



## **Hong Kong Life Sciences and Technologies Group Limited**

**香港生命科學技術集團有限公司**

(formerly known as ZMAY Holdings Limited)

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8085

**Third Quarterly Report  
2012/13**



## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“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.

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*This report, for which the directors (the “**Directors**”) of Hong Kong Life Sciences and Technologies Group Limited (the “**Company**”) collectively and individually accept full responsibility, 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 the information contained in this report 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 report misleading.*

*This report will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for a minimum period of seven days from the date of its publication and on the Company’s website at <http://www.hklifesciences.com>.*

### THIRD QUARTERLY RESULTS

The board of Directors (the "Board") hereby submits the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the nine months ended 31 December 2012, together with the unaudited comparative figures for the corresponding period in 2011 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2012 Unaudited HK\$'000	2011 Unaudited HK\$'000	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Turnover	4	<b>17,432</b>	16,087	<b>55,988</b>	51,303
Cost of sales		<b>(12,086)</b>	(8,862)	<b>(35,572)</b>	(34,043)
Gross profit		<b>5,346</b>	7,225	<b>20,416</b>	17,260
Other revenue and net income	4	<b>15,113</b>	557	<b>17,775</b>	1,972
Impairment loss of goodwill	11	–	–	<b>(28,205)</b>	–
Administrative and other operating expenses		<b>(17,433)</b>	(6,527)	<b>(50,095)</b>	(41,515)
Finance costs	5	<b>(316)</b>	(92)	<b>(1,621)</b>	(243)
Profit/(loss) before tax	6	<b>2,710</b>	1,163	<b>(41,730)</b>	(22,526)
Income tax	7	<b>(113)</b>	(360)	<b>(113)</b>	(967)
Profit/(loss) for the period		<b>2,597</b>	803	<b>(41,843)</b>	(23,493)
Other comprehensive income:					
Reclassification of available- for-sale investments upon disposal		–	–	–	1,026
Exchange difference arising on translation of foreign operations		<b>1,447</b>	760	<b>(219)</b>	4,880
Total comprehensive income for the period		<b>4,044</b>	1,563	<b>(42,062)</b>	(17,587)
Profit/(loss) attributable to:					
— owners of the Company		<b>5,939</b>	223	<b>(37,936)</b>	(24,019)
— non-controlling interests		<b>(3,342)</b>	580	<b>(3,907)</b>	526
		<b>2,597</b>	803	<b>(41,843)</b>	(23,493)
Total comprehensive income attributable to:					
— owners of the Company		<b>6,908</b>	633	<b>(38,139)</b>	(20,354)
— non-controlling interests		<b>(2,864)</b>	930	<b>(3,923)</b>	2,767
		<b>4,044</b>	1,563	<b>(42,062)</b>	(17,587)
Earnings/(loss) per share					
— Basic and diluted (HK cent)	9	<b>0.17</b>	0.01	<b>(1.26)</b>	(1.09)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 30 October 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The shares of the Company have been listed on GEM of the Stock Exchange since 7 March 2002.

The Company is an investment holding company. The Group is principally engaged in (i) the sale of healthcare products in Hong Kong; (ii) the sale of electronic components in Hong Kong and the People's Republic of China (the "PRC"); (iii) the funeral and related businesses in the PRC; and (iv) the stem cell technology business.

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with the disclosure requirements of the GEM Listing Rules.

The principal accounting policies used in the preparation of these unaudited consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 March 2012 except in relation to the new and revised Hong Kong Financial Reporting Standards, ("HKFRSs", which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants that are adopted for the first time for the current period's financial information. The adoption of these new and revised HKFRSs has no significant effect on these financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective.

### 3. SEGMENT INFORMATION

The Group's operating segment information is based on the internal reports that are regularly reviewed by the chief operating decision maker, chairman of the Company, for the purposes of resources allocation and performance assessment of the Group. During the period, the Group has four operating and reportable segments: (i) the sale of healthcare products; (ii) the sale of electronic components; (iii) the funeral and related businesses; and (iv) the stem cell technology business. Information regarding the above segments for the nine months ended 31 December 2012 and 2011 are as follows:

**(a) Segment revenues and results**

For the nine months ended 31 December 2012	Sale of healthcare products Unaudited HK\$'000	Sale of electronic components Unaudited HK\$'000	Funeral and related businesses Unaudited HK\$'000	Stem cell technology business Unaudited HK\$'000	Total Unaudited HK\$'000
Revenue from external customers	16,652	3,147	34,989	1,200	55,988
Segment results	10	(66)	1,328	(9,794)	(8,522)
Impairment loss of goodwill					(28,205)
Gain on disposal of held-for- trading investments					590
Fair value changes of held-for- trading investments					12,448
Unallocated corporate income					4,728
Unallocated corporate expenses					(21,148)
Finance costs					(1,621)
Income tax					(113)
Loss for the period					<u>(41,843)</u>
For the nine months ended 31 December 2011	Sale of healthcare products Unaudited HK\$'000	Sale of electronic components Unaudited HK\$'000	Funeral and related businesses Unaudited HK\$'000	Stem cell technology business Unaudited HK\$'000	Total Unaudited HK\$'000
Revenue from external customers	12,553	14,744	24,006	–	51,303
Segment results	117	59	1,795	–	1,971
Loss on disposal of available-for- sale investments					(19,881)
Fair value changes of held-for- trading investments					2,678
Unallocated corporate income					465
Unallocated corporate expenses					(7,516)
Finance costs					(243)
Income tax					(967)
Loss for the period					<u>(23,493)</u>



**(b) Geographical information**

The Group's sale of healthcare products and stem cell technology business are located in Hong Kong, sale of electronic components is located in Hong Kong and the PRC and operation of funeral and related businesses is located in the PRC.

	Turnover by geographical markets for the nine months ended 31 December	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Hong Kong	19,024	12,553
PRC	36,964	38,750
	55,988	51,303

**4. TURNOVER, OTHER REVENUE AND NET INCOME**

	Three months ended 31 December		Nine months ended 31 December	
	2012	2011	2012	2011
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>				
Sale of healthcare products	6,810	3,921	16,652	12,553
Sale of electronic components	–	5,187	3,147	14,744
Funeral and related businesses	9,422	6,979	34,989	24,006
Stem cell technology business	1,200	–	1,200	–
	17,432	16,087	55,988	51,303
<b>Other revenue and net income</b>				
Interest income	37	208	46	468
Gain on disposal of held-for-trading investments	590	–	590	–
Fair value changes of held-for-trading investments	12,448	–	12,448	–
Loan interest income	2,037	–	4,524	–
Sundry income	1	349	167	1,504
	15,113	557	17,775	1,972

## 5. FINANCE COSTS

	Three months ended		Nine months ended	
	31 December		31 December	
	2012	2011	2012	2011
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on bank borrowing wholly repayable within one year	316	92	1,621	243
	<b>316</b>	92	<b>1,621</b>	243

## 6. PROFIT/(LOSS) BEFORE TAX

	Three months ended		Nine months ended	
	31 December		31 December	
	2012	2011	2012	2011
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including Directors' emoluments)				
— salaries and allowance	5,319	2,120	11,172	5,797
— contributions of defined contributions retirement benefits schemes	387	66	663	116
	<b>5,706</b>	2,186	<b>11,835</b>	5,913
Loss on disposal of available-for-sale investments	—	—	—	19,881
Gain on disposal of held-for-trading investments	(590)	—	(590)	—
Fair value changes of held-for-trading investments	(16,746)	(2,678)	(12,448)	(2,678)
Depreciation of property, plant and equipment	3,030	2,059	7,010	6,109
Operating lease rentals in respect of rented premises	2,585	128	3,555	230
Share-based payments to consultants	1,417	1,418	4,253	4,254

## 7. INCOME TAX

	Three months ended		Nine months ended	
	31 December		31 December	
	2012	2011	2012	2011
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC enterprise income tax	113	360	113	967

No provision for the Hong Kong profits tax has been made as the Group had no assessable profits for the period (2011: Nil).

The PRC enterprise income tax has been provided for at the rate of 25% on the estimated assessable profits arising in the PRC.

No deferred tax has been recognized for the period as there are no material temporary differences which will result in a liability to be payable in the foreseeable future and the stream of taxable profits which will be available to utilize the tax losses is unpredictable.

## 8. DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2012 (2011: Nil).

## 9. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

	Three months ended		Nine months ended	
	31 December		31 December	
	2012	2011	2012	2011
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings/(loss) for the period attributable to the owners of the Company	5,939	223	(37,936)	(24,019)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	3,541,286,138	2,443,166,572	3,005,511,593	2,200,022,501

The diluted loss per share for the periods ended 31 December 2012 and 2011 has not been presented as the potential share arising from the exercise and conversion of the Company's share options would decrease the loss per share for the periods and is regarded as anti-dilutive.



## 10. CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to the owners of the Company									
	Share capital	Share premium	Special reserve	Share options reserve	Investments revaluation reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011	83,112	289,108	(39,998)	4,102	(1,026)	1,560	(67,394)	269,464	57,434	326,898
Loss/(profit) for the period	-	-	-	-	-	-	(24,019)	(24,019)	526	(23,493)
Reclassification of available-for-sale investments upon disposal	-	-	-	-	1,026	-	-	1,026	-	1,026
Exchange differences arising on translation of foreign operations	-	-	-	-	-	2,639	-	2,639	2,241	4,880
Total comprehensive income for the period	-	-	-	-	1,026	2,639	(24,019)	(20,354)	2,767	(17,587)
Issue of ordinary shares under share placing	16,600	11,194	-	-	-	-	-	27,794	-	27,794
Recognition of equity-settled share-based payments	-	-	-	4,254	-	-	-	4,254	-	4,254
<b>At 31 December 2011</b>	<b>99,712</b>	<b>300,302</b>	<b>(39,998)</b>	<b>8,356</b>	<b>-</b>	<b>4,199</b>	<b>(91,413)</b>	<b>281,158</b>	<b>60,201</b>	<b>341,359</b>
At 1 April 2012	99,712	300,302	(39,998)	9,774	-	4,035	(95,842)	277,983	56,068	334,051
Loss for the period	-	-	-	-	-	-	(37,936)	(37,936)	(3,907)	(41,843)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(203)	-	(203)	(16)	(219)
Total comprehensive income for the period	-	-	-	-	-	(203)	(37,936)	(38,139)	(3,923)	(42,062)
Issue of ordinary share under share placing	19,940	76,165	-	-	-	-	-	96,105	-	96,105
Issue of ordinary share for acquisition of subsidiaries	12,026	72,110	-	-	-	-	-	84,136	-	84,136
Recognition of equity-settled share-based payments	-	-	-	4,253	-	-	-	4,253	-	4,253
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(13,485)	(13,485)
<b>At 31 December 2012</b>	<b>131,678</b>	<b>448,577</b>	<b>(39,998)</b>	<b>14,027</b>	<b>-</b>	<b>3,832</b>	<b>(133,778)</b>	<b>424,338</b>	<b>38,660</b>	<b>462,998</b>

## 11. BUSINESS COMBINATIONS

On 18 September 2012 (the “**Acquisition Date**”), the Group acquired 51% of the entire issued share capital of 159 Regenerative Medicine Group (H.K.) Limited (formerly known as Advance Victory Group Limited) (the “**Target Company**”) and its subsidiaries (collectively, the “**Target Group**”) at a total consideration of HK\$184,000,000 (the “**Acquisition**”). Details of the proportion of voting equity interests of the Target Group acquired and their principal activities are as follows:

	Proportion of nominal value of the issued share capital held		Principal activities
	by the Company		
	Directly	Indirectly	
	%	%	
The Target Company	51	–	Investment holding
159 Anti-Aging Center (H.K.) Limited	–	51	Stem cell anti-aging application-related service
159 Human Aging Test Laboratory (H.K.) Limited	–	51	Human aging test service
159 Autologous Stem Cell LifeBank (H.K.) Limited	–	51	Storage and processing of stem cells
159 Hematopoietic Stem Cell Technology Institute (H.K.) Limited	–	51	Research and development of stem cells technology
159 International Health Club Limited	–	51	Stem cell health services

Details of consideration on the Acquisition are as follows:

	<i>HK\$'000</i>
Cash	30,000
Issue of shares	84,187
Contingent consideration arrangements ( <i>Notes</i> )	69,813
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	184,000

*Notes:*

- (i) The Company is required to allot and issue of 51,000,000 Consideration Shares (as defined below) to Add Talent Holdings Limited (the “**Vendor**”) credited as fully paid if the 51% of the consolidated earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) of the Target Group is not less than HK\$15,300,000 for the period from 1 October 2012 to 31 December 2013 (the “**Guaranteed Period A**”);

- (ii) The Company is required to allot and issue of 85,000,000 Consideration Shares (as defined below) to the Vendor credited as fully paid if the EBITDA of the Target Group is not less than HK\$25,500,000 for the period from 1 January 2014 to 31 December 2014 (the “**Guaranteed Period B**”); and
- (iii) The Company is required to allot and issue of 113,333,333 Consideration Shares (as defined below) to the Vendor credited as fully paid upon either:
- (a) Dr. Lin Xiongbin (“**Dr. Lin**”), beneficially holds approximately 41.16% of the issued share capital of the Vendor, has obtained a patent granted by the State Intellectual Property Office of the PRC and the user right of stem cell technology granted by Dr. Lin to the Target Group remaining fully effective; or
  - (b) the actual accumulative EBITDA achieved for the Guaranteed Period A and the Guaranteed Period B is not less than HK\$25,500,000.

#### **Assets acquired and liabilities recognized on the Acquisition Date**

	<b>Target Group</b> <i>HK\$'000</i>
<b>Non-current assets</b>	
Plant and equipment	16,243
<b>Current assets</b>	
Deposits, prepayments and other receivables	6,514
Cash and bank balances	1,322
<b>Current liabilities</b>	
Accruals and other payables	(6,600)
<b>Non-current liabilities</b>	
Amounts due to a shareholder	(30,000)
Other payable	(15,000)
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	(27,521)
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#### **Non-controlling interests**

The non-controlling interests (49% in the Target Group) recognized at the Acquisition Date was measured by reference to the proportionate share of the fair value of the acquiree’s identifiable net liabilities and amounted to approximately HK\$13,486,000.

## Goodwill arising on the Acquisition

	<b>Target Group</b> <i>HK\$'000</i>
Consideration of the Acquisition	184,000
Less: non-controlling interests	(13,486)
Add: fair value of identifiable net liabilities assumed	27,521
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	198,035
Less: impairment	(28,205)
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	169,830
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The management of the Company had carried out impairment assessment on the carrying amount of goodwill arising on the Acquisition based on the business valuation of the Target Group prepared by Roma Appraisals Limited. According to the valuation, the fair value of the Target Group was HK\$333,000,000, of which HK\$169,830,000 was attributable to the interest held by the Group, resulting in an impairment loss of HK\$28,205,000 was recognized in the profit or loss for the period ended 31 December 2012.

## Net cash outflow arising on the Acquisition

	<i>HK\$'000</i>
Consideration paid in cash	30,000
Less: cash and bank balances acquired	(1,322)
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	28,678
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## Impact of the Acquisition on the results of the Group

The Target Group contributed HK\$1,200,000 and loss of approximately HK\$7,624,000 to the Group's turnover and loss for the period respectively for the period between the Acquisition Date and the end of the reporting period.

If the Acquisition had been completed on 1 April 2012, the total Group's turnover and loss for the period would have been approximately HK\$1,200,000 and HK\$27,941,000 respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of the operations of the Group that actually would have been achieved had the Acquisition been completed on 1 April 2012, nor is intended to be a projection of future results.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

During the nine months period under review, the Group recorded a turnover of approximately HK\$55,988,000 (2011: HK\$51,303,000), representing an increase of 9.1% as compared to the corresponding period in 2011.


The administrative and other operating expenses for the period amounted to approximately HK\$50,095,000 (2011: HK\$41,515,000), which included a non-cash expenses of HK\$4,253,000 (2011: HK\$4,254,000) relating to the share-based payments to certain consultants of the Company.

During the period under review, the Group recorded a significant increase in loss as compared to the last corresponding period in 2011. The loss was mainly attributable to the impairment loss of goodwill in relation to the Acquisition of approximately HK\$28,205,000. The loss attributable to the owners of the Company for the period was approximately HK\$37,936,000 (2011: HK\$24,019,000) and the loss per share was 1.26 HK cents (2011: 1.09 HK cents).

### *Stem Cell Technology Business*

A conditional sale and purchase agreement dated 4 September 2012 and the supplemental deed dated 6 September 2012 were entered into between the Company, the Vendor, Dr. Lin, Mr. Deng Jun Jie ("**Mr. Deng**") and the Target Company for the Acquisition at a total consideration of HK\$195,000,000 (subject to adjustments). On 18 September 2012, the Group had successfully completed the acquisition of the Target Group. The consideration were satisfied by HK\$30,000,000 in cash and 550,000,000 new shares to be allotted and issued by the Company to the Vendor or its nominees at the issue price of HK\$0.30 (the "**Consideration Shares**"), which 300,666,667 Consideration Shares were allotted and issued by the Company to the Vendor's nominees on the Acquisition Date. The Target Group has commenced business operation in November 2012. The details of the Target Group's assets acquired and liabilities recognized on the Acquisition Date is set out in Note 11 in this report. Details of the Acquisition were disclosed in the Company's announcements dated 4 September 2012, 6 September 2012, 11 September 2012 and 18 September 2012.





Following the completion of the Acquisition, the English and Chinese names of the Company have been changed from “ZMAY Holdings Limited 中民安園控股有限公司” to “Hong Kong Life Sciences and Technologies Group Limited 香港生命科學技術集團有限公司” with effect from 31 October 2012. The Board considers that the change of name will reflect the new business development and corporate image of the Company.

During the period under review, the turnover of stem cell technology business segment for the period amounted to approximately HK\$1,200,000 and recorded a segmental loss of approximately HK\$9,794,000 mainly from the administrative and other operating expenses.

#### *Healthcare Products*

The turnover of healthcare products for the period amounted to approximately HK\$16,652,000 (2011: HK\$12,553,000) and recorded a segmental profit of approximately HK\$10,000 (2011: HK\$117,000).

#### *Electronic Components*

The turnover of electronic components for the period amounted to approximately HK\$3,147,000 (2011: HK\$14,744,000) and recorded a segmental loss of approximately HK\$66,000 (2011: profit of HK\$59,000).

#### *Funeral and Related Businesses*

The turnover of funeral and related businesses for the period amounted to approximately HK\$34,989,000 (2011: HK\$24,006,000) and recorded a segmental profit before finance costs and income tax of approximately HK\$1,328,000 (2011: HK\$1,795,000).

The funeral and related businesses had recorded negative results in the past three years, the Group will take a very cautious approach to manage it and implement a tighter control in the near future. However, the operation of cemetery companies is mostly relying on the local management teams and the cyclical nature of the market. These businesses may not be able to demonstrate promising growth potential in the near future and the Company has no plan to make further investment in these cemetery companies.

#### *Securities Investments*

During the period under review, the Company recorded a gain on disposal of held-for-trading investments of approximately HK\$590,000 (2011: Nil) and a gain on fair value changes of held-for-trading investments of approximately HK\$12,448,000 (2011: HK\$2,678,000). For the nine months ended 31 December 2011, the Company had recorded a loss on disposal of available-for-sale investments of approximately HK\$19,881,000.



## PROSPECTS

The global economic environment remains challenging and uncertain for the year 2013. The Board will constantly keep reviewing the Group's strategies and operations with a view to improve its business performance and shareholders returns. After the completion of the Acquisition, the Board still will explore other investment opportunities to expand and diversify its portfolio.


### *Possible Acquisition*

On 11 November 2012, Life Sciences and Technologies Group Limited (the "**Investor**"), a direct wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding (the "**MoU**") with Life Length, S.L. ("**Life Length**"), which has been founded by Dr. Maria Blasco, Matlin Associates and the Botin Foundation, pursuant to which the Investor proposes to acquire approximately 38% of the equity interest (the "**Possible Acquisition**") in Life Length, a private limited company incorporated and registered in Spain which is principally engaged in the highly sophisticated and patented in-vitro diagnostic testing of telomeres.

Under the Possible Acquisition, the Investor may acquire an approximately 38% equity stake in Life Length for a consideration of approximately US\$9,000,000.

Life Length may also form a joint venture with the Investor to establish one laboratory in Hong Kong and another in the PRC. Life Length may use its technological knowhow and continued improvement of its testing technologies as investment while the Investor may provide the additional funding, separate from approximately US\$9,000,000 investment aforesaid (up to US\$3,500,000 per laboratory). Pending definitive agreement, the Investor may own up to approximately 50% of the joint venture. If the Possible Acquisition proceeds, Life Length is expected to grant a 20-year licence agreement to the joint venture vehicle for the operation of in-vitro diagnostic testing utilizing Life Length's technologies. The licence agreement will apply to technology in connection with the testing of human/animal chromosomal telomere lengths and the interpretation of such testing results.

Upon satisfactory completion of the customary due diligence process by the Investor, the Investor may enter into a binding formal share purchase and/or subscription of newly issued shares agreement and a licence agreement within 60 days from the date of the MoU. The agreements to be entered into would not confer any rights in favour of the Investor of any intellectual property rights of Life Length.



On 16 November 2012, the Investor granted Life Length a loan facility (the “**Loan Facility**”) of US\$300,000 repayable on or before 16 November 2013 at an annual interest rate of 8%. Life Length shall, on or before 16 November 2013, at their entire discretion either repay to the Investor all outstanding amounts of the Loan Facility together with any accrued interest or convert the entire Loan Facility (together with accrued interest) into ordinary shares of the Life Length as representing 1.267% of the total issued share capital of the Life Length. However, on or before 16 February 2013, the Investor shall have the right by written notice to the Life Length to convert the entire Loan Facility (together with accrued interest) into ordinary shares of the Life Length as representing 1.267% of the total issued share capital of Life Length.

As at the date of this report, except the Loan Facility, no definitive binding agreement has been signed relating to the Possible Acquisition and as such, the Possible Acquisition may or may not materialise. Details of the information were disclosed in the Company’s announcement dated 19 November 2012.

#### *Distribution Agreement*

On 11 January 2013, the Company, ETON CORPORATION LIMITED (“**ETON**”) and MEDIPOST Co., LTD. (“**MEDIPOST**”) entered into a deed of assignment and assumption (the “**Deed of Assignment and Assumption**”) in relation to the assigning by ETON to the Company of its rights and obligations (excluding ETON’s liabilities already incurred before the execution of the Deed of Assignment and Assumption) under the distribution agreement dated 2 November 2012 (or varied by the deed of variation dated 11 January 2013) entered into between ETON and MEDIPOST in relation to, *inter alia*, the distribution of the finished product of CARTISTEM® (the “**Distribution Agreement**”).

MEDIPOST is a leading stem cell biotechnology company in South Korea that focuses on developing products to meet unmet medical needs such as those related to regenerative or functional recovery of knee articular cartilage, the nervous system and the pulmonary system. As a core product for MEDIPOST, CARTISTEM® is the first cellular drug approved in Korea for the treatment of knee cartilage defects caused by degeneration or repeated trauma in the osteoarthritis patients. CARTISTEM® is approved by Korea Food & Drug Administration on 19 January 2012, and the product is currently in the process of first and second phase trial in the United States of America, which marks MEDIPOST as the first foreign biotechnology company to hold clinical trials with U.S. Food and Drug Administration.



The Distribution Agreement relates to the exclusive right to import, market, distribute and sell the finished product of CARTISTEM® in Hong Kong and Macau. The Company had paid US\$150,000 for the licence fee under the Distribution Agreement. Details of the information were disclosed in the Company's announcement dated 15 January 2013.

## **BOARD COMPOSITION**

During the period under review, the composition of the Board has the following changes:

- (a) Ms. Lam Kuo has been appointed as chairman of the Company and non-executive Director on 1 December 2012;
- (b) Mr. Jiang Hongqing has been appointed as vice chairman of the Company and executive Director on 1 December 2012;
- (c) Mr. Chu Hon Pong has resigned as chairman of the Company but remains as executive Director on 1 December 2012;
- (d) Mr. Lam Wing Tai has resigned as executive Director, compliance officer and authorized representative of the Company on 1 December 2012; and
- (e) Mr. Lu Zhiqiang has been appointed as compliance officer and authorized representative of the Company in place of Mr. Lam Wing Tai on 1 December 2012.

Following the above changes, the Board comprises of six executive Directors, one non-executive Director and three independent non-executive Directors. The Company has failed to comply with rule 5.05A of the GEM Listing Rules that the number of independent non-executive Directors falls below one-third of the Board.

The Company is in the course of reviewing the structure of the Board and identifying a suitable candidate to fulfill the requirement under rule 5.05A of the GEM Listing Rules as soon as practicable and in any event within 3 months from 31 December 2012, being the effective date of rule 5.05A of the GEM Listing Rules.



## CAPITAL STRUCTURE

At 31 December 2012, the Company had 3,291,952,805 ordinary shares of HK\$0.04 each (each a “Share”) (at 31 December 2011: 2,492,786,138 Shares) in issue.

## OTHER INFORMATION

### Directors’ and Chief Executive’s Interests in Securities

As at 31 December 2012, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the “SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, notified to the Company and the Stock Exchange pursuant to the required standards of dealings by the Directors as referred to in rules 5.46 to 5.67 of the GEM Listing Rules.

### Share Option Scheme

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 4 August 2010 and the Stock Exchange granting approval of the listing of, and permission to deal in, the shares to be issued under the share option scheme (the “Share Option Scheme”) on 17 November 2010, the Company has adopted the Share Option Scheme to replace the share option scheme adopted on 1 February 2002 (the “Old Share Option Scheme”). The principal terms of the Share Option Scheme were set out in the appendix to the circular of the Company dated 20 July 2010.

On 26 April 2010, the Company granted an aggregate of 120,376,000 share options to eligible grantees under the Old Share Option Scheme to subscribe for an aggregate of 120,376,000 shares at an exercise price of HK\$0.276 per share.

On 18 November 2010, the Company granted an aggregate of 173,000,000 share options to eligible grantees under the Share Option Scheme to subscribe for an aggregate of 173,000,000 shares at an exercise price of HK\$0.167 per share.

No share options were exercised during the nine months ended 31 December 2012 and the total outstanding share options were 293,376,000 as at 31 December 2012.

The purpose of the Share Option Scheme is to enable the Company to provide incentive to participants with the opportunity of participating in the growth of the Company by acquiring shares in the Company and may, in turn, assist in the attraction and retention of talents who have made contributions to the success of the Company.



The fair values of the options granted were determined using the Binomial Model of valuation. In total, approximately HK\$4,253,000 (2011: HK\$4,254,000) of the expense has been included in the consolidated statement of comprehensive income for the nine months ended 31 December 2012, the corresponding amount of which has been credited to share options reserve. No liabilities were recognized due to the share-based payments transactions.

### Directors' Rights to Acquire Shares or Debentures

At no time during the reporting period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

### Substantial Shareholders

As at 31 December 2012, so far as is known to the Directors and the chief executive of the Company, and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interests and short positions of the persons or corporations (other than the Directors and the chief executive of the Company) in the Shares or underlying Shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of any other members of the Group, were as follows:

Name of Substantial Shareholders	Capacity	Number of Shares Held	Number of Underlying Shares Held (Note 1)	Total Number of Shares and Underlying Shares Held	Approximate Percentage of the Company's Issued Share Capital (Note 5)
Dr. Lin	Interest of controlled corporation	141,582,801 (L) (Note 2)	102,625,600 (L) (Note 1)	244,208,401 (L)	
		40,000,000 (S) (Note 2)	-	40,000,000 (S)	
	Interest of spouse	36,717,660 (L) (Note 3)	24,190,320 (L) (Note 1)	60,907,980 (L)	
		6,084,000 (S) (Note 3)	-	6,084,000 (S)	
				<hr/>	
			305,116,381 (L)	9.27 (L)	
			46,084,000 (S)	1.40 (S)	

Name of Substantial Shareholders	Capacity	Number of Shares Held	Number of Underlying Shares Held (Note 1)	Total Number of Shares and Underlying Shares Held	Approximate Percentage of the Company's Issued Share Capital (Note 5)
Ms. Lin Liuyin ("Ms. Lin")	Beneficial owner	23,086,680 (L)	–	23,086,680 (L)	
		6,084,000 (S)	–	6,084,000 (S)	
	Interest of controlled corporation	13,630,980 (L)	24,190,320 (L) (Note 1)	37,821,300 (L)	
	Interest of spouse	244,208,401 (L) (Note 4)	–	244,208,401 (L)	
		40,000,000 (S) (Note 4)	–	40,000,000 (S)	
				305,116,381 (L)	9.27 (L)
				46,084,000 (S)	1.40 (S)
Stem Cells Anti-Aging Medicine Technologies Holdings Limited ("Stem Cells")	Beneficial owner	190,233,322 (L)	–	190,233,322 (L)	
		40,000,000 (S)	–	40,000,000 (S)	
	Interest of controlled corporation	–	146,608,000 (L) (Note 1)	146,618,000 (L)	
				336,841,322 (L)	10.23 (L)
				40,000,000 (S)	1.22 (S)
Solar Might Investments Limited ("Solar Might")	Beneficial owner	239,074,333 (L)	–	239,074,333 (L)	
	Interest of controlled corporation	–	91,380,667 (L) (Note 1)	91,380,667 (L)	
				330,455,000 (L)	10.04 (L)
Mr. Deng	Interest of controlled corporation	239,074,333 (L)	91,380,667 (L) (Note 1)	330,455,000 (L)	10.04 (L)
The Vendor	Beneficial owner	–	249,333,333 (L)	249,333,333 (L)	7.57 (L)

(L) denotes Long Position


(S) denotes Short Position



Notes:

1. These underlying Shares under this column were Consideration Shares, to be allotted and issued by the Company to the Vendor or its nominees upon fulfillment of the terms and conditions of the Agreement. The Vendor was owned as to approximately 58.8% by Stem Cells and approximately 36.65% by Solar Might. Stem Cells was beneficially owned as to 70% by Dr. Lin and 16.5% by Ms. Lin. Solar Might was wholly and beneficially owned by Mr. Deng. Details of the Consideration Shares and the shareholding structure of the Vendor were disclosed in the Company's announcements dated 4 September 2012, 6 September 2012, 11 September 2012 and 18 September 2012.
2. These Shares were registered in the name of Stem Cells which was beneficially owned as to 70% by Dr. Lin. Under the SFO, Dr. Lin was deemed to be interested in these Shares held by Stem Cells.
3. These Shares were registered in the name of Ms. Lin who is the spouse of Dr. Lin. Under the SFO, Dr. Lin was deemed to be interested in these Shares held by Ms. Lin.
4. These Shares were registered in the name of Stem Cells which was beneficially owned as to 70% by Dr. Lin who is the spouse of Ms. Lin. Under the SFO, Ms. Lin was deemed to be interested in these Shares held by Stem Cells.
5. The percentage is calculated on the basis of 3,291,952,805 Shares as at 31 December 2012.

Save as disclosed above, as at 31 December 2012, so far as is known to the Directors and the chief executive of the Company, and based on the public records filed on the website of the Stock Exchange and records kept by the Company, no other person or corporation had interest in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of any other members of the Group.



### **Competing Interests**

As at 31 December 2012, none of the Directors, substantial shareholders of the Company nor any of their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group.

### **Audit Committee**

An audit committee of the Company (the “**Audit Committee**”) was established with written terms of reference in compliance with rules 5.28 and 5.29 of the GEM Listing Rules and Code Provision C.3.3 of the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules (the “**CG Code and Report**”).

There are three members in the Audit Committee comprising three independent non-executive Directors, namely Mr. Chi Chi Hung, Kenneth, Mr. Chan Yun Hing and Mr. Gui Qiangfang. Mr. Chi Chi Hung, Kenneth is the chairman of the Audit Committee. The principal responsibilities of the Audit Committee are to review and provide supervision over the financial reporting system and internal control procedures of the Group and to review the Company’s annual report and accounts, half-year report and quarterly reports and to provide advices and comments thereon to the Board. These unaudited consolidated results for the nine months ended 31 December 2012 have been reviewed by the Audit Committee.

### **Securities Transactions by Directors**

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings throughout the nine months ended 31 December 2012.



## **Purchase, Sale or Redemption of Shares**

During the nine months ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares.

By order of the Board

**Hong Kong Life Sciences and Technologies Group Limited**

**Lam Kuo**

*Chairman*

Hong Kong, 7 February 2013

*As at the date of this report, the Board comprises (i) six executive Directors, namely Mr. Chu Hon Pong, Mr. Chui Kwong Kau, Mr. Jiang Hongqing, Mr. Lu Zhiqiang, Mr. Cai Da and Ms. Li Mei; (ii) one non-executive Director, namely Ms. Lam Kuo; and (iii) three independent non-executive Directors, namely Mr. Chi Chi Hung, Kenneth, Mr. Chan Yun Hing and Mr. Gui Qiangfang.*