



**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

2015/16

Interim Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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.*

INTERIM RESULTS

For the three and six months ended 30 September 2015

The board of Directors (the “**Board**”) hereby submits the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months and six months ended 30 September 2015, together with the unaudited comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | Three months ended 30 September 2015 | | Six months ended 30 September 2015 | |
|---|-------|--|-------------------------------|--|-------------------------------|
| | | Unaudited HK\$'000 | 2014 Unaudited HK\$'000 | Unaudited HK\$'000 | 2014 Unaudited HK\$'000 |
| Continuing operations | | | | | |
| Turnover | 4 | 55,801 | 31,184 | 63,071 | 267,921 |
| Cost of sales | | (47,200) | (24,725) | (47,752) | (254,920) |
| Gross profit | | 8,601 | 6,459 | 15,319 | 13,001 |
| (Loss)/gain on disposal of held-for-trading investments | | (1,764) | – | 4,698 | – |
| Fair value change on held-for-trading investments | | 5,195 | (11,427) | 5,342 | (26,473) |
| Other revenue and net income | 4 | 6 | 977 | 374 | 2,035 |
| Administrative and other operating expenses | | (12,307) | (17,582) | (23,698) | (35,287) |
| (Loss)/profit before tax | 5 | (269) | (21,573) | 2,035 | (46,724) |
| Income tax | 6 | 136 | – | (3,290) | – |
| Loss for the period from continuing operations | | (133) | (21,573) | (1,255) | (46,724) |
| Discontinued operation | | | | | |
| Loss for the period from discontinued operation | 7 | – | (1,933) | (5,669) | (3,811) |
| Loss for the period | | (133) | (23,506) | (6,924) | (50,535) |
| Other comprehensive income/ (expense): | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Exchange difference arising on translation of foreign operations | | (2,419) | 102 | (2,036) | 39 |
| Release of translation reserve upon disposal of a subsidiary | | – | – | (40) | – |
| Total comprehensive expense for the period | | (2,552) | (23,404) | (9,000) | (50,496) |

| | Three months ended 30 September | | Six months ended 30 September | |
|--|------------------------------------|-------------------------------|----------------------------------|-------------------------------|
| | 2015 Unaudited HK\$'000 | 2014 Unaudited HK\$'000 | 2015 Unaudited HK\$'000 | 2014 Unaudited HK\$'000 |
| Earnings/(loss) for the period attributable to: | | | | |
| — owners of the Company | 1,333 | (21,299) | (4,816) | (45,958) |
| — non-controlling interests | (1,466) | (2,207) | (2,108) | (4,577) |
| | (133) | (23,506) | (6,924) | (50,535) |
| Total comprehensive expense for the period attributable to: | | | | |
| — owners of the Company | (1,086) | (21,197) | (6,892) | (45,919) |
| — non-controlling interests | (1,466) | (2,207) | (2,108) | (4,577) |
| | (2,552) | (23,404) | (9,000) | (50,496) |
| Earnings/(loss) per share: | | | | |
| From continuing and discontinued operations | | | | |
| Basic and diluted (HK cents) | 0.03 | (0.54) | (0.12) | (1.16) |
| From continuing operations | | | | |
| Basic and diluted (HK cents) | 0.03 | (0.49) | 0.02 | (1.07) |

Notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at 30 September 2015 Unaudited HK\$'000 | As at 31 March 2015 Audited HK\$'000 |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 15,502 | 32,201 |
| Other intangible assets | | 62,000 | 62,000 |
| Available-for-sale investments | | 2,509 | 2,509 |
| Deposits for acquisition of property, plant and equipment | | 28,655 | 29,694 |
| TOTAL NON-CURRENT ASSETS | | 108,666 | 126,404 |
| CURRENT ASSETS | | | |
| Inventories | | 11 | 90 |
| Trade and other receivables | 11 | 177,799 | 139,827 |
| Held-for-trading investments | | 19,842 | 38,245 |
| Cash and bank balances | | 3,633 | 12,099 |
| TOTAL CURRENT ASSETS | | 201,285 | 190,261 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 46,466 | 50,615 |
| Tax payable | | 5,019 | 1,733 |
| TOTAL CURRENT LIABILITIES | | 51,485 | 52,348 |
| NET CURRENT ASSETS | | 149,800 | 137,913 |
| NET ASSETS | | 258,466 | 264,317 |
| CAPITAL AND RESERVES | | | |
| Share capital | 13 | 158,013 | 158,013 |
| Reserves | | 139,537 | 143,280 |
| Equity attributable to the owners of the Company | | 297,550 | 301,293 |
| Non-controlling interests | | (39,084) | (36,976) |
| TOTAL EQUITY | | 258,466 | 264,317 |

CONSOLIDATED STATEMENT OF CHANGES IN 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 2014 | 158,013 | 524,799 | (39,998) | 971 | (736) | (266,644) | 376,405 | (29,549) | 346,856 |
| Loss for the period | - | - | - | - | - | (45,958) | (45,958) | (4,577) | (50,535) |
| Exchange differences arising on translation of foreign operations | - | - | - | - | 39 | - | 39 | - | 39 |
| Total comprehensive expense for the period | - | - | - | - | 39 | (45,958) | (45,919) | (4,577) | (50,496) |
| Recognition of equity-settled share-based payments | - | - | - | 1,942 | - | - | 1,942 | - | 1,942 |
| At 30 September 2014 | 158,013 | 524,799 | (39,998) | 2,913 | (697) | (312,602) | 332,428 | (34,126) | 298,302 |
| At 1 April 2015 | 158,013 | 524,799 | (39,998) | 1,575 | 799 | (343,895) | 301,293 | (36,976) | 264,317 |
| Loss for the period | - | - | - | - | - | (4,816) | (4,816) | (2,108) | (6,924) |
| Release of translation reserve upon disposal of a subsidiary | - | - | - | - | (40) | - | (40) | - | (40) |
| Exchange differences arising on translation of foreign operations | - | - | - | - | (2,036) | - | (2,036) | - | (2,036) |
| Total comprehensive expense for the period | - | - | - | - | (2,076) | (4,816) | (6,892) | (2,108) | (9,000) |
| Recognition of equity-settled share-based payments | - | - | - | 3,149 | - | - | 3,149 | - | 3,149 |
| At 30 September 2015 | 158,013 | 524,799 | (39,998) | 4,724 | (1,277) | (348,711) | 297,550 | (39,084) | 258,466 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended | |
|---|------------------|-----------------|
| | 30 September | |
| | 2015 | 2014 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| Net cash (used in)/generated from: | | |
| Operating activities | (14,587) | (3,162) |
| Investing activities | 7,006 | (1,137) |
| Financing activities | – | – |
| Net decrease in cash and cash equivalents | (7,581) | (4,299) |
| Cash and cash equivalents at the beginning of the period | 12,099 | 47,718 |
| Effect of foreign exchange rate changes | (885) | 11 |
| Cash and cash equivalents at the end of the period | 3,633 | 43,430 |
| Analysis of cash and cash equivalents | | |
| Cash and bank balances | 3,633 | 43,430 |

NOTES TO THE UNAUDITED 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. During the reporting period, the Group is principally engaged in (i) anti-aging and stem cell technology businesses; (ii) trading business; (iii) money lending business; (iv) securities investment; and (v) hotel operations (classified as the discontinued operation upon disposal).

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 2015 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 婺源縣婺里天禧酒店有限公司 (Wuyuan County Wuli Tianxi Hotel Company Limited*) ("**Tianxi Hotel**") on 19 June 2015, the Group discontinued its hotel operations. In accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", their unaudited consolidated financial results were therefore classified as the discontinued operation 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, chief executive officer of the Company, for the purposes of resources allocation and performance assessment of the Group.

During the period, the Group's operating and reportable segments under HKFRS 8 are as follows:

- (i) anti-aging and stem cell technology businesses;
- (ii) trading business;
- (iii) money lending business;
- (iv) securities investment; and
- (v) hotel operations (classified as the discontinued operation).

* For identification purpose only

Information regarding the above segments for the six months ended 30 September 2015 and 2014 are as follows:

(a) Segment revenues and results

| For the six months ended 30 September 2015 | Continuing operations | | | | | Discontinued operation | |
|---|---|-----------------------|------------------------------|--------------------------|-----------------------|---------------------------|-----------------------|
| | Anti-aging & stem cell technology businesses | Trading business | Money lending business | Securities investment | Total | Hotel operations | Total |
| | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 |
| Revenue from external customers | 5,373 | 48,178 | 9,190 | 330 | 63,071 | 1,429 | 64,500 |
| Segments results | (7,134) | (2,076) | 8,649 | 10,371 | 9,810 | (5,669) | 4,141 |
| Unallocated corporate income | | | | | 366 | - | 366 |
| Unallocated corporate expenses | | | | | (8,141) | - | (8,141) |
| Profit/(loss) before taxation | | | | | 2,035 | (5,669) | (3,634) |

| For the six months ended 30 September 2014 | Continuing operations | | | | | Discontinued operation | |
|---|---|-----------------------|------------------------------|--------------------------|-----------------------|---------------------------|-----------------------|
| | Anti-aging & stem cell technology businesses | Trading business | Money lending business | Securities investment | Total | Hotel operations | Total |
| | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 |
| Revenue from external customers | 8,644 | 252,132 | 7,145 | - | 267,921 | - | 267,921 |
| Segments results | (14,302) | (6,479) | 1,855 | (26,473) | (45,399) | (3,811) | (49,210) |
| Unallocated corporate income | | | | | 7,003 | - | 7,003 |
| Unallocated corporate expenses | | | | | (8,328) | - | (8,328) |
| Loss before taxation | | | | | (46,724) | (3,811) | (50,535) |

(b) Segment assets and liabilities

| | Continuing operations | | | | Discontinued operation | | |
|--------------------------|--|--------------------|------------------------|-----------------------|------------------------|--------------------|--------------------|
| | Anti-aging & stem cell technology businesses | Trading business | Money lending business | Securities investment | Total | Hotel operations | Total |
| As at 30 September 2015 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 |
| Segment assets | 17,358 | 59,590 | 147,997 | 19,842 | 244,787 | - | 244,787 |
| Unallocated assets | | | | | 65,164 | - | 65,164 |
| Consolidated assets | | | | | 309,951 | - | 309,951 |
| Segment liabilities | 41,739 | 825 | 787 | - | 43,351 | - | 43,351 |
| Unallocated liabilities | | | | | 8,134 | - | 8,134 |
| Consolidated liabilities | | | | | 51,485 | - | 51,485 |

| | Continuing operations | | | | Discontinued operation | | |
|--------------------------|--|--------------------|------------------------|-----------------------|------------------------|--------------------|--------------------|
| | Anti-aging & stem cell technology businesses | Trading business | Money lending business | Securities investment | Total | Hotel operations | Total |
| As at 31 March 2015 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 |
| Segment assets | 20,869 | 57,577 | 105,514 | 38,245 | 222,205 | 14,600 | 236,805 |
| Unallocated assets | | | | | 79,860 | - | 79,860 |
| Consolidated assets | | | | | 302,065 | 14,600 | 316,665 |
| Segment liabilities | 44,173 | 887 | 430 | - | 45,490 | 2,684 | 48,174 |
| Unallocated liabilities | | | | | 4,174 | - | 4,174 |
| Consolidated liabilities | | | | | 49,664 | 2,684 | 52,348 |

(c) **Geographical information**

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

| | Turnover by geographical markets for the six months ended 30 September | |
|-----------|---|-------------------------------|
| | 2015 | 2014 |
| | Unaudited HK\$'000 | Unaudited HK\$'000 |
| Hong Kong | 13,965 | 14,061 |
| PRC | 50,535 | 253,860 |
| | 64,500 | 267,921 |

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

| | Three months ended 30 September | | Six months ended 30 September | |
|--|--|-------------------------------|--------------------------------------|-------------------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 |
| Continuing operations | | | | |
| Turnover | | | | |
| Anti-aging and stem cell technology businesses | 2,671 | 4,096 | 5,373 | 8,644 |
| Trading business | 48,178 | 23,524 | 48,178 | 252,132 |
| Money lending business | 4,952 | 3,564 | 9,190 | 7,145 |
| Dividend income from securities investment | – | – | 330 | – |
| | 55,801 | 31,184 | 63,071 | 267,921 |
| Other revenue and net income | | | | |
| Interest income | 2 | 1 | 4 | 3 |
| Loan interest income | – | 975 | 366 | 1,951 |
| Sundry income | 4 | 1 | 4 | 81 |
| | 6 | 977 | 374 | 2,035 |

5. (LOSS)/PROFIT BEFORE TAX

The loss before tax has been arrived after charging:

| | Three months ended 30 September 2015 | | Six months ended 30 September 2015 | |
|--|--|-------------------------------|--|-------------------------------|
| | Unaudited HK\$'000 | Unaudited 2014 HK\$'000 | Unaudited HK\$'000 | Unaudited 2014 HK\$'000 |
| Continuing operations | | | | |
| Staff costs (including Directors' emoluments) | | | | |
| — salaries and allowance | 3,209 | 6,270 | 6,470 | 13,038 |
| — contributions of defined contributions retirement benefits schemes | 108 | 343 | 225 | 519 |
| | 3,317 | 6,613 | 6,695 | 13,557 |
| Depreciation of property, plant and equipment | 1,564 | 1,938 | 3,722 | 3,756 |
| Operating lease rentals in respect of rented premises | 2,582 | 2,840 | 4,872 | 6,350 |
| Share-based payments to consultants | 1,574 | 971 | 3,149 | 1,942 |

6. INCOME TAX

| | Three months ended 30 September 2015 | | Six months ended 30 September 2015 | |
|------------------------------|--|-------------------------------|--|-------------------------------|
| | Unaudited HK\$'000 | Unaudited 2014 HK\$'000 | Unaudited HK\$'000 | Unaudited 2014 HK\$'000 |
| Continuing operations | | | | |
| Current tax | | | | |
| Hong Kong | (136) | — | 3,290 | — |
| PRC enterprise income tax | — | — | — | — |
| | (136) | — | 3,290 | — |

Hong Kong profit tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the period.

PRC enterprise income tax on the profits arising in the PRC has been provided on the estimated assessable profits at the rates prevailing in the PRC.

No deferred tax has been recognized for the period due to the temporary differences which will result in a liability to be payable in the foreseeable future are immaterial.

7. DISCONTINUED OPERATION AND DISPOSAL OF A SUBSIDIARY

On 15 June 2015, the Group agreed to dispose of Tianxi Hotel to the purchaser for a consideration of RMB5 million. All the conditions of the disposal have been fulfilled and the completion of the disposal took place on 19 June 2015. Upon completion, the Group discontinued its hotel operations. Details of the disposal were disclosed in the Company's announcement dated 15 June 2015. The details of assets and liabilities disposed of and the calculation of loss on disposal of Tianxi Hotel at the date of disposal are disclosed in Note 14.

The results of the discontinued operation dealt with in the unaudited consolidated financial results for the six months ended 30 September 2015 and 2014 are summarized as follows:

| | Six months ended 30 September 2015 Unaudited HK\$'000 | Six months ended 30 September 2014 Unaudited HK\$'000 |
|--|--|--|
| Turnover | 1,429 | – |
| Cost of sales | (248) | – |
| Gross profit | 1,181 | – |
| Other revenue and net income | 13 | 4 |
| Administrative and other operating expenses | (2,709) | (3,815) |
| Loss before tax | (1,515) | (3,811) |
| Income tax | – | – |
| Loss for the period before loss on disposal of the discontinued operation | (1,515) | (3,811) |
| Loss on disposal of the discontinued operation (Note 14) | (4,154) | – |
| Loss for the period from the discontinued operation | (5,669) | (3,811) |

Loss before tax from discontinued operation has been arrived at after charging:

| | Six months ended 30 September 2015 Unaudited HK\$'000 | Six months ended 30 September 2014 Unaudited HK\$'000 |
|---|--|--|
| Staff costs | 1,513 | 2,466 |
| Depreciation of property, plant and equipment | 506 | 69 |

Cash flows from discontinued operation

| | For the six months ended 30 September 2015 Unaudited HK\$'000 | For the six months ended 30 September 2014 Unaudited HK\$'000 |
|--|--|---|
| Net cash used in operating activities | (533) | (10,527) |
| Net cash used in investing activities | (15) | (1,004) |
| Net cash generated from financing activities | – | 12,497 |
| Net cash (outflows)/inflows | (548) | 966 |

8. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2015 (2014: Nil).

9. EARNINGS/(LOSS) PER SHARE

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

| | Three months ended 30 September | | Six months ended 30 September | |
|--|--|---------------|--|---------------|
| | 2015 | 2014 | 2015 | 2014 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Earnings/(loss) for the period attributable to the owners of the Company | | | | |
| — from continuing operations | 1,333 | (19,366) | 853 | (42,147) |
| — from discontinued operation | – | (1,933) | (5,669) | (3,811) |
| — from continuing and discontinued operations | 1,333 | (21,299) | (4,816) | (45,958) |
| Weighted average number of ordinary shares in issue | 3,950,332,805 | 3,950,332,805 | 3,950,332,805 | 3,950,332,805 |

The diluted loss per share for the periods ended 30 September 2015 and 2014 has not been disclosed as the potential shares arising from exercise of the Company's share options and the contingent consideration shares would decrease the loss per share for the periods and are regarded as anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group acquired items of furniture, fixtures and equipment with a cost of HK\$HK\$71,000 (2014: HK\$3,159,000) and item of leasehold improvements with a net book value of HK\$1,064,000 were written off (2014: Nil). Upon completion of the disposal of Tianxi Hotel, the items of property, plant and equipment with a net book value of approximately HK\$11,285,000 were disposed of during the six months ended 30 September 2015.

11. TRADE AND OTHER RECEIVABLES

| | 30 September 2015 Unaudited HK\$'000 | 31 March 2015 Audited HK\$'000 |
|--|---|---|
| Trade receivables, with ageing analysis: | | |
| 0–30 days | 23,977 | 20,076 |
| 31–60 days | – | 92 |
| Over 60 days | 338 | 339 |
| <hr/> | | |
| Total trade receivables | 24,315 | 20,507 |
| Deposits and prepayments | 14,168 | 7,559 |
| Loan receivables (<i>Note</i>) | 139,130 | 111,481 |
| Other receivables | 186 | 280 |
| <hr/> | | |
| | 177,799 | 139,827 |
| <hr/> | | |

Note: As at 30 September 2015, loan receivables bore interest at the fixed rates of 12% to 24% (31 March 2015: 12% to 24%) per annum and are repayable within 12 months. Except for a loan receivable with a carrying amount of approximately HK\$27 million was secured by parcels of land, all loan receivables were unsecured. The Directors assessed the collectability of loans receivables from time to time individually with reference to borrowers' past collection history and current creditworthiness.

12. TRADE AND OTHER PAYABLES

| | 30 September 2015 Unaudited HK\$'000 | 31 March 2015 Audited HK\$'000 |
|---|---|---|
| Trade payables, with ageing analysis: | | |
| 0–30 days | 25 | 18 |
| 31–60 days | – | – |
| Over 60 days | – | 50 |
| <hr/> | | |
| Total trade payables | 25 | 68 |
| Other payables and accruals | 16,441 | 20,422 |
| Amount due to minority shareholders of subsidiaries | 30,000 | 30,000 |
| Amounts due to directors of subsidiaries | – | 125 |
| <hr/> | | |
| | 46,466 | 50,615 |
| <hr/> | | |

13. SHARE CAPITAL

| | Number of shares | Amount HK\$'000 |
|--|-----------------------------|----------------------------|
| Authorized (ordinary shares of HK\$0.04 each) | | |
| At 1 April 2014, 31 March 2015 and 30 September 2015 | 5,000,000,000 | 200,000 |
| <hr/> | | |
| Issued and fully paid (ordinary shares of HK\$0.04 each) | | |
| At 1 April 2014, 31 March 2015 and 30 September 2015 | 3,950,332,805 | 158,013 |
| <hr/> | | |

14. DISPOSAL OF A SUBSIDIARY

On 15 June 2015, the Group agreed to dispose of Tianxi Hotel to the purchaser for a consideration of RMB5 million. All the conditions of the disposal have been fulfilled and the completion of the disposal took place on 19 June 2015. Details of the disposal of a subsidiary were disclosed in the Company's announcement dated 15 June 2015. The assets and liabilities of Tianxi Hotel at the date of disposal were as follows:

| | Unaudited HK\$'000 |
|--|-----------------------|
| Net assets disposed of: | |
| Property, plant and equipment | 11,285 |
| Inventories | 44 |
| Trade and other receivables | 2,003 |
| Cash and bank balances | 60 |
| Trade and other payables | (2,938) |
| | 10,454 |
| Release of translation reserve upon disposal of a subsidiary | 40 |
| Loss on disposal | (4,154) |
| | 6,340 |
| Net cash inflow arising on disposal | |
| Cash consideration | 6,340 |
| Cash and cash equivalent disposed | (60) |
| | 6,280 |

15. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. In addition to the transaction and balances disclosed elsewhere in these consolidated financial statements, the Group had the following related party transactions during the period:

Compensation of key management personnel

The remuneration of Directors during the period is as follows:

| | Three months ended 30 September | | Six months ended 30 September | |
|--------------------------|------------------------------------|-------------------------------|----------------------------------|-------------------------------|
| | 2015 Unaudited HK\$'000 | 2014 Unaudited HK\$'000 | 2015 Unaudited HK\$'000 | 2014 Unaudited HK\$'000 |
| Short-term benefits | 999 | 973 | 2,013 | 1,951 |
| Post-employment benefits | 5 | 5 | 9 | 9 |
| | 1,004 | 978 | 2,022 | 1,960 |

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Continuing operations

Anti-Aging and Stem Cell Technology Businesses

For the six months ended 30 September 2015 (the “**Period**”), the Group recorded a turnover from the anti-aging and stem cell technology businesses in the amount of approximately HK\$5,373,000 (2014: HK\$8,644,000) and recorded a segmental loss of approximately HK\$7,134,000 (2014: HK\$14,302,000). The loss was incurred mainly from the administrative and other operating expenses.

159 Anti-Aging Center

The Group has successfully completed the acquisition of 51% of equity interests of 159 Regenerative Medicine Group (H.K.) Limited and its subsidiaries (collectively, “**159 Group**”) in September 2012, 159 Group was granted a licence for the user right of stem cell technology. During the Period under review, 159 Group recorded a turnover of approximately HK\$4,403,000 (2014: HK\$6,773,000) and loss of approximately HK\$4,302,000 (2014: HK\$9,341,000). The loss was incurred mainly from the staff costs and rental expenses.

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 has entered into certain agency agreements with agents, pursuant to which the agents will promote and sell the Group’s products and services in the PRC. The Board anticipates it will make help to explore prospective customers in the PRC. The Group will continue to explore various approaches to promote and publicize the anti-aging application and related service to encourage customers to use our products and services.

Other Anti-Aging and Stem Cell Technology Businesses

The Group has entered into certain distribution agreements to import, market, distribute and sell the life sciences and biomedical products in Hong Kong. During the Period, the turnover from the distribution of life sciences and biomedical products amounted to approximately HK\$41,000 (2014: HK\$143,000). In 2013, The Group acquired the entire interests of Shenzhen Sheng Li Hui Biotechnology Company Limited* and setting up certain PRC subsidiaries, which are principally engaged in the provision of health check and beauty service. During the Period, the Group recorded a turnover of approximately HK\$929,000 (2014: HK\$1,728,000). The Group devoted to diversify its revenue stream and introduce the anti-aging and stem cell products and services to customers, the PRC operations will provide opportunities to increase customer base and create cross-sell opportunity for the Group.

Trading Business

The turnover of trading business for the Period amounted to approximately HK\$48,178,000 (2014: HK\$252,132,000) and recorded a segmental loss of approximately HK\$2,076,000 (2014: HK\$6,479,000). The decline in turnover was due to the Group reduced its sales of metals which generate lower profit margin. The Group will continue to attempt to broaden the customer base and diversify our trading products to increase its revenue stream and improve the financial performance.

Money Lending Business

As at 30 September 2015, the loan receivables and interests receivables were approximately HK\$139,130,000 (31 March 2015: HK\$96,628,000) and HK\$8,752,000 (31 March 2015: HK\$861,000). During the Period under review, the loan interests from money lending business were approximately HK\$9,190,000 (2014: HK\$7,145,000). The average interest rate charged by the Group was approximately 14% per annum. Customers included individual and corporation providing secured and unsecured loans. The credit terms of outstanding loans granted by the Group to the customers ranged from six months to one year. In view of significant demand in the market, the Group intends to maintain the loan portfolio with a prudent manner in order to generate a healthy cash flow and steady returns.

Securities Investment

As at 30 September 2015, the Company had held-for-trading investments in the Hong Kong listed companies of approximately HK\$19,842,000 (31 March 2015: HK\$38,245,000). During the Period under review, the Company recorded a realized gain on disposal of Hong Kong listed securities of approximately HK\$4,698,000 (2014: Nil) and an unrealized gain of Hong Kong listed securities investments of approximately HK\$5,342,000 (2014: loss of HK\$26,473,000) representing the fair value change on held-for-trading investments. The Board will continue to monitor the market conditions and its performance.

Discontinued Operation

In 2014, the Group established a special purpose subsidiary for operating the hotel business. Reference is made to the Company's announcement dated 4 April 2014, the Group entered into (i) the lease agreement to lease the property located in Jiangxi Province, the PRC; and (ii) the Management Agreement to obtain certain management services in respect of the hotel operations. The trial operation of Tianxi Hotel has commenced in October 2014. However, the construction of certain facilities has not been completed and as a result the operation of the Tianxi Hotel has not yet been formally commenced. As disclosed in the Company's announcement dated 15 June 2015, the Group entered into the equity transfer agreement with the purchaser to dispose of the Tianxi Hotel. Having considered the business trends of the hotel operations, including but not limited to the hotel room rates, customer demand and the net loss making position attributable to hotel operations for the year ended 31 March 2015, the Board considers that (i) the hotel business is no longer a commercially attractive option to the Group in view of the uncertain operating environment; (ii) the disposal would

enable the Company to dispense with the need for further capital injection into Tianxi Hotel; (iii) the Disposal would avoid further costs that would be incurred under the Lease Agreement and the Management Agreement; and (iv) the disposal would enable the Group to focus its resources on its other business and reallocate its resource to other investment.

The completion of the disposal took place on 19 June 2015 and the financial results of Tianxi Hotel were therefore classified as the discontinued operation. During the Period under review, the turnover of hotel operations amounted to approximately HK\$1,429,000 (2014: Nil) and recorded the loss of approximately HK\$5,669,000 (2014: HK\$3,811,000) from the discontinued operation.

Financial Review

During the Period under review, the Group recorded turnover of approximately HK\$63,071,000 (2014: HK\$267,921,000) from continuing operations. The significant decrease in turnover was mainly derived from the trading business.

The administrative and other operating expenses for the Period was approximately HK\$23,698,000 (2014: HK\$35,287,000) from continuing operations, which included a non-cash expenses of HK\$3,149,000 (2014: HK\$1,942,000) relating to the share-based payments to certain consultants of the Company.

The loss from the continuing operations for the Period was approximately HK\$1,255,000 (2014: HK\$46,724,000). The decrease in loss from the continuing operations was mainly attributable to the held-for-trading investments incurred the realized and unrealized gain of approximately HK\$10,040,000 (2014: loss of HK\$26,473,000) on the fair value change of held-for-trading investments. The loss for the Period attributable to owners of the Company was approximately HK\$4,816,000 (2014: HK\$45,958,000) and the loss per share was 0.12 HK cents (2014: 1.16 HK cents).

Prospects

The Group will continue to enhance the anti-aging and stem cell technology businesses. In this regard, the Board will constantly keep reviewing the Group's strategies and operations with a view to improve its business performance. In view of the growth potential in the PRC market, we intend to further develop our business in the PRC. We will continue to search and identify other products and service to broaden our revenue stream as well as explore other investment opportunities to expand and diversify our business portfolios.

Liquidity and Financial Resources

As at 30 September 2015, the Group had net current assets approximately HK\$149,800,000 (31 March 2015: HK\$137,913,000) and the cash and bank balances was approximately HK\$3,633,000 (31 March 2015: HK\$12,099,000). The Group had no outstanding interest-bearing borrowings (31 March 2015: Nil). The gearing ratio of the Group, being the ratio of total liabilities to total assets, was approximately 16.6% (31 March 2015: 16.5%).

Capital Structure

During the six months ended 30 September 2015, there has been no change in the capital structure of the Company. The capital of the Company mainly comprises ordinary shares and capital reserves.

Material Events

Discloseable transaction — Disposal of listed securities

On 12 May 2015, the Company disposed 23,410,000 shares of China Assurance Finance Group Limited, the issued shares of which are listed on GEM (stock code: 8090) through a securities broker for the gross sale proceeds of HK\$25,751,000 (excluding transaction costs). Details of the disposal of listed securities were disclosed in the Company's announcement dated 12 May 2015.

Discloseable transaction — Extension of loan agreement and provision of financial assistance

On 29 September 2015, Asia Honest Finance Limited as lender ("**Asia Honest**"), Mr. Lam Wai Keung ("**Mr. Lam**") and Honorbase International Limited ("**Honorbase**") as borrower and mortgagor respectively entered into the extension loan agreement (the "**Extension Loan Agreement**"). As the term of loan agreement dated 27 March 2015 (the "**Loan Agreement**") has expired, Asia Honest, Mr. Lam and Honorbase have entered into the Extension Loan Agreement to extend the term of the Loan Agreement for the 6 months to 20 March 2016. Pursuant to the Extension Loan Agreement, the principal of the loan of HK\$27,389,676 is secured by the legal charge in respect of land located in Hong Kong. Details of the Extension Loan Agreement were disclosed in the Company's announcement dated 29 September 2015.

Employee Information

As at 30 September 2015, the Group employed a total of 44 (31 March 2015: 146) full-time employees in Hong Kong and the PRC. During the Period under review, the total remuneration to employees, including Directors' emoluments and retirement benefits amounted to approximately HK\$8,208,000 (2014: HK\$16,023,000). The Group remunerates its employees based on their performance, qualification, experience and the prevailing industry practice.

Charge on Group Assets

As at 30 September 2015, the Group did not have any material charge on assets (31 March 2015: Nil).

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in Hong Kong dollars and Renminbi and considers that the impact of foreign exchange exposure of the Group is minimal.

Contingent Liabilities

As at 30 September 2015, the Group did not have any material contingent liabilities (31 March 2015: Nil).

OTHER INFORMATION

Directors' and Chief Executive's Interests

As at 30 September 2015, 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, Laws of Hong Kong) ("**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, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the ordinary shares of the Company ("**Shares**")

| Name of Directors | Capacity | Number of Shares Held | Percentage of Shares in issue <i>(Approximate)</i> |
|--------------------------|------------------|------------------------------|--|
| Mr. David Lin Kao Kun | Beneficial owner | 797,010,333 | 20.18 |
| Ms. Ding Xiaomei | Beneficial owner | 77,284,000 | 1.96 |

Save as disclosed above, as at 30 September 2015, none of the Directors and the Chief Executives had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (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 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, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares or Debentures

Other than the share option scheme, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of share in, or debentures of, the Company or any other body corporate.

Share Option Scheme

Pursuant to the 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 expired share option scheme adopted on 1 February 2002. The principal terms of the Share Option Scheme were set out in the appendix to the circular of the Company dated 20 July 2010.

The Company granted an aggregate of 180,000,000 share options to eligible grantees under the Share Option Scheme to subscribe for an aggregate of 180,000,000 Shares at an exercise price of HK\$0.40 per Share on 3 January 2014, of which 90,000,000 share options were lapsed on 2 January 2015. As at 30 September 2015, the total outstanding share options were 90,000,000. No share options were granted, lapsed or exercised during the Period.

On 7 August 2015, the ordinary resolution passed at the annual general meeting of the Company to approve the refreshment of the share option scheme mandate limit under the Share Option Scheme. As at the date of this report, the Company had 395,033,280 share options available for issue under the Share Option Scheme, which represents approximately 10% of the issued shares of the Company.

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 value of the share options granted was determined using the Binomial Option Pricing Model of valuation. In total, HK\$3,149,000 (2014: HK\$1,942,000) of the expense has been recognized in profit or loss for the Period, the corresponding amount of which has been credited to share options reserve. No liabilities were recognized due to the share-based payments transactions.

Substantial Shareholders' Interests and Other Persons' Interests

As at 30 September 2015, the Directors were not aware of any other persons/entities (other than the Directors and the Chief Executives) who had interest or short position 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 of the Company required to be kept under Section 336 of the SFO.

Purchase, Sale or Redemption of Shares

During the six months ended 30 September 2015, 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, all Directors confirmed that they had complied with such code of conduct and the required standard of dealings throughout the six months ended 30 September 2015.

Competing Interests

As at 30 September 2015, none of the Directors and controlling shareholders of the Company nor any of their respective close 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.

Corporate Governance Code Compliance

The Company has complied throughout the six months ended 30 September 2015 with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") except the following:

Pursuant to code provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Director and all independent non-executive Directors are not appointed for a specific term, but they are subject to re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

Pursuant to code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting. However, Ms. Lam Kuo, being the chairman of the Board, was unable to attend an annual general meeting of the Company held on 7 August 2015 (the "AGM") due to her other prior engagement. Ms. Lam Kuo invited Mr. Chui Kwong Kau, an executive Director to chair and answer questions from shareholders at the AGM.

Pursuant to code provision A.6.7 of the Code, all non-executive Directors should attend general meeting. However, certain non-executive Directors were unable to attend the AGM due to their other prior engagements.

Audit Committee

The Audit Committee has three members comprising three independent non-executive Directors, namely, Mr. Hung Yat Ming, Mr. Chan Yun Hing and Mr. Gui Qiangfang, with written terms of reference in compliance with the GEM Listing Rules. Mr. Hung Yat Ming is the chairman of the Audit Committee. These unaudited consolidated results for the Period have been reviewed by the Audit Committee.

By order of the Board

Hong Kong Life Sciences and Technologies Group Limited

Lu Zhiqiang

Executive Director and Chief Executive Officer

Hong Kong, 13 November 2015

As at the date of this report, the Board comprises (i) five executive Directors, namely Mr. David Lin Kao Kun, Ms. Ding Xiaomei, Mr. Lu Zhiqiang, Mr. Chui Kwong Kau and Mr. Jiang Hongqing; (ii) one non-executive Director, namely Ms. Lam Kuo; and (iii) three independent non-executive Directors, namely Mr. Hung Yat Ming, Mr. Chan Yun Hing and Mr. Gui Qiangfang.