings attended
Dr. Zheng Yongtang	2/2
Mr. Ren Fujin	2/2
Ms. Li Li (<i>appointed with effect from 11 March 2020</i>)	2/2
Mr. Pan Chunyu (<i>resigned with effect from 11 March 2020</i>)	0/2

During the Reporting Period, the Audit Committee comprised all independent non-executive Directors, namely Dr. Zheng Yongtang, Ms. Li Li, Mr. Pan Chunyu and Mr. Ren Fujin, of which Dr. Zheng Yongtang is the chairman. Following Mr. Pan Chunyu's retirement as an independent non-executive Director on 11 March 2020, he ceased to be a member of the Audit Committee and was replaced by Ms. Li Li, an independent non-executive Director appointed on the same day.

During the Reporting Period and prior to the publication of this report, the Audit Committee conducted the following activities:

- (i) reviewed the Group's annual results for 2019 and 2020 and the Group's interim and quarterly results for 2020;
- (ii) reviewed the audit plans and findings of the external auditor;
- (iii) reviewed the internal control, risk management and financial matters pursuant to its terms of reference; and
- (iv) made recommendation to the Board on the re-appointment of the external auditor and its remuneration.

The Audit Committee will also meet with the auditor annually in the absence of management to discuss matters relating to any issues arising from audit and any other matters the auditor may wish to raise.

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

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric, the company secretary supports the chairman, the Board and the Board Committees by ensuring good information flow and that Board policy and procedures are followed. Mr. Tung advises the Board on governance matters and facilitates the induction and professional development of the Directors. The company secretary is an employee of the Company and is appointed by the Board. Although the company secretary reports to the chairman and the president of the Company, all Directors may call upon him for advice and assistance at any time in respect to their duties and the effective operation of the Board and Board Committees. The company secretary also plays an essential role in the relationship between the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the GEM Listing Rules.

Mr. Tung has confirmed that he has taken not less than 15 hours of relevant professional training in the financial year.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditors and reviewing any non-audit services performed by the external auditors, including whether such non-audit services could lead to any potential material adverse impact on the Group. For the year ended 31 December 2020, auditors' remuneration for audit services is approximately RMB1,480,000.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors' responsibilities for the financial statements and the responsibilities of the external auditors to the shareholders are set out on pages 60 to 61.

The Directors have confirmed that the preparation of the Group's financial statements is in compliance with the relative regulations and applicable accounting standards. As at 31 December 2020, the Board was not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern, and accordingly prepared the accounts on the going concern basis. The Directors also promise that the Group's financial statements will be distributed in due course.

DIVIDEND POLICY

The Board has adopted the "Dividend Policy" on 8 January 2019 in recommending dividends, to allow the Shareholders to participate in the Company's profits and enable the Company to retain adequate reserves for future growth, which provides that subject to the approval of the Shareholders and requirement of the relevant law, the Company shall pay annual dividends to the Shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

An induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company will be provided to each newly appointed director, if any. The Group also provides briefings and other trainings to develop and refresh the directors' knowledge and skills, and updates all directors on the regulatory requirements as necessary.

During the year ended 31 December 2020, a memorandum on the latest amendments to the GEM Listing Rules was distributed to all Directors as part of their reading materials and training in the continuous professional development plan.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has the responsibility to maintain appropriate and effective internal control and risk management systems in order to safeguard the interest of the Group and the shareholders of the Company, review and monitor the effectiveness of the internal control and risk management systems on a regular basis to ensure that the systems in place are adequate.

As at 31 December 2020, the Company did not establish a standalone internal audit department. However, the Board put in place adequate measures to perform the internal audit function in relation to different aspects including (i) the Board established formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations and (ii) the Company engaged an external consultant to perform an internal review on the scope determined by the Audit Committee. The Company considers that the existing organization structure and close supervision by the management and the abovementioned engagement of the external consultant can maintain sufficient risk management and internal control of the Group. The Board will review the need to set up an internal audit function from time to time and may set up an internal audit team if the need arises. The Board convenes meetings on a regular basis to discuss financial, operational and compliance controls and risk management procedures and performs quarterly review on the Group's performance and internal control and risk management systems with the Audit Committee in order to ensure effective measures are in place to protect material assets and identify potential risks. During the Year, the Board conducted a review and assessment of the effectiveness of the Group's internal control and risk management systems and procedures by way of discussions with the management of the Group and members of the Audit Committee. The Board believes that the existing internal control and risk management systems of the Group are adequate and effective. The Board has reviewed the resources, qualifications and experience of the staff of the Group's accounting and financial reporting function and their training schemes and budget and was satisfied with their adequacy.

RELATIONSHIP WITH THE INVESTORS

The Group has made great efforts to establish a long-term relationship with shareholders and investors with an open-mind, an adherence to the principles of integrity, regularity, high transparency and disclose the required information in compliance with GEM Listing Rules. Since the commencement of its preparation for listing, the Group has kept enhancing its transparency to provide investors precise and real-time information through various communication channels, including investor presentation, one to one conversations, road shows, seminars, press conferences, press releases, and contacts with media, analysts, and fund managers. Every year, the Directors hold the annual general meeting to meet the shareholders and respond to their questions.

CORPORATE GOVERNANCE REPORT

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

Any two or more shareholders holding 10% or more of the shares carrying the right to vote may, by signing one or more counterpart requisitions stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class meeting. The Board shall as soon as possible proceed to do so. The relevant shareholdings of the shareholders shall be calculated as at the date of delivery of the requisitions. If the Board fails to issue a notice for such a meeting within 30 days from the date of receipt of the requisition, the requisitionists may themselves convene an extraordinary general meeting in a manner as nearly as possible to the manner in which meetings are to be convened by the Board, provided that any meeting so convened shall not be convened after the expiration of four months from the date of receipt of the requisition by the Board.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors duly to convene a meeting shall be borne by the Company and shall be set off against any sums owed to the Directors in default by the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Any shareholder who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration not less than 10 business days prior to the date of a general meeting through the company secretary whose contact details are set out in the paragraph "Procedures for directing shareholder' enquiries to the Board" below.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
66th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong
Fax No.: (852) 2108 4001

The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or the relevant Board Committees of the Company and where appropriate, respond to such enquiries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Since 2016, the Company started to issue relevant information regarding the environmental, social and governance report in its annual report in accordance with relevant regulations and requirements, showing the respective data, measures and cases regarding corporate development strategy, corporate governance, environmental protection, economic responsibility, goods and service quality, occupational health and safety, employee development and social benefits to stakeholders comprehensively. The Company wishes to achieve an outstanding performance in these aspects and gains high recognition from the society.

CORPORATE GOVERNANCE

Sound corporate governance is the foundation and assurance for corporate business development. During the Reporting Period, the Company has timely revised the relevant system, further improved its corporate governance structure and optimized its internal management in accordance with the requirements of relevant laws and regulations and the regulated documents of the Company Law and Corporate Governance Code in Appendix 14 of the Listing Rules of The Stock Exchange.

1. In relation to shareholders and general meeting

The general meeting is fully entitled to the highest decision making authority provided by laws and regulations and the Articles of Association, and exercises its decisions on major events of the Company. During the Reporting Period, apart from annual general meeting, we also held one special general meeting. The Company places high emphasis on the communication with shareholders and liaises with investors through various means. The substantial shareholders of the Company are mutually independent from the Company in respect of employees, assets, finance, organizations and businesses. The Boards of Directors and Supervisors and other internal authorities of the Company operate independently.

2. In relation to Directors and Board of Directors

The Company selects and appoints directors in strict compliance with the procedures stipulated in the Articles of Association, and the number of members and composition of the Board of Directors are in conformity with the laws, regulations, and the Articles of Association. The Articles of Association defines corresponding provisions on the rules of procedures for Board meetings. As at the end of Reporting Period, the Board of the Company comprised 9 Directors, 3 of which were Independent Non-executive Directors who are respectively professionals in legal, accounting, and industry sectors, and in compliance with the laws and regulations and the requirements of the Articles of Association as well as the development needs of the Group. The Board of Directors has currently established the Audit Committee, Nomination Committee, and Remuneration and Appraisal Committee. Each of the professional committees is in strict compliance with its terms of reference and implements rules when performs its responsibility.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. In relation to Supervisors and Supervisory Committee

The Company selects and appoints Supervisors in strict compliance with the procedures stipulated in the Articles of Association. The Supervisory Committee comprises three members, of which two of them are representatives recommended by shareholders and one is employee representative recommended by workers' union. The Supervisors of the Company act independently and effectively exercise their supervision and examination rights over the Directors and senior management. The Supervisory Committee conducts meetings regularly and convenes extraordinary Meetings in a timely manner whenever necessary.

4. In relation to performance assessment and incentive mechanisms

The Group keeps on exploring, establishing and perfecting its incentive mechanism, and has formed the performance appraisal system based on KPIs and balanced scorecard. According to the responsibilities of senior management personnel, we set up evaluation indicators, sign letters of performance appraisal and conduct performance appraisal step by step according to the Group's strategic goals and budget breakdown analysis at the beginning of each year; while we evaluate employee remuneration according to the accomplishment of every performance target at the end of year. We implemented senior management's performance appraisal standards and evaluation procedures effectively, and made appropriate amendments and improvements according to the actual situation in its implementation. We have put in place an internal control system and conducted supervision and evaluation of the effectiveness and appropriateness of such system through internal auditing. We will ensure the effective implementation of applicable laws and internal system, reduce corruption and non-compliance-related risks efficiently and improve the operation capacity of the Company through the effective internal control system. Meanwhile, we set up targeted and operational-friendly assessment and incentive mechanisms for each level of the Group to further improve our corporate governance structure and incentive system for all employees and to boost up the enthusiasm of the management and important personnel. The systems integrated successfully the interests of the shareholders, the Company and operating proprietors together, and enabled every party to focus on the long-term development of the Group together. The Company had already issued additional domestic shares targeted at key employees to further enhance the incentive scheme for senior management personnel and key employees, facilitating the stable development of the Group in the long run.

5. In relation to stakeholders

The Company pays full respect regarding the legitimate rights of stakeholders such as users, creditors, suppliers, employees and communities, and cooperates with them actively on the basis of equity, reasonableness and mutual benefits in accordance with the laws and regulations so as to push forward the Company's sustainable and healthy development together.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. In relation to information disclosure

The Company fully fulfills its information disclosure obligation in strict compliance with applicable laws and regulations as well as the respective requirements of the Stock Exchange, the Articles of Association and the Regulation on Information Disclosure issued by the Company. We ensure the disclosure of information is timely, fair, accurate and complete and ensure that investors are able to obtain public information of the Company on an equitable and timely basis. During the year, it was discovered that the Company was not able to acquire and disclose information on a timely basis, but it had already communicated actively with the Stock Exchange and adopted corresponding remedial measures.

There is no material difference between the Company's governance and the requirements of the relevant regulations under CSRC and the Stock Exchange.

The Company will continue to shore up and further improve its corporate governance standard, and boost its competitive edge in the hope of generating better operating results for its investors.

ENVIRONMENTAL PROTECTION

The Group does not fall under the highly-polluted industry category stated by the Ministry of Environmental Protection of China. As at the end of the Reporting Period, the Company or controlling subsidiary and companies it invested were not included in the list of serious-polluting enterprises published by the government and local environmental protection department.

1. Construction and Implementation of Environmental Management System

The Group pays high attention to environmental protection, and emphasizes on the significance of environmental protection to corporate social responsibility and sustainable development, and actively facilitates the construction, execution and implementation of the environmental protection management system.

During the Reporting Period, the Company and relevant authorities conducted comprehensive inspection regarding the environmental management situations of all controlling subsidiaries to facilitate the improvement and promotion of controlling subsidiaries on environmental management, and demanded the completion of its construction and implementation with stipulated deadlines, ensuring effective sustainable development of the Company.

During the Reporting Period, there was no environmental pollution incident in the Company, controlling subsidiary and associate company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Environmental Protection Guideline and Policy

From the strategic perspective of environmental and social sustainable development, we strictly control contamination, promote energy conservation and emission reduction and protect the ecological environment, striving to build up an environmentally friendly business community.

3. Environmental Protection Target

When screening projects, the Group focuses specifically on their potential impact on environment, and pays great attention to environmental protection, ensuring that the environmental impact of the Group's operation activities meet the standards and targets. The Group widely applies advanced environmental technologies into our operations actively to reduce energy consumption, advocates every stakeholder to think highly of environmental protection.

4. Utilization or consumption of resources during the Reporting Period

- (1) Water utilization: 16,724 cubic meters/year; eq. standard coal: 4,062.25 kg/year;;
- (2) Power consumption: 1,500,000 kilowatt-hour/year, eq. standard coal: 184,350 kg/year;
- (3) Other energy-consumption steam: 600 tons/year; eq. standard coals: 58 kg/year;
- (4) Annual overall energy consumption: electricity + others = 246,696 kg/year;
- (5) Yearly solid waste: approximately 10 tons/year.

Resources utilization and consumption remained at the same level with a slight decrease over the year.

5. Investments in Environmental Protection Hardware Improvement

During the Reporting Period, to enable our environmental protection works more perfect, the Group continued to invest in environmental protection, optimized its production processes, and enhanced the utilization efficiency of its production facilities and transformed part of its waste gas pollution control devices to achieve energy conservation and emission reduction and protect the environment. A fee of approximately RMB1,150,000 was spent on environmental management including the operation and monitoring of contamination control facilities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. Construction and operating conditions of environmental protection facilities

During the Reporting Period, all environmental protection facilities constructed in each of the controlling subsidiary were under normal operation, which could satisfy the needs of current production capacity of the enterprise. The waste water and air pollutants could meet the discharge standards after treatment and all hazardous wastes were being disposed of by law.

7. Categorizing pollutants discharge

- (1) Sewage: It is comprised of industrial sewage and domestic sewage. The main pollutants categories include Five-day Biochemical Oxygen Demand (BOD5), Chemical Oxygen Demand (COD), Ammonia Nitrogen (NH₃-N), Suspended Solids (SS) and animal and vegetable oil.
- (2) Atmospheric emission: It is mainly produced by industrial waste gas, exhaust emissions of transportation. The main categories of pollutants include fumes and soot.
- (3) Solid wastes: It is comprised of hazardous wastes and general wastes. Hazardous wastes include chemical raw materials, acid, alkaline and alcohol used during manufacturing, and medical wastes from laboratories. General wastes include recyclable materials (such as packaging materials and domestic waste from office operation).

8. Pollutants treatment and discharge information

- (1) Sewage treatment and discharge: Piped discharge to the sewage treatment plant Class II or municipal sewage network after reaching the standard upon sewage treatment or pre-treatment by enterprise.
- (2) Air pollution control and discharge: after adopting or using activated carbon to absorb or using liquid to spray or de-dust treatment on air, the exhaust is discharged in high air in strict compliance; the transportation exhaust emissions used is in compliance with the national standard transportation regulations.
- (3) Disposal of solid wastes: each of the controlling subsidiaries conducts final compliance disposal such as incineration, landfill or reprocessing for use through professional compounds that hold the disposal qualifications approved by local environmental protection bureau in accordance with regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

9. Any existence of serious environmental problems and improvement information during the Reporting Period

During the Reporting Period, there was no serious environmental, pollution incident in the production activities engaged by the Group and each of its controlling subsidiaries nor there was any relevant improvement information that required to be disclosed.

10. Emergency plans for environmental pollution incident

The Group has prepared corresponding emergency plans for environmental pollution incident according to its own operation characteristics, integrating with pollution control conditions and potential environmental risk identified, so as to fully response to the possible unexpected environmental pollution accident, and minimize the impact on environment.

11. Environmental protection information disclosure

The Company has disclosed its environmental protection, social and governance information in the annual report and ESG related contents to social public simultaneously and voluntarily since 2016.

SOCIAL RESPONSIBILITY

While the Group is at its continuous rapid development process, it implements its corporate social responsibility actively. In 2020, the Group continued to make progress in corporate protection, economic, environment, health and safety, product and service, employees and society, actively assuming its responsibility as a corporate citizen and repaying to the society.

During the Reporting Period, the Group continued to increase its investment in research and development, kept on improving its technology, improved its production technology process, emphasized on the construction of product quality system, extended product life cycle and lowered the costs to offer more safe, effective and affordable products and services. In order to promote member companies to improve continuously the quality management standard, we prepared the Quality Manual in 2009 for keeping annual improvement and enhancement according to the laws, regulations and the requirements of the quality management system. During the Reporting Period, it successfully passed the on-site inspection by Beijing Food and Drug Administration, Changping Food and Drug Administration and Abbott Laboratories.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group advocates learning from operation and conducts changes, actively benchmarking with domestic and overseas advanced enterprises, explores new management models including lean management and reduces various kinds of costs effectively, striving to improve the overall management efficiency.

During the Reporting Period, the Group adjusted its organizational structure, integrated relevant functions and duties, achieved centralized procurement and lowered procurement costs and supplier management charges and it is going to integrate the social responsibility concept into the entire process of supplier management.

For occupational health management, as the first batch of companies meeting the foundation construction standards of occupational health in Changping District, Beijing, the Company distributes reasonable and effective labour protection gears for employees according to actual job nature of each position, ensures occupational health and implements the human-oriented operation concept. It mainly achieved the followings in terms of occupational health management: conduct an once a year inspection and testing and one assessment every three years on occupational hazards; inform employees who work in occupational hazardous position in writing the possible occupational hazards when labour contracts are signed; set up individual file for supervising occupational health for each employee who works in occupational hazardous position; arrange periodic pre-service, after-service and on-service occupational health physical examination, tracking the health conditions of employees, redeploy employee job position when occupational contraindications after physical examination are found, and firmly prevents the occurrence of occupational diseases.

In the social welfare aspect, the Group continued to undertake corporate social responsibilities during the reporting period in scientific research funding, health and poverty alleviation, fighting against pandemic, and disaster assistance to name a few to repay the society. Especially during the critical period of fighting the coronavirus pandemic in 2020, the Company actively fulfilled its social responsibilities while taking preventive and control measures to mitigate the adverse effects of the pandemic.

Our internal production, supply, and sales departments cooperated closely and worked together to ensure the normal and continuous supply of the basic testing and other related products required by the hospital. The sales and technical service personnel had not stopped working under the pandemic, and promptly delivered products to frontline hospitals that were in most need. The internal service and logistics personnel took turns on duty for not delaying product supply and distribution during the pandemic while other colleagues were working from home.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In the early days of combat against the pandemic, medical staff and medical supplies were relatively in shortage. The Company donated the needed instruments and medical materials procured through other channels to the anti-pandemic frontline. Through the Red Cross Society, the Company donated a fully-automatic biochemical analyzer to hospitals in Hubei Province facing serious pandemic situation, along with anti-pandemic materials such as 120,000 pieces of medical masks, 10,000 pieces of KF94 masks, 2,000 pieces of KN95 masks, and 150 sets of protective clothing which worth about RMB1.23 million in total. The Company also encouraged employees to donate money and provisions to provide support for front-line medical staff as much as possible. Not only did the donations make due contributions to pandemic prevention and control, but also achieved dual benefits both commercially and in terms of social value. On 10 February 2020, Biosino Bio-Tec was selected as one of the 99 key recommended enterprises in Beijing for pandemic prevention and control.

For safety production, the Company is a class II enterprise in safety production standardization. During the Reporting Period, the Group implemented the hierarchical accountability system for safety production, seriously took the establishment and implementation of production safety management system in the Company and its controlling subsidiaries. The management has established a periodic reviewing and decision making system in terms of performance through implementing and strengthening the all-round compliance risk assessment, team building and the construction and improvement of its professional capability, upgrading and transformation of related facilities, aperiodic independent inspection and review, reporting and rectification of hidden danger, and improving technical support of project and response, to ensure the lawful and compliance operation and continuous improvement of the Group. It organized and implemented centralized professional trainings related to safety production management and improvement activities successively, which minimized the safety risk during our operation, regulated employee operation management, and continued to deepen the safety concept and cultural construction. For resources saving and environmentally-friendly construction, the Group achieved good economic and environment effectiveness through attaching great importance to the application and promotion of advanced energy saving technology and energy contract management projects.

RISK MANAGEMENT

We have established an improved and comprehensive risk management system to fully recalibrate the key risks in the operation and management process, and implement risk management throughout all aspects of operation and management and all links of business process, so as to create a safe, healthy, effective and environmentally friendly working environment for employees and contractors.

As an enterprise with diagnostic products as its principal business, the major risks that the Group may expose to include:

1. Industry policy risk: In engaging in the manufacturing and selling of diagnostic products (medical devices), relevant licenses granted by food and drug supervision and administration authorities must be obtained, and product quality is subject to stringent laws and regulations. Although the enterprises under the Group that engaged in the manufacturing and operation of principal diagnostic products and medical devices have already obtained the above licenses and approved documents granted by food and drug supervision and administration authorities, however, the regulations over the production and sales of diagnostic products and medical devices may be adjusted by the government. If the Group fails to make corresponding adjustments and perfection, it will cause adverse impact on its production and operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. **Market competition risk:** Market competition is ever intensifying due to huge domestic market potential where numerous enterprises are having a foothold in the IVD business and market concentration is low. The Group adopts the mainstream model of “distribution and direct selling integration with distribution as priority” in its product sales segment, and has developed approximately 500 distributors in China’s 30 provinces and regions. With the continuous increase in the number of distributors, the Group finds it more and more difficult to provide distributors proper trainings, support, management and maintenance. To establish a mutually beneficial win-win mechanism with distributors, cultivate their loyalty to the Group and achieve the overall sales targets together, the Group will closely cooperate with distributors through providing product training, technical support, marketing activities and other services to reduce the risks caused by significant reforms and violation of laws and regulations by distributors.
3. **Product research and development and technology substitution risks:** The IVD industry is characterized by high technological value, high personnel quality demand and long cycle for research and development as well as product registration, so it is necessary to increase investments in research and development, cultivate and introduce professionals to improve the Group’s capability in scientific research. At the same time, sufficient argumentation need to be conducted on new research and development projects through external technology exchange to reduce the risk of possible replacement of currently-available know-how by the more advanced technology in the same industry, so as to remove the adverse impact on the sustainable development of the Group.
4. **Quality control risk:** The quality of in-vitro diagnostic reagent and in-vitro diagnostic instrument has a direct impact on the accuracy of medical diagnosis. As a result, the government sets stringent requirements on IVD products quality. With the further increase in output, quality control has always been an issue of major concern to the Group. Once the products are improperly maintained or operated during production, transportation and other aspects, it will lead quality problem incidents and affects our reputation and brands. The Group implemented an all-round quality control in product design, raw materials procurement, product manufacturing and sales as well as after-sales services according to the requirements of ISO9001: 2008 and ISO13485: 2003 quality management systems. We prepared a comprehensive quality management system with Quality Manual (《質量手冊》) as its core, and had passed the certification of third-party authority, so as to enable the entire process of our products (from raw materials incoming inspection to manufacturing and operation and after-sales service) are effectively under control. During the Reporting Period, there was no major quality problem.
5. **Risk of key technical staff loss:** The Group is an enterprise with the longest history in domestic IVD industry. The key factor for maintaining its competitive edge is the Group owns a stable and high quality talented team. The Group firmly believes that staff is crucial in an enterprise’s development. The Group recruits and employees staff openly in strict compliance with the requirements of laws and regulations and enters into labor contracts with all employees to assure their legitimate interests in accordance with laws. While strengthening their development internally and promoting staff’s skills, the Group is also actively soliciting external excellent talents to enrich the already competitive enterprise talent team. The Group provides newly-employed staff with informative induction training and offers them flexible, diversified and pragmatic business trainings. The Group sets up position and salary levels of every employee based on his/her position by comprehensively assessing job category, work nature, responsibilities, job qualifications and other factors. The salary level is determined in accordance with the staff’s knowledge and skills, work performance and overall performance. The Group makes active exploration in cultural development, and creates convenient conditions in work and life, especially in physical examination, settling down and holidays and festivals, aiming at enhancing staff’s sense of belongings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. Investment and mergers and acquisitions risk: The Group integrates its industry resources through various means such as foreign investment as well as mergers and acquisitions to enhance its core competitiveness and achieve scalable effect. In view of the drawbacks of excessive investment in recent years, the Group will learn from lessons wholeheartedly and will strictly comply with the Measures for the Administration of Foreign Investment (《對外投資管理辦法》) to further strengthen the due diligence and research and argumentation before investing. Post investment stringent control will be strengthened to enable share-participating corporations to achieve synergy with the Group in terms of operation, management and other aspects, striving to enable target enterprises to meet the objectives within a relatively short period of time, so as to achieve the Group's strategic layout and reduce investment failure risk.
7. Account receivables risk: With the increasing efforts in market expansion and the continuous expansion of sales size, the amount in the Group's account receivables is also increasing accordingly. Hence, the bad debt risk arising therefrom is also the same. The Group has taken measures to improve the front-end control of account receivables and maintains it at a reasonable level, strengthens the daily management and collection of account receivables and takes remedial actions as early as possible when risks occurred. It turns out that risk prevention is very effective if methods are appropriate and measures are strong.
8. Force majeure risk: Serious natural disasters and sudden public health incidents will cause damages to our property and staff and may affect the Group's normal production and operation. The Group has set up corresponding emergency mechanisms and systems to cope with abrupt incidents, which can assure quick responses to make the Group's risk in production and operation activities controllable. Facing the unexpected coronavirus pandemic in early 2020, the management attached great importance and immediately established a pandemic response team to focus on pandemic notification and information release proactively. We conducted timely risk assessment, comprehensively evaluated the specific impact on the Company, made unified deployment and carried out a series of safeguarding works. After understanding clearly that the risk of person-to-person transmission of the virus, the pandemic team immediately formed an emergency plan to adopt prevention and control measures, such as stocking up emergency supplies, implementing a duty system, and working from home for two weeks to ensure the health of employees. The Company required employees to report their whereabouts, while urgently purchased anti-pandemic materials such as forehead thermometers and masks, and gradually resumed work and production in an orderly manner during the emergent and comprehensive prevention and control of the pandemic. After resuming works, the Company strictly implemented the employee health management and reporting system, conducted daily monitoring of employee body temperature, and distributed masks, disinfectants, etc. to employees. The Company also organized special training on the pandemic and preventive measures, added cleaning and disinfection equipment, took 24-hour disinfection in office area, and strictly controlled personnel entering and leaving the Company for security purposes. For employees returning from the pandemic area, a two-week isolation and observation was implemented after virus testing and monitoring to strictly prevent and control virus contraction. During the pandemic, the Company had no cases of employee contraction.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The outbreak of the coronavirus pandemic has had a profound impact on the supply chain. Due to the requirements of pandemic prevention and control, some markets have been closed, logistics channels blocked, the flow of people and materials severely restricted, and consumption desire and ability continued to be sluggish. The contracted market demand affected every link of the upstream supply chain, such as supply, procurement, logistics, production, and human resources. Under this circumstance, the pandemic response team of the Company conducted timely risk assessments, cautiously evaluated the impact of contract terms, and calmly responded to the issues of contract performance. The Company strengthened the communication with upstream and downstream links in the supply chain, especially high-risk suppliers, and focused on sincere and honest communication with them to ensure mutual and proactive response. The Company worked with suppliers to fine-tune supply capabilities, included secondary supply capabilities in the supply planning review, and considered alternative supply resources to reduce adverse effects. Meanwhile, the Company verified and weighed the diversity of transportation channels to guarantee the upstream supply and meet the market demand without interruption. Even if the market was sluggish and shrinking, the timely product supply in the market safeguarded the market share of the Company, and was also quite beneficial for more future market opportunities. Apart from this, the pandemic emergency plan was disseminated in details to all departments of the Company, and different plans were simulated for different scenarios in the event that the pandemic is over, in a bid to be calm down any situation and not to panic. In particular, the Company continued to focus on cash flow, coordinated resources from multiple parties, and formulated a plan to guarantee continuous cash flow, which was specific enough to be actually implemented to ensure continuous cash flow and smooth production and operation.

This crisis is also a drill of a normalized social risk management and control for the Company to sum up experience and lessons, and enrich the risk response mechanism. The Company has set up a temporary organization to conduct emergency management, and has formulated a risk management manual to regulate responses to emergencies.

9. Disaster and accident risk: The Company set up miniature fire station that equipped with part-time firemen as well as equipment and facilities. In 2020, the Group conducted 1 fire drill, which proved that quick response is achievable and safeguarding the safety of corporate personnel and property.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In conclusion, in facing the above risks, the Group has three defense lines in place from top to bottom, namely, operating departments, senior management team and the Board and the Supervisory Committee, which are being set up based on corporate governance structure and according to the node of possible occurrence and development. We will fulfill the responsibilities in risk identification, response, management and supervision from different aspects and to understand in time the changes of national laws and regulation and policies, so as to earnestly control, prevent, whistle-blow and resolve all kinds of risks through measures of compliance operation, continuous monitoring and effective supervision. The dedicated internal auditors are in place in Quality Control Center, Finance Department and Engineering Department according to the actual needs of the Company. They perform their internal auditing responsibilities through measures such as important activities are subject to stringent review and approval procedures and important contracts are subject to legal advisor review. In 2020, the Company's internal auditors and externally engaged intermediaries conducted two economic accountability audits on subsidiaries. Operating risks were comprehensively audited through quarterly and half-year operation analysis meetings by the Group's members and conducting operation review meetings on respective subsidiary separately. By conducting special examination on certain high-risk segments, such as marketing, procurement, accounts receivables and instrument maintenance, we aim to promote the compliance operation of the Group's subsidiaries. We also take corresponding rectification measures in a timely manner to prevent possible risks. During the Reporting Period, no major or important omissions or defects were discovered, confirming the effectiveness of the above measures. In 2021, the Group will amend the relevant systems and establish a more reasonable organisation structure and internal auditing structure in accordance with the overall operation objectives and key works and based on the needs of risk management, so as to enable the internal audit and control over the risks during daily operating activities is practical and more effective.

Since 2016, the Company has published the ESG-related content in its annual reports in accordance with relevant regulations and requirements to fully demonstrate to stakeholders the data, measures and cases of the Group on strategic development, corporate governance, environmental protection, economic responsibility, product and service quality, occupational health and safety, employee development, social welfare, etc. The Company hopes to achieve outstanding performance in these areas and receive high recognition from all circles of the society.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in the manufacture, sale and distribution of IVD reagent products. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements.

Further discussion and analysis as required by Schedule 5 to the Companies Ordinance, including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2019, and an indication of likely future development in the Group's business, are set out in the "Chairman's Statement", "Management Discussion and Analysis", "Environmental, Social and Governance Report" and "Notes to Financial Statements" sections of this report. The above sections form part of this Report of the Directors.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2020 and the state of affairs of the Group at that date are set out in the financial statements on pages 62 to 153.

The Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and equity of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 154. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

The annual change in the Company's issued share capital was set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Company Law of the PRC which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

REPORT OF THE DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities in the Year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 45 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Retained loss of the Company, as at 31 December 2020, amounted to approximately RMB1,483,000. Details of movements in the reserves of the Company during the year are set out in note 45 to the financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers of RMB128.1 million, accounted for 39.2% of the total revenue for the year, in which sales to the largest customer amounted to 20%. Purchases from the Group's five largest suppliers of RMB95.42 million, accounted for 49.3% of the total purchases for the year, in which purchases from the largest supplier amounted to 29.4%. None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers.

REPORT OF THE DIRECTORS

DIRECTORS AND SUPERVISORS

The Directors and supervisors of the Company during the Year are as follows:

CHAIRMAN AND EXECUTIVE DIRECTOR:

Mr. Wu Lebin

VICE CHAIRMAN AND EXECUTIVE DIRECTOR:

Mr. Chen Jintian

VICE CHAIRMAN AND NON-EXECUTIVE DIRECTOR:

Dr. Sun Zhe

EXECUTIVE DIRECTORS:

Dr. Xu Cunmao (*resigned with effect from 20 July 2020*)

Mr. Chen Jianhua

NON-EXECUTIVE DIRECTOR:

Ms. Cheng Yali

Mr. Wang Tao (*appointed with effect from 20 November 2020*)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Zheng Yongtang

Mr. Ren Fujin

Ms. Li Li (*appointed with effect from 11 March 2020*)

Mr. Pan Chunyu (*resigned with effect from 11 March 2020*)

SUPERVISORS:

Mr. Zhou Jie

Ms. Yuang Aiyu

Dr. Shen Sheng

REPORT OF THE DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors annual confirmations of their independence pursuant to Rule 5.09 of the GEM Listing Rules, and as at the date of this report, the Board considers each of them to be independent.

EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

Details of emoluments of Directors and the five non-director/supervisor, highest paid individuals are set out in notes 8 and 9 to the financial statements.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and supervisors of the Company and the senior management of the Group are set out on pages 52 to 57 of this report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and supervisors (including the non-executive director, the independent non-executive Directors and the supervisors) has entered into a service contract with the Company for a term of three years commencing from various dates of their respective appointments.

Apart from the foregoing, no Director or supervisor had entered into or had proposed to enter into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at the annual general meeting. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, 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 (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITIONS 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%
Dr. Xu Cunmao	600,000	0.75%	–	–	0.41%
Mr. Zhou Jie	150,000	0.19%	–	–	0.10%

Save as disclosed above, as at 31 December 2020, 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.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or supervisors of the Company 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 31 December 2020.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, 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 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:

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	
Beijing Pusai Asset Management Co., Ltd	Directly beneficially owned	31,308,576	–	38.93%	0.00%	21.64%
Mr. Wang Tao	Directly beneficially owned	24,506,143	–	30.47%	0.00%	16.93%
Mr. Xiao Yonggang	Directly beneficially owned	7,763,505	–	9.65%	0.00%	5.36%
Beijing Enterprises Holdings Limited (Note 1)	Directly beneficially owned	–	27,256,143	0.00%	42.40%	18.84%
Beijing Enterprises Group Company Limited (Note 1)	Through controlled corporations	–	27,256,143	0.00%	42.40%	18.84%
雲南勝能投資合夥企業(有限合伙) Yunnan Shengneng Investment Partnership (Limited Partnership)	Directly beneficially owned	–	6,780,000	0.00%	10.55%	4.69%
Li Yangyixiong	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%

Note 1: 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 31 December 2020, no person, other than the Directors, supervisors and chief executive 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 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.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Rule 11.23(7) of the GEM Listing Rules requires that at least 25% of the issuer's total number of issued shares must at all times be held by the public. In the case of the Company, shares held by the public include H shares (but not domestic shares) not held by connected persons (as defined in the GEM Listing Rules) of the Company.

As at 31 December 2020, the share capital of the Company comprised 80,421,033 domestic shares and 64,286,143 H shares, representing approximately 55.58% and 44.42%, respectively. Out of the 64,286,143 H shares, as shown in the above table, a total of 27,256,143 H shares were held by Beijing Enterprises Holdings Limited, a substantial shareholder and a connected person of the Company. The remaining 37,030,000 H shares (representing approximately 25.58% of the total number of issued shares of the Company and constituting public float of the Company) were held by other shareholders who are not connected persons of the Company.

Based on the aforesaid, as at 31 December 2020, the public float of the Company was 25.58% and the Company is in compliance with the public float requirement under Rule 11.23(7) of the GEM Listing Rules.

CORPORATE GOVERNANCE

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

For the year ended 31 December 2020, 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, A.2.1 and C.2.5 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 report, 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 2021.

Code Provision A.2.1

Code Provision A.2.1 states that the roles of chairman and chief executive (whose function is carried out by the president of the Company) should be separate and should not be performed by the same individual. As the function of the chief executive is being carried out by the president of the Company, there is deviation from code provision A.2.1. Therefore, before Mr. Wu Lebin resigned as the president and Mr. Lin Yanglin was appointed as the president of the Company (effective from 3 August 2020), there is deviation from code provision A.2.1.

REPORT OF THE DIRECTORS

The Board believes that with the support of the management, vesting the roles of both the chairman and the president in Mr. Wu Lebin can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, the Board is also supervised by three independent non-executive Directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operations. The Directors will meet regularly to consider major matters affecting the operations of the Group.

Code Provision C.2.5

Code Provision C.2.5 states that the Company should have an internal audit function. Based on the size and simple operating structure of the Group as well as the internal control processes, the Group decided not to set up an internal audit department for the time being. However, the Board has put in place adequate measures to perform the internal audit function in relation to different aspects including (i) the Board has established formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations and (ii) the Company engaged an external consultant to perform an internal review on the scope determined by the Audit Committee. The Company considers that the existing organization structure and close supervision by the management and the abovementioned engagement of the external consultant can maintain sufficient risk management and internal control of the Group. The Board will review the need to set up an internal audit function from time to time and may set up an internal audit team if the need arises.

COMPETING INTERESTS

During the Year and up to the date of this report, none of the Directors, supervisors, the controlling 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.

MANAGEMENT CONTRACTS

During the Year, there was no contract entered into by the Company relating to the management and administration of the entire or any substantial part of the business of the Group.

PERMITTED INDEMNITY PROVISION

At no time during the Year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors (whether made by the Company or otherwise) or an associated company (if made by the Company).

REPORT OF THE DIRECTORS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company prepared in accordance with Appendix 20 to the GEM Listing Rules is set out on pages 30 to 41 of this report.

CONNECTED TRANSACTION

During the year, the Company has no connected transactions.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

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

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Wu Lebin

Chairman

Beijing, the People's Republic of China
31 March 2021

REPORT OF THE SUPERVISORY COMMITTEE

To all shareholders,

Since the establishment of the Company, the supervisory committee of the Company (the “Supervisory Committee”) has carried out its duties in accordance with the Company’s articles of association and relevant requirements. It has performed effective supervision, through the inspection of relevant documents and attending meetings of the Board, on resolutions made by the Board to ensure that they are in compliance with the relevant laws and regulations, the Company’s articles of association and in the best interests of the shareholders. Such resolutions are made in a manner to ensure the shareholders’ interests and long-term development of the Company.

The Supervisory Committee is in the opinion that the decision-making process of the Board is in compliance with the Company’s articles of association and operating norms.

The Supervisory Committee considers that the Company’s 2020 financial statements reflected a true and fair view of the financial position and operating results of the Company. The unqualified opinion expressed in the auditors’ report issued by Ernst & Young is objective and fair.

The Supervisory Committee is of the opinion that the connected transactions between the Company and its connected persons were conducted at fair market prices without prejudice to the interests of the Company and its minority shareholders.

The Supervisory Committee will strictly observe the articles of association of the Company and the relevant requirements in 2021 to better discharge its duty, including securing shareholders’ interests.

The Fifth Supervisory Committee of Biosino Bio-Technology and Science Incorporation

Zhou Jie

Chairman of the Supervisory Committee

Beijing, the People’s Republic of China

31 March 2021

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHAIRMAN OF THE BOARD AND EXECUTIVE DIRECTOR

Mr. Wu Lebin (吳樂斌先生), aged 59, is the chairman, an executive Director and the president of the Company. Mr. Wu Lebin graduated from the Jiangxi Medical College with a bachelor's degree in medicine in 1983 and from the Graduate University of CAS with a master's degree in science in 1988. He also completed an EMBA study program jointly offered by the University of Wisconsin of the United States and the Graduate University of CAS in 2002. Prior to joining the Group, Mr. Wu served as the deputy director and the director in the CAS and the deputy director in IBP of CAS successively. He possesses over 20 years of experience in research management, technology development, administration and corporate management. Mr. Wu joined the Company in 2001. He is the president of the Company since 2003, and is chairman of the Board since 2006 and resigned the concurrent post of president on 10 July 2014. He served as the secretary of the Party committee in the Corporate of CAS and as the chairman of the Board in the Chinese Academy of Sciences Holdings Co., Ltd. from June 2014 to October 2019. On 4 December 2019, Mr. Wu Lebin again served as the president of the Company and the legal representative of the Company, and resigned as the president of the Company on 3 August 2020.

VICE CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. Chen Jintian (陳錦添先生), aged 43, is the vice chairman and an executive Director of the Company. Mr. Chen Jintian completed a financial computerization program of The Open University of Fujian* (福建廣播電視大學) in 1999, and completed an EMBA program of University of Management and Technology in United States in 2012. He holds a master degree and is a senior economist. He was the chairman of the board of directors of Beijing Shuoze Commercial Group* (北京碩澤商業集團), HK Future Investment Group* (香港未來投資集團) and is currently the chairman of the board of Beijing Shuoze Health Industry Investment Management Company Limited* (北京碩澤健康產業投資管理有限公司). Mr. Chen joined the Company in March 2015, and became the president in December. On 4 December 2019, he resigned as the president and the legal representative of the Company.

VICE CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dr. Sun Zhe (孫哲博士), aged 46, is the vice chairman and an non-executive Director of the Company. Dr. Sun is currently a director and an associate researcher of the Science and Technology Cooperation and Achievement Transformation Division in IBP. Dr. He obtained a doctorate degree of biochemistry from the University of Heidelberg, Germany. His research works include the construction of a cellular level drug screening model and its application, transmembrane endocytosis mechanism for immune responses, cellular endocytosis transportation mechanism, structure and function of membrane protein and protein complex, precision medicine and big data application, detection of major social disease and major biosecurity issues and the construction of government standard. Dr. Sun joined the Company in September 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Xu Cunmao (許存茂博士), aged 58, is an executive Director, vice president and secretary of the Board of the Company, responsible for the overseas investment functions, information disclosure, administration and supply chain management-related works. He obtained a Bachelor's Degree in Science and a Master's Degree in Science in economic geography from Northwest Normal University (西北師範大學), and a Ph.D Degree in Science in regional economic geography from Northeast Normal University (東北師範大學). He was an associate professor of the School of Economics in Hainan University (海南大學), executive deputy general manager of Hainan Nanxi Industrial Co., Ltd.* (海南南希實業股份有限公司), executive deputy general manager of Beijing Beida Nanxi Bio-Engineering Co., Ltd.* (北京北大南希生物工程有限公司), general manager of Shanghai Guangkong Industrial Investment Co., Ltd.* (上海廣控實業投資有限公司) and general manager of PKU Weiming Diagnostics Co., Ltd. (北大未名診斷試劑有限公司). Dr. Xu joined the Company in 2003 and was appointed as Director in March 2015 and resigned as Director in July 2020.

Mr. Chen Jianhua (陳建華先生), aged 37, is an executive Director of the Company. Mr. Chen worked as an assistant to the president of Zhongke (Beijing) Fund Management Co., Limited* (中科(北京)基金投資有限公司) and served as an assistant to the president of Beijing Shuoze Commercial Group* (北京碩澤商業集團). He completed an e-commerce professionalism course* (電子商務專業) in Fujian Agriculture Forestry University Dongfang College and obtained a bachelor's degree. He has been an executive Director of the Company since May 2018.

NON-EXECUTIVE DIRECTOR

Ms. Cheng Yali (程亞利女士), aged 59, is a non-executive Director of the Company. Since January 1993, Ms. Cheng has worked in the finance department of IBP of CAS and is now a director of the Department and senior accountant. She is mainly responsible for the fund raising, application, management, supervision and control of the capital, provides stronger capital assurance of sound development of businesses and the efficient functioning of the Institute, and the financial management of a wholly-owned subsidiary of the Institute, Beijing Pusai Asset Management Company (北京普賽資產經營公司). Ms. Cheng joined the Company in September 2018.

Mr. Wang Tao (王滔先生), aged 45, successively served as accountant of the financial department of Beijing Jiuding Real Estate Development Co., Ltd., deputy manager of the financial department of Beijing Huatai Xingnong Agricultural Technology Co., Ltd., and manager of the planning and financial headquarters of Huaxin Century Investment Group Co., Ltd. from February 1999 to present. Mr. Wang Tao joined the Company in November 2020.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Zheng Yongtang (鄭永唐博士), aged 59, is an independent non-executive Director. He is a research associate and a doctoral student advisor of Kunming Institute of Zoology of the CAS* (中國科學院昆明動物研究所) ("KIZ"). Dr. Zheng obtained a bachelor degree in medicine from Jiangxi Medical College* (江西醫學院) in 1983, a master degree in cellular immunology and a doctoral degree in viral immunology from KIZ in 1989 and 1997, respectively. Dr. Zheng has been engaging in immunology and virology research for a long period of time. Dr. Zheng undertakes over 30 projects of various scientific research projects, such as National Science and Technology Major Project, National 973 and 863 projects and National Natural Science Foundation etc. Dr. Zheng Yongtang joined the Company in May 2015.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Ren Fujin (任孚今先生), aged 56, is an independent non-executive Director. Mr. Ren is a senior economist. He obtained a bachelor degree in chemical engineering from Tiangong University (天津工業大學) in 1986. Mr. Ren has over 30 years of experience in investment industry, and served as the president of WANGUO Leasing Company* (萬國租賃公司), the vice president of Shantou Hongye (Group) Co., Ltd.* (汕頭宏業集團股份公司), the president of Beijing Lingyou Capital Management Company Limited* (北京領優資本管理有限公司) and the deputy general manager of Zhengtai International Investment Group* (正太國際投資集團). He is currently the chairman of the board of directors of ORYX Biotech Holdings Inc., the chairman of the board of directors of Yatai Energy Investment Company Limited* (亞太能源投資有限公司) and the president of Zhuhai Tianfu Rongyi Energy Fund Management Company Limited* (珠海天賦融億能源基金管理有限公司).

Ms. Li Li (李瀛女士), aged 49, graduated from Nanjing University of Finance and Economics (南京財經大學) (previously known as Nanjing Institute of Grain Economics (南京糧食經濟學院)) major in accounting. She worked as an accountant in China Construction Bank (中國建設銀行), Xuzhou, Jiangsu Province and the Xuzhou Branch of China Construction Bank as well as the executive manager of the general administrative department of the Beijing consulting branch of Shanghai Yongjia Xinfeng Management Co., Ltd. (上海永嘉信風管理有限公司) successively. Ms. Li joined the Company in March 2020.

Mr. Pan Chunyu (潘春雨先生), aged 44, is an independent non-executive Director. Mr. Pan is currently a lawyer and the head of Beijing Yingke Law Firm Xi'an Branch (北京市盈科律師事務所西安分所). He obtained a bachelor degree in law from Peking University in April 2002 and a master degree in law from China University of Political Science and Law in August 2017. Mr. Pan was a general manager of Beijing Tianlongzhou Economic and Trade Co., Ltd. (北京天龍州經貿有限公司) between 2002 and 2011, and a lawyer of Shaanxi Hebaohu Law Firm* (陝西賀寶虎律師事務所) between 2011 and 2016. Mr. Pan joined the Company in January 2019 and resigned in March 2020.

PRESIDENT

Mr. Lin Yanglin (林楊林先生), aged 40, obtained a bachelor degree in economics and a master degree in finance from the University of International Business and Economics (對外經濟貿易大學) in September 2000 and July 2006, respectively. He served as the Chairman of the postgraduates student union of University of International Business and Economics. From July 2006 to October 2009, Mr. Lin Yanglin worked at the Beijing branch of Hongkong Shanghai Banking Corporation. From October 2009 to September 2013, Mr. Lin Yanglin worked at the Beijing branch of the Australia and New Zealand Banking Group Limited. Mr. Lin was the chief executive officer of Beijing Peking University Healthcare Industry Fund Management Co. Ltd. (北京北大醫療產業基金管理有限公司) from October 2013 to January 2016. Mr. Lin has over 15 years of experience in investment and corporate management. Mr. Lin joined the Company in August 2020.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Mr. Zhou Jie (周潔先生), aged 59, is the chairman of the Supervisory Committee of the Company. Mr. Zhou completed a professional course in politics in Beijing Open University in 1988 and graduated from Renmin University of China with a master's degree in business administration in 2004. Mr. Zhou joined Zhong Sheng Biochemical Reagent Technology Development Corporation* (中生生化試劑技術開發公司) ("Biosino Biochemical", the predecessor of the Company) in 1990 and worked in Chengdu Office, responsible for the sales of the southwestern region of the PRC. He then worked in the marketing department of the Company as a department manager, fully responsible for the sales function. In April 2001, Biosino Biochemical was transformed to become the existing Company and Mr. Zhou was recruited as vice president. Mr. Zhou was recruited as the president of the Company on 10 July 2014 and appointed as executive Director in March 2015. He was elected as Supervisor by employee representative in December 2018.

Ms. Huang Aiyu (黃愛玉女士), aged 34, the Supervisor of the Company and holds a bachelor degree in Management. She completed the financial management professional course from Beijing Technology and Business University (北京工商大學) in 2008. She was the finance manager of Beijing Shuoze Commercial Group* (北京碩澤商業集團). Ms. Huang joined the Company in March 2015.

Dr. Shen Sheng (沈勝博士), aged 36, is the Supervisor. He is currently a comprehensive affairs and business executive and business supervisor of the Science and Technology Cooperation and Achievement Transformation Division* in IBP. He obtained a doctoral degree in cell biology from the University of Chinese Academy of Sciences in July 2013. Thereafter, he worked as an assistant research associate at the Key Laboratory of Infection and Immunity* (感染與免疫院重實驗室) in the Institute of Biophysics of the Chinese Academy of Sciences (the "IBP") of the Chinese Academy of Sciences. Dr. Shen joined the Company in January 2019.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Dr. Jiang Lin (蔣琳博士), aged 48, is the vice president of the Company and responsible for research and development of the Company's products. Dr. Jiang Lin successively obtained a diploma degree in Pharmaceutical College of Henan University, a Master's Degree in engineering of fine chemical engineering from Shenyang University of Chemical Technology and a Ph.D Degree in Science of microbiology from Institute of Applied Ecology of CAS (中科院瀋陽應用生態研究所). Dr. Jiang Lin joined in the Company in August 2005 as head of R&D department, chief engineer, and was employed as vice president in November 2017.

Mr. Liu Jianzhong (劉建中先生), aged 56, is the finance director of the Company. Mr. Liu graduated from the Jilin Finance and Trading Institute in Accounting with a bachelor's degree in 1989. He serves as financial head of Institute of Biophysics, Chinese Academy of Sciences (中科院生物物理研究所). He had been a finance supervisor of our subsidiary, Beijing Baiao Pharmaceuticals Co., Ltd.* (北京百奧藥業有限責任公司) for several years and joined the Company in 1994. He became finance manager since 2014. In January 2019, he was appointed as a finance supervisor.

Ms. Zou Benhui (鄒本輝女士), aged 48, is the vice president of the Company. She graduated from Shenyang Pharmaceutical University (瀋陽藥科大學) with bachelor's degree in Chinese Medicine Pharmaceutical Preparation in 1997. Ms. Zou is a senior engineer and a postgraduate in bioengineering from University of Chinese Academy of Sciences (中國科學院大學). In 1999, she joined Biosino Bio-Technology and Science Incorporation and served successively as vice-director of a reagent factory, and director of quality control centre, manager of quality management department, and quality director. She was appointed as vice president in January 2019.

Mr. Ding Qi (丁奇先生), aged 40, is the vice president of the Company. He graduated from University of Science and Technology of China (中國科技大學) with bachelor's degree in bioscience in 2004, and obtained a master degree in molecular medicine from University of Sheffield (謝菲爾德大學) in 2011. He worked as a production supervisor in Shanghai Kaimao Wanbang Pharmaceutical Co., Ltd. (上海凱茂萬邦醫藥有限公司) from 2004 to 2008; quality manager in Thermo-Fisher Biochemical Products (Beijing) Co., Ltd. (賽默飛世爾生物化學製品(北京)有限公司) from May 2012 to July 2018; and assistant president and quality director in Biosino Bio-Technology and Science Incorporation from August 2018 to October 2018. He was appointed as vice president in January 2019 and resigned in December 2020.

Ms. Cao Xi, aged 40, is the vice president of the Company. She graduated from the College of International Studies of Southwest China Normal University in 2002 with a bachelor's degree, and obtained a master's degree in project management from Beijing University of Aeronautics and Astronautics in 2008. She served as the assistant to director of the human resources department of Tiens Group from June 2002 to December 2005, recruitment manager and senior manager of the Human Resources Center of Modern Green Land Holding Co., Ltd. from January 2007 to April 2010, human administration director and assistant to general manager of Sino-Ocean Group Pension Real Estate from June 2011 to May 2020. She was appointed as a vice president in December 2020.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric (董渙樟先生), aged 50, is the company secretary of the Company. Mr. Tung graduated from York University, Toronto, Canada with a honor bachelor's degree in administrative studies in 1993. Mr. Tung is a certified public accountant of Hong Kong Institute of Certified Public Accountants. He is also an U.S. certified public accountant of the American Institute of Certified Public Accountants. Mr. Tung previously worked in Ernst & Young and possesses extensive experience. Mr. Tung is currently the Assistant President and General Manager of the Capital and Finance Department of Beijing Enterprises Holdings Limited (stock code: 392), the Executive Director, Chief Financial Officer and Company Secretary of Beijing Enterprises Water Group Limited (stock code: 371), an Independent Non-executive Director of South China Financial Holdings Limited (stock code: 619) and GR Properties Limited (stock code: 108), all are companies listed on the Main Board of the Stock Exchange.

QUALIFIED ACCOUNTANT

Mr. Cheung Yeung (張洋先生), aged 41, is the qualified accountant of the Company. Mr. Cheung graduated from The Hong Kong University of Science and Technology with a bachelor of business administration degree in accounting. Mr. Cheung is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants, and he has over ten years of experience in accounting and audit. Prior to joining the Company in December 2007, Mr. Cheung was an accounting manager of Beijing Enterprises Holdings Limited. Mr. Cheung joined the Company in December 2007 and resigned in February 2021.

Mr. Cheng King Yin (鄭敬賢先生), aged 33, is the qualified accountant of the Company. Mr. Cheng graduated from City University of Hong Kong and holds a bachelor degree in accountancy. Mr. Cheng is a member of Hong Kong Institute of Certified Public Accountants and also a CFA charterholder. Mr. Cheng had worked in Ernst & Young and acquired extensive experience therein. Prior to joining the Company in February 2021, Mr. Cheng was an accounting manager of Beijing Enterprises Holdings Limited. Mr. Cheng joined the Company in February 2021.

INDEPENDENT AUDITOR'S REPORT



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To the shareholders of Biosino Bio-Technology and Science Incorporation
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Biosino Bio-Technology and Science Incorporation (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 153, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matters

Revenue recognition

The Group recognised revenue from sales of goods amounting to RMB325,256,000 in its consolidated statement of profit or loss for the year ended 31 December 2020. Revenue is recognised when control of goods is transferred to the customers. Since revenue is one of the key performance indicators of the Group, there is a higher risk that revenue could be recognised in the incorrect period.

The accounting policies and disclosures for revenue recognition are included in notes 2.4 and 5 to the consolidated financial statements.

How our audit addressed the key audit matters

Our audit procedures included, among others, understanding the revenue recognition process, performing test of control on revenue recognition, and performing test of details on a sampling basis. In addition, we sent confirmations to major customers and read the reconciliation of any material difference provided by management by inspecting related documents. We performed alternative procedures for non-replied confirmations by inspecting the original documents and subsequent evidences. We performed substantive analyses by comparing revenue to previous years among the same products. We also tested the recognition of revenue transactions close to the period end.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Denis Ming Kui Cheng.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	325,256	397,408
Cost of sales		(214,695)	(229,005)
Gross profit		110,561	168,403
Other income and gains	5	19,344	37,305
Selling and distribution expenses		(60,014)	(80,793)
Administrative expenses		(34,116)	(43,858)
Reversal of impairment losses/(Impairment losses) on financial assets		5,417	(144,134)
Research and development expenses		(28,226)	(29,321)
Other expenses		(1,621)	(6,130)
Finance costs	7	(11,320)	(21,032)
Share of profits and losses of:			
Joint ventures		(83)	(363)
Associates		2,213	5,116
PROFIT/(LOSS) BEFORE TAX	6	2,155	(114,807)
Income tax expense	10	(2,861)	(3,636)
LOSS FOR THE YEAR		(706)	(118,443)
Attributable to:			
Owners of the parent	12	2,718	(110,413)
Non-controlling interests		(3,424)	(8,030)
		(706)	(118,443)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit/(loss) for the year		RMB0.019	RMB(0.763)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
LOSS FOR THE YEAR	(706)	(118,443)
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	(44)	60
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(44)	60
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	20	(379)
Income tax effect	(135)	95
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(115)	(284)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(159)	(224)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(865)	(118,667)
Attributable to:		
Owners of the parent	2,559	(110,637)
Non-controlling interests	(3,424)	(8,030)
	(865)	(118,667)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	115,219	103,879
Right-of-use assets	14(a)	15,105	18,491
Prepayments	15	600	2,150
Goodwill	16	309	309
Other intangible assets	17	25,826	24,854
Investments in joint ventures	18	13,076	–
Investments in associates	19	46,346	47,635
Equity investments designated at fair value through other comprehensive income	20	531	511
Long-term receivables	21	17,254	15,439
Deferred tax assets	30	3,832	6,130
Total non-current assets		238,098	219,398
CURRENT ASSETS			
Inventories	22	65,629	56,566
Trade and bills receivables	23	204,587	221,889
Prepayments, other receivables and other assets	24	70,847	76,910
Financial assets at fair value through profit or loss	25	–	24,449
Pledged deposits	26	–	15,699
Cash and cash equivalents	26	45,453	30,052
Total current assets		386,516	425,565
CURRENT LIABILITIES			
Trade payables	27	125,117	118,223
Other payables and accruals	28	82,317	140,582
Interest-bearing bank and other borrowings	29	166,985	98,835
Lease liabilities	14(b)	2,915	4,642
Tax payable		1,532	670
Total current liabilities		378,866	362,952
NET CURRENT ASSETS		7,650	62,613
TOTAL ASSETS LESS CURRENT LIABILITIES		245,748	282,011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

		2020 RMB'000	2019 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		245,748	282,011
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	24,816	55,999
Deferred income	31	3,385	4,418
Other liabilities	18	444	363
Lease liabilities	14(b)	11,546	12,103
Deferred tax liabilities	30	9,286	9,903
Total non-current liabilities		49,477	82,786
Net assets		196,271	199,225
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	144,707	144,707
Reserves	33	32,626	30,084
		177,333	174,791
Non-controlling interests		18,938	24,434
Total equity		196,271	199,225

Wu Lebin
Director

Chen Jintian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

Year ended 31 December 2020

	Attributable to owners of the parent								
	Share capital RMB'000 (note 32)	Capital* reserve RMB'000	Statutory* reserve RMB'000	Exchange* reserve RMB'000	Fair value* reserve of financial assets at fair value through other comprehensive income RMB'000	Accumulated losses* RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	144,707	102,596	47,995	(113)	(359)	(120,035)	174,791	24,434	199,225
Profit/(Loss) for the year	-	-	-	-	-	2,718	2,718	(3,424)	(706)
Other comprehensive loss for the year:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	(115)	-	(115)	-	(115)
Exchange differences on translation of foreign operations	-	-	-	(44)	-	-	(44)	-	(44)
Total comprehensive (loss)/income for the year	-	-	-	(44)	(115)	2,718	2,559	(3,424)	(865)
Disposal of a subsidiary	-	-	(17)	-	-	-	(17)	(2,072)	(2,089)
At 31 December 2020	144,707	102,596	47,978	(157)	(474)	(117,317)	177,333	18,938	196,271

* These reserve accounts comprise the consolidated reserves of RMB32,626,000 (2019: RMB30,084,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

Year ended 31 December 2019

	Attributable to owners of the parent								
	Share capital RMB'000 (note 32)	Capital* reserve RMB'000	Statutory* reserve RMB'000	Exchange* reserve RMB'000	Fair value* reserve of financial assets at fair value through other comprehensive income RMB'000	Retained profits/ (accumulated losses)* RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	144,707	105,090	47,995	(173)	(377)	5,151	302,393	63,270	365,663
Loss for the year	-	-	-	-	-	(110,413)	(110,413)	(8,030)	(118,443)
Other comprehensive loss for the year:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	(284)	-	(284)	-	(284)
Exchange differences on translation of foreign operations	-	-	-	60	-	-	60	-	60
Total comprehensive loss for the year	-	-	-	60	(284)	(110,413)	(110,637)	(8,030)	(118,667)
Acquisition of non-controlling interests	-	(2,494)	-	-	-	-	(2,494)	1,955	(539)
Disposal of a subsidiary	-	-	-	-	-	-	-	(32,761)	(32,761)
Final 2018 dividend paid	-	-	-	-	-	(14,471)	(14,471)	-	(14,471)
Transfer of fair value reserve upon the disposal of an equity investment at fair value through other comprehensive income	-	-	-	-	302	(302)	-	-	-
At 31 December 2019	144,707	102,596	47,995	(113)	(359)	(120,035)	174,791	24,434	199,225

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		2,155	(114,807)
Adjustments for:			
Finance costs	7	11,320	21,032
Share of profits of associate		(2,213)	(5,116)
Share of losses of joint ventures		83	363
Other interest income	5	(10,908)	(11,497)
Gain on disposal of items of property, plant and equipment	6	(627)	(408)
Depreciation of items of property, plant and equipment	6	20,327	24,835
Depreciation of right-of-use assets	6, 14	3,748	6,323
Amortisation of other intangible assets	6, 17	1,218	2,254
Impairment of trade and bills receivables	6	356	1,216
(Reversal of impairment provision)/impairment of prepayments, other receivables and other assets	6	(5,773)	142,918
Impairment/(write-down) of inventories, net	6	219	(786)
Gain on disposal of an associate	6	(2,819)	–
Loss/(gain) on disposal of a subsidiary	6	296	(18,523)
		17,382	47,804
Decrease/(increase) in inventories		(9,654)	3,041
Decrease/(increase) in trade and bills receivables		16,670	(88,657)
(Increase)/decrease in prepayments, other receivables and other assets		(20,092)	1,436
Increase in trade payables		7,912	2,449
Decrease/(increase) in other payables and accruals		(15,524)	76,903
Decrease in deferred income		(1,033)	(1,757)
Decrease/(increase) in pledged deposits		15,699	(9,192)
Cash generated from operations		11,360	32,027
Income tax paid		(284)	(861)
Interest received		297	185
Net cash flows from operating activities		11,373	31,351

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Net cash flows from operating activities		11,373	31,351
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13,36	(13,760)	(12,062)
Purchases of other intangible assets	17	(2,198)	(6,220)
Proceeds from disposal of items of property, plant and equipment		3,820	3,453
Purchase of financial assets at fair value through profit or loss		–	(7,102)
Proceeds from disposal of financial assets at fair value through profit or loss		24,449	–
(Outflow)/proceeds from disposal of a subsidiary	35	(30,665)	56,096
Proceeds from disposal of an associate		6,800	–
Proceeds from disposal of equity investment designated at fair value through other comprehensive income		–	145
Proceeds from subleases		–	4,679
Prepayments		(15,000)	–
Interest received		10,611	12,344
Net cash flows (used in)/from investing activities		(15,943)	51,333
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		218,543	170,617
Repayments of bank and other borrowings		(181,576)	(205,235)
Acquisition of a non-controlling interest		–	(539)
Dividends paid		(1,127)	(13,344)
Interest paid		(10,408)	(14,290)
Principal portion of lease payments		(3,558)	(7,333)
Repayments of an amount due to a related party		(1,376)	(1,000)
Net cash flows from/(used in) financing activities		20,498	(71,124)
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,928	11,560
Cash and cash equivalents at beginning of year		30,052	18,208
Effect of foreign exchange rate changes, net	6	(527)	284
CASH AND CASH EQUIVALENTS AT END OF YEAR		45,453	30,052
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		45,453	30,052

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

Biosino Bio-Technology and Science Incorporation (the "Company") is a limited liability company incorporated 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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries as of 31 December 2020 are as follows:

Company name	Place of establishment and operations	Issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Zhongsheng Jinyu Diagnostic Technology Co., Ltd. ("Zhongsheng Jinyu") (北京中生金域診斷技術股份有限公司) *	PRC/Mainland China	RMB30 million	45.9%	–	Manufacture, sale and distribution of in-vitro diagnostic reagent products
Beijing Zhongsheng Medical Laboratory Co., Ltd. ("Biosino Lab") (北京中醫藥檢驗所有限公司)	PRC/Mainland China	RMB50 million	94%	–	Medical service and medical inspection service
Biosino Suzhou Medical Instrument Co., Ltd. ("Biosino Suzhou") (中生(蘇州)醫療儀器有限公司)	PRC/Mainland China	RMB60.5 million	100%	–	Production of medical instruments
Canada Biosino LVD Technology Co., Ltd. ("Biosino Canada") (加拿大中生體外診斷技術有限公司)	Canada	USD3.5 million	100%	–	Research development, sale and distribution of biological reagents and instruments
Zhongke (Beijing) Hospital Investment Management Co., Ltd. ("Zhongke Investment") (中科(北京)醫院投資管理有限公司)	PRC/Mainland China	RMB13 million	100%	–	Distribution of immunodiagnostic products
Anhui Biosino Co., Ltd. ("Anhui Biosino") (安徽中生北控生物科技股份有限公司)	PRC/Mainland China	RMB5 million	51%	–	Distribution of in-vitro diagnostic reagent products

* This entity is accounted for as a subsidiary by virtue of the Company's control over it.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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 equity investments and financial assets which have been measured at fair value. These financial statements are presented in Chinese yuan (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's plant and machinery have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB461,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 17	<i>Insurance Contracts³</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{3, 6}</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{3, 5}</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract²</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

⁶ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

Since the Group had no interest-bearing bank and other borrowings based on various interbank offered rates as at 31 December 2020, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Investments in associates and joint ventures**

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of any associate or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Business combinations and goodwill** *(Continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments and certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- | | | |
|---------|---|---|
| Level 1 | – | based on quoted prices (unadjusted) in active markets for identical assets or liabilities |
| Level 2 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly |
| Level 3 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/ a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group;
 - (iii) or is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.17%-4.75%
Leasehold improvements	Over the shorter of lease terms and 10.00%
Machinery	8.60%-19.40%
Furniture and fixtures	19.00%-32.33%
Motor vehicles	19.00%-24.25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS*31 December 2020***2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and license

Purchased patents and license are stated at cost less any impairment losses and are amortised on the straight-line basis over an estimated useful life of 10-20 years.

Computer software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over an estimated useful life of 10 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding ten years, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 years
Plant and machinery	2 to 15 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of properties (that are those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*Investments and other financial assets *(Continued)****Financial assets designated at fair value through other comprehensive income (equity investments)***

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a trade and bills receivable in default when contractual payments are over 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below.

- | | | |
|---------|---|--|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Simplified approach

For trade receivables and other receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and other assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to shareholders, an amount due to an associate, lease liabilities and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Revenue recognition** *(Continued)****Revenue from contracts with customers*** *(Continued)*

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of diagnostic reagent products

Revenue from the sale of diagnostic reagent products is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance of the diagnostic reagent products.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Foreign currencies** *(Continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of an overseas subsidiary is a currency other than the RMB. As at the end of the reporting period, the assets and liabilities of the subsidiary are translated into RMB at the exchange rates prevailing at the end of the reporting period and its statement of profit or loss is translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Consolidation of entities in which the Group holds less than a majority of voting rights

The Group considers that it controls Zhongsheng Jinyu even though it owns less than 50% of the voting rights. This is because the Group and two other shareholders entered into an Acting in Concert agreement, which constitutes 90% of the voting rights. Since the date of acquisition of Zhongsheng Jinyu, there has been no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

Revenue from contracts with customers

The Group applied the following judgement that significantly affects the determination of the amount and timing of revenue from contracts with customers:

Identifying performance obligations in a bundled sale of in-vitro diagnostic reagent products and transportation services

The Group provides transportation services that are bundled together with the sale of in-vitro diagnostic reagent products to a customer. The Group separately engaged third-party logistics companies to deliver products and bore the inventory risks during the transportation. Based on the analysis of the historical data, the consideration to be allocated to the transportation service component was not material. Thus, the Group has not allocated the portion of the transaction price to the in-vitro diagnostic products.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 16.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Provision for expected credit losses on trade receivables and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Other receivables mainly included deposits and loans to third parties. An impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in note 23 and note 24 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2020 was RMB1,936,000 (2019: RMB2,430,000). The amount of unrecognised tax losses at 31 December 2020 was RMB58,888,000 (2019: RMB52,821,000). Further details are contained in note 30 to the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2020, the best estimate of the carrying amount of capitalised development costs was RMB9,017,000 (2019: RMB9,579,000).

Useful lives and residual values of property, plant and equipment

The Group's management determines the residual values, useful lives and related depreciation charges of the Group's property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual values or useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Provision for obsolete and slow-moving inventories

Management reviews the condition of inventories of the Group and makes provision for obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes provision for obsolete and slow-moving items. Management reassesses the estimation at the end of each reporting period. The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognised in the period in which such estimate has been made.

4. OPERATING SEGMENT INFORMATION

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

Management monitors the operating results of the Group's business units as a whole for the purpose of making decisions about resource allocation and performance assessment. All of the Group's revenue from external customers and profits are generated from this single segment.

Geographical information

For the year ended 31 December 2020, 94% of the Group's revenue was generated from customers located in Mainland China, and as at 31 December 2020, all the non-current assets of the Group were located in Mainland China.

Information about major customers

Revenue of approximately RMB64,167,000 (2019: RMB102,618,000) was derived from sales by the in-vitro diagnostic reagent products segment to one single customer located in Anhui province, China, which accounted for more than 10% of the Group's total revenue.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers		
Sale of in-vitro diagnostic reagent products	325,256	397,408
Other income		
Finance income on net investments in subleases	–	10,313
Government grants	4,622	5,819
Other interest income	10,908	1,184
Others	13	144
	15,543	17,460
Gains		
Gain on exemption of payables	355	914
Gain on disposal of items of property, plant and equipment	627	408
Gain on disposal of a subsidiary	–	18,523
Gain on disposal of an associate	2,819	–
	3,801	19,845
	19,344	37,305

NOTES TO FINANCIAL STATEMENTS

31 December 2020

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Cost of inventories sold (i)		214,695	229,005
Employee benefit expense (including directors' and supervisors' remuneration (note 8)):			
Wages, salaries and bonuses		48,200	55,459
Pension scheme contributions		7,087	7,087
Social welfare and other costs		3,773	7,331
		59,060	69,877
Research and development costs (ii)		28,226	29,321
Government grants	5	(4,622)	(5,819)
Gain on disposal of items of property, plant and equipment, net	5	(627)	(408)
Lease payments not included in the measurement of lease liabilities	14(c)	3,690	231
Auditor's remuneration		1,480	895
Depreciation of property, plant and equipment	13	20,327	24,835
Depreciation of right-of-use assets	14(a)	3,748	6,323
Amortisation of other intangible assets	17	1,218	2,254
Impairment of trade and bills receivables	23	356	1,216
(Reversal of impairment losses)/impairment losses on prepayments, other receivables and other assets		(5,773)	142,918
Write-down/(reversal) of provision for inventories to net realisable value	22	219	(786)
(Loss)/gain on disposal of a subsidiary		(296)	18,523
Gain on disposal of an associate		2,819	–
Interest on bank and other loans	7	10,408	14,290
Interest on lease liabilities	7	912	6,742
Foreign exchange differences, net		527	(284)

(i) For the year ended 31 December 2020, cost of inventories sold includes the depreciation of RMB13,409,000 (2019: RMB15,565,000), employee benefit costs of RMB14,976,000 (2019: RMB16,962,000) and depreciation of right-of-use assets of RMB1,539,000 (2019: RMB1,361,000).

(ii) For the year ended 31 December 2020, research and development costs included the depreciation of RMB3,188,000 (2019: RMB3,156,000), employee benefit costs of RMB11,702,000 (2019: RMB11,145,000) and rental expenditure of RMB387,000 (2019: RMB277,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2020

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on bank and other loans	10,408	14,290
Interest on lease liabilities	912	6,742
	11,320	21,032

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2020 RMB'000	2019 RMB'000
Fees	180	184
Other emoluments:		
Salaries, allowances and benefits in kind	1,882	2,873
	2,062	3,057

NOTES TO FINANCIAL STATEMENTS

31 December 2020

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 RMB'000	2019 RMB'000
Dr. Zheng Yongtang	60	60
Mr. Pan Chunyu ¹	—	55
Mr. Wang Daixue ²	—	40
Mr. Ren Fujin ³	60	15
Dr. Hu Canwu Kevin ⁴	—	—
Mrs. Li Li ⁵	60	—
	180	170

There were no other emoluments payable to the independent non-executive directors for the years of 2020 and 2019.

¹ Mr. Pan Chunyu was appointed as an independent non-executive director on 8 January 2019. On 4 February 2020, Mr. Pan has resigned as an independent non-executive director.

² Mr. Wang Daixue resigned as an independent non-executive director on 30 September 2019.

³ Mr. Ren Fujin was appointed as an independent non-executive director on 30 September 2019.

⁴ Dr. Hu Canwu Kevin resigned as an independent non-executive director on 8 January 2019.

⁵ Mrs. Li Li was appointed as an independent non-executive director on 11 March 2020.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors, non-executive directors and supervisors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Total remuneration RMB'000
2020			
Executive directors:			
Mr. Wu Lebin	–	838	838
Mr. Chen Jintian	–	16	16
Mr. Chen Jianhua	–	–	–
Mr. Lin Yanglin ⁷	–	304	304
Dr. Xu Cunmao ⁶	–	514	514
	–	1,672	1,672
Non-executive directors:			
Dr. Sun Zhe	–	–	–
Mr. Wang Tao ⁸	–	–	–
Ms. Cheng Yali	–	–	–
	–	–	–
Supervisors:			
Mr. Zhou Jie	–	514	514
Dr. Shen Sheng	–	–	–
	–	514	514
	–	2,186	2,186

⁶ Dr. Xu Cunmao resigned as an executive director on 15 July 2020.

⁷ Mr. Lin Yanglin was appointed as an independent non-executive director on 1 August 2020.

⁸ Mr. Wang Tao was appointed as an independent non-executive director on 20 November 2020.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors, non-executive directors and supervisors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Total remuneration RMB'000
2019			
Executive directors:			
Mr. Wu Lebin	—	—	—
Mr. Chen Jintian	—	1,103	1,103
Dr. Xu Cunmao	—	800	800
Mr. Chen Jianhua	—	360	360
	—	2,263	2,263
Non-executive directors:			
Dr. Sun Zhe	—	—	—
Ms. Cheng Yali	—	—	—
	—	—	—
Supervisors:			
Mr. Zhou Jie	—	610	610
Ms. Huang Aiyu	14	—	14
Dr. Shen Sheng	—	—	—
	14	610	624
	14	2,873	2,887

NOTES TO FINANCIAL STATEMENTS

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2019: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a director nor supervisor of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	1,450	2,057
Pension scheme contributions	55	–
	1,505	2,057

The remuneration of the non-director and non-supervisor highest paid employees fell within the following band as follows:

	Number of employees	
	2020	2019
Nil to RMB1,000,000	3	3

10. INCOME TAX

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 its two subsidiaries, Zhongsheng Jinyu and Biosino Suzhou, are entitled to a preferential rate of 15% under the PRC income tax laws for a period of three years commencing from 2 December 2020, 20 October 2020 and 24 August 2018, respectively, 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.

	2020 RMB'000	2019 RMB'000
Current – the PRC		
Charge for the year	1,315	1,373
Deferred (note 30)	1,546	2,263
Total tax charge for the year	2,861	3,636

NOTES TO FINANCIAL STATEMENTS

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10. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2020		2019	
	RMB'000	%	RMB'000	%
Profit/(loss) before tax	(2,155)		(114,807)	
Tax at the statutory tax rate	(539)	25	(28,702)	25
Preferential tax rate	256	12	9,989	(9)
Profits attributable to joint ventures and associates	(319)	(15)	(713)	1
Tax incentives on eligible expenditures	(1,439)	(67)	(2,959)	3
Expenses not deductible for tax	1,082	50	602	(1)
Tax losses and deductible temporary differences not recognised	2,742	127	25,419	(22)
Tax charge at the Group's effective rate	2,861	133	3,636	(3)

The share of tax attributable to associates and joint ventures amounting to RMB319,000 (2019: RMB694,000) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

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11. DIVIDEND

	2020 RMB'000	2019 RMB'000
Proposed final dividend	—	—

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the earnings/loss per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 144,707,176 (2019: 144,707,176) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during both the years ended 31 December 2020 and 2019.

The calculations of basic and diluted loss per share are based on:

	2020 RMB'000	2019 RMB'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/loss per share calculations	2,718	(110,413)

	Numbers of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/loss per share calculations	144,707,176	144,707,176

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13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2020						
At 1 January 2020:						
Cost	39,933	32,117	192,149	7,547	7,096	278,842
Accumulated depreciation	(13,777)	(21,864)	(126,293)	(6,830)	(6,199)	(174,963)
Net carrying amount	26,156	10,253	65,856	717	897	103,879
At 1 January 2020, net of accumulated depreciation and impairment	26,156	10,253	65,856	717	897	103,879
Additions	32,561	4,743	6,423	462	232	44,421
Disposals	–	(154)	(2,960)	(56)	(23)	(3,193)
Disposal of a subsidiary	(9,561)	–	–	–	–	(9,561)
Depreciation provided during the year	(1,385)	(2,368)	(15,870)	(462)	(242)	(20,327)
At 31 December 2020, net of accumulated depreciation	47,771	12,474	53,449	661	864	115,219
At 31 December 2020:						
Cost	62,933	36,706	195,612	7,953	7,305	310,509
Accumulated depreciation	(15,162)	(24,232)	(142,163)	(7,292)	(6,441)	(195,290)
Net carrying amount	47,771	12,474	53,449	661	864	115,219

NOTES TO FINANCIAL STATEMENTS

31 December 2020

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB' 000	Leasehold improvements RMB' 000	Machinery RMB' 000	Furniture and fixtures RMB' 000	Motor vehicles RMB' 000	Construction in progress RMB' 000	Total RMB' 000
31 December 2019							
At 1 January 2019 (restated):							
Cost	39,933	31,872	196,846	7,514	7,095	112,704	395,964
Accumulated depreciation	(12,513)	(19,454)	(115,430)	(6,446)	(5,907)	–	(159,750)
Net carrying amount	27,420	12,418	81,416	1,068	1,188	112,704	236,214
At 31 December 2018, net of accumulated depreciation and impairment	27,420	12,418	81,416	1,068	1,188	140,880	264,390
Effect of adoption of HKFRS 16	–	–	–	–	–	(28,176)	(28,176)
At 1 January 2019 (restated)	27,420	12,418	81,416	1,068	1,188	112,704	236,214
Additions	–	885	7,722	376	197	2,882	12,062
Disposals	–	–	(3,031)	(12)	(2)	–	(3,045)
Derecognition against net	–	–	–	–	–	(83,119)	(83,119)
Disposal of a subsidiary	–	(640)	(116)	(175)	–	(32,467)	(33,398)
Depreciation provided during the year	(1,264)	(2,410)	(20,135)	(540)	(486)	–	(24,835)
At 31 December 2019, net of accumulated depreciation	26,156	10,253	65,856	717	897	–	103,879
At 31 December 2019:							
Cost	39,933	32,117	192,149	7,547	7,096	–	278,842
Accumulated depreciation	(13,777)	(21,864)	(126,293)	(6,830)	(6,199)	–	(174,963)
Net carrying amount	26,156	10,253	65,856	717	897	–	103,879

At 31 December 2020, the Group's buildings with a net carrying amount of approximately RMB24.9 million were pledged to Bank of Beijing to secure the bank loans granted to the Company with a principal of RMB77 million. The loans will be due in December 2021.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 13 January 2020, Zhongsheng Jinyu entered into a sale and leaseback agreement with Zhongjin International Leasing Co., Ltd. ("Zhongjin International") for certain items of machinery. Pursuant to the agreement, Zhongsheng Jinyu agreed to sell certain items of machinery with an original cost of RMB1.82 million to Zhongjin International with a selling price of RMB1.82 million and lease them back simultaneously. During the lease period, all significant risks and rewards regarding such machinery were borne by Zhongsheng Jinyu. At the end of the lease period, Zhongsheng Jinyu was awarded with a repurchase option to buy back the aforesaid machinery without consideration. Zhongsheng Jinyu paid the initial rental fee of RMB0.04 million to Zhongjin International in the first month, a monthly rental fee of RMB0.07 million for the first to 18th months, a monthly rental fee of RMB0.05 million for the 19th to 35th months, and a monthly rental fee of RMB0.03 million for the 36th month, with an effective interest rate of 20% per annum. As of 31 January 2020, Zhongsheng Jinyu has received all the principals from Zhongjin International. Zhongsheng Jinyu was of the opinion that the substance of the arrangement is to obtain a loan from Zhongjin International with the machinery as securities.

In May 2019, the Company entered into a sale and leaseback agreement with Ping'an Dian Chuang International Financial Leasing Co., Ltd. ("Pingan") for certain items of machinery of the Company. Pursuant to the agreement, the Company agreed to sell certain items of machinery with an original cost of RMB16 million to Pingan with a selling price of RMB15 million and lease them back simultaneously. During the lease period, all significant risks and rewards regarding such machinery were borne by the Company. At the end of the lease period, the Company was awarded with a repurchase option to buy back the aforesaid machinery with a cash consideration of RMB100. The Company will pay a monthly rental fee of RMB0.6 million to Pingan in 2 years with an effective interest rate of 10.79%. As of 23 May 2019, the Company received all the principals from Pingan. The Company was of the opinion that the substance of the arrangement is to obtain a loan from Pingan with the Company's machinery as securities. Mr. Chen Jintian, an executive director of the Group, provided guarantees to cover the loan's full amounts during the entire loan period.

In January 2019, the Company entered into a sale and leaseback agreement with Far Eastern for certain machinery of the Company. Pursuant to the agreement, the Company agreed to sell certain items of machinery with an original cost of RMB23 million to Far Eastern with a selling price of RMB16 million and lease them back simultaneously. During the lease period, all significant risks and rewards regarding such machinery were borne by the Company. At the end of the lease period, the Company was awarded with a repurchase option to buy back the aforesaid machinery with a cash consideration of RMB100. The Company will pay a monthly rental fee of RMB0.5 million to Far Eastern in 3 years with an effective interest rate of 11.29%. As of 15 January 2019, the Company received all the principals from Far Eastern. The Company was of the opinion that the substance of the arrangement is to obtain a loan from Far Eastern with the Company's machinery as securities. Mr. Chen Jintian, an executive director of the Group, provided guarantees to cover the loan's full amounts during the entire loan period.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 31 August 2018, the Company entered into a sale and leaseback agreement with Zhongguancun Science-Tech Leasing Co., Ltd. ("Zhongguancun") for certain items of machinery of the Company. Pursuant to the agreement, the Company agreed to sell the machinery with an original cost of RMB55 million to Zhongguancun with a selling price of RMB30 million and lease them back simultaneously. During the lease period, all significant risks and rewards regarding such machinery were borne by the Company. At the end of the lease period, the Company was awarded with a repurchase option to buy back the aforesaid machinery with a cash consideration of RMB100. The Company will pay a quarterly rental fee of RMB2.8 million to Zhongguancun in 3 years with an effective interest rate of 7.39%. As of 31 August 2018, the Company received all the principals from Zhongguancun. The Company was of the opinion that the substance of the leaseback arrangement is to obtain a loan from Zhongguancun with the Company's machinery as securities. In 2018, Mr. Chen Jintian, an executive director of the Group, provided guarantees to cover the loan's full amounts during the entire loan period.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and machinery, and equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and machinery generally have lease terms between 2 and 15 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments RMB'000	Plant and machinery RMB'000	Total RMB'000
As at 1 January 2019	2,653	93,013	95,666
Additions	–	1,037	1,037
Depreciation charge	(81)	(6,242)	(6,323)
Derecognition against net investments in subleases	–	(51,886)	(51,886)
Disposal of a subsidiary	–	(20,003)	(20,003)
As at December 2019 and 1 January 2020	2,572	15,919	18,491
Additions	–	362	362
Depreciation charge	(81)	(3,667)	(3,748)
As at 31 December 2020	2,491	12,614	15,105

NOTES TO FINANCIAL STATEMENTS

31 December 2020

14. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 Lease liabilities RMB'000	2019 Lease liabilities RMB'000
Carrying amount at 1 January	16,745	108,662
New leases	362	1,037
Accretion of interest expense recognised during the year	912	6,742
Payments	(3,558)	(7,333)
Disposal of a subsidiary	–	(92,363)
Carrying amount at 31 December	14,461	16,745
Analysed into:		
Current portion	2,915	4,642
Non-current portion	11,546	12,103

The maturity analysis of lease liabilities is disclosed in note 43 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

14. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	912	6,742
Depreciation charge of right-of-use assets	3,748	6,323
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in selling and distribution expenses and administrative expenses)	3,680	227
Expense relating to leases of low-value assets (included in administrative expenses)	10	4
Total amount recognised in profit or loss	8,350	13,296

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 36(b) and 39(b) to the financial statements respectively.

15. PREPAYMENTS

	2020 RMB'000	2019 RMB'000
Prepayments	600	2,150

As at 31 December 2020 and 2019, the prepayments were related to the purchase of patents and license.

NOTES TO FINANCIAL STATEMENTS

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16. GOODWILL

	RMB'000
At 1 January 2019, 31 December 2019 and 2020	
Cost	309
Accumulated impairment	—
Net carrying amount	309

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating unit for impairment testing:

- Zhongsheng Jinyu

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on a financial budget covering a five-year period approved by senior management. No growth has been projected beyond the five-year period. The discount rate applied to the cash flow projections is 15% (2019: 15%).

Assumptions were used in the value in use calculation of the cash-generating unit as at 31 December 2020 and 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of the in-vitro diagnostic reagent industry, discount rates and raw material price inflation are consistent with external information sources.

NOTES TO FINANCIAL STATEMENTS

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17. OTHER INTANGIBLE ASSETS

31 December 2020

At 31 December 2019 and
1 January 2020:

Cost	22,156	3,019	10,811	35,986
Accumulated amortisation	(6,906)	(984)	(1,232)	(9,122)
Impairment	(2,010)	–	–	(2,010)

Net carrying amount

13,240	2,035	9,579	24,854
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At 1 January 2020

Purchases/additions	2,747	5	2,193	4,945
Transfer out	–	–	(2,747)	(2,747)
Disposal of a subsidiary	–	(8)	–	(8)
Amortisation provided during the year	(916)	(302)	–	(1,218)

At 31 December 2020

15,071	1,730	9,025	25,826
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At 31 December 2020:

Cost	24,903	3,016	10,257	38,176
Accumulated amortisation	(7,822)	(1,286)	(1,232)	(10,340)
Impairment	(2,010)	–	–	(2,010)

Net carrying amount

15,071	1,730	9,025	25,826
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NOTES TO FINANCIAL STATEMENTS

31 December 2020

17. OTHER INTANGIBLE ASSETS (Continued)

	Patent and license RMB'000	Computer software RMB'000	Development cost RMB'000	Total RMB'000
31 December 2019				
At 31 December 2018 and 1 January 2019:				
Cost	22,152	2,858	4,756	29,766
Accumulated amortisation	(6,173)	(695)	–	(6,868)
Impairment	(2,010)	–	–	(2,010)
Net carrying amount	13,969	2,163	4,756	20,888
At 1 January 2019	13,969	2,163	4,756	20,888
Purchases/additions	4	161	6,055	6,220
Amortisation provided during the year	(733)	(289)	(1,232)	(2,254)
At 31 December 2019	13,240	2,035	9,579	24,854
At 31 December 2019:				
Cost	22,156	3,019	10,811	35,986
Accumulated amortisation	(6,906)	(984)	(1,232)	(9,122)
Impairment	(2,010)	–	–	(2,010)
Net carrying amount	13,240	2,035	9,579	24,854

NOTES TO FINANCIAL STATEMENTS

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18. INVESTMENTS IN JOINT VENTURES/OTHER LIABILITIES

	2020 RMB'000	2019 RMB'000
Share of net assets	24,257	11,181
Goodwill on acquisition	4,282	4,282
	28,539	15,463
Provision for impairment	(15,463)	(15,463)
	13,076	—

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of			Principal activity
			Ownership interest	Voting power	Profit sharing	
Suzhou Otian Medical Co., Ltd. ("Suzhou Otian") (蘇州奧潤醫療科技有限公司)	Registered capital of RMB1 each	PRC	35%	35%	35%	Production of scientific instruments
Biosino (Shan Dong) Bio-Technology and Science Co., Ltd. ("Biosino Shandong") (中生北控(山東)生物科技 有限公司)	Registered capital of RMB1 each	PRC	51%	51%	51%	Sale of in-vitro diagnostic reagents
Beijing Yanqi Lake Resort Co., Ltd. ("Yanqi Lake") (北京雁棲湖度假村有限公司)	Registered capital of RMB1 each	PRC	50%	50%	50%	Accommodation and real estate development

The above investments are directly held by the Company.

Biosino Shandong was set up in 2019 with 51% of its shares held by the Group. It was considered as a joint venture as pursuant to its articles of association, all resolutions/decisions should be jointly agreed by both shareholders.

On 18 November 2020, Zhongke (Beijing) Fund Management Company Limited ("Zhongke Fund"), a previous subsidiary to the Company, transferred of 50% of its equity interest in Yanqi Lake to the Company to offset due amounts owed by Zhongke Fund to the Company, as disclosed in note 24 to the financial statements.

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18. INVESTMENTS IN JOINT VENTURES/OTHER LIABILITIES *(Continued)*

The following table illustrates the summarised financial information in respect of Biosino Shandong adjusted for any differences in accounting policies and reconciled to the carrying amount of investments in joint ventures in the financial statements:

	2020 RMB'000	2019 RMB'000
Current assets	421	376
Non-current assets	2	4
Current liabilities	(390)	(592)
Non-current liabilities	—	—
Net assets	33	(212)
Share of the joint venture's results:		
Revenue	1,364	975
Cost of sales	(1,234)	(922)
Gross profit	130	53
Total expenses	(288)	(765)
Net loss	(158)	(712)

As at 31 December 2020, the Group had not completed the capital contribution to Biosino Shandong and shared a loss of RMB81,000 (2019: RMB363,000) arising from the operation of Biosino Shandong for the year of 2020. The accumulated losses shared by the Company were presented in other liabilities..

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18. INVESTMENTS IN JOINT VENTURES/OTHER LIABILITIES *(Continued)*

The following table illustrates the summarised financial information in respect of Yanqi Lake adjusted for any differences in accounting policies and reconciled to the carrying amount of investments in joint ventures in the financial statements:

	2020 RMB'000
Current assets	92
Non-current assets	75,739
Current liabilities	(12,586)
Non-current liabilities	(37,094)
Net assets	26,151
Share of the joint venture's results:	
Total expenses	(4)
Net loss	(4)

Suzhou Otian has been in dormant status since 2016 according to management's decision. Based on the status and forecast of the joint venture, the investment has been fully impaired. The Company has discontinued the recognition of its share of losses of Suzhou Otian since the year of 2017. The total amounts of the Group's unrecognised share of losses of Suzhou Otian for the current year and cumulatively were nil (2019: nil) and RMB1,008,000 (2019: RMB1,008,000), respectively.

NOTES TO FINANCIAL STATEMENTS

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19. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Share of net assets	46,346	47,635

Particulars of the associates are as follows:

Name	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Beijing Zhongsheng Ke Wei Technology Co., Ltd. ("Ke Wei") (北京中生科維技術有限公司， formerly "北京中生科維醫療科技有限公司")	PRC	19.30%	Development, manufacture and distribution of clinical instruments
Beijing Zhongshe Baike Scientific Instrument and Technology Co., Ltd. ("Baiké") (北京中生百克科學儀器技術有限公司)	PRC	20%	Production of scientific instruments
Sinofn (Tianjin) Pharm-Tech Co., Ltd. ("Sinofn Tianjin") (中恩(天津) 醫藥科技有限公司)	PRC	39.21%	Wholesale of pre-packaged healthcare food

The Group has discontinued the recognition of its share of losses of Ke Wei and Baiké because the share of losses of the associates exceeded the Group's investments in the associates. The total amounts of the Group's unrecognised share of losses of these associates for the current year and cumulatively were RMB156,300 (2019: RMB118,400) and RMB326,741 (2019: RMB2,552,400), respectively.

NOTES TO FINANCIAL STATEMENTS

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19. INVESTMENTS IN ASSOCIATES *(Continued)*

Sinofn Tianjin is considered a material associate of the Group, which is engaged in the manufacture and wholesale of prepackaged food and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Sinofn Tianjin adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Current assets	37,806	140,487
Non-current assets, excluding goodwill	174,008	155,494
Current liabilities	(53,202)	(124,437)
Non-current liabilities	(40,412)	(60,209)
Net assets	118,200	111,335
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	39.21%	39.21%
Group's share of net assets of the associate	46,346	43,654
Carrying amount of the investment	46,346	43,654
Revenue	92,824	93,128
Profit for the year	6,865	10,584
Total comprehensive income for the year	6,865	10,584

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2020 RMB'000	2019 RMB'000
Share of the associates' profit for the year	(479)	966
Share of the associates' (loss)/income	(479)	966
Aggregate carrying amount of the Group's investments in the associates	—	3,981

NOTES TO FINANCIAL STATEMENTS

31 December 2020

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
CAS Health Management Co., Ltd.	531	511

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

21. LONG-TERM RECEIVABLES

	2020 RMB'000	2019 RMB'000
Receivables from sales and other deposits	17,254	15,439

22. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	23,949	21,706
Work in progress	2,930	1,745
Semi-finished goods	5,302	6,018
Finished goods	36,762	30,191
	68,943	59,660
Impairment	3,314	3,094
	65,629	56,566

NOTES TO FINANCIAL STATEMENTS

31 December 2020

23. TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade and bills receivables	208,284	225,230
Impairment	(3,697)	(3,341)
	204,587	221,889

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 0 to 360 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. 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. Trade receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Within 3 months	76,473	189,742
4 to 6 months	40,715	8,602
7 to 12 months	42,172	4,609
1 to 2 years	33,207	18,614
Over 2 years	12,020	322
	204,587	221,889

NOTES TO FINANCIAL STATEMENTS

31 December 2020

23. TRADE AND BILLS RECEIVABLES (Continued)

The movements in loss allowance for impairment of trade receivables are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	3,341	2,125
Impairment losses (note 6)	356	1,216
At end of year	3,697	3,341

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two to three years, depending on the customer type, and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

	Past due			
	Current RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Expected credit loss rate	–	0.08%	10.66%	1.77%
Gross carrying amount (RMB'000)	100,101	74,025	34,158	208,284
Expected credit losses (RMB'000)	–	56	3,641	3,697

As at 31 December 2019

	Past due			
	Current RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Expected credit loss rate	0.09%	2.62%	80.77%	1.48%
Gross carrying amount (RMB'000)	195,240	26,948	3,042	225,230
Expected credit losses (RMB'000)	179	705	2,457	3,341

NOTES TO FINANCIAL STATEMENTS

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24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2020 RMB'000	2019 RMB'000
Due from Zhongke Fund	(a)	37,790	189,741
Prepayments		23,472	19,375
Deposits and other receivables	(b)	16,416	12,326
		77,678	221,442
Impairment allowance:			
Allowance for amounts due from Zhongke Fund	(a)	–	(138,546)
Others	(b)	(6,831)	(5,986)
		(6,831)	(144,532)
		70,847	76,910

- (a) The Company sold its 51% equity interest in Zhongke Fund to Beijing Hengxing Huawei Commerce Co., Ltd. ("Beijing Hengxing") on 25 December 2019. Zhongke Fund ceased to be a subsidiary of the Company thereafter. Before the disposal, the Group had provided loans to Zhongke Fund with the principals of RMB167.8 million and interest of RMB21.9 million to support its business operation; and the aggregated amounts due on 31 December 2019 totalled to RMB189.7 million. These loans had various repayment dates with different interest rates.

On 26 December 2019, the Company, Zhongke Fund, Yanqi Lake and Ms. Lin Rongjia, the 70% equity interest holder of Beijing Hengxing, entered into a facility and guarantee agreement regarding the repayment of payables amounting to RMB184.3 million owed by Zhongke Fund. Pursuant to the agreement:

- (1) RMB184.3 million shall be repaid by Zhongke Fund on or before 30 June 2020; and
- (2) a guarantee was given by each of Yanqi Lake and Ms. Lin Rongjia jointly in favour of the Company to guarantee Zhongke Fund's repayment of all amounts due under the facility and guarantee agreement.

The remaining due amounts of RMB5.4 million had not been provided with any guarantee or pledge on 31 December 2019.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*(a) *(Continued)*

The Company estimated the expected cash shortfalls on the existing conditions and information available before/as of 31 December 2019 (including but not limited to the probable recoverable amounts from the guarantee provided by each of Yanqi Lake and Ms. Lin Rongjia jointly in favour of the Company on 26 December 2019). According to the PRC laws, Yanqi Lake and Ms. Lin Rongjia, being the guarantors, are liable to settle the outstanding amount caused by Zhongke Fund's default with three properties which could be claimed under the guarantee. The Company recognised an expected credit loss of RMB138.5 million for these amounts due from Zhongke Fund on 31 December 2019.

On 27 October 2020, the Company, Zhongke Fund, Yanqi Lake and Ms. Lin Rongjia proceeded to Beijing Association for Alternative Dispute Resolution to mediate the settlement issue in relation to RMB184.3 million payable by Zhongke Fund, previously specified in the facility and guarantee agreement dated 26 December 2019.

On 5 November 2020, all the four parties received a civil judgement (the "Civil Judgement") from the No. 1 Intermediate People's Court of Beijing Municipality ruling that the agreement reached among all four parties at the mediation is valid and all parties shall perform their respective obligations thereunder. Should any party fail to perform its obligation(s), the other parties may apply to the People's Court to enforce the Civil Judgement. A summary of the said mediation agreement reached by the four parties is set out as follows:

- (1) Zhongke Fund shall transfer 50% of its equity interest in Yanqi Lake to the Company before 13 November 2020 for the purpose of offsetting RMB145 million owed by Zhongke Fund to the Company under the facility and guarantee agreement; and
- (2) Zhongke Fund shall repay in cash the remaining balance of the outstanding principals and interest in the total amount of RMB37.8 million to the Company before 30 November 2020, the responsibility of which are jointly guaranteed by Yanqi Lake and Ms. Lin Rongjia.

On 18 November 2020, Zhongke Fund completed the transfer of 50% of its equity interest in Yanqi Lake to the Company. The fair value of this 50% equity interest in Yanqi Lake together with the guarantees provided by guarantors was approximately RMB50.9 million based on the Company's estimate.

In November 2020, two residential properties were transferred to the Company to offset RMB5.4 million owed by Zhongke Fund, which had not been provided with any guarantee or pledge on 31 December 2019. The fair value of these two residential properties on the transfer date was approximately RMB5.4 million based on the Company's estimate.

As of the date of this report, Zhongke Fund has not repaid in cash the remaining outstanding balance of RMB37.8 million in accordance with the Civil Judgement.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*

- (b) For financial assets included in deposits and other receivables, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate as at 31 December 2020 was 41.6% (2019: 48.6%).

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Mutual fund products	–	22,739
Wealth management products issued by banks	–	1,710
Financial instruments, at fair value	–	24,449

The above unlisted investments as at 31 December 2019 were mutual fund products issued by funds and wealth management products issued by banks in China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2020 RMB'000	2019 RMB'000
Cash and bank balances	45,453	45,751
Less: Pledged deposits for bank's letters of credit	–	(15,699)
Cash and cash equivalents	45,453	30,052

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB34,602,000 (2019: RMB22,206,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO FINANCIAL STATEMENTS

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27. TRADE PAYABLES

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

	2020 RMB'000	2019 RMB'000
Within 3 months	21,152	93,109
4 to 6 months	14,504	2,972
7 to 12 months	6,231	4,170
1 to 2 years	75,909	17,467
Over 2 years	7,321	505
	125,117	118,223

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

28. OTHER PAYABLES AND ACCRUALS

		2020 RMB'000	2019 RMB'000
Contract liabilities	(a)	16,609	61,687
Other payables		43,262	46,117
Salaries and welfare payables		10,380	16,983
Accrued expenses		3,418	6,531
Due to an associate	(b)	–	1,376
Other tax payable		2,680	3,467
Due to a shareholder	(c)	2,500	2,000
Dividends payable	(d)	–	1,127
Accrued interests		3,468	1,294
		82,317	140,582

NOTES TO FINANCIAL STATEMENTS

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28. OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes:

- (a) Contract liabilities include short-term advances received to deliver in-vitro diagnostic reagents and machinery.
- (b) The balance as at 31 December 2019 represented the amount due to Sinofn Tianjin. In 2019, Sinofn Tianjin lent a loan of RMB1.38 million to the Company with the annual interest rate of 5.5% and the amount is unsecured and has no fixed terms of repayment. The total amount was repaid before 31 December 2020.
- (c) The balance as at 31 December 2020 represented the amount due to the Institute of Biophysics ("IBP"), which included an accrued technical service fee of RMB2.5 million (2019: RMB2 million) for the right to use technical know-how held by IBP. Further details of the technical service fee arrangements are set out in note 40 to the financial statements. The amount due to IBP is unsecured, interest-free and has no fixed terms of repayment.
- (d) The balance as at 31 December 2019 represented 2018 dividends payable to several shareholders, which were paid in January 2020.

NOTES TO FINANCIAL STATEMENTS

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29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	2.05-5.23	2021	97,561	4.35-5.23	2020	62,295
Bank loans – unsecured	3.05-4.15	2021	23,000	–	–	–
Other loans – secured	6.50-20.00	2021	17,915	6.50-11.29	2020	33,486
Other loans – unsecured	–	2021	964	–	2020	1,144
Current portion of long-term bank loans – secured	7.00	2021	27,545	7.00	2020	1,910
			166,985			98,835
Non-current						
Bank loans – secured			–	7.00	2021	17,187
Other loans – unsecured	0-20.00	2022	23,836	0-8.00	2022	21,031
Other loans – secured	11.29	2022	980	6.50 – 11.29	2021-2022	17,781
			24,816			55,999
			191,801			154,834
Analysed into:						
Bank and other loans repayable:						
Within one year						
In the second to third years, inclusive						
			166,985			98,835
			24,816			55,999
			191,801			154,834

Details of the pledged assets for the secured interest-bearing bank and other borrowings are disclosed in note 13 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

30. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	2020					
	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Contingent liabilities RMB'000	Impairment of assets RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	135	450	2,469	2,430	646	6,130
Deferred tax credited to the statement of comprehensive income during the year	(135)	–	–	–	–	(135)
Deferred tax credited to the statement of profit or loss during the year <i>(note 10)</i>	–	(187)	(1,428)	(494)	(54)	(2,163)
At 31 December 2020	–	263	1,041	1,936	592	3,832

	2019					
	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Contingent liabilities RMB'000	Impairment of assets RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	85	–	917	1,864	1,281	4,147
Deferred tax credited to the statement of comprehensive income during the year	50	–	–	–	–	50
Deferred tax credited to the statement of profit or loss during the year <i>(note 10)</i>	–	450	1,552	566	(635)	1,933
At 31 December 2019	135	450	2,469	2,430	646	6,130

NOTES TO FINANCIAL STATEMENTS

31 December 2020

30. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	2020		
	Depreciation of assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	5,644	4,259	9,903
Deferred tax charged to the statement of profit or loss during the year (note 10)	(617)	–	(617)
At 31 December 2020	5,027	4,259	9,286

	2019		
	Depreciation of assets RMB'000	Others RMB'000	Total RMB'000
At 31 December 2018	2,678	3,029	5,707
Effect of adoption of HKFRS 16	–	400	400
At 1 January 2019 (restated)	2,678	3,429	6,107
Disposal of a subsidiary	–	(400)	(400)
Deferred tax charged to the statement of profit or loss during the year (note 10)	2,966	1,230	4,196
At 31 December 2019	5,644	4,259	9,903

The Group has tax losses arising in Mainland China of RMB58,888,000 (2019: RMB52,821,000) that will expire in one to ten years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

31. DEFERRED INCOME

Various government grants have been received for setting up research and development activities and acquisition of required assets. Government grants received which relate to assets or for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position and will be released to the statement of profit or loss over the expected useful life of the relevant assets by equal annual instalments or when the related expenses have been incurred. There are no unfulfilled conditions or contingencies relating to these grants, except that they must be used for research and development activities or acquisition of the required assets.

NOTES TO FINANCIAL STATEMENTS

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32. SHARE CAPITAL

Registered, issued and fully paid:

80,421,033 (2019: 80,421,033) domestic shares of RMB1 each

64,286,143 (2019: 64,286,143) H shares of RMB1 each

2020 RMB'000	2019 RMB'000
80,421	80,421
64,286	64,286
144,707	144,707

No shares were issued during the year of 2020.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 9 and 10 of the financial statements.

34. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

Percentage of equity interest held by non-controlling interests:

Zhongsheng Jinyu

Anhui Biosino

Zhongke Fund*

2020 RMB'000	2019 RMB'000
54.10%	54.10%
49.00%	49.00%
—	—

Zhongke Fund was disposed of in December 2019.

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34. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

	2020 RMB'000	2019 RMB'000
(Loss)/profit for the year allocated to non-controlling interests:		
Zhongsheng Jinyu	(4,973)	(375)
Anhui Biosino	1,195	3,739
Zhongke Fund	—	(9,030)
Accumulated balances of non-controlling interests at the reporting dates:		
Zhongsheng Jinyu	11,516	17,203
Anhui Biosino	7,800	6,605

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company elimination:

2020	Zhongsheng Jinyu RMB'000	Anhui Biosino RMB'000
Revenue	20,642	156,943
Total expenses	(29,743)	(154,504)
(Loss)/profit for the year	(9,101)	2,439
Total comprehensive (loss)/income for the year	(9,101)	2,439
Current assets	22,547	158,353
Non-current assets	33,480	1,306
Current liabilities	(25,707)	(137,612)
Non-current liabilities	(12,218)	(8,676)
Net assets	18,102	13,371
Non-controlling interests	(11,516)	(7,800)
Net cash flows (used in)/from operating activities	(2,862)	15,784
Net cash flows (used in)/from investing activities	(4,116)	—
Net cash flows from/(used in) financing activities	4,651	(3,000)
Net (decrease)/increase in cash and cash equivalents	(2,327)	12,784

NOTES TO FINANCIAL STATEMENTS

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34. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

2019	Zhongsheng Jinyu RMB'000	Zhongke Fund RMB'000	Anhui Biosino RMB'000
Revenue	34,843	–	156,943
Total expenses	(36,022)	(17,783)	(149,313)
(Loss)/profit for the year	(1,179)	(17,783)	7,630
Total comprehensive (loss)/income for the year	(1,179)	(17,783)	7,630
Current assets	25,806	–	152,048
Non-current assets	34,185	–	1,825
Current liabilities	(19,757)	–	(122,400)
Non-current liabilities	(12,594)	–	(20,540)
Net assets	27,640	–	10,933
Non-controlling interests	(17,203)	–	(6,605)
Net cash flows from/(used in) operating activities	1,740	(4,981)	(18,796)
Net cash flows (used in)/from investing activities	(6,488)	6,939	(113)
Net cash flows from/(used in) financing activities	4,684	(1,962)	19,731
Net (decrease)/increase in cash and cash equivalents	(64)	(4)	822

35. DISPOSAL OF A SUBSIDIARY

The Company sold its 51% equity interest in Biosino Import and Export Co., Ltd. ("Zhongke Import and Export") to Beijing Shundong Metal Structure Factory on 25 December 2020, with a total consideration of RMB2.55 million. Zhongke Import and Export ceased to be a subsidiary of the Company thereafter.

NOTES TO FINANCIAL STATEMENTS

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35. DISPOSAL OF A SUBSIDIARY (Continued)

The carrying amounts of the assets and liabilities of Zhongke Import and Export as at the date of disposal were as follows:

	25 December 2020 RMB'000
Net assets disposed of:	
Property, plant and equipment	9,561
Long-term receivables	64
Other intangible assets	8
Inventories	372
Prepayments and other receivables	2,678
Trade receivable	277
Cash and bank balances	33,215
Trade payables	(1,018)
Other payables and accruals	(40,239)
Non-controlling interests	(2,072)
	2,846
Loss on disposal of a subsidiary	(296)
Satisfied by:	
Cash	2,550

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2020 RMB'000
Cash consideration	2,550
Cash and bank balances disposed of	(33,215)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(30,665)

NOTES TO FINANCIAL STATEMENTS

31 December 2020

35. DISPOSAL OF A SUBSIDIARY (Continued)

The Company sold its 51% equity interest in Zhongke Fund to Beijing Hengxing on 25 December 2019, with a total consideration of RMB56.1 million. Zhongke Fund ceased to be a subsidiary of the Company thereafter.

The carrying amounts of the assets and liabilities of Zhongke Fund as at the date of disposal were as follows:

	2019 RMB'000
Net assets disposed of:	
Property, plant and equipment	33,398
Investment properties	186,485
Right-of-use assets	22,003
Prepayments and other receivables	143,769
Cash and bank balances	4
Trade payables	(3,500)
Other payables and accruals	(30,937)
Other borrowings	(187,250)
Tax payable	(871)
Lease liabilities	(92,363)
Deferred tax liabilities	(400)
Non-controlling interests	(32,761)
	37,577
Gain on disposal of a subsidiary	
	18,523
	56,100
Satisfied by:	
Cash	
	56,100

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2019 RMB'000
Cash consideration	56,100
Cash and bank balances disposed of	(4)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	
	56,096

NOTES TO FINANCIAL STATEMENTS

31 December 2020

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to investments in joint ventures of RMB13,076,000 and property, plant and equipment of RMB28,400,000, respectively, as disclosed in note 24.

(b) Changes in liabilities arising from financing activities

2020

	Bank and other borrowings RMB'000	Lease liabilities RMB'000
At 31 December 2019	154,834	16,745
New leases	–	362
Interest expense	–	912
Changes from financing cash flows	36,967	(3,558)
At 31 December 2020	191,801	14,461

2019

	Bank and other borrowings RMB'000	Lease liabilities RMB'000
At 31 December 2018	195,002	–
Effect of adoption of HKFRS 16	–	108,662
At 1 January 2019 (restated)	195,002	108,662
New leases	–	1,037
Interest expense	–	6,742
Changes from financing cash flows	(34,618)	(7,333)
Decrease arising from disposal of a subsidiary	(9,000)	(92,363)
Loan deposits	3,450	–
At 31 December 2019	154,834	16,745

NOTES TO FINANCIAL STATEMENTS

31 December 2020

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within financing activities	(3,558)	(7,333)

37. CONTINGENT LIABILITIES

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

	2020 RMB'000	2019 RMB'000
Guarantees given to a bank in connection with loans granted to an associate	15,100	33,500
Counter-guarantees given to a security company in connection with loans granted to a subsidiary	6,000	3,000
	21,100	36,500

As at 31 December 2020, the banking facilities guaranteed by the Group to SinoFn Tianjin were utilised to the extent of approximately RMB15,100,000 (2019: RMB33,500,000).

38. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other loans are included in note 13 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

39. COMMITMENTS

- (a) The Group had the following capital commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
Know-how, patents and license	1,900	1,400

On 9 December 2004, the Company and its substantial shareholder, IBP, entered into an exclusive technology licensing agreement (the "Licensing Agreement") with regard to the production of diagnostic reagents by employing the technologies owned by IBP (the "Reagent Technologies"). 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. As at 31 December 2020, the technical service fees payable by the Group of RMB2,500,000 (31 December 2019: RMB2,000,000) were included in the amount due to a shareholder in note 28(c) to the financial statements.

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for	20,084	5,100

- (b) The Group has various lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these non-cancellable lease contracts are RMB3 million due within one year and RMB11 million due in the second to fifth years.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

40. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2020 RMB'000	2019 RMB'000
Annual technical service fee to IBP*	500	500
Associate:		
Purchases of products from Mian Yang Zhongke	—	43
Joint ventures:		
Sales of products to Biosino Shandong	1,090	1,150
Loan to Suzhou Otian	—	3,702

* The related party transaction also constitutes a connected transaction as defined in Chapter 20 of the GEM Listing Rules.

- (b) Outstanding balances with related parties are set out in notes 24 and 28 to the financial statements.
- (c) Compensation of key management personnel of the Group

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	3,860	6,585
Post-employment benefits	113	343
Total compensation paid to key management personnel	3,973	6,928

Further details of directors' and supervisors' emoluments are included in note 8 to the financial statements.

- (d) Mr. Chen Jintian, an executive director of the Company, guaranteed loans granted to the Company with the principal amounting to RMB62 million as of 31 December 2020 (2019: RMB70 million), as further detailed in note 13 to the financial statements.
- (e) New Journey Hospital Group Co., Ltd, one of whose executive directors is also an executive director of the Company, provided a credit facility up to RMB99 million to the Company in December 2020. The credit facility will expire on 30 June 2022. As of 31 December 2020, the Company had not withdrawn any amount from this credit facility.

NOTES TO FINANCIAL STATEMENTS

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41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Designated as such upon initial recognition RMB'000	Equity investments RMB'000	RMB'000	RMB'000
Equity investments at fair value through other comprehensive income	–	531	–	531
Long-term receivables	–	–	17,254	17,254
Trade and bills receivables	–	–	204,587	204,587
Financial assets included in prepayments, other receivables and other assets	–	–	47,375	47,375
Cash and cash equivalents	–	–	45,453	45,453
	–	531	314,669	315,200

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	191,801
Trade payables	125,117
Financial liabilities included in other payables and accruals	49,230
	366,148

NOTES TO FINANCIAL STATEMENTS

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41. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2019

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Designated as such upon initial recognition RMB'000	Equity investments RMB'000	RMB'000	RMB'000
Equity investments at fair value through other comprehensive income	–	511	–	511
Long-term receivables	–	–	15,439	15,439
Trade and bills receivables	–	–	221,889	221,889
Financial assets included in prepayments, other receivables and other assets	–	–	57,535	57,535
Financial assets at fair value through profit or loss	24,449	–	–	24,449
Pledged deposits	–	–	15,699	15,699
Cash and cash equivalents	–	–	30,052	30,052
	24,449	511	340,614	365,574

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	154,834
Trade payables	118,223
Financial liabilities included in other payables and accruals	51,912
	324,969

NOTES TO FINANCIAL STATEMENTS

31 December 2020

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	531	511	531	511
Financial assets at fair value through profit or loss	–	24,449	–	24,449
	531	24,960	531	24,960

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, and loans from associates approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using an asset-based valuation technique based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using		Total RMB'000
	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through other comprehensive income	–	531	531

As at 31 December 2019

	Fair value measurement using		Total RMB'000
	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through other comprehensive income	–	511	511
Financial assets at fair value through profit or loss	24,449	–	24,449
	24,449	511	24,960

NOTES TO FINANCIAL STATEMENTS

31 December 2020

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

*(Continued)*Fair value hierarchy *(Continued)*

The movements in fair value measurements within Level 3 during the year are as follows:

	2020 RMB'000	2019 RMB'000
Equity investments at fair value through other comprehensive income/available-for-sale investments – unlisted:		
At 1 January	511	1,117
Total losses recognised in other comprehensive income	20	(379)
Disposal	–	(227)
At 31 December	531	511

The fair value of the long-term receivables has been calculated by discounting the expected future cash flows using rates currently available for an instrument with a similar term, credit risk and remaining maturity.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, and financial assets at fair value through profit or loss. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

In the opinion of the directors, the Group has no significant concentration of interest rate risk since the interest rates of the Group's loans are not floating.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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 overseas countries for resale in the PRC and there are administrative expenses incurred by a Canadian subsidiary. A small amount of cash denominated in Hong Kong dollars ("HK\$") is placed in bank accounts in Hong Kong for payments of miscellaneous expenses such as professional fees incurred in Hong Kong. In the opinion of the directors, the Group has no significant concentration of foreign currency risk.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2020

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Simplified approach RMB'000
Trade and bills receivables*	–	204,587
Financial assets included in prepayments, other receivables and other assets		
– Normal**	9,575	–
– Doubtful**	37,790	
Cash and cash equivalents		
– Not yet past due	45,453	–
	92,818	204,587

NOTES TO FINANCIAL STATEMENTS

31 December 2020

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*Maximum exposure and year-end staging *(Continued)*

As at 31 December 2019

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Simplified approach RMB'000
Trade and bills receivables*	–	221,889
Financial assets included in prepayments, other receivables and other assets		
– Normal**	6,340	–
– Doubtful**	51,195	–
Pledged deposits		
– Not yet past due	15,699	–
Cash and cash equivalents		
– Not yet past due	30,052	–
	103,286	221,889

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. The directors have reviewed the Group's liquidity position, working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank and other borrowings	–	58,806	131,686	11,318	–	201,810
Trade payables	125,117	–	–	–	–	125,117
Financial liabilities included in other payable and accruals	–	49,230	–	–	–	49,230
	125,117	108,036	131,686	11,318	–	376,157

	2019					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank and other borrowings	–	29,180	76,654	76,197	–	182,031
Trade payables	118,223	–	–	–	–	118,223
Lease liabilities	–	4,642	–	–	–	4,642
Financial liabilities included in other Payables and accruals	–	51,912	–	–	–	51,912
	118,223	85,734	76,654	76,197	–	356,808

Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital on the basis of the gearing ratio which is the total liabilities divided by the total assets.

The gearing ratios are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Total liabilities	428,343	445,738
Total assets	624,614	644,963
Gearing ratio	68.58%	69.11%

44. EVENT AFTER THE REPORTING PERIOD

On 16 March 2021, the Company entered into a credit facility agreement with Bank of Beijing that Bank of Beijing will provide the Company with a revolving credit facility with the maximum loan amount of RMB69 million. The loan withdrawal period is within 12 months since 16 March 2021 and each withdrawal should be repaid within 12 months since the withdrawal date.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	74,831	90,306
Other intangible assets	4,066	4,422
Investments in subsidiaries	160,122	161,827
Investments in associates	–	28
Investments in jointly-controlled entities	13,076	–
Long-term receivables	16,984	5,811
Deferred tax assets	3,674	4,461
Total non-current assets	272,753	266,855

NOTES TO FINANCIAL STATEMENTS

31 December 2020

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2020 RMB'000	2019 RMB'000
CURRENT ASSETS		
Inventories	45,680	35,733
Trade and bills receivables	62,630	73,392
Prepayments, other receivables and other assets	112,655	100,779
Cash and cash equivalents	32,185	16,640
Total current assets	253,150	226,544
CURRENT LIABILITIES		
Trade payables	15,944	24,947
Other payables and accruals	64,900	76,218
Tax payable	—	(8)
Interest-bearing bank and other borrowings	151,404	94,691
Total current liabilities	232,248	195,848
NET CURRENT ASSETS	20,902	30,696
TOTAL ASSETS LESS CURRENT LIABILITIES	293,665	297,551
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	15,483	34,969
Deferred income	2,821	3,851
Deferred tax liabilities	9,265	9,883
Other liabilities	104	1,340
Total non-current liabilities	27,673	50,043
Net assets	265,982	247,508
EQUITY		
Share capital	144,707	144,707
Reserves <i>(Note)</i>	121,275	102,801
Total equity	265,982	247,508

NOTES TO FINANCIAL STATEMENTS

31 December 2020

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows

	Capital reserve RMB'000	Statutory reserve RMB'000	Fair value reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2019	80,486	42,272	(257)	96,880	219,381
Total comprehensive loss for the year	–	–	–	(102,064)	(102,064)
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	(45)	–	(45)
2018 final dividend declared	–	–	–	(14,471)	(14,471)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	302	(302)	–
At 31 December 2019 and 1 January 2020	80,486	42,272	–	(19,957)	102,801
Total comprehensive income for the year	–	–	–	18,474	18,474
At 31 December 2020	80,486	42,272	–	(1,483)	121,275

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2021.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the current year's published audited financial statements and annual report for the year ended 31 December 2020, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
REVENUE	325,256	397,408	303,224	295,128	325,388
PROFIT/(LOSS) BEFORE TAX	2,155	(114,807)	(14,547)	24,824	21,615
TAX	(2,861)	(3,636)	(2,184)	(3,627)	(4,979)
PROFIT/(LOSS) FOR THE YEAR	(706)	(118,443)	(16,731)	21,197	16,636
ATTRIBUTABLE TO:					
Owners of the parent	2,718	(110,413)	(2,049)	25,170	15,980
Non-controlling interests	(3,424)	(8,030)	(14,682)	(3,973)	656
	(706)	(118,443)	(16,731)	21,197	16,636

ASSETS, LIABILITIES AND EQUITY

	31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
TOTAL ASSETS	624,614	644,963	776,008	669,256	597,668
TOTAL LIABILITIES	(428,343)	(445,738)	(411,545)	(280,973)	(216,125)
NET ASSETS	196,271	199,225	364,463	388,283	381,543
REPRESENTED BY:					
EQUITY ATTRIBUTABLE TO:					
OWNERS OF THE PARENT	177,333	174,791	301,903	319,691	308,978
NON-CONTROLLING INTERESTS	18,938	24,434	62,560	68,592	72,565
TOTAL EQUITY	196,271	199,225	364,463	388,283	381,543

PUBLICATION OF THIS RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is available for viewing on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.zhongsheng.com.cn). The annual report for the year ended 31 December 2020 containing all the information required by the GEM Listing Rules will be despatched to the shareholders and published on the above websites in due course.

RESUMPTION PROGRESS

As at the date of this announcement, Company is in the course of finalizing the 2020 annual report. The Company will despatch the 2020 annual report as soon as practicable. As all the resumption conditions have been fulfilled, an application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 1 April 2021.

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

Beijing, the PRC, 31 March 2021

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 Director

Mr. Chen Jianhua (陳建華先生)

Non-executive Directors

Ms. Cheng Yali (程亞利女士) and Mr. Wang Tao (王滔先生)

Independent non-executive Directors

Dr. Zheng Yongtang (鄭永唐博士), Mr. Ren Fujin (任孚今先生) and Ms. Li Li (李瀛女士)

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, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and 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.