



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

**INTERIM RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2023**

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

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

The board of Directors (the “Board”) announced the unaudited consolidated statement of profit or loss of the Group for the three months and six months ended 30 June 2023 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023, together with the comparative figures in 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 June 2023

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 Unaudited RMB'000	2022 Unaudited RMB'000	2023 Unaudited RMB'000	2022 Unaudited RMB'000
REVENUE	4	68,043	83,876	139,146	172,436
Cost of sales		<u>(33,311)</u>	<u>(48,509)</u>	<u>(72,470)</u>	<u>(102,381)</u>
Gross profit		34,732	35,367	66,676	70,055
Other income and gains		263	856	405	970
Selling and distribution expenses		(16,220)	(13,685)	(30,710)	(28,462)
Administrative expenses		(13,873)	(11,826)	(25,795)	(21,384)
Research and development expenses		(7,199)	(6,943)	(15,953)	(12,017)
Other expenses		(36)	(13)	(113)	(13)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	(2,333)	3,756	(5,490)	9,149
Finance costs		(1,517)	(1,918)	(2,954)	(3,208)
Share of profits and losses of:					
Joint ventures		(12)	(10)	(29)	(18)
Associates		(3,204)	2,135	2,663	1,249
PROFIT/(LOSS) BEFORE TAX		(658)	3,963	(5,810)	7,172
Income tax expense	6	(1,189)	(1,349)	(2,201)	(2,440)
PROFIT/(LOSS) FOR THE PERIOD		(1,847)	2,614	(8,011)	4,732
Attributable to:					
Owners of the parent		(291)	1,172	(5,423)	578
Non-controlling interests		(1,556)	1,442	(2,588)	4,154
		(1,847)	2,614	(8,011)	4,732
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	7	(0.002)	0.008	(0.037)	0.004
– Basic and diluted (RMB)		(0.002)	0.008	(0.037)	0.004

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2023

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	Unaudited	Unaudited	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT/(LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(1,783)	2,635	(7,956)	4,764
Attributable to:				
Owners of the parent	(227)	1,193	(5,368)	613
Non-controlling interests	<u>(1,556)</u>	<u>1,442</u>	<u>(2,588)</u>	<u>4,154</u>
	<u>(1,783)</u>	<u>2,635</u>	<u>(7,956)</u>	<u>4,764</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		30 June	31 December
		2023	2022
		Unaudited	Audited
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		72,526	72,844
Investment properties		21,074	21,435
Right-of-use assets		9,997	12,327
Prepayments		600	–
Other intangible assets		28,853	26,441
Investments in joint ventures		11,987	12,016
Investments in associates		56,751	54,088
Long-term receivables		2,700	2,700
Deferred tax assets		3,915	3,934
		<hr/>	<hr/>
Total non-current assets		208,403	205,785
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		65,012	55,486
Trade and bills receivables	<i>9</i>	200,730	215,511
Prepayments, other receivables and other assets		48,468	49,113
Cash and cash equivalents		54,777	77,349
		<hr/>	<hr/>
Total current assets		368,987	397,459
		<hr/>	<hr/>

		30 June	31 December
		2023	2022
		Unaudited	Audited
	<i>Notes</i>	RMB'000	RMB'000
CURRENT LIABILITIES			
Trade payables	<i>10</i>	128,330	137,014
Other payables and accruals		57,699	68,939
Interest-bearing bank and other borrowings		143,158	133,553
Lease liabilities		2,851	3,288
Tax payable		529	3,470
		<hr/>	<hr/>
Total current liabilities		332,567	346,264
		<hr/>	<hr/>
NET CURRENT ASSETS		36,420	51,195
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		244,823	256,980
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		3,120	7,548
Deferred income		776	827
Lease liabilities		7,299	7,299
Deferred tax liabilities		7,477	7,199
		<hr/>	<hr/>
Total non-current liabilities		18,672	22,873
		<hr/>	<hr/>
Net assets		226,151	234,107
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>11</i>	144,707	144,707
Reserves		55,774	61,142
		<hr/>	<hr/>
Non-controlling interests		25,670	28,258
		<hr/>	<hr/>
Total equity		226,151	234,107
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Capital* reserve	Statutory* reserve	Exchange* reserve	Fair value* reserve of financial assets at fair value through other comprehensive income	Accumulated* losses	Total		
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
At 1 January 2023	144,707	124,672	47,978	(152)	(1,005)	(110,351)	205,849	28,258	234,107
Profit for the period	-	-	-	-	-	(5,423)	(5,423)	(2,588)	(8,011)
Exchange differences on translation of foreign operations	-	-	-	55	-	-	55	-	55
Total comprehensive income for the period	-	-	-	55	-	(5,423)	(5,368)	(2,588)	(7,956)
At 30 June 2023	<u>144,707</u>	<u>124,672</u>	<u>47,978</u>	<u>(97)</u>	<u>(1,005)</u>	<u>(115,774)</u>	<u>200,481</u>	<u>25,670</u>	<u>226,151</u>
At 1 January 2022	144,707	102,596	47,978	(176)	(474)	(118,457)	176,174	23,238	199,412
Profit for the period	-	-	-	-	-	578	578	4,154	4,732
Exchange differences on translation of foreign operations	-	-	-	35	-	-	35	-	35
Total comprehensive income for the period	-	-	-	35	-	578	613	4,154	4,767
Capital contribution from non-controlling equity holders of a subsidiary	-	13,950	-	-	-	-	13,950	6,050	20,000
Deemed disposal of a partial interest in a subsidiary	-	7,961	-	-	-	-	7,961	(7,961)	-
At 30 June 2022	<u>144,707</u>	<u>124,507</u>	<u>47,978</u>	<u>(141)</u>	<u>(474)</u>	<u>(117,879)</u>	<u>198,698</u>	<u>25,481</u>	<u>224,179</u>

* These reserve accounts comprise the consolidated reserves of RMB55,774,000 and RMB61,142,000 in the consolidated statement of financial position as at 30 June 2023 and 31 December 2022, respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended	
	30 June	
	2023	2022
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from/(used in) operating activities	(21,278)	4,497
Net cash flows from/(used in) investing activities	(2,663)	11,165
Net cash flows from/(used in) in financing activities	<u>1,369</u>	<u>(24,009)</u>
Net decrease in cash and cash equivalents	(22,572)	(8,347)
Cash and cash equivalents at beginning of period	<u>77,349</u>	<u>44,469</u>
Cash and cash equivalents at end of period	<u><u>54,777</u></u>	<u><u>36,122</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months and six months ended 30 June 2023 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the Company’s audited financial statements for the year ended 31 December 2022.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following revised HKFRSs for the first time for the current period’s financial information.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

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

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

During the six months ended 30 June 2023, almost all of the Group’s revenue was generated from customers located in mainland China and all of the non-current assets of the Group were located in mainland China.

Information about major customers

Revenue of approximately RMB14.4 million was derived from sales by the IVD reagent products segment to the largest customer of the Group, which accounted for more than 10% of the Group’s total revenue.

4. REVENUE

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

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	Unaudited	Unaudited	Unaudited	Unaudited
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost of inventories sold	33,311	48,509	72,470	102,381
Foreign exchange differences, net	(235)	(208)	(169)	(164)
Depreciation of property, plant and equipment	4,447	5,137	8,894	10,274
Depreciation of investment properties	181	–	361	–
Amortisation of other intangible assets	771	767	1,542	1,533

For the six months ended 30 June 2023, the amortisation of other intangible assets amounted to approximately RMB1,542,000 (2022: approximately RMB1,533,000) which included (a) administrative expenses of approximately RMB1,179,000 (2022: approximately RMB1,180,000), (b) research and development expenses of approximately RMB296,000 (2022: approximately RMB296,000), (c) cost of sales of approximately RMB49,000 (2022: approximately RMB40,000) and (d) selling and distribution expenses of approximately RMB18,000 (2022: approximately RMB17,000).

6. INCOME TAX EXPENSE

Taxes on profits assessable in the People’s Republic of China (“PRC” or “China”), 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, Beijing Zhongsheng Jinyu Diagnostic Technology Co., Ltd. and Biosino Suzhou Medical Technology Co., Ltd., are entitled to a preferential rate of 15% under the PRC income tax laws for a period of three years commencing on 2 December 2020, 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 period.

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	Unaudited	Unaudited	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current – the PRC Charge for the period	838	1,361	1,841	2,442
Deferred	351	(12)	360	(2)
Total tax charge for the period	<u>1,189</u>	<u>1,349</u>	<u>2,201</u>	<u>2,440</u>

7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share for the three months and six months ended 30 June 2023 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average number of 144,707,176 (2022: 144,707,176) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2023 and 2022 as the Group had no potentially dilutive ordinary shares in issue during those periods.

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

9. TRADE AND BILLS RECEIVABLES

The Group's customers fall into two categories, hospitals and distributors. Credit period is a contractual term provided in the contracts entered into by the Group with each customer.

Except for certain hospital 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, and impairment is made when it is considered that the amounts due may not be recovered. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The trade receivables are non-interest bearing.

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

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Within 3 months	43,592	81,667
4 to 6 months	45,586	30,446
7 to 12 months	41,763	44,433
1 to 2 years	41,668	28,087
Over 2 years	28,121	30,878
	200,730	215,511

10. TRADE PAYABLES

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

	30 June	31 December
	2023	2022
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	27,552	25,795
4 to 6 months	14,187	8,308
7 to 12 months	4,268	30,869
1 to 2 years	22,059	39,181
Over 2 years	60,264	32,861
	<u>128,330</u>	<u>137,014</u>

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

11. SHARE CAPITAL

	30 June	31 December
	2023	2022
	Unaudited	Audited
	RMB'000	RMB'000
Registered, issued and fully paid:		
80,421,033 (2022: 80,421,033) domestic shares of RMB1 each	80,421	80,421
64,286,143 (2022: 64,286,143) H shares of RMB1 each	64,286	64,286
	<u>144,707</u>	<u>144,707</u>

12. CONTINGENT LIABILITIES

The guarantees given to a bank in connection with loans granted to a subsidiary were RMB3 million as at 30 June 2023 (31 December 2022: RMB20 million).

13. COMMITMENTS

The Group did not have any significant capital commitments in respect of plant and equipment as at 30 June 2023.

On 9 December 2004, the Company and its substantial shareholder, Institute of Biophysics (“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. 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.

14. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
		2023	2022
		Unaudited	Unaudited
	Note	RMB'000	RMB'000
Technical service fee	(i)	<u>250</u>	<u>250</u>

Note:

(i) Details of the technical service fee are set out in note 13 to the condensed consolidated financial statements.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Wages and salaries	2,933	3,227
Pension scheme contributions	<u>212</u>	<u>259</u>
	<u>3,145</u>	<u>3,486</u>

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

15. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the Board on 10 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Environment

In the first half of 2023, with new coronavirus infections returned under Category B management, domestic healthcare services have gradually resumed their normal state of the post-pandemic era, and the market demand for pandemic prevention and detection products, which benefited from the COVID-19 in the past, had dropped significantly. Meanwhile, with the technological innovation and commercialisation capacity enhancement of domestic IVD enterprises, coupled with the centralised procurement and Diagnosis Related Group(s) (“DRG(s)”) payment reform, the trend of domestic substitution has been quite obvious, especially in the most matured sub-sectors – biochemical diagnosis projects, in which the domestic production rate has exceeded 70%. Facing the overlapping impact of the environment and policy, the development of IVD industry has been changing to the high-quality development of normalised products, and the Company, as a pioneer in China’s IVD industry, is gradually showing its advantages.

Under the trend of normalisation of centralised procurement, the terminal prices of IVD products are being pushed down, and enterprises have entered an era of low gross profit. In addition, the reform of DRGs/Big Data Diagnosis-Intervention Packet healthcare payment system has prompted medical institutions to pay more attention to the cost control of diagnostic products. On one hand, the competition among domestic IVD enterprises has intensified, which puts forward higher requirements on their management ability and product quality; on the other hand, domestic IVD enterprises have the opportunity to expand their market share and realise the substitution of domestic products by turning the corner to overtake.

In the first half year, the Company seized market opportunities and tackled various challenges while facing market changes. Adhering to the quality policy of “high-quality, efficient, creating high-quality reagents, accurate, stable, and measuring life functions”, we continuously improved product quality. With excellent product quality, the Company emerged victoriously in the liver function biochemical’s centralised procurement in 23 provinces and cities in Jiangxi, with most projects ranked among the top. Adhering to the principle of “product-centric and market-oriented”, the Company has diversified its product pipeline, increased research and development investments, and released high-end scientific research for the SinoCyte flow cytometer (流式細胞儀). At the same time, we deepened our internal management and achieved the effects of quality improvement, cost reduction, and efficiency enhancement by improving the performance evaluation regime, calibrating internal processes, and implementing stringent process management.

Revenue

During the six months ended 30 June 2023 (the “Reporting Period”), the revenue from the principal businesses of the Group as a whole amounted to approximately RMB139.1 million, representing a decrease of approximately 19.3% when compared with that of approximately RMB172.4 million for the corresponding period in 2022 (the “Corresponding Period”), which was mainly due to the declining revenue related to epidemic prevention and control activities.

Gross Profit and Gross Profit Margin

The gross profit during the Reporting Period was approximately RMB66.7 million, representing a decrease of approximately 4.8% as compared with that of approximately RMB70.1 million for the Corresponding Period and the gross profit margin was approximately 48% (2022: approximately 41%).

Selling and Distribution Expenses

During the Reporting Period, selling and distribution expenses were approximately RMB30.7 million, increased by approximately 7.9% as compared with that of approximately RMB28.5 million for the Corresponding Period. The increase in such expenses was primarily attributable to stronger sales efforts.

Administrative Expenses

During the Reporting Period, administrative expenses were approximately RMB25.8 million, increased by approximately 20.6% as compared with that of approximately RMB21.4 million for the Corresponding Period. The increase in such expenses was primarily attributable to the increase in staff cost.

Research and Development Costs

During the Reporting Period, the Company invested approximately RMB16.0 million in R&D, representing an increase of approximately 32.8% as compared with that of approximately RMB12.0 million for the Corresponding Period. The Company completed the change of registration of 49 Class II products and 3 Class III products, including Adenosine Deaminase (ADA) Determination Kit (Peroxidase (POD) Method), and submitted the patent of “A Test Kit and Method for Eliminating Nonspecific Reactions in Blood Samples”, which was at the substantive examination stage. We obtained the renewal of three trademarks, including “ZHONG YA”, “ZHONG SHENG”, and participated in the drafting of the industry standard “Triglyceride (TG) Determination Kit (Enzyme Method)”, which has already been published.

Loss for the Period

As a result, loss for the Reporting Period amounted to approximately RMB8.0 million, as compared to a profit of approximately RMB4.7 million for the Corresponding Period.

Future Prospects

In recent years, driven by policy support, booming demands from downstream markets and technological progress, China's IVD industry witnessed rapid development, quickly pushing up the degree of industrialisation. Also, with further economic development and an ever-growing aging population, growth of medical insurance coverage, and per capita medical expenditure and along with other factors, the IVD industry has become one of the most vibrant and fastest-growing industries in China. According to relevant industry reports, the IVD market size in China reached RMB142.4 billion in 2022 and is expected to reach RMB160.3 billion in 2023.

From the macro aspect, the comprehensive upgrade of the total volume and quality of medical services has become a long-term development goal of China. The end-user demands in terms of equipment configuration in medical institutions and reagent application for target patients arising from the IVD sector, being an important part of medical services, are expected to increase significantly. In addition, China introduced a series of supporting policies relevant to the health industry, focusing on facilitating the comprehensive development of the full industrial chain of China's medical industry in a scientific manner. Benefiting from the gradual implementation of the centralised procurement policy and the further promotion of the hierarchical diagnosis and treatment strategy, the import substitution process has been accelerated. The IVD industry will embrace more development opportunities and broader market potential in the second half year.

In the second half year, the Company will continue to endeavour and forge ahead, embrace opportunities, broaden sources of revenue and reduce expenditure, improve quality and lower costs. In terms of products, we will maintain the quality strength of traditional biochemical diagnostic products and continue to increase its market share and sales volume through leveraging centralised procurement. Meanwhile, we will strengthen the layout and marketing of multi-pipeline products, such as flow cytometry instruments and reagents, chemiluminescent instruments and reagents, and molecular diagnostic products. In terms of R&D, we will keep enhancing the layout of independent R&D innovation and external R&D collaboration, strengthen the cooperation with renowned R&D institutes and universities both domestically and abroad, and accelerate the implementation of scientific research results. In terms of operation management, on one hand, we will improve internal control management, optimise the production process, and reduce production costs, while actively exploring potential business growth points, arranging layout in advance and expanding our revenue sources on the other hand.

Capital Structure, Financial Position and Liquidity

The Group generally finances its operations with cash flows generated from sales, capital contributions from shareholders and bank and other borrowings. There was no new issue of shares and approximately RMB79.0 million of bank and other borrowings were obtained during the Reporting Period.

The capital structure of the Group had no significant changes during the Reporting Period.

	30 June 2023 RMB'000	31 December 2022 RMB'000
Cash and bank balances	54,777	77,349
Short-term loans	143,158	133,553
Long-term loans	3,120	7,548
Net debt	91,501	63,752
Net debt equity ratio	40%	27%
Gearing ratio (total liabilities/total assets)	<u>61%</u>	<u>61%</u>

Foreign Currency Risk

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

Pledge of Assets of the Group

As at 30 June 2023, certain buildings and prepaid land lease payments with net carrying amounts of approximately RMB21.9 million and RMB2.3 million respectively were pledged to an independent third party, for loans granted to the Company with a principal of approximately RMB42.5 million as at the end of the Reporting Period.

As at 30 June 2023, certain machineries with a net carrying amount of approximately RMB9.4 million were pledged to independent third parties to secure loans granted to the Company which amounted to approximately RMB13.0 million with durations in two years.

Contingent Liabilities

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

	30 June 2023 RMB'000	31 December 2022 RMB'000
Counter-guarantees given to a security company in connection with loans granted to a subsidiary	<u>3,000</u>	<u>20,000</u>

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

Save as disclosed in this announcement, there was no significant investments held, material acquisitions and disposals of subsidiaries and associates by the Company during the six months ended 30 June 2023. The Group will make every endeavor to keep abreast of the changing market conditions, proactively identify investment opportunities in order to broaden the revenue base of the Group, enhance its future financial performance and profitability. Moreover, the Group will seek generic strategic expansions through acquisition(s) of suitable target(s). We are confident in the future and committed to continuous growth of the Company.

Employees and Remuneration Policies

On 30 June 2023, the Group had a total of 530 full-time employees (31 December 2022: 531 employees) based in Hong Kong and the PRC. Total staff costs of the Group (including the Directors' and supervisors' remuneration) for the six months ended 30 June 2023 amounted to approximately RMB47.7 million (2022: RMB41.2 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 remuneration policy and package of the Group's employees are periodically reviewed. 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 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.

Events after the Reporting Period

There was no significant event affecting the Company that have occurred after the Reporting Period and up to the date of this announcement.

OTHER INFORMATION

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

As at 30 June 2023, the interests of the Directors, supervisors or chief executive of the Company in the shares and underlying shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and to the Stock Exchange, were as follows:

Long position in shares of the Company:

Name	Number of the Company's domestic shares held	Percentage of the Company's domestic shares	Percentage of the Company's total registered share capital
Mr. Wu Lebin	3,500,878	4.35%	2.42%
Mr. Chen Peng	11,330,334	14.09%	7.83%
Mr. Chen Zhengyong	10,000,000	12.43%	6.91%

Save as disclosed above, as at 30 June 2023, none of the Directors, supervisors or chief executive of the Company had registered an interest and short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

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

As at 30 June 2023, as far as is known to any Directors and supervisors of the Company, other than the interest of the Directors, supervisors and chief executive of the Company as disclosed under the section headed "Directors', Supervisors' and Chief Executive's Interests in Shares and Underlying Shares" above, the following persons had interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions in shares of the Company:

Name	Capacity and nature of interest	Number of the Company's shares held		Percentage of the Company's respective type of shares		Percentage of the Company's total registered capital
		Domestic shares	H shares	Domestic shares	H shares	
Beijing Pusai Asset Management Co., Ltd. (北京普賽資產管理有限公司)	Directly beneficially owned	31,308,576	–	38.93%	0.00%	21.64%
HK Zhixin Investment Co., Ltd. (Note 1)	Directly beneficially owned	–	27,256,143	0.00%	42.40%	18.84%
Hainan Zhixin Investment Partnership (Limited Partnership) (Note 1)	Through controlled corporations	–	27,256,143	0.00%	42.40%	18.84%
Mr. Li Dongfeng (Note 1)	Through controlled corporations	–	27,256,143	0.00%	42.40%	18.84%
Mr. Yan Kang (Note 1)	Through controlled corporations	–	27,256,143	0.00%	42.40%	18.84%
Yunan 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 corporations	10,939,314	6,780,000	13.60%	10.55%	12.24%
	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%
Chung Shek Enterprises Company Limited (Note 5)	Directly beneficially owned	–	3,800,000	0.00%	5.91%	2.63%
K.C. Wong Education Foundation (Note 5)	Through controlled corporations	–	3,800,000	0.00%	5.91%	2.63%

Notes:

1. HK Zhixin Investment Co., Ltd. (“HK Zhixin”) was wholly owned by Hainan Zhixin Investment Partnership (Limited Partnership), which was owned as to approximately 36.01% and 36.01% by Mr. Yan Kang and Mr. Li Dongfeng, respectively, as the limited partners. Accordingly, Mr. Yan Kang and Mr. Li Dongfeng were deemed to be interested in the H shares owned by HK Zhixin pursuant to the SFO.
2. Yunan Shengneng Investment Partnership (Limited Partnership) (“Yunan Shengneng”) was 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.
3. The interests of Jingning Guoke Kangyi Enterprise Management Center LLP (“Jingning Guoke”) was 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.
4. 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.
5. Information is extracted from the corporate substantial shareholder notices filed by Chung Shek Enterprises Company Limited and K.C. Wong Education Foundation on 7 December 2010.

Save as disclosed above, as far as is known to any Directors or supervisors of the Company, as at 30 June 2023, no other persons, other than the Directors, supervisors and chief executive of the Company, whose interests are set out in the section headed “Directors’, Supervisors’ and Chief Executive’s Interests in Shares and Underlying Shares” above, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Directors’ and Supervisors’ Rights to Acquire Shares or Debentures

None of the Directors or supervisors or their respective associates (as defined under the GEM Listing Rules) was granted by the Company or its subsidiaries any rights or options to acquire any shares in or debentures of the Company or had exercised any such rights during the six months ended 30 June 2023.

Competing Interests

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

Directors' Securities Transactions

During the period under review, the Company has adopted the standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standards of dealings and such code of conduct regarding securities transactions by Directors during the six months ended 30 June 2023.

Audit Committee

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee's primary duties are the review and supervision of the Company's financial reporting procedures and internal control system. The Group's unaudited condensed consolidated financial statements for the period have been reviewed by the Audit Committee with the three independent non-executive Directors, namely Mr. Lu Qi, Prof. Shen Zuojun and Prof. Shen Jiangang, of which Mr. Lu Qi is the chairman.

Corporate Governance

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

For the period ended 30 June 2023, 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.

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 organisation 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.

Non-Compliance with the GEM Listing Rules

Following the resignation of Mr. Ren Fujin as an independent non-executive Director with effect from 12 February 2023, the Company failed to meet the requirements of (i) Rule 5.05(1) of the GEM Listing Rules that the Board must include at least three independent non-executive directors; (ii) Rule 5.28 of the GEM Listing Rules in relation to the composition of the Audit Committee; and (iii) Rule 5.34 of the GEM Listing Rules in relation to the composition of the remuneration committee of the Company (the “Remuneration Committee”).

Following the appointment of Prof. Shen Jiangang as an independent non-executive Director with effect from 23 February 2023, the Board comprised three independent non-executive Directors. The number of independent non-executive Directors complied with Rule 5.05(1) of the GEM Listing Rules. In addition, the Company fulfilled the requirements of having a minimum of three members on the Audit Committee under Rule 5.28 of the GEM Listing Rules and having a majority of independent non-executive Directors on the Remuneration Committee under Rule 5.34 of the GEM Listing Rules.

Updated Information of Director Pursuant to Rule 17.50A(1) of the GEM Listing Rules

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

For and on behalf of the Board
Biosino Bio-Technology and Science Incorporation
Wu Lebin
Chairman

Beijing, the PRC, 10 August 2023

As at the date of this announcement, the Board comprises:

Chairman and executive Director

Mr. Wu Lebin (吳樂斌先生)

Vice chairmen and non-executive Directors

Dr. Sun Zhe (孫哲博士) and Mr. Chen Zhengyong (陳正永先生)

President and executive Director

Mr. Chen Peng (陳鵬先生)

Non-executive Directors

Mr. Li Zhonghua (李忠華先生) and Dr. Gao Guangxia (高光俠博士)

Independent non-executive Directors

Prof. Shen Zuojun (沈佐君教授), Mr. Lu Qi (陸琪先生) and Prof. Shen Jiangan (沈劍剛教授)

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange 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.