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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 2022; AND
(II) CLOSURE OF REGISTER OF MEMBERS**

(I) ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022. This announcement, containing the full text of the 2022 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of annual results. Printed version of the Company’s 2022 annual report will be delivered to the shareholders of the Company and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.zhongsheng.com.cn on 31 March 2023.

(II) CLOSURE OF REGISTER OF MEMBERS

Entitlement to Attend the Annual General Meeting

The registers of members of the Company will be closed from 5 May 2023 to 25 May 2023 (both days inclusive) in order to determine the entitlement to attend the annual general meeting to be held on 25 May 2023. 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 Investor Services Limited, at 17/F, Far East Finance Centre 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 4 May 2023, for registration.

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 consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

Hong Kong Exchanges and Clearing limited and the Stock Exchange take no responsibility for the contents of this report, 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 report.

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”) 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. Lin Yanglin (*Vice Chairman*)

Non-executive Directors

Dr. Sun Zhe (*Vice Chairman*)
Ms. Cheng Yali

Independent Non-executive Directors

Dr. Zheng Yongtang
Mr. Ren Fujin (resigned with effect from 12 February 2023)
Mr. Lu Qi
Prof. Shen Jiangan
(appointed with effect from 23 February 2023)

SUPERVISORS

Mr. Zhou Jie
Dr. Shen Sheng
Ms. Ren Junhe

AUDIT COMMITTEE

Dr. Zheng Yongtang (*Chairman*)
Mr. Ren Fujin (resigned with effect from 12 February 2023)
Mr. Lu Qi
Prof. Shen Jiangan
(appointed with effect from 23 February 2023)

REMUNERATION COMMITTEE

Dr. Zheng Yongtang (*Chairman*)
Mr. Ren Fujin (resigned with effect from 12 February 2023)
Mr. Lu Qi
Prof. Shen Jiangan
(appointed with effect from 23 February 2023)

NOMINATION COMMITTEE

Mr. Lu Qi (*Chairman*)
Dr. Zheng Yongtang
Mr. Wu Lebin
Mr. Ren Fujin (resigned with effect from 12 February 2023)
Prof. Shen Jiangan
(appointed with effect from 23 February 2023)

CHIEF EXECUTIVE

Mr. Chen Peng (*President*)

CORPORATE INFORMATION

COMPANY SECRETARY

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

QUALIFIED ACCOUNTANT

Mr. Cheng King Yin *CPA, CFA*

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
17F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Bank of Beijing
Agricultural Bank of China Limited
Bank of China (Hong Kong) Limited

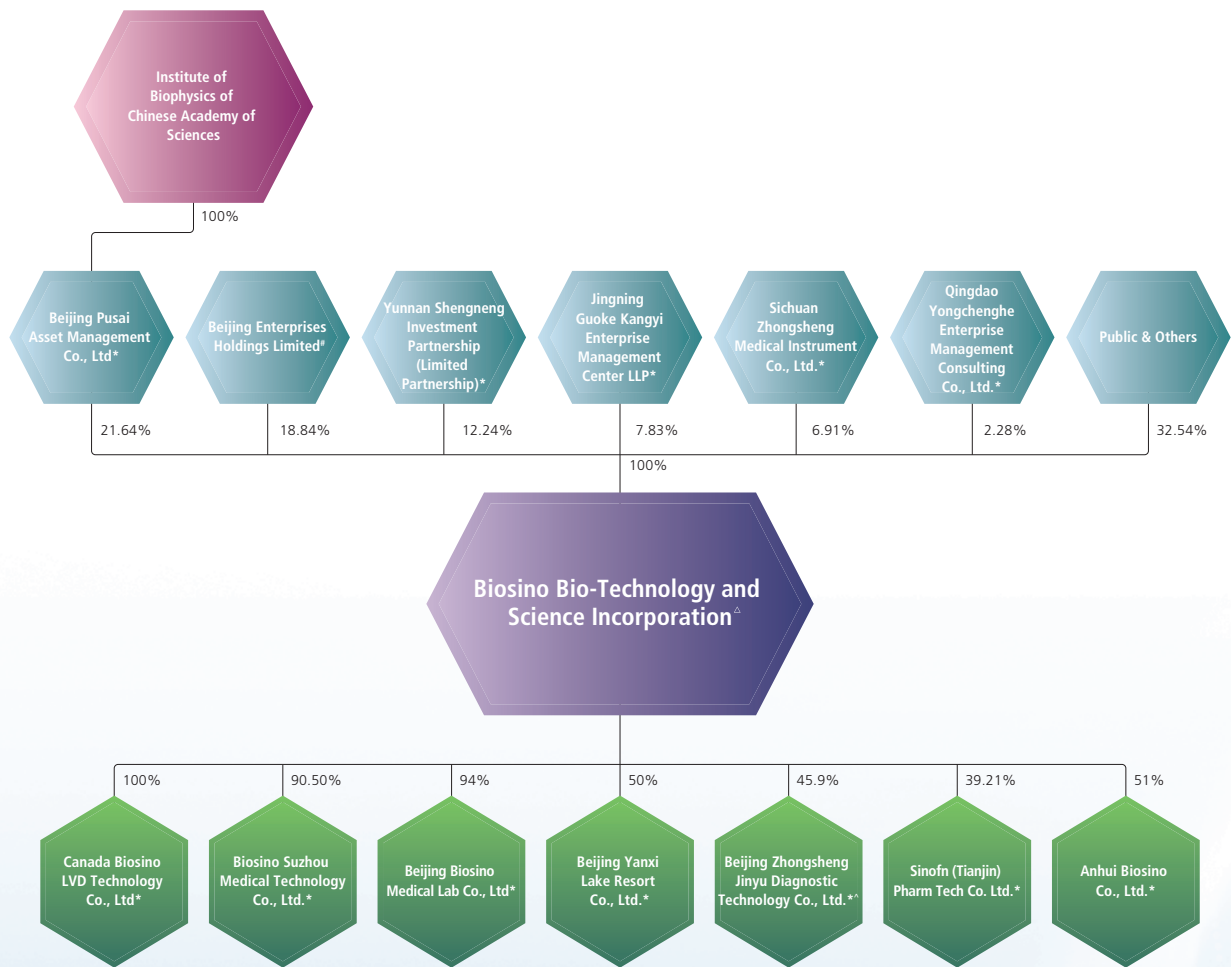
INFORMATION OF H SHARES

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 2022



* For identification purpose only

△ The H shares of Biosino Bio-Technology and Science Incorporation are listed on GEM of the Stock Exchange

The shares of Beijing Enterprises Holdings Limited (“Beijing Enterprises”) are listed on the Main Board of the Stock Exchange

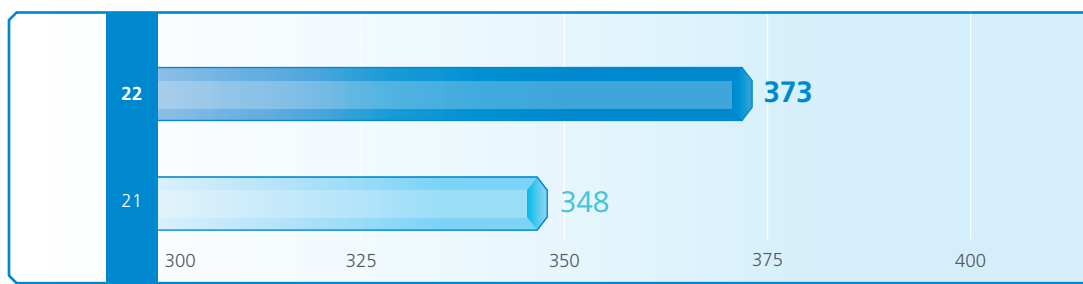
^ The shares of Beijing Zhongsheng Jinyu Diagnostic Technology Co., Ltd. are quoted on the NEEQS (the National Equities Exchange and Quotations System or The New Third Board*)

FINANCIAL HIGHLIGHTS

- Revenue for the year amounted to approximately RMB373 million, representing an increase of 7% from that of last year.
- The Board does not propose to declare any dividend for the year ended 31 December 2022.

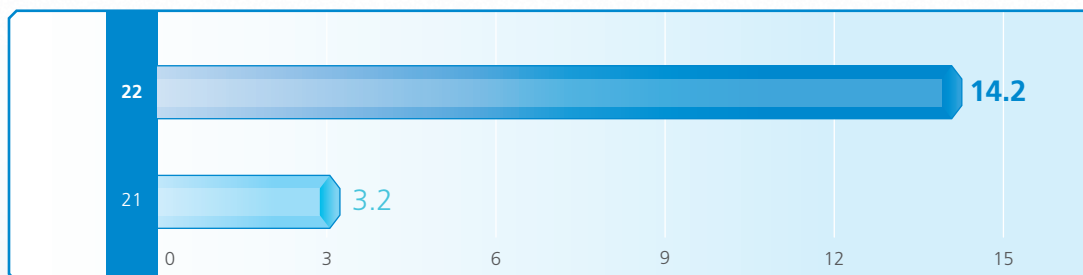
1. REVENUE FOR THE YEAR

(RMB million)



2. PROFIT FOR THE YEAR

(RMB million)



CHAIRMAN'S STATEMENT

IMPROVING QUALITY

AND EFFICIENCY AND
ACTING PROACTIVELY



DEAR SHAREHOLDERS,

It is with great pleasure that, on behalf of the board of Directors (hereinafter referred to as the "Board") of the Company, I hereby present to all shareholders the annual results of the Group for the year ended 31 December 2022 (hereinafter referred to as the "Year" or the "Reporting Period").

CHAIRMAN'S STATEMENT

DIVIDENDS

Taking into account of the Group's financial condition, cash flow 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 2022 (2021: Nil).

BUSINESS REVIEW

In 2022, both the People's Republic of China (the "PRC" or "China") and the world were continuously bombarded by the COVID-19 pandemic, especially the extensive travel restrictions, which caused significant impact on all aspects of the domestic economy and society, resulted in significant changes in the players and the overall environment of the in-vitro diagnostic ("IVD") industry as well as more fierce and complex competitive landscape in the market, which caused an unprecedented material impact to more than 2,300 production and research and development ("R&D") companies and tens of thousands of other companies.

Facing the long enduring COVID-19 pandemic and a competitive environment that had become increasingly fierce 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 which focused on its main business. We were selected successfully in 23 provinces for liver function biochemical's centralised procurement, and most of our projects ranked top. We completed the construction of the production base for flow cytometry and reagents in Biosino Suzhou Medical Technology Co., Ltd., our subsidiary, and we launched the OEM business of COVID-19 testing reagents and nucleic acid testing business through the subsidiary, mitigating the decline in revenue from the pandemic. While continuing to propel the development and introduction of medical diagnostic products, the Group constantly enriched its original product lines. Whilst adjusting product structure according to the market, the Group strengthened its internal control management, optimised production processes, lowered production costs and strived to increase corporate revenue and total profit. In terms of R&D, we explored innovative R&D mechanisms, reformed and innovated the operational mechanism of R&D projects. The Company has established a project-focused performance evaluation system and shifted the focus of R&D centred management from controlling project processes to focusing on project establishment and achievement acceptance. In terms of marketing, we continued to focus on establishing our sales teams and market expansion. We strengthened both domestic and overseas sales networks and professional marketing team establishment by enriching sales personnel. At the same time, we strengthened close cooperation with dealers and terminal hospitals, etc., 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 performed further optimisation of its investment portfolio and focused on asset operation efficiency while effectively consolidating and enhancing its comprehensive strengths, which enabled the Group to concentrate more resources and efforts on its principal businesses with their own advantages. The Group aimed at actively exploring new business opportunities through strategic cooperation with leading and competent industry players and endeavouring to consolidate and enhance our core competitiveness and market position. By rationalising internal processes, conducting stringent process management, clarifying specific responsibilities of responsible persons of each link and increasing revenue and reducing expenses, the Group strived to reduce waste and improve efficiency.

CHAIRMAN'S STATEMENT

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our sincere appreciation to all shareholders of the Company (the "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 PRC

31 March 2023

MANAGEMENT DISCUSSION and ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT

In-vitro diagnosis refers to offering in-vitro products and services tests of human body samples (i.e. body fluids, cells and tissues, etc.) to obtain clinical diagnostic information for diagnosing diseases or body functions. The core value of in-vitro diagnosis lies on the ability to detect unseen changes in human body earlier, more precise and in a more simple manner. At present, about 80% of clinical diagnostic information are generated from in-vitro diagnostics. Customers of IVD products primarily include various medical institutions, independent laboratories, government public health testing centres and individuals. In particular, medical institutions account for 90% of the market share, including various hospitals, community healthcare service centres, township health centres and physical examination centres, etc. There are 33,000 hospitals representing the main demand markets for in vitro testing reagents in the PRC. Most of the IVD product manufacturers generate revenue mainly through sales to distributors.

At present, foreign-funded enterprises in the domestic IVD market account for over 50% of the market share and have dominant position in the high-end hospital market for a long period of time. Domestic-funded enterprises are large in number and small in scale and their market competitiveness is relatively weak. With the gradual implementation of medical reform policies, such as medical insurance cost control, hospitals are under cost control pressures and are more motivated to choose domestic brands that have higher cost performance. The ability to launch high-quality products to substitute imported products becomes critical for enterprises' sustainability and development.

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 barriers to enter the IVD industry will increase rapidly, premier IVD companies that have implemented a full layout of their product lines and integrated front-line pipelines will benefit. Therefore, the industry is more concerned about innovation and profit models in company processes and services.

In 2021, the centralised procurement of chemiluminescent reagents in Anhui Biosino began, and in 2022, the national large-scale centralised procurement of liver function items in IVD industry was officially launched and rapidly implemented. This shows that the trend of centralised procurement is inevitable, which 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. With intensified circulation links reduction, drop in test prices and the implementation of the DRGS, the hospital laboratory department may shift from being a profit centre to a cost centre and it is a general trend to adopt the direct sales model for the sales of IVDs. The construction of 100 urban medical groups and 500 county-level 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 practise the value-oriented healthcare concept. The end market is changing from profit driven to cost driven and the downstream service end is passing cost control pressure to midstream and upstream. As such, the IVD industry chain is undergoing profound changes. The direct impact is to squeeze profit margin of related manufacturing companies. In order to hedge risks, other than conducting rational product planning and variety selection, price has become a crucial factor in market competition. Every link in the market requires manufacturers to surrender part of their profits. In order to survive, manufacturers have to make every endeavour to reduce their own operating costs to the maximum extent.

MANAGEMENT DISCUSSION AND ANALYSIS

At present, the IVD ecosystem is undergoing profound and significant changes domestically and the demand for biochemical diagnostic reagents and immunodiagnostic reagents in the IVD reagent market still account for over 50% of the entire IVD reagent market demand. The in-hospital diagnosis and treatment flow is expected to increase in future, which will bring biochemical testing, chemiluminescence and other conventional business opportunities to recover. 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. However, as the technical barriers for biochemical diagnostics reagent in the domestic market is relatively low, international brands have no absolute advantages and domestic enterprises have stronger bargaining power and products homogeneity is severe, which leads to more fierce market competition. 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, and the closely related products of IVD (including reagents and instruments, etc.) and the relevant services will still have a large market potential.

OPERATING REVENUE

In 2022, the Company and the Group as a whole, basically achieved the profit target set by the Board, realized a net profit of RMB14 million, representing an increase of 3.5 times over the previous year which was mainly attributable to an increase in the profit of several subsidiaries. The sales revenue from the principal businesses of the Group as a whole amounted to RMB373 million, representing an increase of 7% as compared to last year. In 2022, although the Group maintained its business in an orderly manner through various efforts, the growth of revenue did not reach the expected target.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit during the Reporting Period was RMB146 million, representing an increase of 2% as compared to last year and the gross profit margin was 39% (2021: 41%).

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, selling and distribution expenses were RMB55 million, increased by 2% as compared to the same period over last year. The increase in such expenses was primarily attributable to stronger sales efforts during the Year.

RESEARCH AND DEVELOPMENT COSTS

In 2022, the total research and development costs amounted to RMB27 million, up by 7% when compared to RMB25 million in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT FOR THE YEAR

Profit for the Year amounted to approximately RMB14 million, increased by 3.5 times as compared to RMB3 million in 2021.

PROFIT/LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit attributable to owners of the parent of the Company was RMB8 million, as compared with a loss attributable to owners of the parent of RMB1 million for the previous year. The increase was mainly attributable to the participation in relevant businesses relating to epidemic prevention and control in the PRC.

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

The year of 2022 has seen the toughest test for the country in the last three years. The end of 2022 saw a new beginning under the adjustment of PRC pandemic prevention and control policy: the COVID-19 is rapidly slowing down, the post-pandemic era is imminent, and the IVD market both domestically and abroad is bound to usher in a new phase of recovery and stable growth. Rigid demands for diagnosis and treatment, routine tests and hospital beds are expected to quickly return to the levels before the pandemic in the fourth quarter of 2023. Further improving people's health security was emphasized in the Party's 20th National Congress, which means China will also promote the basic medical public services available to all people. China will promote medical and health resources coordination in counties (the existing county hospitals are 16,800), and strengthen the second-class health care and medical security services capacity. According to the statistics, there are 990,000 primary health care institutions in China, of which 36,000 are community service centers and 35,000 are township health centers. The National Health Commission has classified their service capacity standards. The new high-value demand and spending on health care will remain high. The trend of continuous growth in demand for health services brought about by accelerated aging and urbanization has become more obvious, and China's in-vitro diagnostic market still has great potential for development and expansion. With the growth of per capita disposable income in the PRC, as well as the increasing awareness of disease prevention, physical examination among nationals and the national coverage of medical insurance, the market of the IVD industry will have huge potential in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

In the foreseeable future, with the launch of centralised procurement for liver function reagents, the items and scope of centralised procurement of other categories of diagnostic reagents will continue to expand. Although there are significant differences in the development of the IVD segment, centralised procurement is becoming the new norm which will lead to the subtle and critical changes in market landscape. Therefore, it is expected that the market will see changes including further increased concentration in the industry, a stronger competitive edge of manufacturers with complete supporting system, less reliance on dealers, and more intense requirements from the clinical to the quality of reagents. As a result of the increasing M&A made by companies profited during the pandemic and the inevitable trend of localization of foreign companies, it is expected that market competition will further intensify and lead to more uncertainty. The market players of the entire industry especially for those of biochemical products have put forward higher competition requirements, which will force products to continually speed up their upgrades and repetitive computation, so as to ease up certain price pressures. At the same time, occupying the market through product diversification and the synergy effects formed in research and development, channels and brands would continue to form positive feedback and promote further development of the Group; the pressure to reduce profits brought by centralised procurement have promoted the disintermediated market. The product agency marketing models that the market relied on in the past had become inappropriately suitable for market needs.

Looking into 2023, with significant changes in the industry in the post-COVID era, companies in the IVD industry will have to reposition themselves in the new ecosystem landscape and obtain new opportunities with widespread application for precise and fast products, mainly nucleic acid tests and antigen tests through rational division of functions. Intense competitions will inevitably lead to more frequent mergers and consolidations than ever before and more emphasis will be placed on products with market demand and technological innovation, as well as their repetitive computing capabilities and speed (including R&D, registration, clinical and other links). At present, the development of the IVD industry is undergoing complicated changes and it is imperative for enterprises to look for new approaches from the overall situation perspective.

After more than 30 years of steady development, the Company has accumulated rich industry experience. In 2023, the Company will follow the keynote of improving quality and efficiency and seeking breakthroughs, and will fully integrate internal and external resources and deeply focus on profit-driven hospital projects in key regions nationwide. The Company will strive against the tide, enhance product competition through process improvement and formula optimization, continue to consolidate and enhance its biochemical products business segments by making full use of the advantages of centralised procurement, constantly improve its product quality, optimise and expand existing key products offerings, make up for the loss caused by the price reduction by releasing the quantity, refine featured products with greater profit margins and actively develop more convenient and sustainable new products. By consolidating its business foundations and adjusting its business strategies, the Company will expand its revenue sources, ramp up its own business and service capabilities, innovate co-operation models, speed up the response against evolving situation, provide domestic and foreign customers with more premium and all-round services and endeavour to return to our leading industry position with the best earlier date. At the same time, the Group will follow the development trend of the IVD industry, focus on future industrial strategy such as flow diagnostics, cultivate in the primary market and actively explore new profit models for the Company, including establishing strategic partnerships with leading professional players in the industry. Based on our existing brand advantages, excellent distributors and total market-oriented institutional advantages, the Group will continue to promote the resources integration to improve market-based remuneration, assessment and incentive mechanisms to stimulate operational vibrancy and endogenous motivation, so as to realize the upgrade in product, market and management.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

During the Reporting Period, the change of capital structure of the Company as compared to that of last year is as follows:

	2022	2021
	RMB'000	RMB'000
Cash and bank balances	77,349	44,469
Short-term loans	133,553	161,755
Long-term loans	7,548	28
Net debt	63,752	117,314
Net debt equity ratio	27%	59%

LIQUIDITY AND FINANCIAL POSITION

The Group generally financed its operations with internally generated cash flows, bank and other borrowings and capital contributions from the Shareholders. As at 31 December 2022, the net debt decreased by approximately RMB54 million year-on-year as compared to last year, which was mainly due to the cash flows from operating activities and capital contributions from non-controlling shareholders 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 IVD 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

As at 31 December 2022, certain buildings with a net carrying amount of approximately RMB22.6 million and prepaid land lease payments with a net carrying amount of approximately RMB2.3 million were pledged to a third party which guaranteed the Group, to secure the bank loans of RMB62.2 million from Bank of Beijing Co., Ltd. and RMB10 million from China Guangfa Bank. The bank loans will be due within one year. Certain buildings with a net carrying amount of RMB21.4 million were mortgaged to a third party which provided guarantees for the Group, to obtain the bank loan of RMB10 million from China Construction Bank. The loan will be due in November 2023.

At 31 December 2022, certain machineries with net carrying amount of approximately RMB9.8 million were pledged to third parties to secure loans granted to the Company which amounted to RMB18.6 million with durations in two years.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

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

	2022	2021
	RMB'000	RMB'000
Counter-guarantees given to a security company in connection with loans	20,000	3,000

EMPLOYEES

On 31 December 2022, the Group had a total of 531 full-time employees (2021: 421 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 2022 amounted to approximately RMB92 million (2021: RMB73 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 China.

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 has always placed strong emphasis on the superiority, steadiness and rationality of corporate governance. The Company has applied the principles of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (the “Corporate Governance Code”) to its corporate governance structure and practices as described in this report. A summary of the work is also set out in this report.

CORPORATE GOVERNANCE PRACTICE

During the Reporting Period, the Company complied with all of the Code Provisions and, where appropriate, adopted the recommended best practices set out in Part 2 - Principles of Good Corporate Governance, Code Provisions and Recommended Best Practices of the Corporate Governance Code (Appendix 15 to the GEM Listing Rules) with the exception of Code Provision D.2.5 as addressed below:

Code Provision D.2.5

Code Provision D.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 of the Company. 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 OF DIRECTORS

During the Reporting Period, the Board comprised seven Directors, including the chairman of the Board (the “Chairman”) and executive Director, Mr. Wu Lebin, executive Director, Mr. Lin Yanglin, two non-executive Directors, Dr. Sun Zhe and Ms. Cheng Yali, and three independent non-executive Directors, Dr. Zheng Yongtang, Mr. Ren Fujin and Mr. Lu Qi. After the resignation of Mr. Ren Fujin with effect on 12 February 2023, Prof. Shen Jiangang was appointed with effect on 23 February 2023 as an independent non-executive Director. Each of the Directors (including the non-executive Directors and independent non-executive Directors) has entered into a service contract or letter of appointment 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 “Articles of Association”). 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.

CORPORATE GOVERNANCE REPORT

No corporate governance committee has been established and the Board is delegated with the corporate governance functions under Code Provision C.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 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 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. They are mainly responsible for the management of the Group's day-to-day operations such as production, operation and financial management, as well as research, technique and international relations of the Company.

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.

To ensure that independent views and input are available to the Board, the Company has established mechanisms including (i) strengthening the independent non-executive Directors' recruitment process to include criteria such as each candidates' available time commitments and qualification; (ii) reviewing the number of independent non-executive Directors on an annual basis; (iii) performing additional assessment or evaluation of independent non-executive Directors' contribution; and (iv) engage external independent professional advisors to assist performance of directors' duties). The Board reviews the implementation and effectiveness of the above mechanisms on an annual basis.

For the Report Period, the Board performed the following duties:

- (a) developed and reviewed the Company's policies and practices on corporate governance and made recommendations to the Board;
- (b) reviewed and monitored training and continuous professional development of the Directors and senior management;

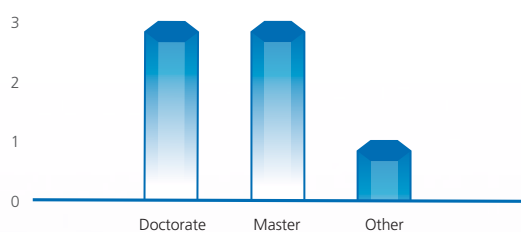
CORPORATE GOVERNANCE REPORT

- (c) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) developed, reviewed and monitored the code of conduct and compliance manual of the employees and Directors
- (e) reviewed whether an internal audit function is needed; and
- (f) reviewed the Company's compliance with the Corporate Governance Code and endorsed the annual corporate governance report.

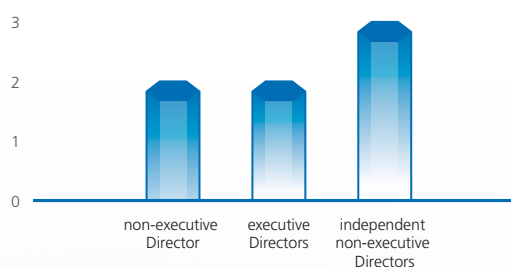
The Board fulfilled the minimum requirement of appointing at least one-third of the members of the Board as independent non-executive Directors. They have professional knowledge and extensive experience in science and technology, medical science and economics, which also conforms with the requirement 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 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.

The Board's composition as at the date of this report under diversified perspectives is summarised as follows:

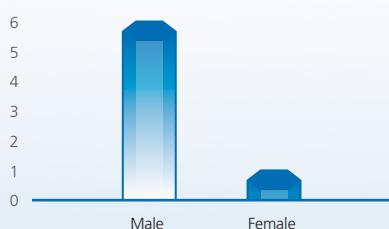
EDUCATION BACKGROUND



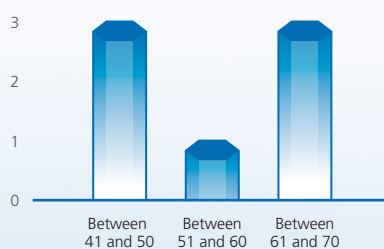
DESIGNATION



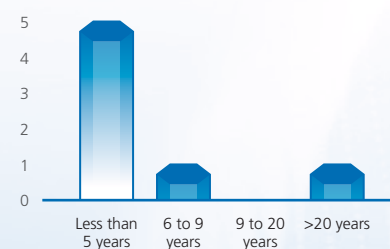
GENDER



AGE GROUP (YEARS OLD)



DIRECTORSHIP WITH THE COMPANY (YEARS OF SERVICE)



CORPORATE GOVERNANCE REPORT

The Board considers that it has already achieved gender diversity. To develop a pipeline of potential successors to the Board to achieve gender diversity, the Company has adopted relevant hiring policies for considering candidates of senior management positions which would take into account diversity perspectives including gender diversity. As at 31 December 2022, the ratio of male and female in the workforce (including the senior management) is 87% and 13%, respectively. As such, the Company's workforce and the senior management have both achieved gender diversity between males and females. The Company would continue to take into account of diversity perspectives including gender diversity in its hiring.

In 2022, the Board held a total of eight meetings. The average attendance rate of Directors of the Company reached 88%. 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
25 January 2022	7	7	100%
10 March 2022	7	7	100%
25 March 2022	7	6	86%
12 May 2022	7	7	100%
18 May 2022	7	5	71%
11 August 2022	7	7	100%
14 November 2022	7	7	100%
19 December 2022	7	5	71%

Name of Directors	Number of meetings attended
Mr. Wu Lebin (<i>Chairman and executive Director</i>)	8/8
Dr. Sun Zhe (<i>Vice chairman and non-executive Director</i>)	5/8
Mr. Lin Yanglin (<i>Executive Director</i>)	8/8
Ms. Cheng Yali (<i>Non-executive Director</i>)	6/8
Dr. Zheng Yongtang (<i>Independent non-executive Director</i>)	8/8
Mr. Ren Fujin (<i>Independent non-executive Director</i>) (<i>resigned with effect from 12 February 2023</i>)	8/8
Mr. Lu Qi (<i>Independent non-executive Director</i>)	8/8
Prof. Shen Jiangang (<i>Independent non-executive Director</i>) (<i>appointed with effect on 23 February 2023</i>)	0/0

CORPORATE GOVERNANCE REPORT

ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING HELD IN 2022

The 2022 annual general meeting of the Company was held on 27 May 2022 in Beijing, PRC. Details of the Directors' attendance records of the meetings are as follows:

Name of Directors	Annual general meeting 27 May 2022
Mr. Wu Lebin (<i>Chairman and executive Director</i>)	1/1
Dr. Sun Zhe (<i>Vice chairman and non-executive Director</i>)	0/1
Mr. Lin Yanglin (<i>Executive Director</i>)	1/1
Ms. Cheng Yali (<i>Non-executive Director</i>)	1/1
Dr. Zheng Yongtang (<i>Independent non-executive Director</i>)	0/1
Mr. Ren Fujin (<i>Independent non-executive Director</i>) (<i>resigned with effect from 12 February 2023</i>)	1/1
Mr. Lu Qi (<i>Independent non-executive Director</i>)	1/1
Prof. Shen Jiangan (<i>Independent non-executive Director</i>) (<i>appointed with effect from 23 February 2023</i>)	0/0

CHAIRMAN AND PRESIDENT

The positions of the Chairman and the president of the Group, are currently held by Mr. Wu Lebin and Mr. Chen Peng, respectively, with clear distinction in responsibilities.

As the Chairman, Mr. Wu Lebin is responsible for the approval and supervision of the overall strategies and policies of the Group, approval of annual budgets and business plans, evaluation of the Company's performance and overseeing of the management. The other executive Director is responsible for the day-to-day operations of the Group.

Mr. Chen Peng, being the president, is responsible for the day-to-day operations of the Group, implementation of business strategies, targets and plans formulated and adopted by the Board, and assuming accountability to the Board for the overall operation of the Group.

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.

CORPORATE GOVERNANCE REPORT

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.

REMUNERATION COMMITTEE

The Remuneration Committee was established in accordance with the Code Provisions of the Corporate Governance Code 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 Fujin and Mr. Lu Qi, with Dr. Zheng Yongtang as the chairman of the Remuneration Committee. Following Mr. Ren Fujin’s resignation as an independent non-executive Director on 12 February 2023, he ceased to be a member of the Remuneration Committee and was replaced by Prof. Shen Jiangan following his appointment as an independent non-executive Director with effect on 23 February 2023.

The Remuneration Committee performed the following duties during the Year:

- reviewed and made recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management’s remuneration and on the procedures for developing remuneration policy;
- assessed the performance of executive Directors; and
- reviewed and made recommendations to the Board on the remuneration of all Directors.

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 and approve terms of executive Directors’s service contracts, if any. During the Reporting Period and prior to the publication of this report, the Remuneration Committee met once and the individual attendance of each member is set out below:

Name of Directors	Number of meetings attended
Dr. Zheng Yongtang	1/1
Mr. Ren Fujin (<i>resigned with effect from 12 February 2023</i>)	1/1
Mr. Lu Qi	1/1
Prof. Shen Jiangan (<i>appointed with effect from 23 February 2023</i>)	0/0

The Remuneration Committee has adopted the model under Code Provision E.1.2(c)(ii) for making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 December 2022 is set out below:

Remuneration bands	Number of person(s)
RMB1,000,000 and under	2
RMB1,000,001 and RMB2,000,000	1

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

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 to) (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.

The Board has adopted the board diversity policy (the "Board Diversity Policy") and the nomination policy (the "Nomination Policy") which are summarised below in this corporate governance report. Under 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 one executive Director, namely Mr. Wu Lebin, and three independent non-executive Directors, namely Dr. Zheng Yongtang, Mr. Ren Fujin and Mr. Lu Qi where Mr. Lu Qi is also the chairman of the Nomination Committee. Following Mr. Ren Fujin's resignation as an independent non-executive Director on 12 February 2023, Mr. Ren Fujin was replaced by Prof. Shen Jianguang, following his appointment as an independent non-executive Director with effect on 23 February 2023.

CORPORATE GOVERNANCE REPORT

The Nomination Committee held one meeting during the Year and prior to the publication of this report and performed the following duties:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;
- assessed the independence of the independent non-executive Directors;
- reviewed re-appointments of the Directors;
- reviewed succession planning for Directors;
- nominated Board candidates for election/re-election by Shareholders at the annual general meeting; and
- reviewed the implementation with measurable targets, progress and effectiveness of the Nomination Policy and the Board Diversity Policy

In carrying out its functions, the Nomination Committee met once 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. Lu Qi	1/1
Dr. Zheng Yongtang	1/1
Mr. Wu Lebin	1/1
Mr. Ren Fujin (<i>resigned with effect from 12 February 2023</i>)	1/1
Prof. Shen Jiangan (<i>appointed with effect from 23 February 2023</i>)	0/0

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.

Under the Nomination Policy, new Directors are nominated under the following procedures:

- (i) if the Nomination Committee determines that an additional or replacement Director is required, it will utilize multiple channels for identifying suitable Director candidates, including referral from Directors, Shareholders, management, advisors of the Company and external executive search firms; and
- (ii) having interviewed a list of potential candidates compiled from different sources, the Nomination Committee will select candidates and make recommendation based on the selection criteria and such other factors that it considers appropriate for consideration by the Board. The Board has the final authority on determining suitable candidate for appointment.

CORPORATE GOVERNANCE REPORT

Under the Nomination Policy, existing Directors are re-elected under the following procedures:

- (i) where a retiring Director, being eligible, offers himself for re-election, the Nomination Committee will consider and, if it is appropriate as considered by the Nomination Committee, the Nomination Committee will make a recommendation to the Board for its consideration and approval for re-election at a general meeting; and
- (ii) a circular containing the requisite information on such retiring Director will be sent to Shareholders prior to a general meeting in accordance with the GEM Listing Rules.

Under the Nomination Policy, new Directors are nominated by Shareholders under the following procedures:

- (i) any Shareholder who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the company secretary of the Company after the day on which the notice of the Shareholders' general meeting is despatched and at least 7 days prior to the date of such meeting: (a) a written nomination of the candidate, (b) a written confirmation from such candidate of his/her willingness to stand for election and (c) biographical details of such candidate as required under Rule 17.50(2) of the GEM Listing Rules; and
- (ii) a supplementary circular will be sent to all of the Shareholders with particulars of the proposed candidate.

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. The Board aims to have at least one female Director on the Board. After assessing the suitability of the Directors' skills and experience to the Company's business as well as other diversity perspectives such as gender, the Nomination Committee confirmed that the existing Board was appropriately structured and no change was required.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company established 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 met once every quarter during the Reporting Period and prior to the publication of this report 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.

During the Reporting Period and prior to the publication of this report, four 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	4/4
Mr. Ren Fujin (<i>resigned with effect from 12 February 2023</i>)	3/3
Mr. Lu Qi	4/4
Prof. Shen Jiangan (<i>appointed with effect from 23 February 2023</i>)	1/1

During the Reporting Period, the Audit Committee comprised all independent non-executive Directors, namely Dr. Zheng Yongtang, Mr. Ren Fujin and Mr. Lu Qi, of which Dr. Zheng Yongtang is the chairman. Following Mr. Ren Fujin's resignation as an independent non-executive Director with effect on 12 February 2023, Mr. Ren Fujin was replaced by Prof. Shen Jiangan following his appointment as an independent non-executive Director with effect on 23 February 2023.

CORPORATE GOVERNANCE REPORT

For the Reporting Period, the Audit Committee performed the following duties:

- (i) reviewed the Group's annual results for 2022 and the Group's interim and quarterly results for 2022;
- (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.

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric, the company secretary of the Company, 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 corporate 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 during the financial year.

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 2022, auditors' remuneration for audit services is approximately RMB1,880,000.

CORPORATE GOVERNANCE REPORT

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 52 to 53.

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 2022, 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 is 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 Reporting Period, materials relating to various amendments to the GEM Listing Rules as well as new guidance letters and listing decisions were distributed to the Directors as part of their continuous professional development trainings.

Directors	Attended training courses/Reviewed training materials
Mr. Wu Lebin	✓
Mr. Lin Yanglin	✓
Dr. Sun Zhe	✓
Ms. Cheng Yali	✓
Dr. Zheng Yongtang	✓
Mr. Ren Fujin	✓
Mr. Lu Qi	✓

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, 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 2022, 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.

CORPORATE GOVERNANCE REPORT

The Company has established a full-fledged risk management system for the Company to sort out the critical risks during the operation and management process in a comprehensive manner, and integrate risk management into all aspects of operation and management as well as all links of the business process so as to create a safe, healthy, effective and environmentally friendly working environment for its employees.

As an enterprise with diagnostic products as its principal business, the major risks that the Group may be exposed 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 are engaged in the manufacturing and operation of principal diagnostic products and medical devices have already obtained the above licenses and approvals 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 state. If the Group fails to make corresponding adjustments and perfection, it will cause adverse impact on its production and operation.
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 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 process, and has developed nearly 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 trainings, support, management and maintenance. To establish a mutually beneficial win-win mechanism with distributors, cultivate their loyalty to the Group and products 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 IVD reagent and IVD instrument has a direct impact on the accuracy of medical diagnosis. As a result, the state 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 to quality problem incidents and affects the Group's 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. The Company prepared a comprehensive quality management system with Quality Manual (《品質手冊》) as its core, and had passed the certification of third-party authority, so as to enable the entire process of its products (from raw materials incoming inspection to manufacturing and operation and after-sales service) is effectively under control. During the Reporting Period, there was no major quality problem.

CORPORATE GOVERNANCE REPORT

5. Risk of key technical staff loss: The Group is one of the enterprises with the longest history in domestic IVD industry. The key factor for maintaining its competitive edge is that 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 employs 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.
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. The Group will learn from lessons whole-heartedly and will strictly comply with the Interim Measures for the Administration of Foreign Investment (《對外投資管理暫行辦法》) 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 performance index 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 relevant business department of 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 the Group's 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. The Company set up miniature fire station that equipped with part-time firemen as well as equipment and facilities. In 2022, the Group conducted one fire drill, which proved that quick response is achievable and safeguarding the safety of corporate personnel and property.

CORPORATE GOVERNANCE REPORT

In conclusion, in facing the above risks, the Group has three defense lines in place from top to bottom, namely, business departments, senior management team and the Board and the Supervisory Committee, which are being set up based on corporate governance structure and according to 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, allow whistle-blowing 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 lawyer review. In 2022, the Company's internal personnel and externally engaged intermediaries conducted 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 and defects were discovered, confirming the effectiveness of the above measures. In 2023, 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.

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

There has not been any significant amendments to the Articles of Association during the Reporting Period up to the date of this report.

Shareholders Communication Policy

The objective of the shareholders' communication policy ensures that Shareholders are informed of balanced and understandable information about the Company (including the Group's strategies, businesses, major developments and financial performance) in a factual and timely manner and to enable them to exercise their rights as Shareholders in an informed manner. The Company aims to be open and transparent with its Shareholders and encourages Shareholders' active participation at the Company's general meetings. Information would be communicated to the Shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), annual general meetings and other general meetings, as well as disclosure on the websites of the Company and the Stock Exchange. Quarterly reports, interim reports, annual reports and circulars are sent to the Shareholders in a timely manner and are also available on the websites of the Company and the Stock Exchange. The Company's and the Stock Exchange's websites provide Shareholders with the corporate information. Shareholders are provided with contact details of the Company as set out in the above paragraph and under "contact us" information on the Company's website at zhongsheng.com.cn in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, Shareholders can contact Tricor Standard Limited, the Hong Kong branch share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

The Company's annual general meeting allows the Directors to meet and communicate with the Shareholders. The Company ensures that Shareholders' views are communicated to the Board. The chairman of the annual general meeting proposes separate resolutions for each issue to be considered. Annual general meeting proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of the annual general meeting is distributed to all Shareholders at least 45 clear days prior to the annual general meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the GEM Listing Rules. Separate resolution is proposed for each issue to be considered at the meeting. The chairman of the annual general meeting exercises his power under the Articles of Association to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Company's website on the day of the annual general meeting.

After taking into account that the Shareholders have multiple channels to communicate their views as mentioned above as well as the steps taken by the Board to solicit and understand the views of Shareholders and stakeholders during the year ended 31 December 2022 including but not limited to open discussion with the Shareholders during the annual general meeting, the Board's review of the implementation and effectiveness of the shareholders' communication policy was found to be sound and adequate.

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 Shareholders' 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 of the Company 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 of the Company 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.

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 2022.

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 ended 31 December 2021 and an indication of likely future development in the Group's business, are set out in the "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" sections of this report. The above sections form part of this report of the Directors.

RESULTS AND DIVIDENDS

The Group's profits for the year ended 31 December 2022 and the state of affairs of the Group as at that date are set out in the financial statements on pages 54 to 133.

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: 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 134. 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 12 to the financial statements.

SHARE CAPITAL

The annual change in the Company's issued share capital is set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the 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 during the Year.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 40 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Retained profit of the Company, as at 31 December 2022, amounted to approximately RMB16,447,000. Details of movements in the reserves of the Company during the Year are set out in note 40 to the financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers of RMB151 million, accounted for 40.5% of the total revenue for the Year, in which sales to the largest customer amounted to RMB50 million, accounted for 13.4% of the total revenue for the Year. Purchases from the Group's five largest suppliers of RMB75 million, accounted for 36.8% of the total purchases for the Year, in which purchases from the largest supplier amounted to RMB41 million, accounted for 20.1% of total purchase for the Year. 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. Lin Yanglin

VICE CHAIRMAN AND NON-EXECUTIVE DIRECTOR:

Dr. Sun Zhe

NON-EXECUTIVE DIRECTOR:

Ms. Cheng Yali

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Zheng Yongtang

Mr. Ren Fujin (*resigned with effect from 12 February 2023*)

Mr. Lu Qi

Prof. Shen Jiangang (*appointed with effect from 23 February 2023*)

SUPERVISORS:

Mr. Zhou Jie

Dr. Shen Sheng

Ms. Ren Junhe

REPORT OF THE DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company 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 45 to 49 of this report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and supervisors (including the non-executive Directors, the independent non-executive Directors and the supervisors) entered into a service contract or letter of appointment 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 the 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.

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.

REPORT OF THE DIRECTORS

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

As at 31 December 2022, 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%
Mr. Zhou Jie	150,000	0.19%	–	–	0.10%
Mr. Chen Peng	11,330,334	14.09%	–	–	7.83%

Save as disclosed above, as at 31 December 2022, 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 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 2022.

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

As at 31 December 2022, as far as is known to any Directors and supervisors, 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:

REPORT OF THE DIRECTORS

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%
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 corporation	–	27,256,143	0.00%	42.40%	18.84%
Yunnan Shengneng Investment Partnership (Limited Partnership) (Note 2)	Directly beneficially owned	10,939,314	6,780,000	13.60%	10.55%	12.24%
Mr. Li Yangyixiong (Note 2)	Through controlled corporation	10,939,314	6,780,000	13.60%	10.55%	12.24%
Mr. Li Yangyixiong	Directly beneficially owned	1,050,263	–	1.31%	–	0.73%
Ms. Chen Chen (Note 2)	Through controlled corporation	10,939,314	6,780,000	13.60%	10.55%	12.24%
Mr. Chen Zhaoyang (Note 2)	Through controlled corporation	10,939,314	6,780,000	13.60%	10.55%	12.24%
Jingning Guoke Kangyi Enterprise Management Center LLP (Note 3)	Directly beneficially owned	11,330,334	–	14.09%	–	7.83%
Sichuan Zhongsheng Medical Instrument Co., Ltd. (Note 4)	Directly beneficially owned	10,000,000	–	12.43%	–	6.91%
Mr. Chen Zhengyong (Note 4)	Through controlled corporation	10,000,000	–	12.43%	–	6.91%
Chung Shek Enterprises Company Limited	Directly beneficially owned	–	3,800,000	0.00%	5.91%	2.63%
K.C. Wong Education Foundation	Through controlled corporation	–	3,800,000	0.00%	5.91%	2.63%

Notes:

- 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.
- The interests of Yunan Shengneng Investment Partnership (Limited Partnership) ("Yunan Shengneng") were owned as to 34% by Mr. Li Yangyixiong, 33% by Ms. Chen Chen and 33% by Mr. Chen Zhaoyang. Accordingly, Mr. Li Yangyixiong, Ms. Chen Chen and Mr. Chen Zhaoyang were deemed to be interested in the H shares and the domestic shares owned by Yunan Shengneng pursuant to the SFO.
- The interests of Jingning Guoke Kangyi Enterprise Management Center LLP ("Jingning Guoke") were owned as to 99.5% by Mr. Chen Peng, the president of the Company. Accordingly, Mr. Chen Peng is deemed to be interested in the domestic shares owned by Jingning Guoke pursuant to the SFO.
- The equity interests of Sichuan Zhongsheng Medical Instrument Co., Ltd. ("Sichuan Zhongsheng") were owned as to 75.35% by Mr. Chen Zhengyong. Accordingly, Mr. Chen Zhengyong is deemed to be interested in the domestic shares owned by Sichuan Zhongsheng pursuant to the SFO.

REPORT OF THE DIRECTORS

Save as disclosed above, as far as is known to any Directors or supervisors, as at 31 December 2022, 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.

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 2022, the total number of issued shares of the Company held by other Shareholders who were not connected persons of the Company was above 25% of the total number of issued shares of the Company. As such, the Company has satisfied the public float requirement.

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 2022, 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 Provision D.2.5 as addressed below.

REPORT OF THE DIRECTORS

Code Provision D.2.5

Code Provision D.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.

REPORT OF THE DIRECTORS

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).

MATERIAL EVENTS AFTER THE REPORTING PERIOD

On 17 March 2023, a substantial shareholder of the Company, Beijing Enterprises Holdings Limited (“Beijing Enterprises”) decided to transfer all of its 27,256,143 H shares (representing 18.84% of the total number of issued shares of the Company) to transferees who are not related to each other by way of public solicitation of transferees. Upon completion of this transfer, there will be no change of control in the Company. As at the date of this report, the transfer has not been completed.

AUDITORS

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

ON BEHALF OF THE BOARD

Wu Lebin
Chairman

Beijing, the PRC
31 March 2023

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 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 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 Articles of Association and operating norms.

The Supervisory Committee considers that the Company’s 2022 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 will strictly observe the Articles of Association and the relevant requirements in 2023 to better discharge its duty, including securing the Shareholders’ interests.

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

Zhou Jie

Chairman of the Supervisory Committee

Beijing, the PRC

31 March 2023

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHAIRMAN OF THE BOARD

Mr. Wu Lebin (吳樂斌先生), aged 61, is the Chairman, an executive Director and the legal representative 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 was the president of the Company since 2003 and has acted as the Chairman since 2006 and resigned the concurrent post of president in 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, he again served as the president of the Company and resigned in August 2020.

VICE CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. Lin Yanglin (林楊林先生), aged 41, is an executive Director. He obtained his bachelor's 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 as the president. Mr. Lin resigned as the president and was appointed as an executive Director and a vice chairman of the Company in December 2021.

VICE CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dr. Sun Zhe (孫哲博士), aged 48, is a non-executive Director and the vice chairman 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. 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

NON-EXECUTIVE DIRECTOR

Ms. Cheng Yali (程亞利女士), aged 61, 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 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Zheng Yongtang (鄭永唐博士), aged 61, 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's degree in Medicine from Jiangxi Medical College* (江西醫學院) in 1983, a master's degree in cellular immunology and a doctorate 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.

Mr. Ren Fujin (任孚今先生), aged 58, is an independent non-executive Director. Mr. Ren is a senior economist. He obtained a bachelor's 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). Mr. Ren resigned as an independent non-executive director in February 2023.

Mr. Lu Qi (陸琪先生), aged 42, is an independent non-executive Director. He obtained his Bachelor of Law degree from Central University of Finance and Economics (中央財經大學) from September 1999 to July 2003 and a Master of Civil and Commercial Law degree from Central University of Finance and Economics (中央財經大學) in June 2009. He is currently a doctorate student at Finance at Northeastern University (東北大學). From August 2003 to October 2011, he worked at the Zhejiang Branch of Industrial and Commercial Bank of China (中國工商銀行銀行浙江省分行) and Zhejiang Branch of China Development Bank (國家開發銀行浙江省分行). In September 2011, he worked at China Economic System Reform Research Association (中國經濟體制改革研究會). He has acted as deputy director at the Internet and New Economy Committee (互聯網和新經濟專業委員會) since 2019. Mr. Lu joined the Company in May 2021.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Prof. Shen Jiangan (沈劍剛教授), aged 59, has been appointed as an independent non-executive Director with effect from 23 February 2023. Prof. Shen acted as a professor and chairman of the Departmental Research Postgraduate Committee at School of Chinese Medicine of The University of Hong Kong since February 2022. From July 2014 to February 2020, Prof. Shen acted as a professor and associate director (research) of School of Chinese Medicine at The University of Hong Kong. From January 2013 to July 2014, Prof. Shen acted as a professor and assistant director (research) of School of Chinese Medicine at The University of Hong Kong. From November 2005 to January 2007, Prof. Shen acted as an assistant professor at School of Chinese Medicine of The Chinese University of Hong Kong. From August 2004 to December 2005, Prof. Shen served as an assistant professor (research) at College of Pharmacy, Health Science Center, University of New Mexico in the United States of America (the "United States"). From September 2001 to September 2004, Prof. Shen served as a research assistant professor at the Department of Medicine of The University of Hong Kong. From August 1999 to September 2001, Prof. Shen was employed as a research scientist at National EPR Center, Department of Radiology at Dartmouth Medical School in the United States. From July 1995 to July 1998, Prof. Shen acted as an associate professor and associate director at Institute of Chinese Medicine, Nan-Fang Hospital, First Military Medical University (currently known as Southern Medical University) in China. From July 1990 to July 1995, Prof. Shen was a lecturer at Institute of Chinese Medicine, Nan-Fang Hospital, First Military Medical University in China. Prof. Shen joined the Company in February 2023.

SUPERVISORS

Mr. Zhou Jie (周潔先生), aged 61, 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. He was elected as a supervisor by employee representative in December 2018.

Dr. Shen Sheng (沈勝博士), aged 38, is a supervisor of the Company. 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 doctorate 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.

Ms. Ren Junhe (任君賀女士), aged 33, is a supervisor of the Company. From September 2009 to July 2013, she studied at Hebei University of Economics and Business and obtained a bachelor's degree in Economics. She joined the Company in 2013 and is currently the secretary to the president.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. CHEN Peng (陳鵬先生), aged 49, is the president of the Company. He graduated from Anhui University of Chinese Medicine (安徽中醫學院) with a bachelor's degree in Integrated Chinese and Western Medicine (中西醫結合臨床專業) in 1998. He served as the technical director of Shanghai Fosun High-tech (Group) Co., Ltd.* (上海復星高科技(集團)公司), a director of Anhui Guoke Kangyi Medical Technology Co., Ltd.* (安徽國科康儀醫療科技有限公司) and Hefei Guoke Kangyi Medical Laboratory Co., Ltd.* (合肥國科康儀醫學檢驗實驗室有限公司), the chairman and president of Hefei Anhui Meikang Hospital Investment Management Co., Ltd. (合肥安徽美康醫院投資管理股份有限公司), the general manager of Guoke Health Hospital Industry (Hefei) Co., Ltd.* (國科健康醫院產業(合肥)有限公司), the chairman of Guoke Health Information Technology (Anhui) Co., Ltd. (國科健康信息科技(安徽)有限公司) and the chairman of Step Stone (Suzhou) Biotechnology Co., Ltd. (踏石(蘇州)生物技術有限公司). He joined the Company in December 2021.

Dr. Xu Cunmao (許存茂博士), aged 60, is currently a vice president and the 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 doctorate 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股份有限公司), 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 a Director in March 2015 and resigned as a Director in July 2020.

Mr. Liu Jianzhong (劉建中先生), aged 58, 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 the finance manager since 2014. In January 2019, he was appointed as the finance controller.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric (董煥樟先生), aged 52, 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 at Ernst & Young and possesses extensive experience. Mr. Tung is currently the chief financial officer and general manager of the Capital and Finance Department of Beijing Enterprises Holdings Limited (stock code: 392) an executive director, the chief financial officer and the company secretary of Beijing Enterprises Water Group Limited (stock code: 371), an independent non-executive director of each of South China Financial Holdings Limited (stock code: 619) and GR Properties Limited (stock code: 108), all of which are companies listed on the Main Board of the Stock Exchange.

QUALIFIED ACCOUNTANT

Mr. Cheng King Yin (鄭敬賢先生), aged 35, is the qualified accountant of the Company. Mr. Cheng graduated from City University of Hong Kong and holds a bachelor's 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 at 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 5 to 80, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 ("HKSA") 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 matter

Revenue recognition

The Group recognised total revenue amounting to RMB373,071,000 in its consolidated statement of profit or loss for the year ended 31 December 2022. Revenue is recognised when control of goods or service is transferred to the customers. Since revenue from the sale of goods and service is one of the key performance indicators of the Group, there is a higher risk that revenue from the sale of goods and service 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 matter

Our audit procedures included, among others, understanding the revenue recognition process, performing tests of control on revenue recognition, and performing tests of details on a sampling basis. In addition, we sent confirmations to major customers and investigated 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 collection. We conducted cut-off tests for revenue transactions recorded before and after the end of the reporting period.

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 HKSAs 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 HKSAs, 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.

Certified Public Accountants
Hong Kong
31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	373,071	348,225
Cost of sales		(226,794)	(204,633)
Gross profit		146,277	143,592
Other income and gains	5	4,455	3,298
Selling and distribution expenses		(54,978)	(53,823)
Administrative expenses		(44,694)	(39,450)
Reversal of impairment losses		(194)	(129)
Research and development expenses		(26,867)	(24,944)
Other expenses		(5,200)	(13,145)
Finance costs	7	(6,817)	(10,565)
Share of profits and losses of:			
Joint ventures		(46)	411
Associates		6,580	1,162
PROFIT BEFORE TAX	6	18,516	6,407
Income tax expense	10	(4,314)	(3,247)
PROFIT FOR THE YEAR		14,202	3,160
Attributable to:			
Owners of the parent	11	8,106	(1,140)
Non-controlling interests		6,096	4,300
		14,202	3,160
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit/(loss) for the year	11	RMB0.056	RMB(0.008)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
PROFIT FOR THE YEAR	14,202	3,160
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	24	(19)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	24	(19)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive loss:		
Changes in fair value	(531)	-
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(531)	-
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(507)	(19)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	13,695	3,141
Attributable to:		
Owners of the parent	7,599	(1,159)
Non-controlling interests	6,096	4,300
	13,695	3,141

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	72,844	94,808
Investment properties	13	21,435	–
Right-of-use assets	14(a)	12,327	12,035
Prepayments	15	–	600
Other intangible assets	16	26,441	27,176
Investments in joint ventures	17	12,016	12,770
Investments in associates	18	54,088	47,508
Equity investments designated at fair value through other comprehensive income		–	531
Long-term receivables	19	2,700	770
Deferred tax assets	27	3,934	3,487
Total non-current assets		205,785	199,685
CURRENT ASSETS			
Inventories	20	55,486	59,999
Trade and bills receivables	21	215,511	207,444
Prepayments, other receivables and other assets	22	49,113	96,164
Cash and cash equivalents	23	77,349	44,469
Total current assets		397,459	408,076
CURRENT LIABILITIES			
Trade payables	24	137,014	145,669
Other payables and accruals	25	68,939	75,632
Interest-bearing bank and other borrowings	26	133,553	161,755
Lease liabilities	14(b)	3,288	2,506
Tax payable		3,470	3,469
Total current liabilities		346,264	389,031
NET CURRENT ASSETS		51,195	19,045
TOTAL ASSETS LESS CURRENT LIABILITIES		256,980	218,730

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		256,980	218,730
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	7,548	28
Deferred income	28	827	2,457
Lease liabilities	14(b)	7,299	9,242
Deferred tax liabilities	27	7,199	7,591
Total non-current liabilities		22,873	19,318
Net assets		234,107	199,412
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	144,707	144,707
Reserves	30	61,142	31,467
Non-controlling interests		28,258	23,238
Total equity		234,107	199,412

Wu Lebin
Director

Lin Yanglin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

Year ended 31 December 2022

	Attributable to owners of the parent						Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (note 29)	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			
At 1 January 2022	144,707	102,596	47,978	(176)	(474)	(118,457)	176,174	23,238	199,412
Profit for the year	-	-	-	-	-	8,106	8,106	6,096	14,202
Other comprehensive income for the year:									
Change in fair value of equity investments at fair value through other comprehensive loss, net of tax	-	-	-	-	(531)	-	(531)	-	(531)
Exchange differences on translation of foreign operations	-	-	-	24	-	-	24	-	24
Total comprehensive income/(loss) for the year	-	-	-	24	(531)	8,106	7,599	6,096	13,695
Contribution from non-controlling shareholders of a subsidiary	-	22,076	-	-	-	-	22,076	(1,076)	21,000
At 31 December 2022	144,707	124,672	47,978	(152)	(1,005)	(110,351)	205,849	28,258	234,107

* These reserve accounts comprise the consolidated reserves of RMB61,142,000 (2021: RMB31,467,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

Year ended 31 December 2021

	Attributable to owners of the parent								Total equity RMB'000
	Share capital RMB'000 (note 29)	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	
At 1 January 2021	144,707	102,596	47,978	(157)	(474)	(117,317)	177,333	18,938	196,271
Profit for the year	-	-	-	-	-	(1,140)	(1,140)	4,300	3,160
Other comprehensive loss for the year: Exchange differences on translation of foreign operations	-	-	-	(19)	-	-	(19)	-	(19)
Total comprehensive (loss)/income for the year	-	-	-	(19)	-	(1,140)	(1,159)	4,300	3,141
At 31 December 2021	144,707	102,596	47,978	(176)	(474)	(118,457)	176,174	23,238	199,412

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		18,516	6,407
Adjustments for:			
Finance costs	7	6,817	10,565
Share of profits of associate		(6,580)	(1,162)
Share of losses of joint ventures		46	(411)
Other interest income	5	(335)	(219)
Loss on disposal of items of property, plant and equipment		105	200
Depreciation of property, plant and equipment	6	18,512	23,402
Depreciation of right-of-use assets	6,14	2,804	3,070
Depreciation of investment properties	6,13	602	–
Amortisation of other intangible assets	6,16	2,411	1,456
Impairment of goodwill		–	309
Impairment of long-term equity investments	6	708	273
Impairment/(Reversal) of trade and bills receivables	6	467	(232)
Impairment of prepayments	6	600	–
Reversal of other receivables	6	(873)	361
Provision for of inventories to net realisable value	6	3,702	12,280
		47,502	56,299
Increase in inventories		(1,916)	(6,650)
Increase in trade and bills receivables		(8,534)	(2,625)
Decrease/(Increase) in prepayments, other receivables and other assets		30,811	(9,116)
(Decrease)/Increase in trade payables		(8,655)	20,552
Decrease in other payables and accruals		(8,232)	(6,684)
Decrease in deferred income	28	(1,630)	(928)
Cash generated from operations		49,346	50,848
Income tax paid		(5,152)	(2,660)
Interest received	5	335	706
Net cash flows from operating activities		44,529	48,894

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Net cash flows from operating activities		44,529	48,894
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(16,335)	(3,743)
Purchases of other intangible assets		(137)	(2,806)
Proceeds from disposal of items of property, plant and equipment		372	552
Repayment of IDC prepayment	22(b)	14,983	–
Interest received		–	219
Net cash flows used in investing activities		(1,117)	(5,778)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		161,414	178,886
Repayments of bank and other borrowings		(182,096)	(208,905)
Interest paid	7	(6,132)	(10,565)
Principal portion of lease payments	14(b)	(4,942)	(3,438)
Capital contributions from non-controlling shareholders		21,000	–
Net cash flows used in financing activities		(10,756)	(44,022)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		32,656	(906)
Cash and cash equivalents at beginning of year		44,469	45,453
Effect of foreign exchange rate changes, net	6	224	(78)
CASH AND CASH EQUIVALENTS AT END OF YEAR		77,349	44,469
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	77,349	44,469

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION

Biosino Bio-Technology and Science Incorporation (the “Company”) is a limited liability company established 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 2022 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 Biosino Medical Lab Co., Ltd. (“Biosino Lab”) (北京中生醫學檢驗所有限公司)	PRC/Mainland China	RMB50 million	94%	–	Medical service and medical inspection service
Biosino Suzhou Medical Technology Co., Ltd. (“Biosino Suzhou”) (中生(蘇州)醫療科技有限公司) **	PRC/Mainland China	RMB66.9 million	90.5%	–	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
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, as disclosed in note 3.

** On 27 January 2022, the Company entered into a capital injection agreement with other third party shareholders (the “Third Party Shareholders”), pursuant to which the Third Party Shareholders agreed to make capital injection by RMB21 million to Biosino Suzhou. Upon the completion of the capital injection, the total registered capital of Biosino Suzhou was increased to RMB66.9 million and the shareholding interest held by the Company was decreased to 90.5%.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

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.

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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 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 (the "Conceptual Framework") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

- (b) 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 as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) 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 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1, 5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

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

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion

⁵ 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

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

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 resulting from a downstream transaction 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 HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. 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 2022

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.

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 2022

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 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 2022

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 2022

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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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 2022

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 2022

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% to 4.75%
Leasehold improvements	Over the shorter of lease terms and 10.00%
Machinery	8.60% to 19.40%
Furniture and fixtures	19.00% to 32.33%
Motor vehicles	19.00% to 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 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Investment properties**

Investment properties mainly comprising buildings, are held for long-term rental income. The Group's investment properties are initially measured at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties are depreciated on the straight-line basis, at rates sufficient to write off their costs over their estimated life of 30 years. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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 2022

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.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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 2022

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 2022

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.

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 2022

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 that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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 2022

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, 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 2022

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 2022

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 2022

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

(b) Other service

Revenue from other service is recognised at the point in time when the control of the service is transferred to the customer, generally upon the completion of service provided.

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 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 2022

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.

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 2022

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 2022

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:

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)***Estimation uncertainty** *(Continued)****Provision for expected credit losses on trade receivables and other receivables*** *(Continued)*

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 21 and note 22 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).

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

Estimation uncertainty *(Continued)*

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 2022 was nil (2021: RMB nil). The amount of unrecognised tax losses at 31 December 2022 was RMB118,639,000 (2021: RMB100,077,000). Further details are contained in note 27 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 2022, the best estimate of the carrying amount of capitalised development costs was RMB3,078,000 (2021: RMB4,877,000).

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.

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.

NOTES TO FINANCIAL STATEMENTS*31 December 2022***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 2022, 96% of the Group's revenue was generated from customers located in Mainland China, and as at 31 December 2022, all the non-current assets of the Group were located in Mainland China.

Information about major customers

Revenue of approximately RMB44,632,000 (2021: RMB62,407,000) 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 2022

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	371,214	345,789
Rental income	1,857	2,436
	373,071	348,225
Types of goods or services		
Sale of in-vitro diagnostic reagent products	336,860	345,789
Other service	34,354	–
	371,214	345,789
Timing of revenue recognition		
Goods and services transferred at a point in time	371,214	345,789
Other income		
Government grants	2,897	3,033
Other interest income	335	219
Others	1,108	41
	4,340	3,293
Gains		
Others	115	5
	4,455	3,298

NOTES TO FINANCIAL STATEMENTS

31 December 2022

6. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold (i)		204,913	204,633
Cost of services provided (i)		21,881	–
		226,794	204,633
Employee benefit expense (including directors' and supervisors' remuneration (note 8)):			
Wages, salaries and bonuses		50,545	45,702
Pension scheme contributions (defined contribution scheme)*		7,435	6,874
Social welfare and other costs		9,431	9,679
		67,411	62,255
Research and development costs (ii)		26,867	24,944
Government grants	5	(2,897)	(3,033)
Loss on disposal of items of property, plant and equipment, net		105	200
Loss on disposal of inventories		681	–
Lease payments not included in the measurement of lease liabilities	14(c)	606	3,401
Auditor's remuneration		1,880	1,500
Depreciation of property, plant and equipment	12	18,512	23,402
Depreciation of investment properties	13	602	–
Depreciation of right-of-use assets	14(a)	2,804	3,070
Amortisation of other intangible assets	16	2,411	1,456
Impairment/(Reversal) of trade and bills receivables	21	467	(232)
Impairment of other receivables		(873)	361
Impairment of prepayments	15	600	–
Impairment of goodwill		–	309
Impairment of long-term equity investments	17	708	273
Provision for inventories to net realisable value		3,702	12,280
Interest on bank and other loans	7	6,132	9,840
Interest on lease liabilities	7	685	725
Foreign exchange differences, net		(224)	78

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions

(i) For the year ended 31 December 2022, cost of inventories sold and service provided included the depreciation of property, plant and equipment of RMB10,339,000 (2021: RMB13,250,000), employee benefit costs of RMB22,496,000 (2021: RMB16,031,000) and depreciation of right-of-use assets of RMB1,532,000 (2021: RMB1,540,000).

(ii) For the year ended 31 December 2022, research and development costs included the depreciation of property, plant and equipment of RMB3,354,000 (2021: RMB3,337,000), employee benefit costs of RMB15,548,000 (2021: RMB12,239,000) and depreciation of right-of-use assets of RMB441,000 (2021: RMB395,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2022

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on bank and other loans	6,132	9,840
Interest on lease liabilities	685	725
	6,817	10,565

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	
	2022 RMB'000	2021 RMB'000
Fees	180	185
Other emoluments:		
Salaries, allowances and benefits in kind	2,853	3,151
	3,033	3,336

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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:

	2022 RMB'000	2021 RMB'000
Dr. Zheng Yongtang	60	60
Mr. Ren Fujin	60	60
Ms. Li Li ¹	–	30
Mr. Lu Qi ²	60	35
	180	185

There were no other emoluments payable to the independent non-executive directors for the years of 2022 and 2021.

¹ Ms. Li Li was appointed as an independent non-executive director on 11 March 2020 and resigned as an independent non-executive director on 28 May 2021.

² Mr. Lu Qi was appointed as an independent non-executive director on 28 May 2021.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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
2022			
Executive directors:			
Mr. Wu Lebin	–	1,942	1,942
Mr. Lin Yanglin ¹	–	–	–
	–	1,942	1,942
Non-executive directors:			
Dr. Sun Zhe	–	–	–
Ms. Cheng Yali	–	–	–
	–	–	–
Supervisors:			
Dr. Shen Sheng	–	–	–
Ms. Ren Junhe ⁷	–	234	234
Mr. Zhou Jie	–	677	677
	–	911	911
Chief executive:			
Mr. Chen Peng ⁸	–	1,846	1,846
	–	1,846	1,846

NOTES TO FINANCIAL STATEMENTS

31 December 2022

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Total remuneration RMB'000
2021			
Executive directors:			
Mr. Wu Lebin	–	1,222	1,222
Mr. Lin Yanglin ¹	–	1,115	1,115
Mr. Chen Jintian ²	–	–	–
Mr. Chen Jianhua ³	–	–	–
	–	2,337	2,337
Non-executive directors:			
Dr. Sun Zhe	–	–	–
Mr. Wang Tao ⁴	–	–	–
Ms. Cheng Yali	–	–	–
Mrs. Zeng Shuangzi ⁵	–	–	–
	–	–	–
Supervisors:			
Dr. Shen Sheng	–	–	–
Ms. Huang Aiyu ⁶	–	–	–
Ms. Ren Junhe ⁷	–	233	233
Mr. Zhou Jie	–	581	581
	–	814	814
Chief executive:			
Mr. Chen Peng ⁸	–	95	95
	–	95	95

¹ Mr. Lin Yanglin was appointed as an executive director on 28 May 2021.

² Mr. Chen Jintian resigned as an executive director on 28 May 2021.

³ Mr. Chen Jianhua resigned as an executive director on 28 May 2021.

⁴ Mr. Wang Tao was appointed as a non-executive director on 20 November 2020 and resigned as a non-executive director on 22 November 2021.

⁵ Ms. Zeng Shuangzi was appointed as a non-executive director on 28 May 2021 and resigned as a non-executive director on 22 November 2021.

⁶ Ms. Huang Aiyu resigned as an independence supervisor on 28 May 2021.

⁷ Ms. Ren Junhe was appointed as an independence supervisor on 28 May 2021.

⁸ Mr. Chen Peng was appointed as a chief executive on 7 December 2021.

NOTES TO FINANCIAL STATEMENTS

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2021: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director nor supervisor of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	1,926	2,197
Pension scheme contributions	125	210
	2,051	2,407

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

	Number of employees	
	2022	2021
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, 21 October 2020 and 3 November 2021, 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.

	2022 RMB'000	2021 RMB'000
Current – the PRC		
Charge for the year	5,153	4,597
Deferred (<i>note 27</i>)	(839)	(1,350)
Total tax charge for the year	4,314	3,247

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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:

	2022		2021	
	RMB'000	%	RMB'000	%
Profit before tax	18,516		6,407	
Tax at the statutory tax rate	4,629	25	1,602	25
Preferential tax rate or concessions	(221)	(1)	76	1
Adjustments in respect of current tax of previous periods	534	3	–	–
Profits attributable to joint ventures and associates	(980)	(5)	(236)	(4)
Accelerated research and development deductible expenses	(3,891)	(21)	(3,591)	(56)
Income not subject to tax	–	–	20	–
Expenses not deductible for tax	532	3	566	9
Tax losses and deductible temporary differences not recognised	3,711	20	4,810	75
Tax charge at the Group's effective rate	4,314	23	3,247	51

The share of tax attributable to associates and joint ventures amounting to RMB980,000 (2021: RMB236,000) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

The calculation of the earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 144,707,176 (2021: 144,707,176) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during both the years ended 31 December 2022 and 2021.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2022	2021
	RMB'000	RMB'000
Earnings/(Loss)		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	8,106	(1,140)
	Numbers of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	144,707,176	144,707,176

NOTES TO FINANCIAL STATEMENTS

31 December 2022

12. 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 2022						
At 1 January 2022:						
Cost	62,933	39,157	195,938	8,130	7,342	313,500
Accumulated depreciation	(17,160)	(31,032)	(156,354)	(7,681)	(6,465)	(218,692)
Net carrying amount	45,773	8,125	39,584	449	877	94,808
At 1 January 2022, net of accumulated depreciation and impairment	45,773	8,125	39,584	449	877	94,808
Additions	-	4,228	14,246	214	374	19,062
Disposals	-	-	(457)	(2)	(18)	(477)
Transfer to investment properties	(22,037)	-	-	-	-	(22,037)
Depreciation provided during the year	(1,397)	(2,317)	(14,494)	(265)	(39)	(18,512)
At 31 December 2022, net of accumulated depreciation	22,339	10,036	38,879	396	1,194	72,844
At 31 December 2022:						
Cost	40,896	43,385	209,727	8,342	7,698	310,048
Accumulated depreciation	(18,557)	(33,349)	(170,848)	(7,946)	(6,504)	(237,204)
Net carrying amount	23,339	10,036	38,879	396	1,194	72,844

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2021						
At 1 January 2021:						
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
At 1 January 2021, net of accumulated depreciation and impairment	47,771	12,474	53,449	661	864	115,219
Additions	–	3,061	415	216	51	3,743
Disposals	–	(610)	(89)	(39)	(14)	(752)
Depreciation provided during the year	(1,998)	(6,800)	(14,191)	(389)	(24)	(23,402)
At 31 December 2021, net of accumulated depreciation	45,773	8,125	39,584	449	877	94,808
At 31 December 2021:						
Cost	62,933	39,157	195,938	8,130	7,342	313,500
Accumulated depreciation	(17,160)	(31,032)	(156,354)	(7,681)	(6,465)	(218,692)
Net carrying amount	45,773	8,125	39,584	449	877	94,808

At 31 December 2022, the Group's buildings with a net carrying amount of approximately RMB22.55 million (31 December 2021: RMB23.83 million), and prepaid land lease payments with a net carrying amount of approximately RMB2.33 million (31 December 2021: RMB2.41 million) were pledged to Beijing Zhongguancun Guarantee Technology Financing Guarantee Co., Ltd. ("Zhongguancun Guarantee"), which guaranteed the Group, to secure the bank loans of RMB62.2 million (31 December 2021: RMB72.6 million) in principal from Bank of Beijing Co., Ltd. and RMB10 million in principal from China Guangfa Bank. The Company has signed multiple loan contracts with Bank of Beijing Co., Ltd. and China Guangfa Bank. The loans will be due in January to December 2023 due to different maturities. In addition, the Group borrowed RMB20 million (31 December 2021: RMB30 million) in principal from Zhongguancun Guarantee. The loan will be due in March 2023.

At 28 December 2022, the Company entered into a sale and leaseback agreement with Zhongguancun Science-Tech Leasing Co., Ltd. ("Zhongguancun Leasing") for certain items of machinery of the Company. Pursuant to the agreement, the Company agreed to sell the machinery with an original cost of RMB27 million to Zhongguancun Leasing with a selling price of RMB10 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 without consideration. The Company will pay a quarterly rental fee of approximately RMB1.3 million to Zhongguancun Leasing in 2 years with an effective interest rate of 6.80%. As of 30 December 2022, the Company received all the principals from Zhongguancun Leasing. The Company was of the opinion that the substance of the leaseback arrangement is to obtain a loan from Zhongguancun Leasing with the Company's machinery as securities. At 31 December 2022, the balance of the loan from Zhongguancun Leasing amounted to RMB10 million.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

At 18 May 2022, the Company entered into a sale and leaseback agreement with Haitong Hengxin International Finance Leasing Co., Ltd. (“Haitong Hengxin”) for certain items of machinery of the Company. Pursuant to the agreement, the Company agreed to sell the machinery with an original cost of RMB22 million to Haitong Hengxin with a selling price of RMB12 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 without consideration. The Company paid a monthly rental fee of RMB0.54 million for the first to 12th months, a monthly rental fee of RMB0.52 million for the 13th to 24th months, with an effective interest rate of 5.60% per annum. As of 25 May 2022, the Company received all the principals from Haitong Hengxin. The Company was of the opinion that the substance of the leaseback arrangement is to obtain a loan from Haitong Hengxin with the Company’s machinery as securities. At 31 December 2022, the balance of the loan from Haitong Hengxin amounted to RMB8.55 million.

13. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
Net carrying amount at 1 January 2022	–	–
Depreciation provided during the year	(602)	–
Transferred from property, plant and equipment	22,037	–
Net carrying amount at 31 December 2022	21,435	–

At 31 December 2022, the Group’s buildings with a net carrying amount of approximately RMB21.44 million (31 December 2021: RMB22.16 million) were mortgaged to Beijing Chenguang Changsheng Financing Guarantee Co., Ltd., which provided guarantees for the Group, to obtain the bank loan of RMB10 million (31 December 2021: RMB8.79 million) in principal from China Construction Bank. The loan will be due in November 2023.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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 5 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 2021	2,491	12,614	15,105
Depreciation charge	(81)	(2,989)	(3,070)
As at 31 December 2021 and 1 January 2022	2,410	9,625	12,035
Additions	–	3,096	3,096
Depreciation charge	(81)	(2,723)	(2,804)
As at 31 December 2022	2,329	9,998	12,327

* Details of the pledged information is disclosed in note 12 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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:

	2022	2021
	Lease liabilities	Lease liabilities
	RMB'000	RMB'000
Carrying amount at 1 January	11,748	14,461
New leases	3,096	–
Accretion of interest expense recognised during the year	685	725
Payments	(4,942)	(3,438)
	10,587	11,748
Analysed into:		
Current portion	3,288	2,506
Non-current portion	7,299	9,242

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

	2022	2021
	RMB'000	RMB'000
Interest on lease liabilities	685	725
Depreciation charge of right-of-use assets	2,804	3,070
Expense relating to short-term leases and other leases	598	3,393
Expense relating to leases of low-value assets (included in administrative expenses)	8	8
Total amount recognised in profit or loss	4,095	7,196

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 32(b) and 38 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

15. PREPAYMENTS

	2022 RMB'000	2021 RMB'000
Prepayments	–	600

As at 31 December 2022, the impairment of prepayments related to the purchase of patents and license was RMB600,000.

16. OTHER INTANGIBLE ASSETS

	Patents and license RMB'000	Computer software RMB'000	Development costs RMB'000	Total RMB'000
31 December 2022				
At 31 December 2021 and 1 January 2022:				
Cost	31,839	3,034	6,109	40,982
Accumulated amortisation	(8,973)	(1,591)	(1,232)	(11,796)
Impairment	(2,010)	–	–	(2,010)
Net carrying amount	20,856	1,443	4,877	27,176
At 1 January 2022	20,856	1,443	4,877	27,176
Purchases/additions	–	137	1,539	1,676
Transfer out	3,338	–	(3,338)	–
Amortisation provided during the year	(2,066)	(345)	–	(2,411)
At 31 December 2022	22,128	1,235	3,078	26,441
At 31 December 2022:				
Cost	35,177	3,171	4,310	42,658
Accumulated amortisation	(11,039)	(1,936)	(1,232)	(14,207)
Impairment	(2,010)	–	–	(2,010)
Net carrying amount	22,128	1,235	3,078	26,441

NOTES TO FINANCIAL STATEMENTS

31 December 2022

16. OTHER INTANGIBLE ASSETS (Continued)

	Patent and license RMB'000	Computer software RMB'000	Development cost RMB'000	Total RMB'000
31 December 2021				
At 31 December 2020 and 1 January 2021:				
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
At 1 January 2021	15,071	1,730	9,025	25,826
Purchases/additions	–	18	2,788	2,806
Transfer out	6,936	–	(6,936)	–
Amortisation provided during the year	(1,151)	(305)	–	(1,456)
At 31 December 2021	20,856	1,443	4,877	27,176
At 31 December 2021:				
Cost	31,839	3,034	6,109	40,982
Accumulated amortisation	(8,973)	(1,591)	(1,232)	(11,796)
Impairment	(2,010)	–	–	(2,010)
Net carrying amount	20,856	1,443	4,877	27,176

17. INVESTMENTS IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Share of net assets	24,178	24,224
Goodwill on acquisition	4,282	4,282
Provision for impairment	28,460 (16,444)	28,506 (15,736)
	12,016	12,770

NOTES TO FINANCIAL STATEMENTS

31 December 2022

17. INVESTMENTS IN JOINT VENTURES (Continued)

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	
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
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

The above investments are directly held by the Company.

On 18 November 2020, Zhongke (Beijing) Fund Management Company Limited ("Zhongke Fund"), a previous subsidiary to the Company, transferred 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 22 to the financial statements.

The following table illustrates the summarised financial information in respect of Yanqi Lake adjusted for any differences in accounting policies in joint ventures in the financial statements:

	2022 RMB'000	2021 RMB'000
Current assets	92	92
Non-current assets	68,978	68,978
Current liabilities	(12,743)	(12,652)
Non-current liabilities	(37,094)	(37,094)
Net assets	19,233	19,324
Share of the joint venture's results:		
Total expenses	(91)	(66)
Net loss	(91)	(66)

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 (2021: nil) and RMB1,008,000 (2021: RMB1,008,000), respectively.

NOTES TO FINANCIAL STATEMENTS

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18. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	54,088	47,508

Particulars of the associates are as follows:

Name	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
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 Baiké because the share of losses of the associate exceeded the Group's investments in the associate. The total amounts of the Group's unrecognised share of losses of Baiké for the current year and cumulatively were RMB316,000 (2021:RMB251,000) and RMB2,441,000 (2021: RMB2,125,000).

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

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18. INVESTMENTS IN ASSOCIATES *(Continued)*

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:

	2022 RMB'000	2021 RMB'000
Current assets	54,045	59,658
Non-current assets, excluding goodwill	172,934	171,186
Current liabilities	(77,601)	(93,388)
Non-current liabilities	(11,434)	(16,294)
Net assets	137,944	121,162
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	54,088	47,508
Carrying amount of the investment	54,088	47,508
Revenue	123,754	89,340
Profit for the year	16,782	2,962
Total comprehensive income for the year	16,782	2,962

19. LONG-TERM RECEIVABLES

	2022 RMB'000	2021 RMB'000
Receivables from sales and other deposits	2,700	770

20. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	21,514	22,064
Work in progress	3,888	3,650
Semi-finished goods	2,237	3,122
Finished goods	44,495	46,255
	72,134	75,091
Impairment	16,648	15,092
	55,486	59,999

NOTES TO FINANCIAL STATEMENTS

31 December 2022

21. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade and bills receivables	219,443	210,909
Impairment	(3,932)	(3,465)
	215,511	207,444

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:

	2022 RMB'000	2021 RMB'000
Within 3 months	81,667	43,823
4 to 6 months	30,446	46,096
7 to 12 months	44,433	34,298
1 to 2 years	28,087	48,958
Over 2 years	30,878	34,269
	215,511	207,444

NOTES TO FINANCIAL STATEMENTS

31 December 2022

21. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2022 RMB'000	2021 RMB'000
At beginning of year	3,465	3,697
Impairment losses <i>(note 6)</i>	467	(232)
At end of year	3,932	3,465

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 2022

	Past due			Total RMB'000
	Current RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	
Expected credit loss rate	–	0.23%	6.00%	1.79%
Gross carrying amount (RMB'000)	81,667	75,050	62,726	219,443
Expected credit losses (RMB'000)	–	171	3,761	3,932

As at 31 December 2021

	Past due			Total RMB'000
	Current RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	
Expected credit loss rate	–	0.16%	3.85%	1.64%
Gross carrying amount (RMB'000)	43,823	80,526	86,560	210,909
Expected credit losses (RMB'000)	–	132	3,333	3,465

NOTES TO FINANCIAL STATEMENTS

31 December 2022

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2022 RMB'000	2021 RMB'000
Due from Zhongke Fund	(a)	31,156	34,428
Prepayments		10,998	40,486
Due from IDC	(b)	–	14,983
Deposits and other receivables	(c)	13,017	13,459
		55,171	103,356
Impairment allowance:			
Others	(c)	(6,058)	(7,192)
		49,113	96,164

- (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.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

(a) *(Continued)*

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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

(a) *(Continued)*

In 2021, the Company received RMB3.36 million in cash. The fair value of the 50% equity interest in Yanqi Lake together with the guarantees provided by guarantors was approximately RMB70.7 million based on the Company's estimate.

In 2022, the Company received RMB3.27 million in cash. The fair value of the 50% equity interest in Yanqi Lake together with the guarantees provided by guarantors was approximately RMB68.9 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 RMB31.2 million in accordance with the Civil Judgement.

(b) It represented the prepayment made for an equity investment in Imaging Dynamics Company Ltd. (IDC), a listing entity located in Canada, pursuant to the investment agreement entered on 17 July 2020. In 2021, the Company re-assessed the investment plan and agreed with the counterparty to terminate the investment agreement. The prepayment of RMB14,983,800 was received in full on 10 March 2022.

(c) 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 2022 was 46.5% (2021: 53.4%).

23. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	77,349	44,469
Cash and cash equivalents	77,349	44,469

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB74,848,000 (2021: RMB37,987,000). 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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24. 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:

	2022 RMB'000	2021 RMB'000
Within 3 months	25,795	45,197
4 to 6 months	8,308	30,822
7 to 12 months	30,869	24,702
1 to 2 years	39,181	40,261
Over 2 years	32,861	4,687
	137,014	145,669

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

25. OTHER PAYABLES AND ACCRUALS

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Other payables		26,114	33,168
Salaries and welfare payables		10,999	10,053
Contract liabilities	(a)	7,544	10,881
Accrued expenses		6,127	5,761
Other tax payable		6,711	3,047
Advances from customers		4,086	5,864
Due to a shareholder	(b)	3,500	3,000
Accrued interests		3,858	3,858
		68,939	75,632

(a) Contract liabilities include short-term advances received to deliver in-vitro diagnostic reagents and machinery.

(b) The balance as at 31 December 2022 represented the amount due to the Institute of Biophysics ("IBP"), which included an accrued technical service fee of RMB3.5 million (2021: RMB3 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 36 to the financial statements. The amount due to IBP is unsecured, interest-free and has no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

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26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2022			31 December 2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	3.60-4.85	2023	96,550	3.85-6.00	2022	126,386
Bank loans – unsecured	3.95	2023	6,000	3.95-5.22	2022	3,000
Other loans – secured	5.60-6.80	2023	31,003	16.56	2022	683
Other loans – unsecured				0.00-10.00	2022	23,186
Current portion of long-term bank loans – unsecured			–	5.50	2022	8,500
			133,553			161,755
Non-current						
Other loans – secured	5.60-6.80	2024	7,548	16.56	2023	28
			141,101			161,783
			2022			2021
			RMB'000			RMB'000
Analysed into:						
Bank and other loans repayable:						
Within one year			133,553			161,755
In the second to third years, inclusive			7,548			28
			141,101			161,783

Details of the pledged assets for the secured interest-bearing bank and other borrowings are disclosed in note 12 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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27. DEFERRED TAX

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

Deferred tax assets

	2022			
	Accrued expenses RMB'000	Impairment of assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	263	2,918	306	3,487
Deferred tax credited to the statement of profit or loss during the year (<i>note 10</i>)	444	47	(44)	447
At 31 December 2022	707	2,965	262	3,934

	2021				
	Accrued Expense RMB'000	Impairment of assets RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	263	1,041	1,936	592	3,832
Deferred tax credited to the statement of profit or loss during the year (<i>note 10</i>)	–	1,877	(1,936)	(286)	(345)
At 31 December 2021	263	2,918	–	306	3,487

NOTES TO FINANCIAL STATEMENTS

31 December 2022

27. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	2022		
	Depreciation of assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	3,269	4,322	7,591
Deferred tax charged to the statement of profit or loss during the year <i>(note 10)</i>	518	(910)	(392)
At 31 December 2022	3,787	3,412	7,199

	2021		
	Depreciation of assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	5,027	4,259	9,286
Deferred tax charged to the statement of profit or loss during the year <i>(note 10)</i>	(1,758)	63	(1,695)
At 31 December 2021	3,269	4,322	7,591

The Group has tax losses arising in Mainland China of RMB118,639,000 (2021: RMB100,077,000) 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.

28. 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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29. SHARE CAPITAL

	2022 RMB'000	2021 RMB'000
Registered, issued and fully paid:		
80,421,033 (2021: 80,421,033) domestic shares of RMB1 each	80,421	80,421
64,286,143 (2021: 64,286,143) H shares of RMB1 each	64,286	64,286
	144,707	144,707

No shares were issued during the year of 2022.

30. 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.

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

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

	2022	2021
Percentage of equity interest held by non-controlling interests:		
Zhongsheng Jinyu	54.10%	54.10%
Anhui Biosino	49.00%	49.00%
Biosino Suzhou	9.50%	-

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

	2022 RMB'000	2021 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
Zhongsheng Jinyu	2,619	1,528
Anhui Biosino	4,260	3,403
Biosino Suzhou	(1,077)	–
Accumulated balances of non-controlling interests at the reporting dates:		
Zhongsheng Jinyu	15,112	12,493
Anhui Biosino	15,463	11,203
Biosino Suzhou	(2,153)	–

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

2022	Zhongsheng Jinyu RMB'000	Anhui Biosino RMB'000	Biosino Suzhou RMB'000
Revenue	71,369	90,307	11,060
Total expenses	(66,211)	(81,613)	(24,909)
Profit/(Loss) for the year	5,158	8,694	(13,849)
Total comprehensive income/(loss) for the year	5,158	8,694	(13,849)
Current assets	31,390	159,151	15,142
Non-current assets	28,428	2,882	24,169
Current liabilities	29,584	132,938	59,306
Non-current liabilities	4,701	85	2,664
Net assets	25,533	29,010	(22,659)
Non-controlling interests	15,112	15,463	(2,153)
Net cash flows from/(used in) operating activities	8,290	14,586	(14,117)
Net cash flows (used in)/from investing activities	(2,492)	170	(3,859)
Net cash flows (used in)/from financing activities	(1,968)	(1,949)	20,097
Net increase in cash and cash equivalents	3,830	12,807	2,121

NOTES TO FINANCIAL STATEMENTS

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

2021	Zhongsheng Jinyu RMB'000	Anhui Biosino RMB'000
Revenue	38,296	104,937
Total expenses	(36,023)	(97,992)
Profit/(Loss) for the year	2,273	6,945
Total comprehensive income/(loss) for the year	2,273	6,945
Current assets	26,421	183,031
Non-current assets	32,045	1,425
Current liabilities	28,962	163,984
Non-current liabilities	9,129	156
Net assets	20,375	20,316
Non-controlling interests	12,493	11,203
Net cash flows from/(used in) operating activities	6,066	(2,801)
Net cash flows used in investing activities	(2,816)	–
Net cash flows from/(used in) financing activities	1,362	(1,160)
Net increase/(decrease) in cash and cash equivalents	4,612	(3,961)

NOTES TO FINANCIAL STATEMENTS

31 December 2022

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

2022

	Bank and other borrowings RMB'000	Lease liabilities RMB'000
At 31 December 2021	161,783	11,748
New leases	–	3,096
Interest expense	–	685
Changes from financing cash flows	(20,682)	(4,942)
At 31 December 2022	141,101	10,587

2021

	Bank and other borrowings RMB'000	Lease liabilities RMB'000
At 31 December 2021	191,801	14,461
Interest expense	–	725
Changes from financing cash flows	(30,018)	(3,438)
At 31 December 2021	161,783	11,748

(b) Total cash outflow for leases

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

	2022 RMB'000	2021 RMB'000
Within financing activities	(4,942)	(3,438)

NOTES TO FINANCIAL STATEMENTS

31 December 2022

33. CONTINGENT LIABILITIES

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

	2022 RMB'000	2021 RMB'000
Counter-guarantees given to a security company in connection with loans	20,000	3,000
	20,000	3,000

34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other loans are included in note 12 and note 13 to the financial statements.

35. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for: Know-how, patents and license	958	1,458

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 2022, the technical service fees payable by the Group of RMB3,500,000 (31 December 2021: RMB3,000,000) were included in the amount due to a shareholder in note 25(b) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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36. 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:

	2022 RMB'000	2021 RMB'000
Annual technical service fee to IBP	500	500

- (b) Outstanding balances with related parties are set out in notes 25 to the financial statements.

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

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	7,730	5,257
Post-employment benefits	475	362
Total compensation paid to key management personnel	8,205	5,619

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

NOTES TO FINANCIAL STATEMENTS

31 December 2022

37. 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:

2022

Financial assets

Long-term receivables
Trade and bills receivables
Financial assets included in prepayments, other receivables and other assets
Cash and cash equivalents

**Financial
assets at
amortised cost
RMB'000**

2,700

215,511

38,115

77,349

333,675

Financial liabilities

Interest-bearing bank and other borrowings
Trade payables
Financial liabilities included in other payables and accruals

**Financial
liabilities at
amortised cost
RMB'000**

141,101

137,014

33,472

311,587

NOTES TO FINANCIAL STATEMENTS

31 December 2022

37. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2021

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Equity investments		
	RMB'000	RMB'000	RMB'000
Equity investments at fair value through other comprehensive income	531	–	531
Long-term receivables	–	770	770
Trade and bills receivables	–	207,444	207,444
Financial assets included in prepayments, other receivables and other assets	–	55,678	55,678
Cash and cash equivalents	–	44,469	44,469
	531	308,361	308,892

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	161,783
Trade payables	145,669
Financial liabilities included in other payables and accruals	40,026
	347,478

NOTES TO FINANCIAL STATEMENTS

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, other receivables and other assets. 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.

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.

NOTES TO FINANCIAL STATEMENTS

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2022

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Simplified approach RMB'000
Trade and bills receivables*	–	215,511
Financial assets included in prepayments, other receivables and other assets		
– Normal**	6,959	–
– Doubtful**	31,156	–
Cash and cash equivalents		
– Not yet past due	77,349	–
	115,464	215,511

As at 31 December 2021

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Simplified approach RMB'000
Trade and bills receivables*	–	207,444
Financial assets included in prepayments, other receivables and other assets		
– Normal**	21,250	–
– Doubtful**	34,428	–
Cash and cash equivalents		
– Not yet past due	44,469	–
	100,147	207,444

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 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”.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

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.

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:

	2022					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	–	35,130	101,852	7,799	–	144,781
Lease liabilities	–	147	3,557	6,339	2,082	12,125
Trade payables	137,014	–	–	–	–	137,014
Financial liabilities included in other payable and accruals	–	33,472	–	–	–	33,472
	137,014	68,749	105,409	14,138	2,082	327,392

	2021					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	–	43,758	119,614	855	–	164,227
Lease liabilities	–	3,088	3,199	6,187	–	12,474
Trade payables	145,669	–	–	–	–	145,669
Financial liabilities included in other payable and accruals	–	40,026	–	–	–	40,026
	145,669	86,872	122,813	7,042	–	362,396

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

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.

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 2022 RMB'000	31 December 2021 RMB'000
Total liabilities	369,137	408,349
Total assets	603,244	607,761
Gearing ratio	61.19%	67.19%

39. EVENTS AFTER THE REPORTING PERIOD

On 17 March 2023, a substantial shareholder of the Company, Beijing Enterprises Holdings Limited ("Beijing Enterprises") decide to transfer all of its 27,256,143 H shares (representing 18.84% of the total number of issued shares of the Company) to transferees who are not related to each other by way of public solicitation of transferees. Upon completion of this transfer, there will be no change of control in the Company. As of the reporting date, the transfer has not been completed.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

40. 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:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	49,360	57,181
Other intangible assets	3,489	3,710
Investments in associates	180,325	174,498
Long-term receivables	2,700	500
Deferred tax assets	3,763	3,367
Total non-current assets	239,637	239,256
CURRENT ASSETS		
Inventories	28,956	34,139
Trade and bills receivables	56,689	63,821
Prepayments, other receivables and other assets	107,888	133,068
Cash and cash equivalents	36,211	29,787
Total current assets	229,744	260,815
CURRENT LIABILITIES		
Trade payables	8,543	10,741
Other payables and accruals	39,073	68,866
Tax payable	1,470	1,819
Interest-bearing bank and other borrowings	120,976	134,886
Total current liabilities	170,062	216,312
NET CURRENT ASSETS	59,682	44,503
TOTAL ASSETS LESS CURRENT LIABILITIES	299,319	283,759
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	7,548	–
Deferred income	761	1,791
Deferred tax liabilities	7,098	7,578
Total non-current liabilities	15,407	9,369
Net assets	283,912	274,390
EQUITY		
Share capital	144,707	144,707
Reserves (Note 40)	139,205	129,683
Total equity	283,912	274,390

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

Note:

A summary of the Company's reserves is as follows:

	Capital reserve	Statutory reserve	Fair value reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	80,486	42,272	–	6,925	129,683
Total comprehensive income for the year	–	–	–	9,522	9,522
At 31 December 2022	<u>80,486</u>	<u>42,272</u>	<u>-</u>	<u>16,447</u>	<u>139,205</u>

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2023.

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 2021, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	2022 RMB'000	Year ended 31 December			
		2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
REVENUE	373,071	348,225	325,256	397,408	303,224
PROFIT/(LOSS) BEFORE TAX	18,516	6,407	2,155	(114,807)	(14,547)
TAX	4,314	(3,247)	(2,861)	(3,636)	(2,184)
PROFIT/(LOSS) FOR THE YEAR	14,202	3,160	(706)	(118,443)	(16,731)
ATTRIBUTABLE TO:					
Owners of the parent	8,106	(1,140)	2,718	(110,413)	(2,049)
Non-controlling interests	6,096	4,300	(3,424)	(8,030)	(14,682)
	14,202	3,160	(706)	(118,443)	(16,731)

ASSETS, LIABILITIES AND EQUITY

	2022 RMB'000	31 December			
		2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
TOTAL ASSETS	603,244	607,761	624,614	644,963	776,008
TOTAL LIABILITIES	369,137	(408,349)	(428,343)	(445,738)	(411,545)
NET ASSETS	234,107	199,412	196,271	199,225	364,463
REPRESENTED BY:					
EQUITY ATTRIBUTABLE TO:					
OWNERS OF THE PARENT	205,849	176,174	177,333	174,791	301,903
NON-CONTROLLING INTERESTS	28,258	23,238	18,938	24,434	62,560
TOTAL EQUITY	234,107	199,412	196,271	199,225	364,463

PUBLICATION OF THIS RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

This results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (www.zhongsheng.com.cn). The annual report for the year ended 31 December 2022 containing all the information required by the GEM Listing Rules and other applicable laws, rules and regulations will be despatched to the shareholders and published on the above websites in due course.

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

Beijing, the PRC, 31 March 2023

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. Lin Yanglin (林楊林先生)

Non-executive Directors

Ms. Cheng Yali (程亞利女士)

Independent non-executive Directors

Dr. Zheng Yongtang (鄭永唐博士), Mr. Lu Qi (陸琪先生) and Prof. Shen Jiangan (沈劍剛教授)

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 “Latest Listed Company Information” page on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk for at least 7 days from the date of its posting and on the website of the Company at www.zhongsheng.com.cn.