



# CHINA BIOTECH SERVICES HOLDINGS LIMITED 中國生物科技服務控股有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code: 8037

## FIRST QUARTERLY REPORT 2018



**Future Biotech Platform • Precision Diagnosis • Precision Treatment**

**未來生物科技平臺 • 精準檢測 • 精準治療**

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*This report, for which the directors (the “**Directors**”) of China Biotech Services Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief 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.*

## UNAUDITED FIRST QUARTERLY RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Biotech Services Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated first quarterly results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2018 together with the unaudited comparative figures for the corresponding period in 2017.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2018

		For the three months ended 31 March	
	Notes	2018 HK\$'000	2017 HK\$'000
<b>Gross proceeds</b>	3	<b>17,159</b>	38,997
Turnover	3	<b>17,159</b>	34,106
Cost of sales		<b>(10,065)</b>	(26,940)
<b>Gross profit</b>		<b>7,094</b>	7,166
Net loss on financial assets at fair value through profit or loss	4	–	(23,140)
Other income and gains	5	<b>35</b>	100
Selling and distribution expenses		<b>(3,712)</b>	(4,496)
Administrative expenses		<b>(16,034)</b>	(10,512)
<b>Loss from operations</b>		<b>(12,617)</b>	(30,882)
Finance costs	6	<b>(821)</b>	(196)
Loss on disposal of assets held for sale	10	–	(493)
Gain on disposal of subsidiaries	11	–	2,399
Share of (loss)/profits of associates		<b>(316)</b>	86
Loss before tax		<b>(13,754)</b>	(29,086)
Income tax expense	7	<b>(6)</b>	(73)
<b>Loss for the period</b>		<b>(13,760)</b>	(29,159)

**For the three months ended  
31 March**

	<i>Notes</i>	<b>2018 HK\$'000</b>	2017 HK\$'000
<b>Loss for the period</b>		<b>(13,760)</b>	(29,159)
<b>Other comprehensive income/(loss) for the period</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		<b>107</b>	344
Release of exchange difference upon disposal of assets held for sale	10	–	1,716
Release of exchange difference upon disposal of subsidiaries	11	–	1,728
Share of exchange differences of investments in associates		<b>(37)</b>	309
<b>Other comprehensive income for the period, net of tax</b>		<b>70</b>	4,097
<b>Total comprehensive loss for the period</b>		<b>(13,690)</b>	(25,062)
<b>Loss for the period attributable to:</b>			
– Owners of the Company		<b>(13,263)</b>	(27,935)
– Non-controlling interests		<b>(497)</b>	(1,224)
		<b>(13,760)</b>	(29,159)
<b>Total comprehensive loss for the period attributable to:</b>			
– Owners of the Company		<b>(13,213)</b>	(23,956)
– Non-controlling interests		<b>(477)</b>	(1,106)
		<b>(13,690)</b>	(25,062)
<b>Loss per share</b>			
– Basic and diluted (HK\$)	9	<b>(0.015)</b>	(0.035)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Share option reserves	Special reserves	Other reserves	Exchange reserves	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2018 (Audited)</b>	85,637	319,818	-	212,948	4,163	(1,313)	(366,579)	254,674	251,308
Loss for the period	-	-	-	-	-	-	(13,263)	(497)	(13,760)
Other comprehensive income/(loss) for the period:									
Exchange differences arising from translation of foreign operations	-	-	-	-	-	87	-	87	107
Share of exchange differences of investments in associates	-	-	-	-	-	(37)	-	(37)	(37)
Other comprehensive income for the period, net of tax	-	-	-	-	-	50	-	50	70
Total comprehensive loss for the period	-	-	-	-	-	50	(13,263)	(477)	(13,690)
Equity-settled share-based payment	-	-	3,029	-	-	-	-	-	3,029
<b>At 31 March 2018 (Unaudited)</b>	85,637	319,818	3,029	212,948	4,163	(1,263)	(379,842)	244,490	240,647

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Attributable to owners of the Company							Non-		Total
	Share capital	Share premium	Share option reserves	Special reserves	Other reserves	Exchange reserves	Accumulated losses	Sub-total	controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017 (Audited)	78,837	279,068	-	212,948	4,163	(5,949)	(303,557)	265,510	9,707	275,217
Loss for the period	-	-	-	-	-	-	(27,935)	(27,935)	(1,224)	(29,159)
Other comprehensive income for the period:										
Exchange differences arising from translation of foreign operations	-	-	-	-	-	226	-	226	118	344
Release of exchange difference upon disposal of assets held for sale (Note 10)	-	-	-	-	-	1,716	-	1,716	-	1,716
Release of exchange difference upon disposal of subsidiaries (Note 11)	-	-	-	-	-	1,728	-	1,728	-	1,728
Share of exchange differences of investments in associates	-	-	-	-	-	309	-	309	-	309
Other comprehensive income for the period, net of tax	-	-	-	-	-	3,979	-	3,979	118	4,097
Total comprehensive loss for the period	-	-	-	-	-	3,979	(27,935)	(23,956)	(1,106)	(25,062)
At 31 March 2017 (Unaudited)	78,837	279,068	-	212,948	4,163	(1,970)	(331,492)	241,554	8,601	250,155

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS

## 1. GENERAL INFORMATION

China Biotech Services Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) was incorporated and registered as an exempted company in the Cayman Islands under the Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2003. On 29 August 2013, the Company deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and the principal place of business of the Company in Hong Kong is located at Suites 1904–05A, 19/F, Sino Plaza, 255–257 Gloucester Road, Causeway Bay, Hong Kong.

The issued shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 17 June 2004.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are (i) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the People’s Republic of China (the “**PRC**”) and Hong Kong; (ii) provision of medical laboratory testing services and health check services in Hong Kong; and (iii) trading of securities in Hong Kong.

As at 31 March 2018, the Company’s immediate and ultimate holding company is Genius Lead Limited (“**Genius Lead**”), a company incorporated in Samoa with limited liability and Genius Earn Limited (“**Genius Earn**”), a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability, respectively.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated first quarterly results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and applicable disclosures by the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of the Stock Exchange and the Hong Kong Companies Ordinance.

The unaudited condensed consolidated first quarterly results have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value.

The principal accounting policies used in the preparation of the unaudited condensed consolidated first quarterly results for the three months ended 31 March 2018 are consistent with those applied in the Company’s annual report for the year ended 31 December 2017, except for the adoption of new and amendments to HKFRSs that affect the Group and has adopted the first time for the current period’s unaudited condensed consolidated first quarterly results.

The HKICPA has issued a number of new and revised standards, amendments to standards and Int (collectively referred to as “**new and amendments HKFRSs**”). The Group has adopted the new and amendments HKFRSs which are relevant to the Group’s operations and are mandatory for the financial year beginning on 1 January 2018. The adoption of these new and amendments HKFRSs does not have any significant financial effect on the Group’s unaudited results of operations and financial position.

The Group has not early adopted the new and amendments to HKFRSs that have been issued but are not yet effective.

### 3. TURNOVER

Gross proceeds represents the amounts received and receivables from sales of goods and provision of medical laboratory testing services and health check services less sales tax and discounts, money lending business and provision of research and development services, if any, and sales proceeds arising from trading of securities during the three months ended 31 March 2018.

	For the three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Manufacture and sale of health related and pharmaceutical products	2,584	20,532
Provision of medical laboratory testing services and health check services	14,279	13,554
Money lending business	296	–
Provision for research and development services	–	20
	17,159	34,106
Gross proceeds from trading of securities ( <i>Note</i> )	–	4,891
Gross proceeds	17,159	38,997

*Note:*

The gross proceeds from trading of securities were recorded in “net loss on financial assets at fair value through profit or loss” after setting off the relevant cost.

### 4. NET LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVTPL”)

	For the three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Net unrealised loss on financial assets at FVTPL	–	16,440
Net realised loss on financial assets at FVTPL	–	6,700
	–	23,140



## 5. OTHER INCOME AND GAINS

	For the three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Interest income	1	31
Sundry income	28	83
Exchange gain/(losses), net	6	(14)
	35	100

## 6. FINANCE COSTS

	For the three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
<b>Interest expenses:</b>		
– Bank borrowing	22	28
– Other borrowings	772	556
– Imputed interest on loan from a non-controlling shareholder of a subsidiary	27	18
Total interest expenses	821	602
Less: Interest capitalised on construction in progress (Note)	–	(406)
	821	196

Note:

The weighted average capitalisation rate on fund borrowed generally is at a rate of 1% per month for the three month ended 31 March 2017 (three month ended 31 March 2018: Nil).

## 7. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
<b>The amount comprises:</b>		
Current tax:		
– Hong Kong Profits Tax	57	124
Deferred tax:		
– Current period	(51)	(51)
	6	73

Hong Kong Profits Tax is calculated at the tax rate of 16.5% (three months ended 31 March 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the three months ended 31 March 2018.

One of the subsidiaries had been certified by the relevant PRC authorities as high technology enterprises. Pursuant to the Income Tax Law in the PRC, the subsidiary was subjected to Enterprise Income Tax rate of 15% for the three months ended 31 March 2018 (three months ended 31 March 2017: 15%).

The PRC Enterprise Income Tax has been provided as a rate of 25% for the three months ended 31 March 2018 (three months ended 31 March 2017: 25%)

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on the existing legislation, interpretation and practices in respect thereof.

## 8. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: HK\$Nil).

## 9. LOSS PER SHARE

Basic loss and diluted loss per share is calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares during the three months ended 31 March 2018 and 2017.

	For the three months ended 31 March	
	2018 '000	2017 '000
<b>Number of ordinary shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<b>856,367</b>	788,367

	For the three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Loss for the period attributable to owners of the Company	<b>(13,263)</b>	(27,935)
Basic and diluted loss per share (HK\$)	<b>(0.015)</b>	(0.035)

Diluted loss per share for the three months ended 31 March 2018 equals basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

No diluted loss per share has been presented for the three months ended 31 March 2017 as there was no dilutive potential ordinary share outstanding.

## 10. ASSETS HELD FOR SALE

On 17 November 2016, Dynasty Well Limited, a direct wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to dispose of the entire issued share capital in Allied View International Limited ("Allied View") and the entire sum owed by Allied View to the Company (the "Sale Loan") at a cash consideration of HK\$10,000,000 (the "Allied View Disposal"). The completion of the Allied View Disposal took place on 15 February 2017 and a loss on disposal of approximately HK\$493,000 was recorded by the Group. Details of the Allied View Disposal are disclosed in the announcement of the Company dated 17 November 2016.

### Loss on disposal of assets held for sale:

	HK\$'000
Consideration	10,000
Release of exchange difference upon disposal	(1,716)
Less: Net liabilities disposed of	20,259
Less: Sale Loan assigned	(29,036)
	(493)

## 11. DISPOSAL OF SUBSIDIARIES

On 30 March 2017, Luxury Sun Holdings Limited, an indirect wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to dispose of the entire equity interests in Jet Rich Investment Limited and its subsidiary (collectively, the “**Jet Rich Group**”) at a cash consideration of HK\$12,700,000. The completion of the disposal of the Jet Rich Group took place on the same date.

An analysis of the net assets of the Jet Rich Group at the date on which the Group lost control (i.e. 30 March 2017), was as follows:

	<i>HK\$'000</i>
Property, plant and equipment	221
Deposits, prepayments and other receivables	663
Cash and cash equivalents	12,528
<b>Total assets</b>	<b>13,412</b>
Other payables and accruals	4,839
<b>Total liability</b>	<b>4,839</b>
<b>Net assets disposed of</b>	<b>8,573</b>
	<b>For the three months ended 31 March 2017</b>
	<i>HK\$'000</i>
<b>Gain on disposal of the Jet Rich Group:</b>	
Consideration	12,700
Release of exchange difference upon disposal	(1,728)
Less: Net assets disposed of	(8,573)
	<b>2,399</b>

## 12. EVENT AFTER THE END OF THE REPORTING PERIOD

On 17 April 2018, Gain Yield Holdings Limited (the “**Subscriber**”), a wholly-owned subsidiary of the Company, and Broncus Holding Corporation, (the “**Target Company**”) entered into a share subscription agreement, pursuant to which, the Target Company agreed to issue and allot, and the Subscriber agreed to subscribe for, the subscription shares, being 1,641,794 series B preferred shares in the Target Company at the consideration of US\$5,000,001.54 (equivalent to approximately HK\$39,247,000). The subscription shares represent approximately 2.27% of the total issued share capital of the Target Company (as enlarged by the issue of the subscription shares but before the issue of any other series B preferred shares by the Target Company) as at the date of completion. The Target Company and its subsidiaries is mainly engaged in the development and manufacturing of navigation, diagnostic and therapeutic technologies to treat patients with lung disease. The completion of subscription took place in April 2018. Details were disclosed in the announcement of the Company dated 17 April 2018.

## FINANCIAL REVIEW

During the three months ended 31 March 2018 (the “**2018 Q1 Period**”), the principal activities of the Group are (i) the manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (ii) provision of medical laboratory testing services and health check services in Hong Kong; and (iii) trading of securities in Hong Kong.

### Turnover

During the 2018 Q1 Period, the Group recorded a turnover of approximately HK\$17,159,000, representing a decrease of approximately 49.69% as compared with that of approximately HK\$34,106,000 for the three months ended 31 March 2017 (the “**2017 Q1 Period**”). The overall decrease in the turnover was mainly due to resulted from absence of trading of pharmaceutical intermediates to overseas which contributed approximately HK\$17,383,000 for the 2017 Q1 Period.

### *Manufacture and sale of health related and pharmaceutical products*

Manufacture and sale of health related and pharmaceutical products segment recorded a significant decrease during the 2018 Q1 Period. The turnover of this segment decreased from approximately HK\$20,532,000 for the 2017 Q1 Period to approximately HK\$2,584,000 for the 2018 Q1 Period mainly due to resulted from absence of trading of pharmaceutical intermediates to overseas which contributed approximately HK\$17,383,000 for the 2017 Q1 Period. Also, the sales performance of the healthcare and skincare products business of the Group in Hong Kong has been affected significantly due to the competition within Hong Kong’s healthcare and skincare product market is extremely intense and the market has shrunk due to the continual reduction in Chinese tourist’s average spending in these years.

### *Provision of medical laboratory testing services and health check services*

The Group had offered a wide spectrum of quality health check diagnostic services in Hong Kong through four health check centers, one medical testing central laboratory and one molecular laboratory. During the 2018 Q1 Period, a new health check center put into operation together with more diversified laboratory tests are available to fulfill various needs of customers, the turnover of this segment has increased slightly from approximately HK\$13,554,000 for the 2017 Q1 Period to approximately HK\$14,279,000 for the 2018 Q1 Period, notwithstanding the existence of the keen competition in the medical laboratory testing services and health check services industry in light of the market saturation and the constant increase in number of new entrants in the industry.

### ***Trading of financial assets at FVTPL***

The Group investment portfolio comprises investments in listed securities in Hong Kong. This business segment recorded no gain or loss on financial assets at FVTPL during the 2018 Q1 Period as no trading activities were incurred (2017 Q1 Period: net loss of approximately HK\$23,140,000 comprising (i) net unrealised loss of approximately HK\$16,440,000; and (ii) the net realised loss of approximately HK\$6,700,000).

The performance of equity investments is subject to certain degree of volatility in the Hong Kong stock market and is susceptible to other external factors. It has been the policy of the Company to closely monitor the performance of its securities investment and to diversify the investment portfolio with a view to mitigate possible financial risks related to the equity investments.

### **Gross profit and gross profit margin**

The Group recorded a slightly decrease in the gross profit for the 2018 Q1 Period of approximately HK\$7,094,000 when compared with that of approximately HK\$7,166,000 in the 2017 Q1 Period. However, the gross profit margin for the 2018 Q1 Period was approximately 41.34%, representing a significant increase by approximately 20.33 percentage point when compared with the gross profit margin of approximately 21.01% for the 2017 Q1 Period. The increase in gross profit margin was attributable to absence of trading of pharmaceutical intermediates business for the 2018 Q1 Period which commanded a thinner gross profit margin for 2017 Q1 Period.

### **Selling and distribution expenses**

Selling and distribution expenses for the 2018 Q1 Period were approximately HK\$3,712,000 (2017 Q1 Period: HK\$4,496,000), representing a decrease of approximately HK\$784,000 or 17.44% compared with such expenses for the 2017 Q1 Period. Such decrease was mainly attributable to less staff costs were incurred for healthcare and skincare product market in Hong Kong due to the decrease in number of promoters as result of termination of co-operation with one retail store in Hong Kong in mid of 2017.

### **Administrative expenses**

The administrative expenses for the 2018 Q1 Period were approximately HK\$16,034,000, representing an increase of approximately HK\$5,522,000 or 52.53%, as compared with that of approximately HK\$10,512,000 for the 2017 Q1 Period, which was mainly due to (i) amortisation of equity-settled share-based payment of approximately HK\$3,029,000 (2017 Q1 Period: HK\$Nil) and (ii) rental expenses of HK\$1,278,000 for 2018 Q1 Period (2017 Q1 Period: HK\$690,000).

## Finance costs

During the 2018 Q1 Period, the Group's interest expenses (including capitalised interest) amounted to approximately HK\$821,000 (2017 Q1 Period: HK\$602,000). The increase in finance costs (including capitalised interest) was attributable to the short term other borrowings as the working capital by 貴州雙升製藥有限公司 (in English, for identification purpose only, Guizhou Shuang Sheng Pharmaceutical Co., Ltd.) during the 2018 Q1 Period which resulted in a higher average borrowing level.

## Loss for the Period

The Group recorded a loss of approximately HK\$13,760,000 for the 2018 Q1 Period (2017 Q1 Period: HK\$29,159,000). The aforesaid loss for 2018 Q1 Period has been improved as compared with that of 2017 Q1 Period which was mainly attributable to no gain or loss on financial assets at FVTPL for 2018 Q1 Period, as opposed to a significant net loss of approximately HK\$23,140,000 on financial assets at FVTPL for 2017 Q1 Period.

## BUSINESS REVIEW

### Memorandum of Understanding in Relation to Possible Acquisition of 34.33% Equity Interest in Sinobioway Cell

On 5 January 2018, China Biology Services Group Limited (the **"Purchaser"**), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding (the **"MOU"**) with 安徽未名生物醫藥有限公司 (the **"Vendor"**) in relation to the Purchaser's possible acquisition of 34.33% equity interest in 安徽未名細胞治療有限公司 (**"Sinobioway Cell Therapy Co., Ltd."**) (the **"Possible Acquisition"**), company incorporated in the PRC with limited liability. The Purchaser will acquire and the Vendor will sell 34.33% equity interest in Sinobioway Cell Therapy Co., Ltd. at a total cash consideration of RMB165,980,000 (equivalent to approximately HK\$199,744,000). No legally binding agreement has been entered into by the Purchaser with the Vendor in respect of the Possible Acquisition as at the date of this report and the exclusivity period ends on 5 April 2018. Details were disclosed in the announcements of the Company dated 5 January 2018 and 6 April 2018.

### Grant of share options

On 12 January 2018, the Company has granted to eligible participants, certain options to subscribe for up to a total of 27,380,000 ordinary shares of nominal value of HK\$0.10 each in the share capital of the Company. Details were disclosed in the announcement of the Company dated 12 January 2018.



### **Disposal of 8% of equity interest in a securities company**

On 24 January 2018, Keyun Limited, an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with an independent third party to disposal of 8% of equity interest in a securities company with a cash consideration of HK\$2,500,000. No gain or loss was recorded during the 2018 Q1 Period. The completion of disposal took place on the same date.

### **Subscription of approximately 2.27% of the issued shares capital of Broncus Holding Corporation**

On 17 April 2018, Gain Yield Holdings Limited (the “**Subscriber**”), a wholly-owned subsidiary of the Company, and Broncus Holding Corporation, (the “**Target Company**”) entered into a share subscription agreement, pursuant to which, the Target Company agreed to issue and allot, and the Subscriber agreed to subscribe for, the subscription shares, being 1,641,794 series B preferred shares in the Target Company at the consideration of US\$5,000,001.54 (equivalent to approximately HK\$39,247,000). The subscription shares represent approximately 2.27% of the total issued share capital of the Target Company (as enlarged by the issue of the subscription shares but before the issue of any other series B preferred shares by the Target Company) as at the date of completion. The Target Company and its subsidiaries is mainly engaged in the development and manufacturing of navigation, diagnostic and therapeutic technologies to treat patients with lung disease. The completion of subscription took place in April 2018. Details were disclosed in the announcement of the Company dated 17 April 2018.

## **FUTURE PROSPECT**

The Group will continue to cautiously monitor the business environment and continue to strength the competitiveness in the markets, the Group will further focus on the core business and continue to seek potential investment opportunities.

The efforts made on finishing human genome, targeted therapy, big data, molecular pathology and a lot are all aimed for a more accurate and precise medicine as well as driving the development of precision medicine. Precision medicine is a personalised disease precaution and treatment option by applying modern genetic technology and biotechnology and taking into account the living environment and lifestyle of patient that achieve precise categorisation and diagnosis of diseases and greater understanding about the disease.

In light of the development of the health industry, social capital will be provided with numerous opportunities for investing in, among others, the development and research of pharmaceutical products, development of equipment and precision medical services, precision examination and testing as well as treatment system. The Group will also increase its investment focus on such projects as Car-T, protein molecular diagnosis, third-party examination laboratories, precision medical equipment, genetic tests, cell processing centres, biotechnology and artificial intelligence (AI). Both the development momentum of and the policy steer on the medical services industry in the PRC would create a favourable development environment for the Group in establishing future biotechnology platforms.

The Company will plan to pursue two directions, namely “precision diagnosis: precision big health checkups system” and “precision treatment: Car-T integrated industry chain” by grasping the historic opportunity for the development of global precision medical care, in an effort to become a future biotechnology platform.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any other material acquisition or disposal of subsidiaries and affiliated companies for the 2018 Q1 Period.

## DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2018, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the “SFO”)) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

### (i) Long position in shares of the Company

Name of Director	Capacity and nature of interest	No. of shares held	Approximate percentage (Note a)
Mr. Liu Xiaolin (“Mr. Liu”)	Interest of a controlled corporation	529,500,546 (Note b)	61.83%
	Beneficial owner	93,820,000	10.96%
	Total	623,320,546	72.79%

*Notes:*

- (a) As at 31 March 2018, the total number of the issued shares of the Company was 856,366,750 ordinary shares of HK\$0.10 each of the Company.
- (b) Genius Lead is the registered and beneficial owner of these shares of the Company, and Genius Lead is wholly-owned by Genius Earn, which is in turn wholly-owned by Mr. Liu. As such, Mr. Liu is deemed to be interested in the shares of the Company held by Genius Lead.

**(ii) Long position in shares of associated corporation**

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Nature of interest</b>	<b>No. of shares held in associated corporation</b>	<b>Approximate percentage</b>
Mr. Liu	Genius Earn	Beneficial owner	1	100%

**(iii) Long position in share options granted**

<b>Name of Directors</b>	<b>Nature of interest</b>	<b>Date of grant</b>	<b>Exercisable period</b>	<b>Exercise price per share</b>	<b>Aggregate long position in the underlying shares</b>	<b>Approximate percentage</b> <i>(note a)</i>
Mr. Liu	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK\$1.67	780,000	0.09%
Mr. Wang Zheng	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK\$1.67	4,000,000	0.47%
Mr. Huang Song	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK\$1.67	4,000,000	0.47%

*Note:*

- (a) As at 31 March 2018, the total number of the issued shares of the Company was 856,366,750 ordinary shares of HK\$0.10 each of the Company.

Save as disclosed above, as at 31 March 2018, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

## NOTIFIABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2018, the following person or entity (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

### Long position in shares and underlying shares

Name of shareholder	Capacity and nature of interest	No. of shares held	Approximate percentage (Note a)
Genius Earn (Note b)	Interest of a controlled corporation	529,500,546	61.83%
Genius Lead (Note b)	Beneficial owner	529,500,546	61.83%

Notes:

- (a) As at 31 March 2018, the total number of the issued shares of the Company was 856,366,750 ordinary shares of HK\$0.10 each of the Company.
- (b) Genius Lead is wholly-owned by Genius Earn. As such, Genius Earn is deemed to be interested in the shares of the Company held by Genius Lead under the SFO.

Save as disclosed above, as at 31 March 2018, no other person or entity (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

The Company adopted a share option scheme on 29 May 2014 for the purpose of providing incentives or rewards to eligible participants who contribute the success the Group's operation. The principal terms of the share option scheme were disclosed in the Company's 2017 annual report. Details of movements in the Company's share options during the three months period ended 31 March 2018 are set out as follows:

	Outstanding at 1 January 2018	Number of share options			Outstanding at 31 March 2018
		Granted during the period (Note)	Exercised during the period	Lapsed during the period	
Directors	–	8,780,000	–	–	8,780,000
Other grantees	–	18,600,000	–	–	18,600,000
Total	–	27,380,000	–	–	27,380,000

*Note:*

A total of 27,380,000 share options were granted on 12 January 2018, with an exercise price of HK\$1.67. Among the share options granted, (i) Type A share options to subscribe for up to 8,780,000 ordinary shares of the Company were granted to three Directors; and (ii) Type A share options to subscribe for up to 15,600,000 ordinary shares of the Company and Type B share options to subscribe for up to 3,000,000 ordinary shares of the Company were granted to other grantees. The Type A share options are valid for a period of four years commencing from the date of grant until 11 January 2022 and are exercisable to subscribe for: (i) a maximum of one-third of the shares granted to each grantee in respect of the Type A share options from 12 January 2019 to 11 January 2020; (ii) a maximum of another one-third of the shares granted to each grantee in respect of the Type A share options from 12 January 2020 to 11 January 2021; and (iii) a maximum of the remaining one-third of the shares granted to each grantee in respect of the Type A share options from 12 January 2021 to 11 January 2022. The Type B share options are valid from the date of grant until 30 June 2021 and are exercisable during the period of six months commencing from 1 January 2021 and ending on 30 June 2021 subject to the fulfillment of certain financial performance targets by a subsidiary of the Group as set out in the offer letter.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES**

At no time during the 2018 Q1 Period or at the end of the 2018 Q1 Period has been/was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the share options granted to three Directors on 12 January 2018. Details are disclosed in the announcement dated 12 January 2018.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive right under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the 2018 Q1 Period.

## **COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not 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 with all Directors, the Company confirmed that all Directors have complied with the required standard of dealings and its code of conduct concerning securities transactions by the Directors during the 2018 Q1 Period.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Board believes that corporate governance is essential to the success of the Company. The Board is committed to maintaining corporate governance with high standard and ensuring compliance of the legal and regulatory requirements. The Company has put in place governance practices with emphasis on the integrity, quality of disclosures, transparency and accountability for the shareholders of the Company.

Throughout the 2018 Q1 Period, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

## **COMPETING AND CONFLICT OF INTEREST**

None of the Directors or the controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group nor any conflict of interest which has or may have with the Group during the 2018 Q1 Period.

## AUDIT COMMITTEE

The Board established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules for the purpose of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises of three independent non-executive Directors, namely, Mr. Yan Guoxiang, Mr. Ho Fung Shan Bob and Mr. Qian Hongji as at the date of this report.

Following the resignation of Leung Ka Fai as an independent non-executive Director on 5 December 2017, he also ceased to be a member of the Audit Committee. As such, the Company was unable to fulfill the requirement of having three members on the Audit Committee as required under Rule 5.28 of the GEM Listing Rules. Following the appointment of Mr. Qian Hongji as a member of the Audit Committee with effect from 2 March 2018, the requirement of having three members on the Audit Committee has been fulfilled.

The unaudited condensed consolidated first quarterly results of the Group for the 2018 Q1 Period have not been audited by the Company’s auditor, but have been reviewed by the Audit Committee in accordance with the accounting principles and practices adopted by the Company and the Audit Committee has discussed internal controls and financial reporting matters before any disclosure and release of information.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

## GENERAL

On behalf of the Board, I would like to take this opportunity express my sincere gratitude to all the shareholders for their support to the Company.

By order of the Board  
**China Biotech Services Holdings Limited**  
**Liu Xiaolin**  
*Chairman*

Hong Kong, 11 May 2018

*As at the date of this report, the Board comprises three executive Directors namely, Mr. Liu Xiaolin (Chairman), Mr. Leung Pak Hou Anson and Mr. Wang Zheng; one non-executive Director namely Mr. Huang Song; and three independent non-executive Directors namely Mr. Yan Guoxiang, Mr. Ho Fung Shan Bob and Mr. Qian Hongji.*