



**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

THIRD QUARTERLY REPORT 2018

**Precision Treatment**

精準治療

**Future Biotechnology Platform**

未來生物科技平臺

**Precision Diagnosis**

精準檢測

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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 THIRD QUARTERLY RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of China Biotech Services Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (collectively, the “**Group**”) for the three and nine months ended 30 September 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 AND NINE MONTHS ENDED 30 SEPTEMBER 2018

		For the three months ended 30 September		For the nine months ended 30 September	
	Notes	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Gross proceeds</b>	3	<b>17,590</b>	20,945	<b>51,361</b>	192,719
Turnover	3	<b>17,590</b>	20,945	<b>51,361</b>	81,004
Cost of sales		<b>(11,481)</b>	(12,804)	<b>(31,432)</b>	(58,547)
<b>Gross profit</b>		<b>6,109</b>	8,141	<b>19,929</b>	22,457
Net loss on financial assets at fair value through profit or loss	4	–	(845)	–	(23,030)
Other income and gains	5	<b>1,765</b>	33	<b>2,064</b>	315
Selling and distribution expenses		<b>(4,197)</b>	(3,884)	<b>(12,003)</b>	(12,063)
Administrative expenses		<b>(22,250)</b>	(11,231)	<b>(55,122)</b>	(32,736)
<b>Loss from operations</b>		<b>(18,573)</b>	(7,786)	<b>(45,132)</b>	(45,057)
Finance costs	6	<b>(884)</b>	(156)	<b>(2,571)</b>	(882)
Loss on disposal of assets held for sale	10	–	–	–	(493)
Gain on disposal of subsidiaries	11	–	–	–	2,473
Gain on disposal of associates	12	–	–	–	25,558
Share of (loss)/profits of associates		<b>(241)</b>	2,600	<b>(233)</b>	3,816
<b>Loss before tax</b>		<b>(19,698)</b>	(5,342)	<b>(47,936)</b>	(14,585)
Income tax credit/(expense)	7	<b>177</b>	(310)	<b>70</b>	(567)
<b>Loss for the period</b>		<b>(19,521)</b>	(5,652)	<b>(47,866)</b>	(15,152)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Loss for the period</b>		<b>(19,521)</b>	<b>(5,652)</b>	<b>(47,866)</b>	<b>(15,152)</b>
<b>Other comprehensive income for the period</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		126	534	160	1,393
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
Release of exchange difference upon disposal of associates	12	–	–	–	293
Share of exchange differences of investments in associates		162	(168)	(3)	225
<b>Other comprehensive income for the period, net of tax</b>		<b>288</b>	<b>366</b>	<b>157</b>	<b>5,355</b>
<b>Total comprehensive loss for the period</b>		<b>(19,233)</b>	<b>(5,286)</b>	<b>(47,709)</b>	<b>(9,797)</b>
<b>Loss for the period attributable to:</b>					
– Owners of the Company		(17,362)	(5,122)	(44,159)	(12,416)
– Non-controlling interests		(2,159)	(530)	(3,707)	(2,736)
		<b>(19,521)</b>	<b>(5,652)</b>	<b>(47,866)</b>	<b>(15,152)</b>
<b>Total comprehensive loss for the period attributable to:</b>					
– Owners of the Company		(17,171)	(5,002)	(44,126)	(7,662)
– Non-controlling interests		(2,062)	(284)	(3,583)	(2,135)
		<b>(19,233)</b>	<b>(5,286)</b>	<b>(47,709)</b>	<b>(9,797)</b>
<b>Loss per share</b>					
– Basic and diluted (HK\$)	9	(0.020)	(0.006)	(0.051)	(0.016)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES  
IN EQUITY**

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Attributable to owners of the Company							Non-		Total
	Share capital HK\$'000	Share premium HK\$'000	Share option reserves HK\$'000	Special reserves HK\$'000	Other reserves HK\$'000	Exchange reserves HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	controlling interests HK\$'000	
<b>At 1 January 2018 (Audited)</b>	85,637	319,818	-	212,948	4,163	(1,313)	(366,579)	254,674	(3,366)	251,308
Loss for the period	-	-	-	-	-	-	(44,159)	(44,159)	(3,707)	(47,866)
Other comprehensive income for the period:										
Exchange differences arising from translation of foreign operations	-	-	-	-	-	36	-	36	124	160
Share of exchange differences of investments in associates	-	-	-	-	-	(3)	-	(3)	-	(3)
Other comprehensive income for the period, net of tax	-	-	-	-	-	33	-	33	124	157
Total comprehensive loss for the period	-	-	-	-	-	33	(44,159)	(44,126)	(3,583)	(47,709)
Equity-settled share-based payment	-	-	9,931	-	-	-	-	9,931	-	9,931
Issue of ordinary share	7,950	125,610	-	-	-	-	-	133,560	-	133,560
Less: Shares issue expenses	-	(1,467)	-	-	-	-	-	(1,467)	-	(1,467)
<b>At 30 September 2018 (Unaudited)</b>	93,587	443,961	9,931	212,948	4,163	(1,280)	(410,738)	352,572	(6,949)	345,623

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Attributable to owners of the Company							Non-		Total
	Share capital HK\$'000	Share premium HK\$'000	Share option reserves HK\$'000	Special reserves HK\$'000	Other reserves HK\$'000	Exchange reserves HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	controlling interests HK\$'000	
<b>At 1 January 2017 (Audited)</b>	78,837	279,068	-	212,948	4,163	(5,949)	(303,557)	265,510	9,707	275,217
Loss for the period	-	-	-	-	-	-	(12,416)	(12,416)	(2,736)	(15,152)
Other comprehensive income for the period:										
Exchange differences arising from translation of foreign operations	-	-	-	-	-	792	-	792	601	1,393
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
Release of exchange difference upon disposal of associates (Note 12)	-	-	-	-	-	293	-	293	-	293
Share of exchange differences of investments in associates	-	-	-	-	-	225	-	225	-	225
Other comprehensive income for the period, net of tax										
	-	-	-	-	-	4,754	-	4,754	601	5,355
Total comprehensive loss for the period	-	-	-	-	-	4,754	(12,416)	(7,662)	(2,135)	(9,797)
<b>At 30 September 2017 (Unaudited)</b>	78,837	279,068	-	212,948	4,163	(1,195)	(315,973)	257,848	7,572	265,420

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED THIRD 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 30 September 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 third 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 third 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 third quarterly results for the nine months ended 30 September 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 quarterly results.

The HKICPA has issued a number of new and revised standards, amendments to standards and interpretations (collectively referred to as “**new and amendments to HKFRSs**”). The Group has adopted the new and amendments to 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 revised HKFRSs did not result in significant changes to the Group’s accounting policies and presentation of the Group’s condensed consolidated quarterly financial information, except for the adoption of HKFRS 9 Financial Instruments. Upon the adoption of HKFRS 9, the Group elected to classify all equity investments of the Group which were previously classified as available-for-sale financial assets into financial assets measured at fair value through other comprehensive income because these investments have been held as long-term strategic investments that are not expected to be sold in the short term. As a result, the impairment loss on available-for-sale financial assets previously recognised in profit or loss, if any, was reclassified from accumulated losses to investment revaluation reserve on 1 January 2018. The reserve will no longer be reclassified to profit or loss upon impairment or disposal of equity investments, but the cumulative gain or loss previously recognised in other comprehensive income is will be transferred within equity as a reclassification adjustment upon derecognition of equity investments.

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 and nine months ended 30 September 2018.

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Manufacture and sale of health related and pharmaceutical products	2,791	4,718	7,259	36,558
Provision of medical laboratory testing services and health check services	14,341	16,227	42,957	44,426
Money lending business	458	–	1,145	–
Provision for research and development services	–	–	–	20
	17,590	20,945	51,361	81,004
Gross proceeds from trading of securities (Note)	–	–	–	111,715
Gross proceeds	17,590	20,945	51,361	192,719

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 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net unrealised loss on financial assets at FVTPL	–	845	–	845
Net realised loss on financial assets at FVTPL	–	–	–	22,185
	–	845	–	23,030

## 5. OTHER INCOME AND GAINS

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest income	1	–	3	142
Sundry income	87	34	383	184
Gain on disposal of property, plant and equipment	1,735	–	1,735	–
Written off of property, plant and equipment	(23)	–	(25)	–
Exchange losses, net	(35)	(1)	(32)	(11)
	1,765	33	2,064	315

## 6. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest expenses:				
– Bank borrowing	20	26	62	81
– Other borrowings	836	528	2,426	1,967
– Imputed interest on loans from a non-controlling shareholder of a subsidiary	28	27	83	72
Total interest expenses	884	581	2,571	2,120
Less: Interest capitalised on construction in progress (Note)	–	(425)	–	(1,238)
	884	156	2,571	882

Note:

The weighted average capitalisation rate on fund borrowed generally is at a rate of 1% per month for the three and nine months ended 30 September 2017 (three and nine months ended 30 September 2018: Nil).

## 7. INCOME TAX CREDIT/(EXPENSE)

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>The amount comprises:</b>				
Current tax credit/(expense):				
– Hong Kong Profits Tax	137	(356)	(71)	(714)
Deferred tax:				
– Current period	40	46	141	147
	177	(310)	70	(567)

Hong Kong Profits Tax is calculated at the tax rate of 16.5% (nine months ended 30 September 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the nine months ended 30 September 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 nine months ended 30 September 2018 (nine months ended 30 September 2017: 15%).

The PRC Enterprise Income Tax has been provided as a rate of 25% for the nine months ended 30 September 2018 (nine months ended 30 September 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 nine months ended 30 September 2018 (nine months ended 30 September 2017: HK\$Nil).

**9. LOSS PER SHARE**

Basic 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 and nine months ended 30 September 2018 and 2017.

For the three months ended 30 September		For the nine months ended 30 September	
2018 '000 (Unaudited)	2017 '000 (Unaudited)	2018 '000 (Unaudited)	2017 '000 (Unaudited)

**Number of ordinary shares**

Weighted average number of ordinary shares  
for the purpose of calculating basic and  
diluted loss per share

<b>877,970</b>	788,367	<b>863,647</b>	788,367
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For the three months ended 30 September		For the nine months ended 30 September	
2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Loss for the period attributable to owners of the Company (HK\$'000)			
<b>(17,362)</b>	(5,122)	<b>(44,159)</b>	(12,416)
Basic and diluted loss per share (HK\$)			
<b>(0.020)</b>	(0.006)	<b>(0.051)</b>	(0.016)

Diluted loss per share for the three and nine months ended 30 September 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 and nine months ended 30 September 2017 as there was no dilutive potential ordinary share outstanding during the periods.

## 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 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:

	For the nine months ended 30 September 2017 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

### (a) Jet Rich

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:

	HK\$'000 (Unaudited)
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>

For the  
nine months ended  
30 September  
2017  
HK\$'000  
(Unaudited)

**Gain on disposal of the Jet Rich Group:**

Consideration	12,700
Release of exchange difference upon disposal	(1,728)
Less: Net assets disposed of	(8,573)

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2,399

**(b) V-Express**

On 1 June 2017, Icy Snow Limited ("Icy Snow"), 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 equity interests in V-Express Pharmaceutical Limited ("V-Express") at a cash consideration of HK\$50,000. The completion of the disposal of V-Express took place on the same date.

An analysis of the net assets of V-Express at the date on which the Group lost control (i.e. 1 June 2017), was as follows:

HK\$'000  
(Unaudited)

Cash and cash equivalents	18
<b>Total assets</b>	<b>18</b>
Other payables and accruals	42
<b>Total liability</b>	<b>42</b>
<b>Net liabilities disposed of</b>	<b>(24)</b>

For the  
nine months ended  
30 September  
2017  
HK\$'000  
(Unaudited)

**Gain on disposal of V-Express:**

Consideration	50
Less: Net liabilities disposed of	24

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74

## 12. DISPOSAL OF ASSOCIATES

On 7 April 2017, Icy Snow, as vendor, entered into a sale and purchase agreement with two independent third parties, as purchasers, to dispose of 30% equity interests in Magical Bloom Limited and its subsidiaries (collectively, the “**Magical Bloom Group**”) and the entire sum owed by the Magical Bloom Group to Icy Snow at an aggregate cash consideration of HK\$41,000,000 (the “**Magical Bloom Disposal**”). The completion of the Magical Bloom Disposal took place on 22 June 2017, whereby the Group ceased to hold any equity interest in each member of the Magical Bloom Group and each member of the Magical Bloom Group ceased to be an associate of the Group. Details of the Magical Bloom Disposal are disclosed in the announcement of the Company dated 9 April 2017 and the circular of the Company dated 19 May 2017.

For the  
nine months ended  
30 September  
2017  
HK\$'000  
(Unaudited)

### Gain on the Magical Bloom Disposal:

Consideration	41,000
Release of exchange difference upon disposal	(293)
Less: Investments in associates	(12,832)
Less: Assignment of debt	(2,317)
	<hr/>
	25,558

## 13. EVENTS AFTER THE END OF THE REPORTING PERIOD

### (a) Grant of share option

On 4 October 2018, the Company has granted to an eligible participant who is a director of a subsidiary of the Company, options to subscribe for up to a total of 3,000,000 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 4 October 2018.

### (b) Repurchase of shares

During the period and up to the date of this report, the Company repurchased 520,000 shares of the Company at HK\$1.68 per share on the Stock Exchange pursuant to the general mandate to buy back the shares of the Company granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on 21 May 2018. The Company subsequently cancelled the repurchased shares on 5 November 2018.

### (c) Extension of long stop date

On 31 October 2018, the Company, China Biology Services Group Limited, a wholly-owned subsidiary of the Company, the vendors and Mr. Ye Shengqin have entered into supplemental agreements in respective of extension long stop date of the acquisition of approximately 67% of equity interest in Shanghai Longyao Biotech Company Limited and the subscription of 5,800,000 new shares of the Company. Details were disclosed in the announcement of the Company dated 31 October 2018.

## FINANCIAL REVIEW

During the nine months ended 30 September 2018 (the “**2018 Q3 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 Q3 Period, the Group recorded a turnover of approximately HK\$51,361,000, representing a decrease of approximately 36.59% as compared with that of approximately HK\$81,004,000 for the nine months ended 30 September 2017 (the “**2017 Q3 Period**”). The overall decrease in the turnover was mainly resulted from absence of trading of pharmaceutical intermediates to overseas which contributed approximately HK\$29,075,000 for the 2017 Q3 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 Q3 Period. The turnover of this segment decreased from approximately HK\$36,558,000 for the 2017 Q3 Period to approximately HK\$7,259,000 for the 2018 Q3 Period mainly resulted from absence of trading of pharmaceutical intermediates to overseas which contributed approximately HK\$29,075,000 for the 2017 Q3 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 keen competition in healthcare and skincare product market. Further, the competition of traditional Chinese medicine pharmaceutical market in the PRC has increased, especially the new development in the field of biology medicine has eroded the market share of both Chinese medicine and chemical medicine. In addition, the result of the tenders of new rebranded products in the PRC is unsatisfied.

### *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 Q3 Period, the turnover of this segment has decreased slightly from approximately HK\$44,426,000 for the 2017 Q3 Period to approximately HK\$42,957,000 for the 2018 Q3 Period, due to 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 Q3 Period as no trading activities were incurred (2017 Q3 Period: net loss of approximately HK\$23,030,000 comprising (i) the net unrealised loss on fair value changes of approximately HK\$845,000 and (ii) the net realised loss of approximately HK\$22,185,000).

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 Q3 Period of approximately HK\$2,528,000 when compared with that of approximately HK\$22,457,000 in the 2017 Q3 Period. However, the gross profit margin for the 2018 Q3 Period was approximately 38.80%, representing a significant increase by approximately 11.08 percentage point when compared with the gross profit margin of approximately 27.72% for the 2017 Q3 Period. The increase in gross profit margin was attributable to cease of trading of pharmaceutical intermediates business which commanded a thinner gross profit margin for 2017 Q3 Period.

### **Selling and distribution expenses**

Selling and distribution expenses for the 2018 Q3 Period were approximately HK\$12,003,000 (2017 Q3 Period: HK\$12,063,000), representing a slightly decrease of approximately HK\$60,000 or 0.50% compared with such expenses for the 2017 Q3 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 which is partially offset by increase in rental expenses.

### **Administrative expenses**

The administrative expenses for the 2018 Q3 Period were approximately HK\$55,122,000, representing a significant increase of approximately HK\$22,386,000 or 68.38%, as compared with that of approximately HK\$32,736,000 for the 2017 Q3 Period, which was mainly due to (i) amortisation of equity-settled share-based payment of approximately HK\$9,931,000 (2017 Q3 Period: HK\$Nil); (ii) staff costs of approximately HK\$13,715,000 (2017 Q3 Period: HK\$9,931,000) and (iii) rental expenses of approximately HK\$4,597,000 for 2018 Q3 Period (2017 Q3 Period: HK\$1,734,000).



### Finance costs

During the 2018 Q3 Period, the Group's interest expenses (including capitalised interest) amounted to approximately HK\$2,571,000 (2017 Q3 Period: HK\$2,120,000). 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 Q3 Period which resulted in a higher average borrowing level.

### Loss for the period

The Group recorded a loss of approximately HK\$47,866,000 for the 2018 Q3 Period (2017 Q3 Period: HK\$15,152,000). The increase in net loss for the 2018 Q3 Period was mainly attributable to (i) amortisation of equity-settled share-based payment of approximately HK\$9,931,000 in relation to the granting of share options (as opposed to the absence of such amortisation for the 2017 Q3 Period); (ii) increase in administrative expenses (excluding amortisation of equity-settled share-based payment) of approximately HK\$12,455,000; and (iii) neither a gain on disposal of associates and subsidiaries nor gain or loss on fair value change of financial assets at fair value through profit or loss recorded (as opposed to a gain on disposal of associates and subsidiaries of approximately HK\$28,031,000 being recorded which was partially offset by a net loss of approximately HK\$23,030,000 on financial assets at fair value through profit or loss for the 2017 Q3 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 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."**), company incorporated in the PRC with limited liability. The Purchaser would acquire and the Vendor would 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 and the exclusivity period ended on 5 April 2018. On 6 August 2018, the Purchaser and the Vendor entered into a termination agreement in relation to the MOU. Details were disclosed in the announcements of the Company dated 5 January 2018, 6 April 2018 and 6 August 2018.

### **Grant of share options**

On 12 January 2018, the Company has granted to eligible participants (the “**Grantees**”), 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.

On 4 October 2018, the Company has granted to an eligible participant who is a director of a subsidiary of the Company, options to subscribe for up to a total of 3,000,000 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 4 October 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 Q3 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 (“**Gain Yield**”), a wholly-owned subsidiary of the Company, and Broncus Holding Corporation, (“**Broncus**”) entered into a share subscription agreement, pursuant to which, Broncus agreed to issue and allot, and Gain Yield agreed to subscribe for, the subscription shares, being 1,641,794 series B preferred shares in Broncus 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 Broncus (as enlarged by the issue of the subscription shares but before the issue of any other series B preferred shares by Broncus) as at the date of completion. Broncus and its subsidiaries are 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 on 19 April 2018. Details were disclosed in the announcement of the Company dated 17 April 2018.

**Acquisition of approximately 67% of equity interest in Shanghai Longyao Biotech involving issue of consideration shares under the general mandate and issue of new shares under the general mandate**

On 22 July 2018, the Company and China Biology Services Group Limited, a wholly-owned subsidiary of the Company (the “**China Biology**”), have entered into a mater agreement and the HK SPA (as defined in announcement dated 22 July 2018) and China Biology has entered into the PRC Capital Increase and Equity Transfer Agreement (as defined in announcement dated 22 July 2018) in respective of acquisition of approximately 67% direct or indirect equity interest in Shanghai Longyao Biotech Company Limited (“**Shanghai Longyao Biotech**”) (the “**Acquisition**”).

The maximum amount of the consideration is approximately RMB227,773,087 (equivalent to approximately HK\$264,216,782), among which China Biology shall make a capital contribution of RMB40,000,000 (equivalent to approximately HK\$46,400,000) to Shanghai Longyao Biotech. Further, as part of the Acquisition, RMB38,733,426 (equivalent to approximately HK\$44,930,774) and RMB1,264,834 (equivalent to approximately HK\$1,467,207) shall be settled in cash to 深圳市北辰生物技术有限公司 (in English, for identification purpose only, Shenzhen Beichen Biotech Company Limited) and Mr. Ye Shengqin (“**Mr. Ye**”) respectively, and RMB47,430,000 (equivalent to approximately HK\$55,018,800) shall be settled by the Company by allotting and issuing the initial consideration shares at the issue price of HK\$2.00 to Beike International (HK) Limited (“**Beike Biotech Holdings**”) or its designated nominees.

Subject to completion of the Acquisition and the fulfillment of the incentive conditions, in the event that Shanghai Longyao Biotech meets the first target achievement, the Company shall allot and issue the first incentive shares at the issue price of HK\$2.00 to Mr. Ye, two other individuals who are core members of Shanghai Longyao Biotech and Beike Biotech Holdings; in the event that Shanghai Longyao Biotech, after meeting the first target achievement, further meets the second target achievement, the Company shall further allot and issue the second incentive shares at the issue price of HK\$2.00 to the Mr. Ye, the two specified core members of Shanghai Longyao Biotech and Beike Biotech Holdings; however, in the event that Shanghai Longyao Biotech only meets the second target achievement but not the first target achievement, the Company shall allot and issue the one-off incentive shares at the issue price of HK\$2.00 to the Mr. Ye, the two specified core members of Shanghai Longyao Biotech and Beike Biotech Holdings.

On the same date, the Company and Mr. Ye further entered into a subscription agreement in relation to the subscription of 5,800,000 new shares of the Company by Mr. Ye at the subscription price of HK\$2.00 per subscription share. The subscription shares will be allotted and issued under the general mandate.

On 31 October 2018, the Company, China Biology, the vendors and Mr. Ye have entered into supplemental agreements in respect of the extension of the long stop date of the Acquisition and the subscription. The Acquisition and subscription of shares are not yet completed as at the date of this report. Details were disclosed in the announcements of the Company dated 22 July 2018, 8 August 2018 and 31 October 2018.

#### **Placing of new shares under general mandate**

On 22 August 2018, the Company and UOB Kay Hian (Hong Kong) Limited (“**UOB**”) and China Merchants Securities (HK) Co., Limited (“**CMS**”) entered into a placing agreement (“**Placing Agreement**”), pursuant to which UOB and CMS have conditionally agreed to procure, as placing agents of the Company, the placees to subscribe for up to 79,500,000 ordinary shares (“**Placing Shares**”) at a price of HK\$1.68 per Placing Share (“**Placing**”), which represented (i) discount of approximately 13.85% to the closing price of HK\$1.95 per share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) discount of approximately 10.64% to the average closing price of HK\$1.88 per share as quoted on the Stock Exchange for the five consecutive trading days of the shares immediately prior to the date of the Placing Agreement. The net proceeds after deduction of expenses from the Placing were approximately HK\$131,000,000, which would be utilised (i) approximately HK\$93,000,000 for funding the acquisition of approximately 67% of equity interest in Shanghai Longyao Biotech (details of which are disclosed in the Company’s announcement dated 22 July 2018); and (ii) the remaining balance of approximately HK\$38,000,000 for potential investments and/or general working capital of the Group. The net issue price was approximately HK\$1.6478 per Placing Share and the aggregate nominal value of the Placing Shares under the Placing was HK\$7,950,000. The completion of the Placing took place on 6 September 2018. Details of the Placing are disclosed in the announcements of the Company dated 22 August 2018 and 6 September 2018. As at the date of this report, the net proceeds have not been utilised.

#### **Repurchase of shares**

During the 2018 Q3 Period and up to the date of this report, the Company repurchased 520,000 shares of the Company at HK\$1.68 per share on the Stock Exchange pursuant to the general mandate to buy back the shares of the Company granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on 21 May 2018. The Company subsequently cancelled the repurchased shares on 5 November 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 Q3 Period.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group had a total of 171 (30 September 2017: 171) full time employees which were located in the PRC and Hong Kong. Total staff costs for the 2018 Q3 Period was approximately HK\$33,839,000 (2017 Q3 Period: HK\$26,238,000).

The Group remunerates its employees based on their performance, experience and the prevailing market condition. Performance related bonuses are also granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training and share option scheme.

Provident fund benefits are offered to certain full-time employees through a registered scheme under the Occupational Retirement Schemes Ordinance (“**ORSO**”) with the Mandatory Provident Fund exemption. The ORSO scheme is administered by trustees, which are independent, with assets held separately from those of the Group. Under the ORSO scheme, the Group contributes 5% of monthly salaries of employees.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong (other than those who are covered under ORSO scheme). The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme subject to a maximum of HK\$1,500 per month. The employees in the PRC are members of respective state-managed defined contribution retirement benefits scheme operated by the local government. The employer and the employees are obliged to make contributions at a certain percentage of the basic payroll under rules of the schemes. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The total contributions payable to the above schemes by the Group and charged to the condensed consolidated statement of profit or loss and other comprehensive income for the 2018 Q3 Period were approximately HK\$1,330,000 (2017 Q3 Period: HK\$1,298,000).

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

As at 30 September 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)	56.58%
Mr. He Xun ("Mr. He")	Beneficial owner	10,000,000 (Note c)	1.07%
Total		539,500,546	57.65%

#### Notes:

- As at 30 September 2018, the total number of the issued shares of the Company was 935,866,750 ordinary shares of HK\$0.10 each of the Company.
- 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.
- On 11 September 2018, Bright Joy Ventures Limited has granted a call option to Mr. He who may request Bright Joy Ventures Limited to sell to 10,000,000 shares of the Company subject to the call option at an exercise price of HK\$2.00 per share during the one-year period commencing from 12 March 2019 until 11 March 2020. Details were disclosed in the announcement of the Company dated 11 September 2018.

(ii) Long position in shares of associated corporation

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

(iii) Long position in share options granted

Name of Directors	Nature of interest	Date of Grant	Exercisable period	Exercise price per share	Aggregate long position in the underlying shares	Approximately percentage (note a)
Mr. Liu	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK\$1.67	780,000	0.08%
Mr. Wang Zheng	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK\$1.67	4,000,000	0.43%
Mr. Huang Song	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK\$1.67	4,000,000	0.43%

Note:

- (a) As at 30 September 2018, the total number of the issued shares of the Company was 935,866,750 ordinary shares of HK\$0.10 each of the Company.

Save as disclosed above, as at 30 September 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 30 September 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	56.58%
Genius Lead (Note b)	Beneficial owner	529,500,546	56.58%
Bright Joy Ventures Limited	Interest of a controlled corporation	128,300,000	13.71%

#### Notes:

- (a) As at 30 September 2018, the total number of the issued shares of the Company was 935,866,750 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 30 September 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

Pursuant to an ordinary resolution passed by the shareholders of the Company on 29 May 2014, the Company operates a share option scheme for the purpose of providing incentives and 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 nine months period ended 30 September 2018 are set out as follows:

	Outstanding at 1 January 2018	Number of share options			Outstanding at 30 September 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 grantee. 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 (6) 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.

## DIRECTOR' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the 2018 Q3 Period or at the end of the 2018 Q3 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 and a call option granted by Bright Joy Ventures Limited to Mr. He, an executive Director, to buy 10,000,000 shares of the Company at an exercise price of HK\$2.00 per share during the one-year period commencing from 12 March 2019 until 11 March 2020. Details are disclosed in the announcements dated 12 January 2018 and 11 September 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

During the 2018 Q3 Period and up to the date of this report, the Company repurchased 520,000 shares of the Company at HK\$1.68 per share on the Stock Exchange pursuant to the general mandate to buy back the shares of the Company granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on 21 May 2018. The Company subsequently cancelled the repurchased shares on 5 November 2018.

Details of the repurchase are summarised as follows:

Date of repurchase	Number of shares	Repurchased price per share		Consideration HK\$
		Highest HK\$	Lowest HK\$	
20 September 2018	60,000	1.68	1.68	100,800
21 September 2018	20,000	1.68	1.68	33,600
26 September 2018	60,000	1.68	1.68	100,800
27 September 2018	60,000	1.68	1.68	100,800
28 September 2018	80,000	1.68	1.68	134,400
2 October 2018	40,000	1.68	1.68	67,200
4 October 2018	20,000	1.68	1.68	33,600
5 October 2018	20,000	1.68	1.68	33,600
8 October 2018	80,000	1.68	1.68	134,400
9 October 2018	80,000	1.68	1.68	134,400
Total	520,000			873,600

## 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 Q3 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 Q3 Period, the Company has complied with the code provisions in the Corporate Governance Code ("**CG Code**") as set out in Appendix 15 to the GEM Listing Rules save for the deviation from code provisions A.6.7 of the CG Code as disclosed below.

Non-executive Director and independent non-executive Directors should attend general meetings of the Company under Code Provision A.6.7 of the CG Code. Due to other pre-arranged business commitments which had to be attended, Mr. Huang Song (being a non-executive Director) and Mr. Qian Hongji (being an independent non-executive Director) were unable to attend the annual general meeting of the Company held on 21 May 2018.

## 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 Q3 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 Mr. 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 quarterly results of the Group for the 2018 Q3 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, 12 November 2018

*As at the date of this report, the Board comprises four executive Directors namely, Mr. Liu Xiaolin (Chairman), Mr. He Xun, 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.*