



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

香港生命科學技術集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8085

**Third Quarterly Report
2013/14**



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.

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

*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.*

THIRD QUARTERLY RESULTS

For the nine months ended 31 December 2013

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 2013, together with the unaudited comparative figures for the corresponding period in 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | Three months ended 31 December | | Nine months ended 31 December | |
|---|-------|-----------------------------------|---|----------------------------------|---|
| | | 2013 Unaudited HK\$'000 | 2012 Unaudited HK\$'000 Restated | 2013 Unaudited HK\$'000 | 2012 Unaudited HK\$'000 Restated |
| Continuing operations | | | | | |
| Turnover | 4 | 102,393 | 8,010 | 133,805 | 20,999 |
| Cost of sales | | (99,487) | (7,206) | (126,168) | (19,973) |
| Gross profit | | 2,906 | 804 | 7,637 | 1,026 |
| Other revenue and net income | 4 | 5,053 | 15,109 | 24,586 | 17,766 |
| Impairment loss of goodwill | | – | – | – | (28,205) |
| Administrative and other operating expenses | | (19,810) | (13,102) | (52,558) | (32,096) |
| (Loss)/profit before tax from continuing operations | 5 | (11,851) | 2,811 | (20,335) | (41,509) |
| Income tax | 6 | – | – | – | – |
| (Loss)/profit for the period from continuing operations | | (11,851) | 2,811 | (20,335) | (41,509) |
| Discontinued operations | | | | | |
| Profit/(loss) for the period from discontinued operations | 7 | 8,517 | (214) | (52,121) | (334) |
| (Loss)/profit for the period | | (3,334) | 2,597 | (72,456) | (41,843) |
| Other comprehensive income: | | | | | |
| Exchange difference arising on translation of foreign operations | | 792 | 1,447 | 3,350 | (219) |
| Release of translation reserve upon disposal of subsidiaries | | (6,853) | – | (6,853) | – |
| Total comprehensive income for the period | | (9,395) | 4,044 | (75,959) | (42,062) |

| | Three months ended 31 December 2013 Unaudited Notes HK\$'000 | | Nine months ended 31 December 2013 Unaudited HK\$'000 Restated | |
|---|--|---------|---|----------|
| (Loss)/profit for the period attributable to: | | | | |
| Owners of the Company | | | | |
| — Continuing operations | (9,764) | 6,042 | (13,901) | (37,773) |
| — Discontinued operations | 6,806 | (103) | (28,583) | (163) |
| | (2,958) | 5,939 | (42,484) | (37,936) |
| Non-controlling interests | | | | |
| — Continuing operations | (2,087) | (3,231) | (6,434) | (3,736) |
| — Discontinued operations | 1,711 | (111) | (23,538) | (171) |
| | (376) | (3,342) | (29,972) | (3,907) |
| Total | (3,334) | 2,597 | (72,456) | (41,843) |
| Total comprehensive income for the period attributable to: | | | | |
| Owners of the Company | | | | |
| — Continuing operations | (9,065) | 6,511 | (12,749) | (37,959) |
| — Discontinued operations | 1 | 397 | (34,310) | (180) |
| | (9,064) | 6,908 | (47,059) | (38,139) |
| Non-controlling interests | | | | |
| — Continuing operations | (2,087) | (3,231) | (6,434) | (3,736) |
| — Discontinued operations | 1,756 | 367 | (22,466) | (187) |
| | (331) | (2,864) | (28,900) | (3,923) |
| Total | (9,395) | 4,044 | (75,959) | (42,062) |
| (Loss)/earnings per share | | | | |
| Basic and diluted (HK cents) | 9 | | | |
| — Continuing operations | (0.24) | 0.18 | (0.39) | (1.30) |
| — Discontinued operations | 0.17 | — | (0.79) | — |
| From continuing and discontinued operations | (0.07) | 0.18 | (1.18) | (1.30) |

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 and its shares are 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; (ii) the trading business; (iii) the stem cell technology and related businesses; and (iv) the funeral and related businesses (discontinued operations).

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 2013 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.

As a result of the disposal of the equity interests in 青海福利鳳凰山公墓有限責任公司 (Qinghai Fuli Fenghuangshan Cemetery Company Limited*) ("Qinghai FL") and 太原市五福陵股份有限公司 (Taiyuan City Wufuling Company Limited*) ("Taiyuan WFL"), the Group discontinued all its funeral and related businesses. In accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", their unaudited consolidated financial results were therefore classified as discontinued operations and the comparative information has also been restated accordingly.

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 reportable segments:

- (i) the sale of healthcare products;
- (ii) the trading business including sale of electronic components, cotton yarn and zinc ingot;
- (iii) the stem cell technology and related businesses; and
- (iv) the funeral and related businesses (discontinued operations).

Information regarding the above segments for the nine months ended 31 December 2013 and 2012 are as follows:

(a) Segment revenues and results
Continuing operations

| For the nine months ended 31 December 2013 | Sale of healthcare products Unaudited HK\$'000 | Trading business Unaudited HK\$'000 | Stem cell technology and related businesses Unaudited HK\$'000 | Total Unaudited HK\$'000 |
|---|---|--|---|---|
| Revenue from external customers | – | 124,603 | 9,202 | 133,805 |
| Segment loss before interest and income tax | (60) | (11,430) | (21,146) | (32,636) |
| Fair value change on held-for-trading investments | | | | 9,613 |
| Gain on disposal of held-for-trading investments | | | | 8,528 |
| Unallocated corporate income | | | | 6,296 |
| Unallocated corporate expenses | | | | (12,136) |
| Income tax | | | | – |
| Loss for the period | | | | <u>(20,335)</u> |

Continuing operations

| For the nine months ended 31 December 2012 | Sale of healthcare products Unaudited HK\$'000 | Trading business Unaudited HK\$'000 | Stem cell technology and related businesses Unaudited HK\$'000 | Total Unaudited HK\$'000 |
|---|--|--|---|--------------------------------|
| Revenue from external customers | 16,652 | 3,147 | 1,200 | 20,999 |
| Segment profit/(loss) before interest and income tax | 10 | (66) | (9,794) | (9,850) |
| Impairment loss of goodwill | | | | (28,205) |
| Gain on disposal of held-for-trading investments | | | | 590 |
| Fair value change on held-for-trading investments | | | | 12,448 |
| Unallocated corporate income | | | | 4,728 |
| Unallocated corporate expenses | | | | (21,220) |
| Income tax | | | | — |
| Loss for the period | | | | (41,509) |

(b) Geographical information

The Group operates in the People's Republic of China (excluding Hong Kong) (the "PRC") and Hong Kong. The following is an analysis of the revenue from external customers by location of operation:

Continuing operations

| | Turnover by geographical markets for the nine months ended 31 December | |
|-----------|--|-------------------------------|
| | 2013 Unaudited HK\$'000 | 2012 Unaudited HK\$'000 |
| Hong Kong | 9,115 | 19,024 |
| The PRC | 124,690 | 1,975 |
| | 133,805 | 20,999 |

4. TURNOVER, OTHER REVENUE AND NET INCOME

Continuing operations

| | Three months ended | | Nine months ended | |
|---|--------------------|-----------|-------------------|-----------|
| | 31 December | | 31 December | |
| | 2013 | 2012 | 2013 | 2012 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | | | | |
| Sales of healthcare products | – | 6,810 | – | 16,652 |
| Stem cell technology and related businesses | 4,326 | 1,200 | 9,202 | 1,200 |
| Trading business | 98,067 | – | 124,603 | 3,147 |
| | 102,393 | 8,010 | 133,805 | 20,999 |
| Other revenue and net income | | | | |
| Interest income | 8 | 33 | 12 | 37 |
| Gain on disposal of held-for-trading investments | 6,072 | 590 | 8,528 | 590 |
| Fair value change on held-for-trading investments | (3,899) | 12,448 | 9,613 | 12,448 |
| Loan interest income | 2,853 | 2,037 | 6,413 | 4,524 |
| Sundry income | 19 | 1 | 20 | 167 |
| | 5,053 | 15,109 | 24,586 | 17,766 |

5. (LOSS)/PROFIT BEFORE TAX

Continuing operations

| | Three months ended | | Nine months ended | |
|--|--------------------|-----------|-------------------|-----------|
| | 31 December | | 31 December | |
| | 2013 | 2012 | 2013 | 2012 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Staff costs (including Directors' emoluments) | | | | |
| — salaries and allowance | 6,574 | 4,975 | 17,919 | 7,192 |
| — contributions of defined contributions retirement benefits schemes | 410 | 117 | 865 | 177 |
| | 6,984 | 5,092 | 18,784 | 7,369 |
| Depreciation of property, plant and equipment | | | | |
| Operating lease rentals in respect of rented premises | 1,896 | 1,237 | 5,477 | 1,641 |
| Share-based payments to consultants | 3,882 | 2,585 | 10,136 | 3,555 |
| | 224 | 1,417 | 1,568 | 4,253 |

6. INCOME TAX

No provision for Hong Kong profits tax and PRC enterprise income tax have been made for the nine months ended 31 December 2013 as there was no estimated assessable profit for the period or had unused tax losses brought forward to offset against the current period's assessable profit (2012: Nil).

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.

7. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES

On 24 July 2013, an indirect wholly-owned subsidiary of the Company, 北京中民安園投資有限公司 (Beijing Zhongmin Anyuan Investment Company Limited*) (the "**Vendor**"), entered into an agreement (the "**Disposal Agreement**") with YIYE INVESTMENTS LIMITED (the "**Purchaser**") and Mr. Luo Fangxiao (as the guarantor of the Purchaser). Pursuant to the Disposal Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 51% and 52% respectively of the fully paid up entire registered capital of Taiyuan WFL and Qinghai FL at a total consideration of HK\$33,000,000 (the "**Disposal**").

The Disposal, which constitutes a major transaction under Chapter 19 of the GEM Listing Rules, had been approved by the shareholders of the Company at the extraordinary general meeting held on 4 October 2013. The Disposal was completed on 15 October 2013. Details of the Disposal were disclosed in the Company's announcements dated 24 July 2013 and 4 October 2013 and the Company's circular dated 17 September 2013.

As a result of the Disposal, the Group discontinued all its funeral and related businesses. In accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", their unaudited consolidated financial results were therefore classified as discontinued operations and the comparative information has also been restated accordingly.

The unaudited consolidated results of the discontinued operations for the nine months ended 31 December 2013, together with the unaudited comparative figures for the corresponding period in 2012 are set out as below:

a. Consolidated statement of comprehensive income

| | Three months ended | | Nine months ended | |
|---|--------------------|--------------|-------------------|--------------|
| | 31 December | 31 December | 31 December | 31 December |
| | 2013 | 2012 | 2013 | 2012 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Discontinued operations | | | | |
| Turnover | 5,707 | 9,422 | 26,896 | 34,989 |
| Expenses | (1,633) | (9,523) | (24,320) | (35,210) |
| Gain on disposal of subsidiaries | 5,015 | – | 5,015 | – |
| Impairment loss of goodwill | – | – | (8,888) | – |
| Impairment loss of property, plant and equipment | (571) | – | (50,253) | – |
| Profit/(loss) before tax from discontinued operations | 8,518 | (101) | (51,550) | (221) |
| Income tax | (1) | (113) | (571) | (113) |
| Profit/(loss) for the period from discontinued operations | 8,517 | (214) | (52,121) | (334) |
| Other comprehensive income: | | | | |
| Exchange difference arising on translation of foreign operations | 93 | 978 | 2,198 | (33) |
| Release of translation reserve upon disposal of subsidiaries | (6,853) | – | (6,853) | – |
| Total comprehensive income for the period | 1,757 | 764 | (56,776) | (367) |
| Profit/(loss) for the period attributable to: | | | | |
| Owners of the Company | 6,806 | (103) | (28,583) | (163) |
| Non-controlling interests | 1,711 | (111) | (23,538) | (171) |
| | 8,517 | (214) | (52,121) | (334) |
| Total comprehensive income for the period attributable to: | | | | |
| Owners of the Company | 1 | 397 | (34,310) | (180) |
| Non-controlling interests | 1,756 | 367 | (22,466) | (187) |
| | 1,757 | 764 | (56,776) | (367) |

Note to the consolidated statement of comprehensive income

| | Three months ended | | Nine months ended | |
|--|--------------------|-----------|-------------------|----------|
| | 31 December | | 31 December | |
| | 2013 | 2012 | 2013 | 2012 |
| Unaudited | Unaudited | Unaudited | Unaudited | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Discontinued operations | | | | |
| Staff costs (including Directors' emoluments) | | | | |
| — salaries and allowance | 557 | 344 | 4,605 | 3,980 |
| — contributions of defined contributions retirement benefits schemes | 2 | 270 | 166 | 486 |
| | 559 | 614 | 4,771 | 4,466 |
| Depreciation of property, plant and equipment | 4 | 1,793 | 3,886 | 5,369 |
| Impairment loss of goodwill (note) | — | — | 8,888 | — |
| Impairment loss of property, plant and equipment (note) | 571 | — | 50,253 | — |

Note: In accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the non-current assets classified as held for sale shall present at the lower of its carrying amount and fair value less costs to sale. As the net carrying amount of the assets and liabilities exceeded the sales proceeds; accordingly, an impairment loss of HK\$59,141,000 was recognized in the profit or loss during the period.

The cash flows attributable to the discontinued operations are as follows:

| | Nine months ended | |
|---|-------------------|----------------|
| | 31 December | |
| | 2013 | 2012 |
| Unaudited | Unaudited | |
| | HK\$'000 | HK\$'000 |
| Net cash flows from operating activities | 3,208 | 3,550 |
| Net cash flows used in investing activities | (618) | (3,237) |
| Net cash flows used in financing activities | (1,900) | (1,621) |
| Net increase/(decrease) in cash and cash equivalents | 690 | (1,308) |
| Effect of foreign exchange rate changes | 873 | 2 |
| Cash and cash equivalents at the beginning of the period | 670 | 1,404 |
| Cash and cash equivalents at the end of the period | 2,233 | 98 |

b. The fair value of the assets and liabilities of discontinued operations and disposal group classified as held for sale at the date of disposal were as follows:

| | Carrying amount as at the date of disposal as remeasured immediately before classification as held for sale | Impairment loss | Carrying amount as at the date of disposal after allocation of impairment loss |
|--|---|-----------------------|--|
| | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 |
| Assets of discontinued operations and disposal group classified as held for sale | | | |
| Goodwill | 8,888 | (8,888) | – |
| Property, plant and equipment | 104,288 | (50,253) | 54,035 |
| Available-for-sale investments | 947 | – | 947 |
| Inventories | 47,287 | – | 47,287 |
| Trade and other receivables | 96,430 | – | 96,430 |
| Cash and bank balances | 2,233 | – | 2,233 |
| Total | 260,073 | (59,141) | 200,932 |
| Liabilities of discontinued operations and disposal group classified as held for sale | | | |
| Bank borrowing | 36,621 | – | 36,621 |
| Trade and other payables | 96,330 | – | 96,330 |
| Total | 132,951 | – | 132,951 |
| Net assets | | | 67,981 |
| Non-controlling interests | | | (33,143) |
| Release of translation reserve upon disposal of subsidiaries | | | (6,853) |
| Gain on disposal of subsidiaries | | | 5,015 |
| Total consideration | | | 33,000 |
| Net cash inflow arising on disposal: | | | |
| Cash consideration received | | | 3,000 |
| Less: cash and bank balances disposed off | | | (2,233) |
| | | | 767 |

8. DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2013 (2012: Nil).

9. (LOSS)/EARNINGS PER SHARE

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

| | Three months ended 31 December | | Nine months ended 31 December | |
|--|-----------------------------------|------------------|----------------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Loss for the period attributable to the owners of the Company | | | | |
| — from continuing operations | (9,764) | 6,042 | (13,901) | (37,773) |
| — from discontinued operations | 6,806 | (103) | (28,583) | (163) |
| — from continuing and discontinued operations | (2,958) | 5,939 | (42,484) | (37,936) |
| Weighted average number of ordinary shares for the purpose of basic loss per share | 3,950,332,805 | 3,291,952,805 | 3,591,216,441 | 2,910,311,593 |

The diluted loss per share for the periods ended 31 December 2013 and 2012 has not been presented as the potential shares arising from the contingent consideration shares or 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 | Translation reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
| | 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 |
| 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) |
| At 31 December 2012 | 131,678 | 448,577 | (39,998) | 14,027 | 3,832 | (133,778) | 424,338 | 38,660 | 462,998 |
| At 1 April 2013 | 131,678 | 448,577 | (39,998) | 15,445 | 4,473 | (131,456) | 428,719 | 35,279 | 463,998 |
| Loss for the period | - | - | - | - | - | (42,484) | (42,484) | (29,972) | (72,456) |
| Exchange differences arising on translation of foreign operations | - | - | - | - | 2,278 | - | 2,278 | 1,072 | 3,350 |
| Release of translation reserve upon disposal of subsidiaries | - | - | - | - | (6,853) | - | (6,853) | - | (6,853) |
| Total comprehensive income for the period | - | - | - | - | (4,575) | (42,484) | (47,059) | (28,900) | (75,959) |
| Issue of ordinary share under share placing | 26,335 | 76,222 | - | - | - | - | 102,557 | - | 102,557 |
| Recognition of equity-settled share-based payments | - | - | - | 1,568 | - | - | 1,568 | - | 1,568 |
| Share option lapsed | - | - | - | (17,013) | - | 17,013 | - | - | - |
| Disposal of subsidiaries | - | - | - | - | - | - | - | (33,143) | (33,143) |
| At 31 December 2013 | 158,013 | 524,799 | (39,998) | - | (102) | (156,927) | 485,785 | (26,764) | 459,021 |

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the nine months period under review, the Group recorded turnover of approximately HK\$133,805,000 (2012: HK\$20,999,000) and HK\$26,896,000 (2012: HK\$34,989,000) from continuing operations and discontinued operations respectively.

The administrative and other operating expenses for the period was approximately HK\$52,558,000 (2012: HK\$32,096,000) from continuing operations, which included a non-cash expenses of HK\$1,568,000 (2012: HK\$4,253,000) relating to the share-based payments to certain consultants of the Company.

During the period under review, the Group recorded a significant loss from the discontinued operations. The loss was mainly attributable to the impairment loss of assets in relation to the discontinued operations and disposal group classified as held for sales of approximately HK\$59,141,000. The details of the Disposal were set out in the Note 7 to the consolidated financial statements. The loss attributable to the owners of the Company for the period was approximately HK\$42,484,000 (2012: HK\$37,936,000) and loss per share was HK\$1.18 cents (2012: HK\$1.30 cents) from continuing and discontinued operations.


Continuing operations

Stem Cell Technology and Related Businesses

For the nine months ended 31 December 2013, the turnover of stem cell technology and related businesses was approximately HK\$9,202,000 (2012: HK\$1,200,000) which accounted for approximately 7% of the Group's turnover from the continuing operations and recorded a segmental loss of approximately HK\$21,146,000 (2012: HK\$9,794,000) mainly from the administrative and other operating expenses.

159 Anti-Aging Center

On 18 September 2012, the Group had successfully completed the acquisition (the "**Acquisition of 159 Group**") of 159 Regenerative Medicine Group (H.K.) Limited and its subsidiaries (collectively, "**159 Group**"). 159 Group was granted a licence for the user right of stem cell technology. Application has been submitted to State Intellectual Property Office of the PRC for patent of the stem cell technology and is presently pending approval. 159 Group is principally engaged in anti-aging applications of the stem cell technology and relevant services and has commenced its operation in November 2012. 159 Group has opened and has been running an anti-aging center and a stem cell processing center.



During the nine months period under review, 159 Group recorded turnover of approximately HK\$7,485,000 from external customers (since the acquisition date to 31 March 2013: HK\$1,850,000) and loss of approximately HK\$13,131,000. The loss attributable to the Group for the period was approximately HK\$6,697,000. The loss was incurred mainly from the staff and related cost as well as rental expenses.

Pursuant to the sale and purchase agreement and the supplemental deed dated 4 September 2012 and 6 September 2012 respectively (the “**Agreement**”), the aggregated consideration of HK\$195 million (the “**Consideration**”), of which HK\$40.8 million by means 136,000,000 consideration shares will be subject to the Consideration adjustments depending on whether the earnings before interests, taxes, depreciation and amortization (the “**EBITDA**”) can meet the target EBITDA (the “**Target EBITDA**”) in the respective guaranteed period. The Target EBITDA for guaranteed period A for the period ended 31 December 2013 (the “**Guaranteed Period A**”) and guaranteed period B for the period from 1 January 2014 to 31 December 2014 (the “**Guaranteed Period B**”) is HK\$15,300,000 and HK\$25,500,000 respectively. Details of the Acquisition of 159 Group were disclosed in the Company’s announcements dated 4 September 2012, 6 September 2012, 11 September 2012 and 18 September 2012.

During the period under review, the EBITDA was less than the Target EBITDA for the Guaranteed Period A, the vendor and/or the guarantor had elected to increase the Target EBITDA for the Guaranteed Period B, in order that the Company will not deduct from Consideration A the consideration shares equivalent to the shortfall for the Guaranteed Period A. With improved living standards and the aging population, people become more health conscious and there will increase the demand for the anti-aging application and related service. The Directors believe that stem cell technologies and related businesses would provide good opportunities for the development of future business of the Group, broaden its revenue base and have potential to make a significant contribution to the Group in future, we will continue to monitor its performance.

The anti-aging application with the stem cell technology is a fairly new service, the future of this business will depend on the success in achieving the market acceptance and customers’ confidence for our products and services. The Group will continue to increase its effort to promote the anti-aging application and related service and will continue to attempt to broaden the customer base.

Biomedical And Life Sciences (“**BALS**”)

The Group has entered into certain distribution agreements to acquire the exclusive right to import, market, distribute and sell the life sciences and biomedical products in Hong Kong and Macau through our BALS platform which has commenced its business operation in April 2013. The Group will continue to diversify our stem cell and related products to enhance the financial performance.



Sale of Healthcare Products

The turnover of healthcare products for the period was nil (2012: HK\$16,652,000) and recorded a segmental loss of approximately HK\$60,000 (2012: profit HK\$10,000).

Trading business

The turnover of trading business for the period amounted to approximately HK\$124,603,000 (2012: HK\$3,147,000) and recorded a segmental loss of approximately HK\$11,430,000 (2012: HK\$66,000). During the period, the Group has expanded and diversified its trading products resulting in an increase in turnover. The Group will continue to expand our trading business in order to increase our revenue stream and improve the financial performance.

Loan Receivables

During the period under review, the loan interest income from loan receivables was approximately HK\$6,413,000 (2012: HK\$4,524,000). There is no default in repayment and no provision for the impairment of loan receivable was made during the period.

Securities Investments

During the period under review, the Company recorded a realized gain on disposal of held-for-trading investments of approximately HK\$8,528,000 (2012: HK\$590,000). Furthermore, the Group recorded an unrealized gain of approximately HK\$9,613,000 representing the fair value change on held-for-trading investments (2012: HK\$12,448,000). The Board will continue to monitor the market conditions and its performance.

Discontinued Operations

Funeral and Related Businesses

The funeral and related businesses had recorded loss making position in the past few years, the businesses have been facing the challenges of the high inflation and high operating costs including the increase in cost of labour, raw materials, as well as repair and maintenance. However, the revenue generated from the cemetery companies are subject to the cyclical nature of the market and the business operation is mostly relying on the local management teams. In view of the uncertain operating environment, the funeral and related businesses were unable to demonstrate promising growth which decided the Disposal. The Disposal was completed on 15 October 2013.

As a result of the Disposal, the Group discontinued all its funeral and related businesses. The turnover of discontinued operations for the period was approximately HK\$26,896,000 (2012: HK\$34,989,000) and loss of approximately HK\$52,121,000 (2012: HK\$334,000). The details of the Disposal and its financial results were disclosed in the Note 7 “Discontinued operations and disposal of subsidiaries”.



Prospects

The global economic environment remains challenging and uncertain for the year 2014. The Board will constantly keep reviewing the Group's strategies and operations with a view to improve its business performance and shareholders' returns. After completion of the Acquisition of 159 Group on 18 September 2012, the Board has been concentrating our attention in the stem cell technology and related businesses. On the other hand, the Board will explore other investment opportunities to expand and diversify our business portfolios if applicable.

Material Events and Events after the Reporting Period

Major Transaction — Disposal of Subsidiaries

On 24 July 2013, the Vendor entered into the Disposal Agreement with the Purchaser and the guarantor of the Purchaser to dispose of the Group's entire interest in Qinghai FL and Taiyuan WFL. The Disposal was completed on 15 October 2013. Details of information were disclosed in the Note 7 to the consolidated financial statements.

Discloseable Transaction — Acquisition of Gold Arch Group Limited

On 28 March 2013, the Company entered into an acquisition agreement (the "**Acquisition of GAGL**") with Mr. Yang Guofeng ("**Mr. Yang**"). Pursuant to the Acquisition of GAGL, the Company conditionally agreed to purchase and Mr. Yang conditionally agreed to sell 1 ordinary share of US\$1.00 each, representing the entire issued share capital of Gold Arch Group Limited, a company incorporated in the British Virgin Islands (the "**GAGL**"), which has been granted exclusive licences on the five patents, and all amounts (whether principal, interest or otherwise) which GAGL owes to Mr. Yang as at the date of completion of the Acquisition of GAGL at a total consideration of HK\$62,000,000 payable in cash from the internal resources of the Company. The Acquisition of GAGL was completed on 29 October 2013. Details of the Acquisition of GAGL were disclosed in the Company's announcements dated 28 March 2013 and 29 October 2013.

Discloseable Transaction — Acquisition of a property

On 27 May 2013, an indirect wholly-owned subsidiary of the Company, 深圳市康大生科貿易有限公司 (Bio Technology Trading Company Limited*) (as the purchaser), 深圳市舜興物流有限公司 (Shenzhen Shunxing Logistics Company Limited*) (as the vendor) and Mr. Ji Hong and 深圳市滿琛實業發展有限公司 (Shenzhen Manchen Real Estate Development Company Limited*) (as the guarantors) entered into an acquisition agreement (the “**SZ Property Agreement**”) in relation to the acquisition of a property in Shenzhen. The consideration will be calculated at RMB14,000 per square metre and is RMB33,600,000 in total based on a gross floor area of 2,400 square metres which will be subject to final determination. Such consideration is payable in cash from the internal resources of the Company, of which RMB23,520,000 had been paid as refundable deposit, RMB6,720,000 payable within 3 days from the date of passing of the completion inspection by the relevant authorities and the balance payable within 3 days from the date of the issue of the relevant 房地產權證 (land and building title certificates*) to the purchaser. The Company intends that the property be used as the purchaser’s office for its operation in the PRC. As at the date of this report, the acquisition of a property in Shenzhen has still not yet been completed. Details of the SZ Property Agreement were disclosed in the Company’s announcement dated 27 May 2013.

Other Transactions

Memorandum of understanding with 江蘇太瑞生諾生物醫療科技有限公司

On 6 September 2013, the Company entered into a memorandum of understanding (the “**MoU**”) with 江蘇太瑞生諾生物醫療科技有限公司 (Jiangsu Tairui Shengnuo Biomedical Technology Company Limited*) (“**Shengnuo**”), which is principally engaged in research, development, transfer and technical consultation service, etc. on biomedicine and medical appliances. Pursuant to the MoU, the Company’s nominee and Shengnuo would establish a joint venture company (“**JV**”) and would continue to negotiate with a view to finalize a joint venture agreement. The JV would set up and operate a tumour treatment centre in Hong Kong and to commercialize the results of scientific research.

The Company and Shengnuo intended to set up company in Taiwan, the Macau Special Administrative Region of the PRC and the Southeast Asia similar to JV and grant to such companies licence related to certain intellectual property rights. The Company has intent to invest not more than 30,000,000 Swedish Krona into SentoClone® International AB, a wholly-owned subsidiary of Shengnuo incorporated in Sweden. The investment would be for the development of T細胞疫苗新藥 (T cell vaccine*). As at the date of this report, the Company and Shengnuo have not reached any agreement on such investment and negotiation will continue. Details of the MoU were disclosed in the Company’s announcement dated 6 September 2013.

OTHER INFORMATION

Directors' and Chief Executive's Interests in Securities

As at 31 December 2013, the interests and short positions of the Directors and chief executives of the Company (the "Chief Executives") in the shares, underlying shares and debentures of the Company or any of its associated corporations (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 otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in the ordinary shares of HK\$0.04 each of the Company

| Name of Director | Capacity | Number of Shares Held | Approximate Percentage of the Company's Issued Share Capital <i>(Note)</i> |
|-------------------|------------------|-----------------------|---|
| David Lin Kao Kun | Beneficial owner | 80,000,000 | 2.03 |

Note: The percentage is calculated on the basis of 3,950,332,805 shares as at 31 December 2013.

Save as disclosed above, as at 31 December 2013, none of the Directors or the Chief Executives nor their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 are taken or deemed to have under such provisions of the SFO), or otherwise notified to the Company and the Stock Exchange pursuant to the required standard 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.

At the annual general meeting of the Company (the “**AGM**”) held on 1 August 2013, the shareholders of the Company had approved the refreshment of the Share Option Scheme mandate limit in accordance with the Share Option Scheme and the GEM Listing Rules, thereby allowing the Company to grant further options for subscription of up to a total of 329,195,280 shares, representing 10% of the 3,291,952,805 shares in issue as at the date of the AGM.

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.

120,376,000 share options and 173,000,000 share options granted under the Old Share Option Scheme and the Share Option Scheme respectively were lapsed and no share options were granted or exercised during the nine months ended 31 December 2013. Therefore, no outstanding share options as at 31 December 2013.

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, HK\$1,568,000 (2012: HK\$4,253,000) of the expense has been included in the consolidated statement of comprehensive income for the nine months ended 31 December 2013, 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 Directors 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 2013, so far as is known to the Directors and the Chief Executives, 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 Executives) 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 Xiongbin ("Dr. Lin") | Interest of controlled corporation | 141,582,801 (L) | 102,625,600 (L) | 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) | |
| | | | | | |
| | | | | 305,116,381 (L) | 7.72 (L) |
| | | | 46,084,000 (S) | 1.17 (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) | |
| | Interested 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) | 7.72 (L) |
| | | | | 46,084,000 (S) | 1.17 (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) | 146,608,000 (L) | |
| | | | | 336,841,322 (L) | 8.53 (L) |
| | | | | 40,000,000 (S) | 1.01 (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) | 8.37 (L) |
| Mr. Deng Jun Jie ("Mr. Deng") | Interest of controlled corporation | 239,074,333 (L) | 91,380,667 (L) (Note 1) | 330,455,000 (L) | 8.37 (L) |
| Add Talent Holdings Limited ("Add Talent") | Beneficial owner | – | 249,333,333 (L) | 249,333,333 (L) | 6.31 (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 Add Talent or its nominees upon fulfillment of the terms and conditions of the agreement. Add Talent 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 Add Talent 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 3,950,332,805 shares as at 31 December 2013.

Save as disclosed above, as at 31 December 2013, so far as is known to the Directors and the Chief Executives, 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 of the Company 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.

Purchase, Sale or Redemption of Shares

During the nine months ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

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 2013.

Competing Interests

As at 31 December 2013, none of the Directors, controlling 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

The Audit Committee has four members comprising four independent non-executive Directors, namely, Mr. Chi Chi Hung, Kenneth, Mr. Chan Yun Hing, Mr. Gui Qiangfang and Mr. Hung Yat Ming, with written terms of reference in compliance with the GEM Listing Rules. Mr. Chi Chi Hung, Kenneth is the chairman of the Audit Committee.

These unaudited consolidated results for the nine months ended 31 December 2013 have been reviewed by the Audit Committee.

(for identification purpose only)*

By order of the Board

Hong Kong Life Sciences and Technologies Group Limited

Lu Zhiqiang

Executive Director and Chief Executive Officer

Hong Kong, 12 February 2014

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