



中生北控生物科技股份有限公司
BIOSINO BIO-TECHNOLOGY AND SCIENCE INCORPORATION*
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 8247)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2021**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG
LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful considerations. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of Biosino Bio-Technology and Science Incorporation (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purposes only

The board of Directors (the “Board”) announced the unaudited consolidated statement of profit or loss of the Group for the three months and six months ended 30 June 2021 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021, together with the comparative figures in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 June 2021

		Three months ended 30 June		Six months ended 30 June	
		2021 Unaudited RMB'000	2020 Unaudited RMB'000	2021 Unaudited RMB'000	2020 Unaudited RMB'000
Notes					
REVENUE	3, 4	93,771	84,294	174,665	131,383
Cost of sales		<u>(48,041)</u>	<u>(51,889)</u>	<u>(93,631)</u>	<u>(84,667)</u>
Gross profit		45,730	32,405	81,034	46,716
Other income and gains		207	5,750	226	8,554
Selling and distribution expenses		(19,304)	(17,751)	(35,463)	(32,635)
Administrative expenses		(11,955)	(7,861)	(21,219)	(18,482)
Research and development expenses		(6,703)	(8,749)	(12,503)	(14,028)
Other expenses		<u>(232)</u>	<u>–</u>	<u>(232)</u>	<u>–</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	7,743	3,794	11,843	(9,875)
Finance costs	6	(3,663)	(2,892)	(5,505)	(5,615)
Share of profits and losses of:					
Joint ventures		(29)	–	(29)	–
Associates		<u>1,019</u>	<u>1,542</u>	<u>237</u>	<u>537</u>
PROFIT/(LOSS) BEFORE TAX		5,070	2,444	6,546	(14,953)
Income tax expense	7	<u>(308)</u>	<u>(21)</u>	<u>(1,379)</u>	<u>(88)</u>
PROFIT/(LOSS) FOR THE PERIOD		4,762	2,423	5,167	(15,041)
Attributable to:					
Owners of the parent		2,488	3,491	1,836	(12,305)
Non-controlling interests		<u>2,274</u>	<u>(1,068)</u>	<u>3,331</u>	<u>(2,736)</u>
		<u>4,762</u>	<u>2,423</u>	<u>5,167</u>	<u>(15,041)</u>
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8				
– Basic and diluted (RMB)		<u>0.017</u>	<u>0.024</u>	<u>0.013</u>	<u>(0.085)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2021

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	Unaudited	Unaudited	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT/(LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,764	2,459	5,185	(15,072)
Attributable to:				
Owners of the parent	2,490	3,527	1,854	(12,336)
Non-controlling interests	2,274	(1,068)	3,331	(2,736)
	<u>4,764</u>	<u>2,459</u>	<u>5,185</u>	<u>(15,072)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021	31 December 2020
		Unaudited	Audited
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		105,757	115,219
Right-of-use assets		12,614	15,105
Prepayments		600	600
Goodwill		309	309
Other intangible assets		29,291	25,826
Investments in joint ventures		13,047	13,076
Investments in associates		46,598	46,346
Equity investments designated at fair value through other comprehensive income		531	531
Long-term receivables		15,752	17,254
Deferred tax assets		3,812	3,832
Total non-current assets		228,311	238,098
CURRENT ASSETS			
Inventories		66,041	65,629
Trade and bills receivables	10	212,510	204,587
Prepayments, other receivables and other assets		82,087	70,847
Cash and cash equivalents		22,854	45,453
Total current assets		383,492	386,516
CURRENT LIABILITIES			
Trade payables	11	146,382	125,117
Other payables and accruals		83,083	82,317
Interest-bearing bank and other borrowings		133,428	166,985
Lease liabilities		2,915	2,915
Tax payable		3,125	1,532
Total current liabilities		368,933	378,866
NET CURRENT ASSETS		14,559	7,650

		30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		242,870	245,748
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		15,940	24,816
Deferred income		4,187	3,385
Other liabilities		459	444
Lease liabilities		11,546	11,546
Deferred tax liabilities		9,282	9,286
Total non-current liabilities		41,414	49,477
Net assets		201,456	196,271
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	144,707	144,707
Reserves		34,480	32,626
		179,187	177,333
Non-controlling interests		22,269	18,938
Total equity		201,456	196,271

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory reserve	Exchange fluctuation reserve	Fair value reserve	Accumulated losses		
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
At 1 January 2020	144,707	102,596	47,995	(113)	(359)	(120,035)	174,791	199,225
Total comprehensive loss for the period	–	–	–	(31)	–	(12,305)	(12,336)	(15,072)
Disposal of a subsidiary	–	(377)	–	–	–	–	(377)	(377)
Capital refund to a non-controlling shareholder	–	–	–	–	–	–	–	(35)
At 30 June 2020	<u>144,707</u>	<u>102,219*</u>	<u>47,995*</u>	<u>(144)*</u>	<u>(359)*</u>	<u>(132,340)*</u>	<u>162,078</u>	<u>183,741</u>
At 1 January 2021	144,707	102,596	47,978	(157)	(474)	(117,317)	177,333	196,271
Profit for the period	–	–	–	–	–	1,836	1,836	5,167
Exchange differences on translation of foreign operations	–	–	–	18	–	–	18	18
Total comprehensive income for the period	–	–	–	18	–	1,836	1,854	5,185
At 30 June 2021	<u>144,707</u>	<u>102,596*</u>	<u>47,978*</u>	<u>(139)*</u>	<u>(474)*</u>	<u>(115,481)*</u>	<u>179,187</u>	<u>201,456</u>

* These reserve accounts comprise the consolidated reserves of RMB34,480,000 and RMB32,626,000 in the consolidated statement of financial position as at 30 June 2021 and 31 December 2020, respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow/(outflow) from operating activities	25,353	(9,290)
Net cash inflow/(outflow) from investing activities	(2,226)	3,145
Net cash inflow/(outflow) from financing activities	<u>(45,726)</u>	<u>26,063</u>
Increase/(decrease) in cash and cash equivalents	(22,599)	19,918
Cash and cash equivalents at beginning of period	<u>45,453</u>	<u>30,052</u>
Cash and cash equivalents at end of period	<u><u>22,854</u></u>	<u><u>49,970</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months and six months ended 30 June 2021 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the Company’s audited financial statements for the year ended 31 December 2020.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised HKFRSs for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39, *Interest Rate Benchmark Reform – Phase 2*
HKFRS 7, HKFRS 4 and HKFRS 16

The adoption of the above revised HKFRSs has had no significant financial effect on this unaudited condensed consolidated financial information and there has been no significant changes to the accounting policies applied in this unaudited condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment: the IVD 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 resources allocation and performance assessment. All of the Group’s revenue from external customers and profits are generated from this single segment.

Geographical information

During the Period ended 30 June 2021, almost all of the Group’s revenue was generated from customers located in Mainland China and all of the non-current assets of the Group were located in Mainland China.

Information about major customers

Revenue of approximately RMB34,391,000 was derived from sales by the IVD reagent products segment to a single customer, which amounted to more than 10% of the Group’s total revenue.

4. REVENUE

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

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation	4,747	5,144	9,494	10,287
Amortisation of know-how	336	259	672	518
Amortisation of prepaid land lease payments	20	20	40	40

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Interests on bank and other loans	3,663	2,892	5,505	5,615

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has not generated any assessable profits in Hong Kong during the six months ended 30 June 2021 (2020: Nil). Taxes on profits assessable in the PRC, where the Group operates, have been calculated at the rates of tax prevailing in the PRC. Under the PRC income tax laws, enterprises are subject to corporate income tax (“CIT”) at a rate of 25%.

The Company and its two subsidiaries, Beijing Zhongsheng Jinyu Diagnostic Technology Co., Ltd. and Biosino Suzhou Medical Instrument Co., Ltd., are entitled to a preferential rate of 15% under the PRC income tax laws for a period of three years commencing on 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.

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Current – the PRC Charge for the period	300	10	1,364	67
Deferred	8	11	15	21
	<u>308</u>	<u>21</u>	<u>1,379</u>	<u>88</u>
Total tax charge for the period	<u>308</u>	<u>21</u>	<u>1,379</u>	<u>88</u>

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share for the three months and six months ended 30 June 2021 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average number of 144,707,176 (2020: 144,707,176) ordinary shares in issue during the period.

No diluted earnings per share have been presented as there was no diluting event existed during the three months and six months ended 30 June 2021 (2020: Nil).

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

10. TRADE AND BILLS RECEIVABLES

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

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

	30 June	31 December
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	185,637	76,473
4 to 6 months	8,490	40,715
7 to 12 months	7,204	42,172
1 to 2 years	3,113	33,207
Over 2 years	11,066	12,020
	215,510	204,587

11. TRADE PAYABLES

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

	30 June	31 December
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	131,456	21,152
4 to 6 months	2,803	14,504
7 to 12 months	2,910	6,231
1 to 2 years	3,564	75,909
Over 2 years	5,649	7,321
	146,382	125,117

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

12. SHARE CAPITAL

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Registered, issued and fully paid:		
80,421,033 domestic shares of RMB1 each	80,421	80,421
64,286,143 H shares of RMB1 each	64,286	64,286
	144,707	144,707

13. CONTINGENT LIABILITIES

The guarantees given to a bank and a security company in connection with loans granted to an associate and a subsidiary were RMB4,000,000 as at 30 June 2021 (31 December 2020: RMB21,100,000).

14. COMMITMENTS

The Group did not have any significant capital commitments in respect of plant and equipment as at 30 June 2021.

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

15. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
		2021	2020
		Unaudited	Unaudited
		RMB'000	RMB'000
	Note		
Technical service fee	(i)	250	250
Joint ventures:			
Sales of products to Biosino (Shan Dong)			
Bio-Technology and Science Co., Ltd.		327	447

Note:

- (i) Details of the technical service fee are set out in note 14 to the interim report.

- (b) Compensation of key management personnel of the Group

		Six months ended 30 June	
		2021	2020
		Unaudited	Unaudited
		RMB'000	RMB'000
Short term employee benefits		2,538	1,890
Post-employment benefits		447	262
Total compensation paid to key management personnel		2,985	2,152

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

16. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the Board on 11 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review in the First Half Year

During the six months ended 30 June 2021 (the “Reporting Period”), the Group achieved a revenue of approximately RMB174.7 million, representing an increase of approximately 33% when compared with the revenue of approximately RMB131.4 million recorded in the same period last year. Profit attributable to the shareholders of the Company was approximately RMB1.8 million, as compared to the loss of approximately RMB12.3 million for the corresponding period last year. The increase in revenue and turnaround from loss to profit was mainly due to the Group’s active expansion to new areas during the Reporting Period.

In the first half of 2021, the volume-based procurement promoted by relevant governmental departments at all levels continued to expand, in which the centralised procurement and transparent procurement have become the particular focus within the industry. Documents on normalised and standardised volume-based procurement were announced successively. The non-profit public healthcare institutions and the competitive needs of private hospitals have drawn the attention of domestic healthcare institutions to cost reduction, more specifically cost optimisation, prompting them to require more comprehensive services from IVD manufacturers and distribution service providers so as to help them achieve the goal of cost reduction and efficiency improvement. The implementation of such policies and measures has made a profound impact on the medical devices industry and, accordingly, on the business development of the Company, requiring the launch of more affordable products with service precision while maintaining consistent quality. As a result, the cost effectiveness and practicality of IVD manufacturers’ products have become important factors influencing the purchasing decisions of end customers. Companies adapting to the treatment characteristics of medical institutions and with better cost-effective products are gaining advantage in market competition with increasing market share.

During the Reporting Period, the Group continued to adjust its operating strategies with a focus on its main business and product research and development and concern for market competitiveness as well as the general trend of industry development in active response to internal as well as external challenges. New marketing models were explored and new sales channels were developed to adapt to new market changes while improving product quality standards, gaining quality advantages and broadening product types from multiple sources. We will continue to work closely with distributors and end-customer hospitals, improve our after-sales service capabilities, strengthen our perception services to end customers, enhance our brand influence, introduce competent sales talents, strengthen and adjust the performance orientation of our sales team, and enhance budget-based performance assessment. Meanwhile, we will deepen the internal cost management of the Company, save energy and reduce consumption so as to strengthen our market competitiveness.

Development Trend

Although the IVD industry started late in China, it has made rapid progress in development. Compared with developed countries, the IVD industry is still at the early development stage. According to the estimation by the Medical Devices Research Institute, the IVD market size in China was approximately RMB60.4 billion in 2018, representing a year-on-year increase of 18.43%. The market size of the IVD industry in China was approximately RMB70 billion in 2019, and the compound growth rate of IVD industry in China over the past 5 years reached 15.91%. It is expected that the IVD market size will exceed RMB80 billion in 2021 and the industry will continue to maintain a high growth rate in the next 3 years, indicating a positive market prospect.

The IVD industry covers extensive demographics with a high proportion of product and service users, a large market base, a fast growth in various product usages and a high compound growth rate, and its potential demand and size of the market is fairly considerable. With the rising income level and per capita medical expenses in China and the continuous development of IVD technology, the demand for in-vitro diagnosis from medical institutions and the general public will continue to grow, and the IVD market will continue to expand. As a key high-tech service industry for future development, the IVD industry is greatly supported by the national industrial policies. A series of policies on medical devices and IVD industry, such as the “14th Five-Year Plan for the Bio-Industry Development” (《「十四五」生物產業發展規劃》) and “14th Five-Year Plan for the National Science and Technology Innovation” (《「十四五」國家科技創新規劃》), will further promote the continuous rapid development of the domestic IVD market.

Immunodiagnosis, biochemical diagnosis and molecular diagnosis are currently the three major sectors in the IVD industry. In the IVD market in the PRC, the shares of immunodiagnosis, biochemical diagnosis and molecular diagnosis are 38%, 19% and 15% respectively, accounting for 72% in aggregate. The biochemical diagnostic reagent has become the most developed segment in the IVD industry in the PRC. The overall technological standard is basically on par with current international standard, and both product quality and independent innovation capacity have improved substantially. However, this segment recorded a flat growth and the competition is fierce. With the continuous development of biomedical technology, precision medicine has become a component of the strategic and emerging industries in the PRC. Due to the continuous improvement of molecular diagnostic technology, breakthroughs have been made in accuracy, sensitivity, ease of operation and application scenarios. Individualized diagnosis and treatment plans are developed according to the characteristics of patients to achieve precision medicine. Therefore, as the clinical demand for precision medicine increases, the molecular diagnostic industry will also achieve rapid development.

The competition in the IVD industry is mainly focused on products and services, including product sharing and technical advantages in service standard, innovation capabilities and strengths in corporate talents. The speed of research and development (“R&D”) and innovation of technologies in the IVD industry determines the technical barriers and market share in competition. Therefore, enterprises are also facing ongoing challenges in product quality enhancement and product mix optimization.

Future Prospect

As many countries have started vaccinating against COVID-19, the global development focus is expected to return to the track of economic recovery. Owing to various domestic factors such as aging population, life quality improvement, increasing health awareness, improvement of medical quality and technological advancement, in recent years, the IVD industry gained strong development momentum of not only expanding the scope of testing but also more diversified analytical techniques were used. Great progress in reagents, instruments and systems development was achieved. Against the backdrop of increasing investment in healthcare industry in the PRC, the healthcare industry faces tremendous potential as the development of county-level hospitals in the PRC is accelerating, cost-effective products will become more and more popular, and the demand for high-end diagnostic products in tertiary hospitals is also increasing.

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. In particular, biochemical diagnostic reagents are routine test items used in medical treatments and are essential components of medical testing. With the advantages of low cost and high speed, they have enjoyed a relatively large market share in the diagnostic reagent market. Among the IVD services, biochemical diagnostic reagents and immunodiagnostic reagents aim at the basic diagnostic services of more than one billion people. As a result of the rapid development of new operating models such as the centralized sourcing and packaging of medical consumables and regional lab centres, 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 generated in R&D, channels and brands would continue to form positive feedback and promote further development of the Group.

In the meantime, confronted with complex changes in international political and economic situation, in 2021, domestic brands will gain preferential support in the market and related national policies, which will facilitate the development and growth of domestic brands, and create a good foundation for the development of IVD industry in the PRC.

The Company has always been committed to the R&D and production of IVD products, adheres to the strategy of the “joint development of IVD products + diagnostic services”, adopts clinical demand-driven approach, and takes in-house R&D as its core competitiveness, especially having more relatively competitive advantages in the biochemical diagnostic reagent market. As automatic biochemical analysers become popular in primary hospitals, the Company will continue to enhance its innovation capabilities in reagents and instrument technologies and service standard of medical diagnosis in the future, and actively promote the layout of main product lines to enhance its comprehensive competitiveness. In terms of product development direction, on the one hand, we rely on the existing advantages and focus on continuous improvement of the quality of its existing products, and on the other hand, we continue to develop new test items led by our industry technological advancements. Thus, by consolidating our business foundation, adjusting business strategies, increasing revenue and reducing expenditures, the Company will strive against the headwind, look for more business growth points, expand income source, and endeavour to return to our leading position in the industry.

During the Reporting Period, the Company has completed the registration renewal of 71 products, and obtained Class I filing certificates for 36 mass spectrometry sample pretreatment solution and cleaning solution products, as well as four product patents in respect of a stable biochemical composite calibrator and its preparation method, an immunoturbidimetric test kit, a method for eliminating chyle interference in lipemia samples as well as an immunoturbidimetric test kit and its application, and a kit for detecting calcium ions and its application.

Capital Structure, Financial Position and Liquidity

The Group generally finances its operations with cash flows generated from sales, capital contributions from shareholders and bank borrowings. There was no new issue of shares and RMB95 million of bank borrowings were obtained during the Reporting Period.

As at 30 June 2021, the Group had cash and bank balances of approximately RM22.85 million (as at 31 December 2020: approximately RMB45.45 million). The Group had approximately RMB62.95 million unsecured bank and other borrowings as at 30 June 2021 (as at 31 December 2020: approximately RMB47.8 million).

Foreign Currency Risk

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

Pledge of Assets of the Group

At 30 June 2021, all of the Group's buildings and prepaid land lease payments with net carrying amounts of approximately RMB24,468,000 and RMB2,451,000 respectively were pledged to Bank of Beijing, for bank loans granted to the Company with a principal of approximately RMB79,180,000 as at the end of the Reporting Period.

As at 30 June 2021, certain machinery with a net carrying amount of approximately RMB13.51 million were pledged to independent third parties to secure loans granted to the Company amounted to approximately RMB7.23 million with duration of 3 years.

Contingent Liabilities

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
Guarantees given to a bank in connection with loans granted to an associate	–	15,100
Counter-guarantees given to a security company in connection with loans granted to a subsidiary	<u>4,000</u>	<u>6,000</u>
	<u>4,000</u>	<u>21,100</u>

Employees

As at 30 June 2021, approximately 415 full-time employees (as at 31 December 2020: approximately 450) were employed by the Group. The total staff costs of the Group (including the directors' remunerations) for the six months ended 30 June 2021 amounted to approximately RMB38.6 million (2020: approximately RMB39.31 million). The Group determines and reviews the emoluments of its staff and the Directors based on their qualifications and experience, performance and market rates, so as to maintain the remuneration of its staff and the Directors at a competitive level. The Group participates in various defined contribution retirement plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of China and Hong Kong. The Directors believe that employees are one of the most valuable assets of the Group who contribute significantly to the success of the Group. The Group recognises the importance of training of its staff and hence provides regular training for the Group's staff members to enhance their technical and product knowledge.

Other than the company secretary and the qualified accountant, the employees of the Group are all stationed in China.

OTHER INFORMATION

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

As at 30 June 2021, the interests of the Directors, supervisors or chief executive of the Company in the shares and underlying shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and to the Stock Exchange, were as follows:

Long position in shares of the Company:

Name	Number of the Company's domestic shares held	Percentage of the Company's domestic shares	Percentage of the Company's total registered share capital
Mr. Wu Lebin	3,500,878	4.35%	2.42%
Mr. Wang Tao	24,506,143	30.47%	16.93%
Mr. Zhou Jie	150,000	0.19%	0.10%

Save as disclosed above, as at 30 June 2021, none of the Directors, supervisors or chief executive of the Company had registered an interest and short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

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

As at 30 June 2021, as far as is known to any Directors and supervisors of the Company, other than the interest of the Directors, supervisors and chief executive of the Company as disclosed under the section headed "Directors', Supervisors' and Chief Executive's Interests in Shares and Underlying Shares" above, the following persons had interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions in shares of the Company:

Name	Capacity and nature of interest	Number of the Company's shares held		Percentage of the Company's respective type of shares		Percentage of the Company's total registered capital
		Domestic shares	H shares	Domestic shares	H shares	
Beijing Pusai Asset Management Co., Ltd. (北京普賽資產管理有限責任公司)	Directly beneficially owned	31,308,576	–	38.93%	0.00%	21.64%
Mr. Xiao Yonggang	Directly beneficially owned	7,763,505	–	9.65%	0.00%	5.36%
Beijing Enterprises Holdings Limited [^]	Directly beneficially owned	–	27,256,143	0.00%	42.40%	18.84%
Beijing Enterprises Group Company Limited [^]	Through controlled corporations	–	27,256,143	0.00%	42.40%	18.84%
雲南勝能投資合夥企業(有限合夥) Yunan Shengneng Investment Partnership (Limited Partnership)*	Directly beneficially owned	–	6,780,000	0.00%	10.55%	4.69%
Mr. Li Yangyixiong	Through controlled corporations	–	6,780,000	0.00%	10.55%	4.69%
	Directly beneficially owned	1,050,263	–	1.31%	–	0.73%
Chung Shek Enterprises Company Limited	Directly beneficially owned	–	3,800,000	0.00%	5.91%	2.63%
K.C. Wong Education Foundation	Through controlled corporations	–	3,800,000	0.00%	5.91%	2.63%

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

Save as disclosed above, as far as is known to any Directors or supervisors of the Company, as at 30 June 2021, no person, other than the Directors, supervisors and chief executive of the Company, whose interests are set out in the section headed “Directors’, Supervisors’ and Chief Executive’s Interests in Shares and Underlying Shares” above, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Directors’ and Supervisors’ Rights to Acquire Shares or Debentures

None of the Directors or supervisors or their respective associates (as defined under the GEM Listing Rules) was granted by the Company or its subsidiaries any rights or options to acquire any shares in or debentures of the Company or had exercised any such rights during the six months ended 30 June 2021.

Competing Interests

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

Purchase, Sale or Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2021.

Directors’ Securities Transactions

During the Reporting Period, the Company has adopted the standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors’ dealings in the securities of the Company. Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standards of dealings and such code of conduct regarding securities transactions by Directors during the six months ended 30 June 2021.

Audit Committee

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee’s primary duties are the review and supervision of the Company’s financial reporting procedures and internal control system. The Group’s unaudited condensed consolidated financial statements for the period have been reviewed by the Audit Committee with the three independent non-executive directors of the Company, namely Dr. Zheng Yongtang, Mr. Ren Fujin and Ms. Li Li, of which Dr. Zheng Yongtang is the chairman. Following Ms. Li Li’s resignation as an independent non-executive Director on 28 May 2021, she ceased to be a member of the Audit Committee and was replaced by Mr. Lu Qi, an independent non-executive Director appointed on 28 May 2021.

Corporate Governance

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

For the period ended 30 June 2021, 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 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 announcement, the Company has not arranged such insurance coverage for the Directors.

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.

Update on Directors' Information pursuant to Rule 17.50A(1) of the GEM Listing Rules

After having made all reasonable enquiries, the Board is not aware of any information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules during the Reporting Period.

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

Beijing, the PRC, 11 August 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)

Executive Director

Mr. Lin Yanglin (林楊林先生)

Non-executive Directors

Ms. Cheng Yali (程亞利女士), Mr. Wang Tao (王滔先生) and Ms. Zeng Shuangzi (曾霜自女士)

Independent non-executive Directors

Dr. Zheng Yongtang (鄭永唐博士), Mr. Ren Fujin (任孚今先生) and Mr. Lu Qi (陸琪先生)

This announcement will remain on the GEM website with the domain name of www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.zhongsheng.com.cn.