



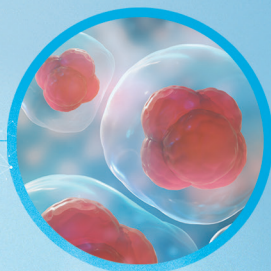
**CHINA BIOTECH SERVICES HOLDINGS LIMITED**  
**中國生物科技服務控股有限公司**

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

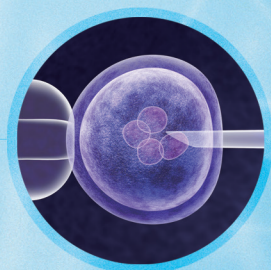
Stock Code: 8037



*Precision Diagnosis*  
精準檢測



*Future Biotechnology Platform*  
未來生物科技平臺



*Precision Treatment*  
精準治療

*Interim Report*  
**2019**



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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 INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Biotech Services Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the three and six months ended 30 June 2019 together with the unaudited comparative figures for the corresponding period in 2018.

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

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2019

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2019	2018	2019	2018
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>Gross proceeds</b>	3	<b>14,389</b>	16,612	<b>28,570</b>	33,771
Turnover	3	<b>14,389</b>	16,612	<b>28,570</b>	33,771
Cost of sales		<b>(8,586)</b>	(9,886)	<b>(18,188)</b>	(19,951)
<b>Gross profit</b>		<b>5,803</b>	6,726	<b>10,382</b>	13,820
Other income and gains/(loss)	5	<b>193</b>	264	<b>(123)</b>	299
Selling and distribution expenses		<b>(3,250)</b>	(4,094)	<b>(6,194)</b>	(7,806)
Administrative expenses		<b>(23,950)</b>	(16,838)	<b>(39,865)</b>	(32,872)
<b>Loss from operations</b>		<b>(21,204)</b>	(13,942)	<b>(35,800)</b>	(26,559)
Finance costs	6	<b>(210)</b>	(866)	<b>(284)</b>	(1,687)
Share of (loss)/profits of associates		<b>(262)</b>	324	<b>(561)</b>	8
<b>Loss before tax</b>	7	<b>(21,676)</b>	(14,484)	<b>(36,645)</b>	(28,238)
Income tax credit/(expense)	8	<b>316</b>	(101)	<b>327</b>	(107)
<b>Loss for the period</b>		<b>(21,360)</b>	(14,585)	<b>(36,318)</b>	(28,345)

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

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2019

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Loss for the period</b>		<b>(21,360)</b>	(14,585)	<b>(36,318)</b>	(28,345)
<b>Other comprehensive (loss)/ income for the period</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising from translation of foreign operations		<b>(928)</b>	(73)	<b>(870)</b>	34
Share of exchange differences of investments in associates		<b>129</b>	(128)	<b>(321)</b>	(165)
<b>Other comprehensive loss for the period, net of tax</b>		<b>(799)</b>	(201)	<b>(1,191)</b>	(131)
<b>Total comprehensive loss for the period</b>		<b>(22,159)</b>	(14,786)	<b>(37,509)</b>	(28,476)
<b>Loss for the period attributable to:</b>					
– Owners of the Company		<b>(19,505)</b>	(13,534)	<b>(34,213)</b>	(26,797)
– Non-controlling interests		<b>(1,855)</b>	(1,051)	<b>(2,105)</b>	(1,548)
		<b>(21,360)</b>	(14,585)	<b>(36,318)</b>	(28,345)
<b>Total comprehensive loss for the period attributable to:</b>					
– Owners of the Company		<b>(20,026)</b>	(13,742)	<b>(35,121)</b>	(26,955)
– Non-controlling interests		<b>(2,133)</b>	(1,044)	<b>(2,388)</b>	(1,521)
		<b>(22,159)</b>	(14,786)	<b>(37,509)</b>	(28,476)
<b>Loss per share</b>					
– Basic and diluted (HK\$)	10	<b>(0.020)</b>	(0.016)	<b>(0.036)</b>	(0.031)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 JUNE 2019

		<b>30 June 2019</b>	31 December 2018
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>21,986</b>	22,954
Right-of-use assets		<b>11,945</b>	–
Goodwill		<b>99,010</b>	264
Intangible assets		<b>127,739</b>	43,436
Investments in associates		<b>3,946</b>	4,828
Financial assets at fair value through other comprehensive income		<b>67,934</b>	48,297
		<b>332,560</b>	119,779
<b>Current assets</b>			
Inventories		<b>4,189</b>	3,488
Trade and other receivables	11	<b>28,587</b>	32,830
Loan and interest receivables		<b>24,756</b>	24,186
Held for trading securities		<b>2,569</b>	2,569
Income tax recoverable		<b>329</b>	430
Bank and cash balances		<b>72,940</b>	154,479
<b>Total current assets</b>		<b>133,370</b>	217,982
<b>TOTAL ASSETS</b>		<b>465,930</b>	337,761
<b>EQUITY AND LIABILITIES</b>			
Share capital		<b>96,866</b>	93,535
Other reserves		<b>254,136</b>	230,542
Equity attributable to owners of the Company		<b>351,002</b>	324,077
Non-controlling interests		<b>27,863</b>	(5,162)
<b>TOTAL EQUITY</b>		<b>378,865</b>	318,915

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 JUNE 2019

		<b>30 June 2019</b>	31 December 2018
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loan from a non-controlling shareholder of a subsidiary		–	1,603
Lease liabilities		<b>7,748</b>	–
Contingent consideration payable	13	<b>34,149</b>	–
Deferred tax liabilities		<b>14,042</b>	1,406
		<b>55,939</b>	3,009
<b>Current liabilities</b>			
Trade and other payables	12	<b>16,196</b>	12,551
Other borrowing		<b>5,683</b>	–
Lease liabilities		<b>4,309</b>	–
Loan from a non-controlling shareholder of a subsidiary		<b>4,920</b>	3,267
Current tax liabilities		<b>18</b>	19
<b>Total current liabilities</b>		<b>31,126</b>	15,837
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>465,930</b>	337,761

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company									
	Share capital	Share premium	Share option reserves	Special reserves	Other reserves	Financial assets at fair value through other comprehensive income reserves	Exchange reserves	Accumulated losses	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2019 (Audited)</b>	93,535	443,140	12,258	212,948	4,163	(10,402)	650	(432,215)	324,077	318,915
Loss for the period	-	-	-	-	-	-	-	(34,213)	(2,105)	(36,318)
Other comprehensive loss for the period:										
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	(587)	-	(283)	(870)
Share of exchange differences of investments in associates	-	-	-	-	-	-	(321)	-	-	(321)
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	(908)	-	(283)	(1,191)
Total comprehensive loss for the period	-	-	-	-	-	-	(908)	(34,213)	(2,388)	(37,509)
Equity-settled share-based payment	-	-	4,230	-	-	-	-	-	-	4,230
Issuance of shares	2,751	43,465	-	-	-	-	-	-	-	46,216
Subscription shares	580	11,020	-	-	-	-	-	-	-	11,600
Acquisition of subsidiaries (note 14)	-	-	-	-	-	-	-	-	35,413	35,413
<b>At 30 June 2019 (Unaudited)</b>	96,866	497,625	16,488	212,948	4,163	(10,402)	(258)	(466,428)	351,002	378,865

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company										
	Share capital	Share premium	Share option reserves	Special reserves	Other reserves	Financial assets at fair value through other comprehensive income reserves	Exchange reserves	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018 (Audited)	85,637	319,818	–	212,948	4,163	–	(1,313)	(366,579)	254,674	(3,366)	251,308
Loss for the period	–	–	–	–	–	–	–	(26,797)	(26,797)	(1,548)	(28,345)
Other comprehensive (loss)/income for the period:											
Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	7	–	7	27	34
Share of exchange differences of investments in associates	–	–	–	–	–	–	(165)	–	(165)	–	(165)
Other comprehensive (loss)/income for the period, net of tax	–	–	–	–	–	–	(158)	–	(158)	27	(131)
Total comprehensive loss for the period	–	–	–	–	–	–	(158)	(26,797)	(26,955)	(1,521)	(28,476)
Equity-settled share-based payment	–	–	6,480	–	–	–	–	–	6,480	–	6,480
At 30 June 2018 (Unaudited)	85,637	319,818	6,480	212,948	4,163	–	(1,471)	(393,376)	234,199	(4,887)	229,312



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	<b>For the six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Net cash (used in)/generated from operating activities</b>	<b>(17,078)</b>	2,123
<b>Net cash used in investing activities</b>	<b>(72,258)</b>	(23,820)
<b>Net cash generated from financing activities</b>	<b>8,744</b>	2,139
<b>Net decrease in cash and cash equivalents</b>	<b>(80,592)</b>	(19,558)
<b>Cash and cash equivalents at beginning of the period</b>	<b>154,479</b>	73,181
<b>Effect of foreign exchange rate changes</b>	<b>(947)</b>	(139)
<b>Cash and cash equivalents at end of the period</b>	<b>72,940</b>	53,484

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM 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) provision of tumor immune cell therapy, immune cell storage and health management services in the People’s Republic of China (the “**PRC**”); (ii) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (iii) provision of medical laboratory testing services and health check services in Hong Kong; and (iv) trading of securities in Hong Kong.

As at 30 June 2019, 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 interim results for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The principal accounting policies used in the preparation of the unaudited condensed consolidated interim results for the six months ended 30 June 2019 are consistent with those applied in the Company’s annual report for the year ended 31 December 2018, 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 interim results.

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

The HKICPA has issued a number of new and revised standards, amendments to standards and Int (collectively referred to as “**new and revised HKFRSs**”). The Group has adopted the new and revised HKFRSs which are relevant to the Group’s operations and are mandatory for the financial year beginning on 1 January 2019. The adoption of these new and revised HKFRSs does not have any significant financial effect on the Group’s unaudited condensed consolidated interim results, except for the adoption of HKFRS 16 Leases. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use assets for these leases. The interest expense on the lease liability and depreciation on the right-of-use assets will be recognised in profit or loss. The Group’s assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

#### Amounts recognised in the unaudited condensed consolidated financial statements

Set out below, are the carrying amounts of the Group’s right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets HK\$’000 (Unaudited)	Lease liabilities HK\$’000 (Unaudited)
<b>As at 31 December 2018</b>	–	–
Adoption of HKFRS 16	6,466	6,466
<b>As at 1 January 2019</b>	6,466	6,466
Additions	6,444	6,444
Acquisition of subsidiaries	1,728	1,769
Depreciation expenses during the period	(2,650)	–
Interest expenses	–	119
Payments	–	(2,698)
Exchange differences	(43)	(43)
<b>As at 30 June 2019</b>	11,945	12,057

Set out below, are the amounts recognised in profit or loss:

	For the three months ended 30 June		For the six months ended 30 June	
	2019 HK\$’000 (Unaudited)	2018 HK\$’000 (Unaudited)	2019 HK\$’000 (Unaudited)	2018 HK\$’000 (Unaudited)
Depreciation expense of right-of-use assets	1,528	–	2,650	–
Interest expense on lease liabilities	73	–	119	–
Rent expense - short-term leases	1,377	2,975	2,880	5,004
	<b>2,978</b>	2,975	<b>5,649</b>	5,004

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

### 3. TURNOVER

Disaggregation of revenue from contracts with customers by major products or services line for the period is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Provision of tumor immune cell therapy services	61	–	61	–
Manufacture and sale of health related and pharmaceutical products	317	1,884	794	4,468
Provision of medical laboratory testing services and health check services	13,640	14,337	26,897	28,616
Money lending business	371	391	818	687
	<b>14,389</b>	16,612	<b>28,570</b>	33,771
Gross proceeds from trading of securities	–	–	–	–
	<b>14,389</b>	16,612	<b>28,570</b>	33,771

### 4. SEGMENT INFORMATION

The Group has five (for the six months ended 30 June 2018: four) operating segments as follows:

Immunotherapy	–	provision of tumor immune cell therapy, immune cell storage and health management services
Pharmaceutical products	–	manufacture, research and development, sale and distribution of health related and pharmaceutical products
Medical and health related services	–	provision of medical laboratory testing services and health check services
Securities	–	trading of securities
Others	–	money lending business

During the six months ended 30 June 2019, the Group has a new reportable segment, immunotherapy upon the completion of acquisition of 上海隆耀生物科技有限公司 (in English, for identification purpose only, Shanghai Longyao Biotech Company Limited) (“**Shanghai Longyao**”).

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Group’s other operating segments include money lending business. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the ‘others’ column.

Segment information in respect of business segments is presented as below:

### Segment turnover and results

For the six months ended 30 June 2019

	Immunotherapy	Pharmaceutical	Medical and health related	Securities	Others	Total
	HK\$'000	products	services	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gross proceeds –Segment turnover	61	794	26,897	–	818	28,570
Segment results	(5,595)	(895)	(3,743)	(3,582)	463	(13,352)
Other loss						(123)
Finance costs						(284)
Share of loss of associates						(561)
Unallocated corporate expenses						(22,325)
Loss before tax						(36,645)
Income tax credit						327
Loss for the period						(36,318)

For the six months ended 30 June 2018

	Immunotherapy HK\$'000 (Unaudited)	Pharmaceutical products HK\$'000 (Unaudited)	Medical and health related services HK\$'000 (Unaudited)	Securities HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Gross proceeds – Segment turnover	–	4,468	28,616	–	687	33,771
Segment results	–	(1,728)	(2,867)	(2,235)	665	(6,165)
Other income and gains						301
Finance costs						(1,687)
Share of profits of associates						8
Unallocated corporate expenses						(20,695)
Loss before tax						(28,238)
Income tax expense						(107)
Loss for the period						(28,345)

**Segment assets and liabilities**  
**As at 30 June 2019**

	Immunotherapy HK\$'000 (Unaudited)	Pharmaceutical products HK\$'000 (Unaudited)	Medical and health related services HK\$'000 (Unaudited)	Securities HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	193,028	1,297	85,980	5,103	26,312	311,720
Unallocated corporate assets						154,210
						465,930
Segment liabilities	15,535	186	25,111	224	486	41,542
Unallocated corporate liabilities						45,523
						87,065

As at 31 December 2018

	Immunotherapy HK\$'000 (Audited)	Pharmaceutical products HK\$'000 (Audited)	Medical and health related services HK\$'000 (Audited)	Securities HK\$'000 (Audited)	Others HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	–	1,380	82,091	12,469	26,104	122,044
Unallocated corporate assets						215,717
						337,761
Segment liabilities	–	120	10,974	2,281	516	13,891
Unallocated corporate liabilities						4,955
						18,846

**Other segment information****For the six months ended 30 June 2019**

	Immunotherapy HK\$'000 (Unaudited)	Pharmaceutical products HK\$'000 (Unaudited)	Medical and health related services HK\$'000 (Unaudited)	Securities HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Capital expenditures	196	–	1,538	–	–	1,734
Written off of property, plant and equipment	–	–	506	–	363	869
Gain on disposal of property, plant and equipment	–	–	(534)	–	–	(534)
Share loss of associates	–	–	–	–	561	561
Amortisation of intangible assets	2,177	–	612	–	–	2,789
Depreciation of property, plant and equipment	29	1	1,908	5	860	2,803
Depreciation of right-of-use assets	197	–	988	–	1,465	2,650

## Other segment information

For the six months ended 30 June 2018

	Immunotherapy	Pharmaceutical	Medical and health related	Securities	Others	Total
	HK\$'000	products	services	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Capital expenditures	-	569	1,053	-	2,137	3,759
Written off of property, plant and equipment	-	-	2	-	-	2
Share profits of associates	-	-	-	-	(8)	(8)
Amortisation of prepaid land lease payments	-	124	-	-	-	124
Amortisation of intangible assets	-	-	612	-	-	612
Depreciation of property, plant and equipment	-	589	2,091	7	756	3,443

## 5. OTHER INCOME AND GAINS/(LOSS)

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	122	1	139	2
Sundry income	38	268	101	296
Gain on disposal of property, plant and equipment	534	-	534	-
Written off of property, plant and equipment	(504)	(2)	(869)	(2)
Exchange gain/(losses), net	3	(3)	(28)	3
	193	264	(123)	299



## 6. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Interest expenses:</b>				
– Bank borrowing	–	20	–	42
– Other borrowings	115	818	115	1,590
– Imputed interest on loan from a non-controlling shareholder of a subsidiary	22	28	50	55
– Lease liabilities	73	–	119	–
	<b>210</b>	<b>866</b>	<b>284</b>	<b>1,687</b>

## 7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Amortisation of intangible assets	2,488	306	2,789	612
Amortisation of prepaid land lease payments	–	63	–	124
Cost of inventories sold	3,100	3,350	6,872	6,826
Depreciation of property, plant and equipment	1,408	1,974	2,803	3,443
Depreciation of right-of-use assets	1,528	–	2,650	–
Equity-settled share-based payment (included in administrative expenses)	2,029	3,451	4,230	6,480
Operating lease charges				
– Office premises, warehouses and staff quarters	1,377	2,975	2,880	5,004
Staff costs (including Directors' remuneration)				
– Salaries, bonuses and allowances	11,423	11,247	22,549	22,132
– Retirement benefits scheme contributions	703	426	1,030	899
	<b>12,126</b>	<b>11,673</b>	<b>23,579</b>	<b>23,031</b>
Written off of property, plant and equipment	504	2	869	2
Write-down on inventories (included in cost of sales)	8	23	30	64

**8. INCOME TAX CREDIT/(EXPENSE)**

	For the three months ended		For the six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>The amount comprises:</b>				
Current tax:				
– Hong Kong Profits Tax	(61)	(151)	(101)	(208)
Deferred tax:				
– Current period	377	50	428	101
	<b>316</b>	<b>(101)</b>	<b>327</b>	<b>(107)</b>

Hong Kong Profits Tax is calculated at the tax rate of 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2019.

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 six months ended 30 June 2019 (six months ended 30 June 2018: 15%).

The PRC Enterprise Income Tax has been provided as a rate of 25% for the six months ended 30 June 2019 (six months ended 30 June 2018: 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.

**9. DIVIDEND**

The Board does not recommend the payment of any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$Nil).

**10. 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 six months ended 30 June 2019 and 2018.

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Number of ordinary shares</b>				
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<b>968,656</b>	856,367	<b>952,646</b>	856,367
	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company (HK\$'000)	<b>(19,505)</b>	(13,534)	<b>(34,213)</b>	(26,797)
Basic and diluted loss per share (HK\$)	<b>(0.020)</b>	(0.016)	<b>(0.036)</b>	(0.031)

Diluted loss per share for the three and six months ended 30 June 2019 and 2018 equals basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

## 11. TRADE AND OTHER RECEIVABLES

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Trade receivables	<b>11,400</b>	14,459
Allowance for doubtful debts	<b>(823)</b>	(823)
	<b>10,577</b>	13,636
Rental and other deposits	<b>4,502</b>	4,293
Other receivables	<b>4,320</b>	1,395
Prepayment	<b>7,332</b>	4,526
Sales proceeds on disposal of associates	<b>3,347</b>	3,347
Cash held in securities trading accounts with stock brokers	<b>2,011</b>	9,135
Allowance for doubtful debts of other receivables	<b>(3,502)</b>	(3,502)
	<b>18,010</b>	19,194
	<b>28,587</b>	32,830

The Group generally allows an average credit period of 90 days for its immunotherapy customers, pharmaceutical products customers and its laboratory testing and health check services customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
0 to 90 days	<b>9,515</b>	11,655
91 to 180 days	<b>681</b>	1,102
181 to 365 days	<b>183</b>	834
Over 365 days	<b>198</b>	45
	<b>10,577</b>	13,636

As at 30 June 2019, an aggregate allowance was made for estimated irrecoverable trade receivables of approximately HK\$823,000 (31 December 2018: HK\$823,000).

As at 30 June 2019, trade receivables of approximately HK\$1,062,000 (31 December 2018: HK\$1,981,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables past due but not impaired is as follows:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	<b>31 December 2018 HK\$'000 (Audited)</b>
Less than 90 days	<b>681</b>	1,102
91 to 275 days	<b>183</b>	834
Over 275 days	<b>198</b>	45
	<b>1,062</b>	1,981

## 12. TRADE AND OTHER PAYABLES

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	<b>31 December 2018 HK\$'000 (Audited)</b>
Trade payables	<b>3,521</b>	2,151
Accruals	<b>8,198</b>	8,903
Receipt in advance	<b>184</b>	108
Other payables	<b>4,293</b>	1,389
	<b>16,196</b>	12,551

The aging analysis of trade payables based on the date of invoice date, is as follows:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	<b>31 December 2018 HK\$'000 (Audited)</b>
0 to 90 days	<b>3,445</b>	2,142
91 to 180 days	<b>76</b>	–
181 to 365 days	<b>–</b>	9
	<b>3,521</b>	2,151

**13. CONTINGENT CONSIDERATION PAYABLE**

Contingent consideration payable in relation to the acquisition of Shanghai Longyao as disclosed in note 14 to the unaudited condensed consolidated financial statements. For the period ended 30 June 2019, the Directors were of the opinion that Shanghai Longyao can achieve certain performance target. In this regard, the fair value of contingent consideration payable was measured at approximately HK\$34,149,000.

**14. ACQUISITION OF SUBSIDIARIES**

On 22 July 2018, the Group entered into a sale and purchase agreement to acquire approximately 67% of Shanghai Longyao. The completion of the acquisition took place on 29 March 2019. The Company, through China Biology Services Group Limited, directly or indirectly own approximately 67% of the total registered capital in Shanghai Longyao. Shanghai Longyao is principally engaged in the provision of tumor immune cell therapy, immune cell storage and health management services in the PRC. Details of the acquisition are disclosed in the announcements of the Company dated 22 July 2018, 8 August 2018, 31 October 2018, 31 January 2019 and 29 March 2019.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<b>HK\$'000</b> <b>(Unaudited)</b>
Property, plant and equipment	<b>1,269</b>
Right-of-use assets	<b>1,728</b>
Intangible assets	<b>87,092</b>
Inventories	<b>2</b>
Deposits, payment and other receivables	<b>1,340</b>
Cash and cash equivalents	<b>38,454</b>
Other payables	<b>(1,904)</b>
Amount due to a shareholder	<b>(22,785)</b>
Lease liabilities	<b>(1,769)</b>
Other borrowing	<b>(5,836)</b>
Deferred tax liabilities	<b>(13,064)</b>
<b>Net assets acquired</b>	<b>84,527</b>

**Consideration transferred**

	<b>HK\$'000</b> <b>(Unaudited)</b>
Consideration paid in cash	<b>90,280</b>
Equity instruments issued	<b>46,216</b>
Contingent consideration payable	<b>34,149</b>
<b>Total consideration</b>	<b>170,645</b>

As part of the consideration for the acquisition of Shanghai Longyao, 27,509,400 shares of the Company with par value of HK\$0.10 each were issued. The fair value of the shares of the Company, determined using the published price available at the date of the acquisition (i.e. HK\$1.68 per share), amounted to approximately HK\$46,216,000.

Acquisition-related costs amounting to approximately HK\$904,000 was excluded from the cost of acquisition and recognised as an expense within the administrative expenses in the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2019.

	<b>HK\$'000</b>
	<b>(Unaudited)</b>
<b>Goodwill arising on acquisition:</b>	
Consideration transferred	<b>170,645</b>
Add: non-controlling interest (33% of Shanghai Longyao)	<b>35,413</b>
Less: Fair value of net assets acquired	<b>(84,527)</b>
Add: assigned debt	<b>(22,785)</b>
	<b>98,746</b>
<b>Net cash outflow arising on acquisition:</b>	
Consideration paid in cash	<b>(90,280)</b>
Cash and cash equivalents acquired	<b>38,454</b>
	<b>(51,826)</b>

#### **Impact of acquisitions on the results of the Group**

Shanghai Longyao contributed turnover of approximately HK\$61,000, and net loss of approximately HK\$3,494,000 to the Group for the period from the relevant acquisition date to 30 June 2019.

If the acquisition of Shanghai Longyao had been completed on 1 January 2019, Shanghai Longyao would have contributed turnover of approximately HK\$2,044,000, and net loss of approximately of HK\$10,183,000 to the Group for the six months ended 30 June 2019.

The unaudited pro-forma financial information set out above is for illustrative purpose only on the effect of the acquisition of Shanghai Longyao having been completed at the beginning of the six months ended 30 June 2019. The unaudited pro-forma financial information set out above is not necessarily an indication of turnover and results of the Group nor is it intended to be a projection of future results.

The fair value of other receivables acquired from Shanghai Longyao amounted to approximately HK\$1,340,000 at the respective acquisition date, of which all is the best estimate of the contractual cash flows expected to be collected.

The goodwill recognised is preliminary assessment and primarily attributed to the expected synergies and other benefits from combining the assets and activities of Shanghai Longyao with those of the Group. The goodwill is not deductible for income tax purposes.

As part of the master agreement, contingent consideration is payable, which is subject to fulfillment of certain conditions precedent (including, among others, the completion of the acquisition), in the event that Shanghai Longyao meets certain performance target (“**First Target Achievement**”). The Company shall allot and issue a total of 29,100,000 new shares of the Company at an issue price of HK\$2.00 to Mr. Ye Shengqin, Beike International (HK) Limited, Mr. Yang Xuanming and Mr. Wang Xin (collectively, the “**Incentive Shares Allottees**”). In the event that Shanghai Longyao meets certain other performance targets (“**Second Target Achievement**”), the Company shall allot and issue another 29,100,000 new shares of the Company to the Incentive Shares Allottees in aggregate. In the event that Shanghai Longyao meets the Second Target Achievement but not the First Target Achievement, the Company shall allot and issue a total of 58,200,000 new shares of the Company to the Incentive Shares Allottees. The initial amount recognised was approximately HK\$34,149,000 which was determined using management best estimate and is within level 3 fair value measurement. As at 30 June 2019, no further significant changes to the consideration are expected.

## 15. SHARE-BASED PAYMENTS

### Equity-settled share option scheme

The Company operates a share option scheme (the “**Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company’s subsidiaries. The Scheme became effective on 29 May 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company’s shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company’s shares on the date of the offer, when applicable.



Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price (HK\$)	Number of share options
<b>Directors</b>				
12 January 2018	12 January 2018 to 11 January 2019	12 January 2019 to 11 January 2020	1.67	2,860,000
12 January 2018	12 January 2018 to 11 January 2020	12 January 2020 to 11 January 2021	1.67	2,860,000
12 January 2018	12 January 2018 to 11 January 2021	12 January 2021 to 11 January 2022	1.67	3,060,000
<b>Consultants</b>				
12 January 2018	12 January 2018 to 11 January 2019	12 January 2019 to 11 January 2020	1.67	5,200,000
12 January 2018	12 January 2018 to 11 January 2020	12 January 2020 to 11 January 2021	1.67	5,200,000
12 January 2018	12 January 2018 to 11 January 2021	12 January 2021 to 11 January 2022	1.67	5,200,000
<b>Employee</b>				
4 October 2018	4 October 2018 to 3 October 2019	4 October 2019 to 3 October 2020	1.71	1,000,000
4 October 2018	4 October 2018 to 3 October 2020	4 October 2020 to 3 October 2021	1.71	1,000,000
4 October 2018	4 October 2018 to 3 October 2021	4 October 2021 to 3 October 2022	1.71	1,000,000
				27,380,000

Details of the movement of share options during the period are as follows:

	30 June 2019		30 June 2018	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Outstanding at the beginning of the period	30,380,000	1.67	–	–
Granted during the period	–	–	27,380,000	1.67
Lapsed during the period	(3,000,000)	1.67	–	–
Exercisable at the end of the period	27,380,000	1.67	27,380,000	1.67

The weighted average share price at the date of exercise for share options exercised during the period was HK\$1.67. The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 2.6 years (2018: 3.1) and the exercise prices range from HK\$1.67 to HK\$1.71 (for the six months ended 30 June 2018: HK\$1.67). The options were granted on 12 January 2018 and 4 October 2018 respectively. The estimated fair values of the options granted on those dates are HK\$25,507,000 and HK\$2,586,000 respectively.

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

Date of grant	12 January 2018	4 October 2018
Exercise price	HK\$1.67	HK\$1.71
Expected life	4 years	4 years
Expected volatility	84.72%-92.79%	70.28%-83.06%
Dividend yield	0%	0%
Risk-free interest rate	1.78%-2.06%	2.74%-2.95%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 4 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

The Group recognised the total expense of approximately HK\$4,230,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$6,480,000) in relation to share options granted by the Company.

**16. OPERATING LEASE COMMITMENTS****The Group as lessee**

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	<b>31 December 2018 HK\$'000 (Audited)</b>
Within one year	<b>1,970</b>	8,947
In the second to fifth year inclusive	–	1,332
	<b>1,970</b>	10,279

Operating lease payments represent rentals payable by the Group for certain of its offices, warehouses and staff quarters. Leases are negotiated and rentals are fixed for a term ranging from one to three years for the six months ended 30 June 2019 (31 December 2018: one to three years) and do not include contingent rentals.

**17. CAPITAL COMMITMENT**

Capital commitments authorised for at the end of the reporting period but not yet contracted are as follows:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	<b>31 December 2018 HK\$'000 (Audited)</b>
Capital contribution to:		
WFOE in Guizhou province, the PRC	<b>25,438</b>	25,438
WFOE in Guangdong province, the PRC	<b>8,416</b>	9,481
	<b>33,854</b>	34,919

On 29 September 2013, the Group has established an indirect wholly-owned wholly foreign-owned enterprise (“WFOE”) in Guizhou Province, the PRC, pursuant to the cooperation agreement dated 28 June 2013 entered into with 貴州紅花崗區經濟開發區委員會 (in English, for identification purpose, Guizhou Hong Hua Gang District Economic Development District Management Committee) in relation to the cooperation for the investment and construction of a pharmaceutical factory in Hong Hua Gang Economic Development District, Guizhou Province, the PRC. The registered capital of the WFOE is RMB30,000,000 and the Group has paid the registered capital of RMB10,000,000. The remaining capital commitment was RMB20,000,000 (equivalent to approximately HK\$25,438,000).

On 19 January 2018, the Group has established another WFOE in Guangdong Province, the PRC, pursuant to the cooperation agreement dated 6 November 2017 entered into with 中國(廣東)自由貿易試驗區深圳前海蛇口片區管理委員會 (in English, China (Guangdong) Pilot Free Trade Zone Qianhai & Shekou Area of Shenzhen Management Committee) in related to cooperation for provision of biotech services. The registered capital of the WFOE is RMB10,000,000 and the Group has paid the registered capital of RMB2,596,000 (31 December 2018: RMB1,742,000). The remaining capital commitment was RMB7,404,000 (equivalent to approximately HK\$8,416,000) (31 December 2018: RMB8,258,000 (equivalent to approximately HK\$9,481,000)).

## 18. RELATED PARTY TRANSACTIONS

## Key management personnel remuneration

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Salaries, bonus and benefits	2,762	1,618	5,067	3,594
Equity-settled share-based payments	619	1,159	1,304	2,176
Retirement benefits scheme contributions	9	9	18	18
	<b>3,390</b>	2,786	<b>6,389</b>	5,788

The remuneration of key management personnel is determined by the remuneration committee of the Board with regard to the individual performance and market trends.

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)	Fair value hierarchy (Unaudited)	Valuation techniques and key inputs (Unaudited)
<b>Financial assets</b>				
Held for trading securities	2,569	2,569	Level 3	Market approach and discount of lack of marketability

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

- (a) On 11 July 2019, the Company entered into a non-legally binding supplemental memorandum of understanding with Victory Go Investment Limited, Yang Xiaonan and China Precision Medical Technology Holdings Limited to extend the exclusively period to 11 August 2019 in relation to the possible acquisition by a wholly-owned subsidiary of the Company of 70% issued shares in China Precision Medical Technology Holdings Limited. On 12 August 2019, Grande Fortune International Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Victory Go Investment Limited and Yang Xiaonan to acquire 70% issued shares in China Precision Medical Technology Holdings Limited at a consideration of RMB70,000,000 (equivalent to approximately HK\$77,700,000), to be settled by allotment of shares of the Company. Details were disclosed in the announcements of the Company dated 11 July 2019 and 12 August 2019.
- (b) On 31 July 2019, the Company entered into a non-legally binding supplemental letter of intent with China XinZheng Investment Consulting Company Limited to extend the exclusively period to 31 August 2019 in relation to the possible disposal of the entire issued share capital of Gain Yield Holdings Limited, a wholly-owned subsidiary of the Company. Details were disclosed in the announcement of the Company dated 31 July 2019.

## FINANCIAL REVIEW

During the six months ended 30 June 2019 (the “**2019 Interim Period**”), the principal activities of the Group are (i) provision of tumor immune cell therapy, immune cell storage and health management services in the PRC; (ii) the manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (iii) provision of medical laboratory testing services and health check services in Hong Kong; and (iv) trading of securities in Hong Kong.

### Turnover

During the 2019 Interim Period, the Group recorded a turnover of approximately HK\$28,570,000, representing a decrease of approximately 15.40% as compared with that of approximately HK\$33,771,000 for the six months ended 30 June 2018 (the “**2018 Interim Period**”). The overall decrease in the turnover was mainly due to the deconsolidation of the result from 貴州雙升製藥有限公司 (in English, for identification purpose only, Guizhou Shuang Sheng Pharmaceutical Co., Ltd.) (“**Shuang Sheng**”), as a result of the disposal of the entire issued share capital of Bloom Light International Limited in 2018. Also, the Group recorded a decrease in revenue from laboratory testing and health check services due to keen competition.

### *Provision of tumor immune cell therapy services*

Upon the completion of the acquisition of Shanghai Longyao, the Group recorded a turnover of approximately HK\$61,000 (2018 Interim Period: HK\$Nil) from the provision of tumor immune cell therapy services.

### *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 2019 Interim Period. The turnover of this segment decreased from approximately HK\$4,468,000 for the 2018 Interim Period to approximately HK\$794,000 for the 2019 Interim Period. It was decreased by HK\$3,674,000 mainly due to the deconsolidation of the result from Shuang Shang, the then subsidiary disposed in 2018.

### *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 three health check centers, one medical testing central laboratory and one molecular laboratory. During the 2019 Interim Period, diversified laboratory tests are available to fulfill various needs of customers, the turnover of this segment has decreased slightly from approximately HK\$28,616,000 for the 2018 Interim Period to approximately HK\$26,897,000 for the 2019 Interim Period, representing a decrease of approximately HK\$1,719,000 or 6.01% compared with that for the 2018 Interim Period. It has been affected by 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.

***Money Lending business***

Ferran Finance Limited, an indirect wholly-owned subsidiary of the Company, is a holder of money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). With the increasing market demands of the micro-financing business in Hong Kong, the Group has utilised HK\$22.7 million for the money lending business in 2018. The Group's loan portfolio comprises unsecured loans granted to individual customers and corporation with guarantee. The loan receivables carry an interest rate at 8% per annum and are repayable within one year. The money lending business recorded interest income of approximately HK\$818,000 for the 2019 Interim Period (2018 Interim Period: HK\$687,000).

**Gross profit and gross profit margin**

The Group recorded the gross profit of approximately HK\$10,382,000 for the 2019 Interim Period, representing a decrease of approximately HK\$3,438,000 when compared with that of approximately HK\$13,820,000 in the 2018 Interim Period. Also, the gross profit margin for the 2019 Interim Period was approximately 36.34%, representing a decrease by approximately 4.58 percentage point when compared with the gross profit margin of approximately 40.92% for the 2018 Interim Period. The decrease in gross profit margin was attributable to (i) decrease in turnover from both pharmaceutical and health related products segment and medical laboratory and health check services segment; and (ii) increase in raw material, staff costs and other direct costs in medical laboratory testing and health check services in Hong Kong.

**Selling and distribution expenses**

Selling and distribution expenses were approximately HK\$6,194,000 (2018 Interim Period: HK\$7,806,000) for the 2019 Interim Period, representing a decrease of approximately HK\$1,612,000 or 20.65% compared with such expenses for the 2018 Interim Period. During 2018 Interim Period, selling and distribution expenses of approximately HK\$1,707,000 were contributed from Shuang Sheng, the then subsidiary disposed of in 2018 but no such expenses were recognised upon the disposal.

**Administrative expenses**

The administrative expenses mainly consisted of staff costs, share-based payment, legal and professional fee, rental expense, research and development costs and so on. The administrative expenses for the 2019 Interim Period were approximately HK\$39,865,000, representing an increase of approximately HK\$6,993,000 or 21.27%, as compared with that of approximately HK\$32,872,000 for the 2018 Interim Period. The increase in administrative expenses mainly contributed from increase in staff costs, research and development costs and amortisation of intangible assets.

### Finance costs

During the 2019 Interim Period, the Group's interest expenses amounted to approximately HK\$284,000 (2018 Interim Period: HK\$1,687,000). The decrease in the finance costs was mainly attributable to lower level of other short-term borrowings as the working capital and repayment of bank borrowing in October 2018.

### Loss for the Period

As a result of the above, the Group recorded a loss of approximately HK\$36,318,000 for the 2019 Interim Period (2018 Interim Period: HK\$28,345,000). The aforesaid loss for 2019 Interim Period increased mainly due to decrease in revenue and increase in administrative expenses.

## BUSINESS REVIEW

### Acquisition of subsidiaries

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

On 22 July 2018, the Company and China Biology Services Group Limited ("**China Biology**") entered into a master agreement (the "**Master Agreement**") and a sale and purchase agreement (the "**HK SPA**") relating to the sale and purchase of all issued shares ("**BVI Sale Share**") of a company incorporated in the British Virgin Islands ("**BVI Company**") and all amounts which the BVI Company owe to its shareholder as at completion ("**BVI Sale Debt**") by China Biology whereby China Biology will indirectly acquire the registered capital of Shanghai Longyao in the sum of RMB3,750,148 (the "**HK Share Transfer**") and China Biology entered into an agreement (the "**PRC Capital Increase and Equity Transfer Agreement**") in respect of, among others, the capital contribution of RMB40,000,000 to Shanghai Longyao by the Group (the "**PRC Capital Increase**") and the purchase of registered capital of Shanghai Longyao in the total sum of RMB3,162,332 by the Group (the "**PRC Equity Transfer**"). Upon completion of both the HK SPA and the PRC Capital Increase and Equity Transfer Agreement on 29 March 2019, the Company, through China Biology, directly or indirectly own approximately 67% of the total registered capital in Shanghai Longyao and Shanghai Longyao became a non-wholly-owned subsidiary of the Company.

On 31 October 2018, the Company and China Biology entered into supplemental agreements to each of the Master Agreement, the PRC Capital Increase and Equity Transfer Agreement and the HK SPA in relation to, among others, extension of the long stop date of the Acquisition to 31 January 2019. On 31 January 2019, the Company and China Biology entered into further supplemental agreements to each of the Master Agreement, the PRC Capital Increase and Equity Transfer Agreement and the HK SPA in relation to, among others, further extension of the long stop date of the Acquisition to 31 March 2019 and the adjustment of consideration of the PRC Equity Transfer and the payment mechanism.

The maximum amount of the consideration is approximately RMB225,494,776 (equivalent to approximately HK\$261,573,940), among which China Biology made a capital contribution of RMB40,000,000 (equivalent to approximately HK\$46,400,000) to Shanghai Longyao. Further, as part of the consideration in respect of the Acquisition, RMB26,455,114 (equivalent to approximately HK\$30,687,932) and RMB1,264,834 (equivalent to approximately HK\$1,467,207) has been 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, RMB10,000,000 (equivalent amount of HK\$11,600,000) has been satisfied by the Group by setting off against the aggregate subscription price for 5,800,000 new Shares (being all the subscription shares) payable to the Company by Mr. Ye pursuant to the subscription agreement dated 22 July 2018 entered into between the Company and Mr. Ye and RMB47,430,000 (equivalent to approximately HK\$55,018,800) has been settled by the Company by allotting and issuing the new shares of the Company (“**Shares**”) at the issue price of HK\$2.00 to Beike International (HK) Limited (“**Beike Biotech Holdings**”). Completion of the PRC Capital Increase took place on 23 January 2019 and completion of the PRC Equity Transfer and the HK Share Transfer took place on 29 March 2019.

Pursuant to the Master Agreement (as amended and supplemented by the supplemental agreements dated 31 October 2018 and 31 January 2019), subject to fulfillment of certain conditions precedent (including, among others, the completion of the Acquisition), in the event that Shanghai Longyao meets certain performance target (“**First Target Achievement**”), the Company shall allot and issue a total of 29,100,000 new Shares at an issue price of HK\$2.00 to Mr. Ye, Beike Biotech Holdings, Mr. Yang Xuanming and Mr. Wang Xin (collectively, the “**Incentive Shares Allottees**”). In the event that Shanghai Longyao meets certain other performance targets (“**Second Target Achievement**”), the Company shall allot and issue another 29,100,000 new Shares to the Incentive Shares Allottees in aggregate. In the event that Shanghai Longyao meets the Second Target Achievement but not the First Target Achievement, the Company shall allot and issue a total of 58,200,000 new Shares to the Incentive Shares Allottees.

On 22 July 2018, the Company and Mr. Ye further entered into a subscription agreement (the “**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. On 31 October 2018 and 31 January 2019, the Company and Mr. Ye entered into supplemental agreements to the Subscription Agreement in relation to, among others, extensions of the long stop date to 31 January 2019 and 31 March 2019 respectively. The subscription shares have been allotted and issued to Mr. Ye under the general mandate on 29 March 2019.

Details were disclosed in the announcements of the Company dated 22 July 2018, 8 August 2018, 31 October 2018, 31 January 2019 and 29 March 2019.



**Subscription of shares in Pillar Biosciences, Inc.**

On 9 January 2019, Best Global Group Limited (“**Best Global**”), a wholly-owned subsidiary of the Company, and Pillar Biosciences, Inc. (“**Pillar**”) entered into a share subscription agreement, pursuant to which, Pillar agreed to issue and allot, and Best Global agreed to subscribe for, the subscription shares, being 819,108 series B preferred shares in Pillar at the consideration of US\$2,499,999.53 (equivalent to approximately HK\$19.6 million). In addition, to the initial subscription, Best Global has also agreed under the share subscription agreement that conditional on the certification by the board of directors of Pillar of the occurrence of certain milestone, Best Global would subscribe for an additional 819,108 shares of series B preferred stock of Pillar. On 12 July 2019, Best Global further subscribed for, the subscription shares, being 819,108 series B preferred shares in Pillar at the consideration of US\$2,499,999.53 (equivalent to approximately HK\$19.6 million). The subscription shares represent approximately 5.60% of the total issued share capital of Pillar as at the date of completion. Pillar is a precision testing company for cancer based in Boston, Massachusetts, the United States of America with a wholly-owned subsidiary in Shanghai, China. They have created precise next-generation sequencing based testing products for cancer genes and quick software solutions to make cancer testing robust, streamlined and significantly more cost-effective. Their SLIMamp®- and PiVAT®-based products are intended to deliver primarily to high-throughput reference laboratories and clinical oncology laboratories. The completion of subscription took place on 24 January 2019 and 16 July 2019. Details were disclosed in the announcements of the Company dated 9 January 2019 and 12 July 2019.

**Possible acquisition of 70% equity interest in China Precision Medical Technology Holdings Limited**

On 12 April 2019, the Company entered into a non-legally binding memorandum of understanding with Victory Go Investment Limited, Yang Xiaonan and China Precision Medical Technology Holdings Limited in relation to the possible acquisition by a wholly-owned subsidiary of the Company of 70% issued shares in China Precision Medical Technology Holdings Limited. On 11 July 2019, the parties entered into a supplemental memorandum of understanding to extend the exclusively period to 11 August 2019. On 12 August 2019, Grande Fortune International Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Victory Go Investment Limited and Yang Xiaonan to acquire 70% issued shares in China Precision Medical Technology Holdings Limited at a consideration of RMB70,000,000 (equivalent to approximately HK\$77,700,000), to be settled by allotment of shares of the Company. Details were disclosed in the announcements of the Company dated 12 April 2019, 11 July 2019 and 12 August 2019.

**Letter of intent in relation to the possible disposal of the entire share capital of Gain Yield Holdings Limited**

On 27 June 2019, the Company entered into a non-legally binding letter of intent with China XinZheng Investment Consulting Company Limited in relation to the possible disposal of the entire issued share of Gain Yield Holdings Limited ("**Gain Yield**"), a wholly-owned subsidiary of the Company. Gain Yield holds 1,641,794 series B preferred shares in Broncus Holding Corporation ("**Broncus**"), which represents approximately 2.05% of the total issued share capital of Broncus. On 31 July 2019, the parties entered into a supplemental letter of intent to extend the exclusivity period to 31 August 2019. No legally binding agreement has been entered into by the Company with the purchaser in respect of the possible disposal as at the date of this report. Details were disclosed in the announcements of the Company dated 27 June 2019 and 31 July 2019.

**FUTURE PROSPECT**

On 18 February 2019, the State Council of the Central Committee of the Communist Party of China published the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area as a major development strategy of China and the biopharmaceutical industry, as an area of priority development of the Greater Bay Area, will be supported with priority. The Greater Bay Area is one of the regions with the highest per capita GDP and the most active technology entrepreneurship and capital flow in China, and has an advantage in the development of the healthcare industry. As the integration of the Greater Bay Area accelerates and Hong Kong and the entire Greater Bay Area value the healthcare industry with great importance, the Group will seize the opportunity to promote the development of the Group's main business.

China's economic development will gradually enter a stable development phase and, in 2018, China's GDP annual growth rate also reached a high of 6.6%. The improvement of people's consumption capacity and the stronger emphasis placed on physical health brought about by economic development will continue to vigorously promote the development of the biomedical industry in the next few years, especially the development of regular physical examinations, cancer gene testing, vaccination and preventive medicine. The Group's health check business in Hong Kong will enter the Mainland Chinese market in 2019 to provide customers with professional and reliable experiences and services leveraging on its credibility, high level of management, and good reputation developed over the years.

According to the latest “China Cancer Report” released by the China National Cancer Centre in 2019, China ranked first in the world in terms of cancer incidence rate and mortality rate in 2015, but China’s per capita spending on cancer prevention and treatment is currently far behind developed countries such as those in Europe and North America, so there is huge room for growth in this market in the future. According to the latest “Cancer Statistics 2019” published in the United States of America, cancer mortality rates have declined for 25 consecutive years in the United States of America. This is in stark contrast to China’s persistently high cancer mortality rates. The causes lie in that China is lagging behind developed countries in Europe and North America in cancer examination and testing method and its cancer treatment methods have yet to be improved.

In January 2019, the Group signed an investment and cooperation agreement with Pillar, a clinical testing company for cancer in the United States of America, to jointly establish a joint venture company in Hong Kong which focuses on genetic testing for cancer patients. It will be based in Hong Kong and serve the surrounding areas of the Greater Bay Area. The Group expects its operation could improve China’s cancer examination and testing capabilities.

With respect to cancer treatment, one of the biggest breakthroughs in the field of cancer treatment in recent years is the application of immunotherapy in cancer treatment. CAR-T cell therapy has cured a large number of patients with blood tumour and lymphoma; it also became accepted by the U.S. Centers for Medicare & Medicaid Services for medical insurance claims in early 2019, and before that CAR-T products had already been covered by medical insurance in the United Kingdom. In 2019, the Group acquired approximately 67% of Shanghai Longyao, which specializes in the research and development of CAR-T and related cancer treatment products and is expected to benefit greatly from the positive developments of immunotherapy.

As for China’s encouragement of innovation in biotechnology enterprises, following the Stock Exchange’s relaxation of listing conditions in 2018 to attract biotechnology enterprises to apply for listing in Hong Kong, Mainland China specially started a Science and Technology Innovation Board in 2019 to facilitate the listing and financing of technology and innovation enterprises on advantageous conditions so that, in the absence of profits, biopharmaceutical enterprises can apply for admission to the Science and Technology Innovation Board based on the clinical trial progress of their drugs under research. This is undoubtedly a piece of major positive news for enterprises in the business of the research and development of drugs, whose characteristics include high investment and long cycles in its returns. The development trend and policy orientation of China’s medical services will create promising development opportunities for the Group to build a biotechnology platform for the future.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has financed its operations and capital expenditures requirements through (i) internal generated resources, (ii) net proceeds from the placing of new shares under general mandate and (iii) bank and other borrowings.

### Liquidity and Financial Resources

As at 30 June 2019, the Group held cash and bank balances of approximately HK\$72,940,000 (31 December 2018: HK\$154,479,000), all were principally denominated in Renminbi and Hong Kong dollars. The decrease in cash and bank balances of approximately HK\$81,539,000 is mainly utilised for acquisition of Shanghai Longyao and subscription of shares in Pillar.

As at 30 June 2019, the Group had unsecured other borrowing of approximately RMB5,000,000 (equivalent to approximately HK\$5,683,000) (31 December 2018: Nil), which carried a fixed interest rate of 8% per annum (31 December 2018: Nil) and is repayable within one year.

The increase in the other borrowing was mainly due to additional other borrowing during the 2019 Interim Period.

As at 30 June 2019, the total assets of the Group were approximately HK\$465,930,000 (31 December 2018: HK\$337,761,000), whereas total liabilities were approximately HK\$87,065,000 (31 December 2018: HK\$18,846,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 18.69% (31 December 2018: 5.58%). Current ratio (defined as total current assets divided by total current liabilities) was 4.28 times (31 December 2018: 13.76 times).

### Capital Structure

As at 30 June 2019, the total issued share capital of the Company was HK\$96,865,615 (31 December 2018: HK\$93,534,675) divided into 968,656,150 (31 December 2018: 935,346,750) ordinary shares of HK\$0.10 each.

### Placing of new shares under general mandate and use of proceeds

On 22 August 2018, the Company and UOB Kay Hian (Hong Kong) Limited ("**UOB**") and China Merchants Securities (HK) Co., Limited ("**CMS**") entered into placing agreement (the "**Placing Agreement**"), pursuant to which UOB and CMS have conditionally agreed to procure, as placing agents of the Company, the placees to subscribe for the Placing Shares (being up to 79,500,000 new Shares at a price of HK\$1.68 per Placing Share (the "**Placing**"), which represented (i) a 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) a 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 immediately prior to the date of the Placing Agreement. The net proceeds after deduction of expenses from the Placing were approximately HK\$132,000,000, of which (i) approximately HK\$93,000,000 would be utilised for funding the acquisition of approximately 67% of equity interest in Shanghai Longyao (details of which are disclosed in the Company's announcements dated 22 July 2018, 8 August 2018, 31 October 2018 and 31 January 2019); and (ii) the remaining balance of approximately HK\$39,000,000 would be utilised 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, whereby 47,600,000 new ordinary Shares, 30,000,000 new ordinary Shares and 1,900,000 new ordinary Shares were placed to Cheer Hope Holdings Limited, Greater Harmony Limited and Mr. Liao Zhuming respectively. 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 the reporting, the Company has utilised approximately (i) HK\$78,680,000 for acquisition of Shanghai Longyao; (ii) HK\$19,638,000 for subscription of shares in Pillar Biosciences, Inc. ("**Pillar**"); and (iii) HK\$33,682,000 for general working capital of the Group. The net proceeds was fully utilised.

### SIGNIFICANT INVESTMENT HELD AND PERFORMANCE

As at 30 June 2019, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$67,934,000 (31 December 2018: HK\$48,297,000) including three (31 December 2018: two) investments in unlisted equity securities. During the 2019 Interim Period, an investment of HK\$19,638,000 was made for financial assets at fair value through other comprehensive income through subscription of new shares of Pillar. Pillar is a precision testing company for cancer based in Boston, Massachusetts, the United States of America with a wholly-owned subsidiary in Shanghai, the PRC. Also, it included of an investment of HK\$39,307,000 in Broncus, a company mainly engaged in the development and manufacturing of navigation, diagnostic and therapeutic technologies to treat patients with lung disease.

The Group did not hold any other significant investments with a market value that account for more than 5% of the Group's unaudited total net assets as at 30 June 2019.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES**

Except for the acquisition of subsidiaries as disclosed in the section headed “BUSINESS REVIEW” above, the Group did not have any other material acquisition or disposal of subsidiaries and affiliated companies for the 2019 Interim Period.

## **OPERATING LEASE COMMITMENTS**

Details of operating lease commitments are stated in note 16 to the unaudited condensed consolidated interim results.

## **CAPITAL COMMITMENTS**

Details of capital commitments are stated in note 17 to the unaudited condensed consolidated interim results.

## **CHARGES ON THE GROUP’S ASSETS**

As at 30 June 2019, the Group had no such charge.

## **CONTINGENT LIABILITIES**

As at 30 June 2019, the Group has no significant contingent liabilities.

## **FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE**

During the 2019 Interim Period, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including interest rate swaps and foreign currency forwards contract will be used by the Group in the management of exposure affecting interest rates and foreign exchange rate fluctuations as appropriate.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2019, the Group had a total of 134 (30 June 2018: 174) full time employees which were located in the PRC and Hong Kong. Total staff costs for the 2019 Interim Period was approximately HK\$23,579,000 (2018 Interim Period: HK\$23,031,000).

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 2019 Interim Period were approximately HK\$1,030,000 (2018 Interim Period: HK\$899,000).

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

As at 30 June 2019, 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**

<b>Name of Director</b>	<b>Capacity and nature of interest</b>	<b>No. of shares held</b>	<b>Approximate percentage</b> <i>(Note a)</i>
Mr. Liu Xiaolin ("Mr. Liu")	Interest of a controlled corporation	529,500,546 <i>(Note b)</i>	54.66%
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	128,300,000 <i>(Note c)</i>	13.25%
Mr. He Xun ("Mr. He")	Beneficial owner	10,000,000 <i>(Note d)</i>	1.03%
<b>Total</b>		<b>667,800,546</b>	<b>68.94%</b>

*Notes:*

- (a) As at 30 June 2019, the total number of the issued shares of the Company was 968,656,150 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.
- (c) Pursuant to an agreement in respect of the sale and purchase of the Company's shares from Mr. Liu to Bright Joy Ventures Limited dated 11 September 2018, Bright Joy Ventures Limited, Mr. Yau Wing Yiu and Genius Lead further entered into a concert party agreement on 11 September 2018. As such, Mr. Liu is deemed to be interested in the shares which Genius Lead is interested in the capacity of a concert party. Further, Mr. Liu also made a loan to Bright Joy Ventures Limited to buy the relevant shares as described in s317(1)(b) of the SFO.
- On 11 March 2019, the concert party agreement expired and Mr. Liu was no longer deemed to be interested in the shares beneficially held by Mr. Yau Wing Yiu. Mr. Liu remains to be interested in 128,300,000 shares as the lender of the loan to Bright Joy Ventures Limited to buy the relevant shares.
- (d) On 11 September 2018, Bright Joy Ventures Limited has granted call options 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) Short position in the shares of the Company**

<b>Name of Director</b>	<b>Capacity and nature of interest</b>	<b>No. of Shares held</b>	<b>Approximate percentage</b> <i>(Note a)</i>
Mr. Liu	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	20,000,000 <i>(Note b)</i>	2.06%

*Notes:*

- (a) As at 30 June 2019, the total number of issued shares of the Company was 968,656,150 ordinary shares of HK\$0.10 each.
- (b) Pursuant to an agreement in respect of the sale and purchase of the Company's shares from Mr. Liu to Bright Joy Ventures Limited dated 11 September 2018, Bright Joy Ventures Limited, Mr. Yau Wing Yiu and Genius Lead further entered into a concert party agreement on 11 September 2018. As such, Mr. Liu is deemed to be interested in the shares which Genius Lead is interested in the capacity of a concert party. Further, Mr. Liu also made a loan to Bright Joy Ventures Limited to buy the relevant shares as described in s317(1)(b) of the SFO.

On 11 March 2019, the concert party agreement expired and Mr. Liu was no longer deemed to be interested in the shares beneficially held by Mr. Yau Wing Yiu. Mr. Liu remains to be interested in the short position for 20,000,000 shares for the call options (which will expire on 11 March 2020) granted by Bright Joy Ventures Limited pursuant to the agreement for sale and purchase dated 11 September 2018.

**(iii) 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%

**(iv) 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 <i>(note a)</i>
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	0.41%
Mr. Huang Song	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK\$1.67	4,000,000	0.41%

*Note:*

- (a) As at 30 June 2019, the total number of the issued shares of the Company was 968,656,150 ordinary shares of HK\$0.10 each of the Company.

Save as disclosed above, as at 30 June 2019, 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 June 2019, 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:

### (i) 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 (Note c)	54.66%
Genius Lead (Note b)	Beneficial owner	529,500,546	54.66%
Bright Joy Ventures Limited	Beneficial owner	128,300,000	13.25%
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	529,500,546 (Note e)	54.66%
Yau Wing Yiu	Beneficial owner	7,720,000	0.80%
	Interest of a controlled corporation	128,300,000	13.25%
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	529,500,546 (Note f)	54.66%

#### Notes:

- (a) As at 30 June 2019, the total number of the issued shares of the Company was 968,656,150 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.

- (c) Pursuant to an agreement in respect of the sale and purchase of the Company's shares from Mr. Liu to Bright Joy Ventures Limited dated 11 September 2018, Bright Joy Ventures Limited, Mr. Yau Wing Yiu and Genius Lead further entered into a concert party agreement on 11 September 2018. As such, Genius Earn is deemed to be interested in the shares which Genius Lead is interested in the capacity of a concert party.

On 11 March 2019, the concert party agreement expired and Genius Lead ceased to be interested in 136,020,000 shares held by Mr. Yau Wing Yiu and Bright Joy Ventures Limited. As such, Genius Earn is no longer deemed to be interested in 136,020,000 shares Genius Lead was interested in as a concert party.

- (d) Pursuant to an agreement in respect of the sale and purchase of the Company's shares from Mr. Liu to Bright Joy Ventures Limited dated 11 September 2018, Bright Joy Ventures Limited, Mr. Yau Wing Yiu and Genius Lead further entered into a concert party agreement on 11 September 2018. As such, Genius Lead is interested in the shares which Bright Joy Ventures Limited and Yau Wing Yiu is interested in the capacity of a concert party.

On 11 March 2019, the concert party agreement expired and Genius Lead ceased to be interested in 136,020,000 shares held by Mr. Yau Wing Yiu and Bright Joy Ventures Limited.

- (e) Pursuant to an agreement in respect of the sale and purchase of the Company's shares from Mr. Liu to Bright Joy Ventures Limited dated 11 September 2018, Bright Joy Ventures Limited, Mr. Yau Wing Yiu and Genius Lead further entered into a concert party agreement on 11 September 2018. As such, Bright Joy Ventures Limited is interested in the shares which Genius Lead and Yau Wing Yiu is interested in the capacity of a concert party. Further, Mr. Liu also made a loan to Bright Joy Ventures Limited to buy the relevant shares as described in s317(1)(b) of the SFO.

On 11 March 2019, the concert party agreement expired and Bright Joy Ventures Limited ceased to be interested in the shares beneficially held by Mr. Yau Wing Yiu. Bright Joy Ventures Limited, as borrower of loan from Mr. Liu to buy relevant shares, remains to be interested in 529,500,546 shares to which Mr. Liu is interested.

- (f) Pursuant to an agreement in respect of the sale and purchase of the Company's shares from Mr. Liu to Bright Joy Ventures Limited dated 11 September 2018, Bright Joy Ventures Limited, Mr. Yau Wing Yiu and Genius Lead further entered into a concert party agreement on 11 September 2018. As such, Mr. Yau Wing Yiu is interested in the shares which Genius Lead and Bright Joy Ventures Limited is interested in the capacity of a concert party.

On 11 March 2019, the concert party agreement expired and Mr. Yau Wing Yiu ceased to be interested in 529,500,546 shares to which Genius Lead is interested in the capacity as a concert party to the concert party agreement. Bright Joy Ventures Limited is wholly-owned by Mr. Yau Wing Yiu. As such, Mr. Yau Wing Yiu is deemed to be interested in the shares of the Company to which Bright Joy Ventures Limited is interested.

**(ii) Short position in shares and underlying shares**

<b>Name of shareholder</b>	<b>Capacity and nature of interest</b>	<b>No. of shares held</b>	<b>Approximate percentage</b> <i>(Note a)</i>
Genius Earn <i>(Note b)</i>	Interest of a controlled corporation	20,000,000 <i>(Note b)</i>	2.06%
Genius Lead <i>(Note b)</i>	Beneficial owner	20,000,000 <i>(Note c)</i>	2.06%
Bright Joy Ventures Limited	Beneficial owner	20,000,000	2.06%
Yau Wing Yiu	Interest of a controlled corporation	20,000,000 <i>(Note d)</i>	2.06%

*Notes:*

(a) As at 30 June 2019, the total number of issued of the Company was 968,656,150 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.

(c) Pursuant to an agreement in respect of the sale and purchase of the Company's shares from Mr. Liu to Bright Joy Ventures Limited dated 11 September 2018, Bright Joy Ventures Limited, Mr. Yau Wing Yiu and Genius Lead further entered into a concert party agreement on 11 September 2018. As such, Genius Lead is deemed to be interested in the short positions which Bright Joy Ventures Limited is interested in the capacity of a concert party.

On 11 March 2019, the concert party agreement expired and Genius Lead ceased to be interested in the short positions held by Mr. Yau Wing Yiu and Bright Joy Ventures Limited.

(d) Bright Joy Ventures Limited is wholly-owned by Mr. Yau Wing Yiu. As such, Mr. Yau Wing Yiu is deemed to be interested in the short position held by Bright Joy Ventures Limited under the SFO.

Save as disclosed above, as at 30 June 2019, 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 has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Details and principal terms of the share option scheme is disclosed in annual report 2018.

Details of movements in the Company's share options during the 2019 Interim Period are set out as follows:

Name of Grantees	Date of grant	Exercise price per share (HK\$)	Balance as at 1 January 2019	Number of Shares over which options are exercisable				Balance as at 30 June 2019	Exercise period
				Granted during the 2019 Interim Period	Exercised during the 2019 Interim Period	Lapsed during the 2019 Interim Period	Cancelled during the 2019 Interim Period		
<b>Directors</b>									
Mr. Liu	12 January 2018	1.67	780,000 (Note 1)	–	–	–	–	780,000	Note 3
Wang Zheng	12 January 2018	1.67	4,000,000 (Note 1)	–	–	–	–	4,000,000	Note 3
Huang Song	12 January 2018	1.67	4,000,000 (Note 1)	–	–	–	–	4,000,000	Note 3
<b>Consultants</b>	12 January 2018	1.67	15,600,000 (Note 1)	–	–	–	–	15,600,000	Note 3
<b>Employee</b>	12 January 2018	1.67	3,000,000 (Note 1)	–	–	(3,000,000)	–	–	Note 4
	4 October 2018	1.71	3,000,000 (Note 2)	–	–	–	–	3,000,000	Note 5
Total			30,380,000	–	–	(3,000,000)	–	27,380,000	

*Notes:*

1. The share options were granted on 12 January 2018. The closing price of the Shares on the date of grant was HK\$1.67 per Share.
2. The share options were granted on 4 October 2018. The closing price of the Shares on the date of grant was HK\$1.71 per Share.
3. The share options are exercisable to subscribe for (i) a maximum of one-third of the shares granted to each grantee in respect of the 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 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 share options from 12 January 2021 to 11 January 2022.
4. The share options 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. However, the relevant conditions are not met. As a result, 3,000,000 share options were lapsed for the 2019 Interim Period.
5. The share options are exercisable to subscribe for (i) a maximum of one-third of the Shares granted to the grantee in respect of the share option from 4 October 2019 to 3 October 2020; (ii) a maximum of another one-third of the Shares granted to the grantee in respect of the share option from 4 October 2020 to 3 October 2021; and (iii) a maximum of the remaining one-third of the Shares granted to the grantee in respect of the share option from 4 October 2021 to 3 October 2022.

## DIRECTOR' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the 2019 Interim Period or at the end of the 2019 Interim 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.

## 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 2019 Interim 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 2019 Interim 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 2019 Interim Period, the Company has complied with the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules save for the deviation from code provision A.6.7 of the CG Code as disclosed below.

Under code provision A.6.7 of the CG Code, non-executive Director and independent non-executive Directors should attend general meetings of the Company. Due to other pre-arranged business commitments which had to be attended, Mr. Huang Song (being a non-executive Director) and Dr. Ho Ivan Chun Kit (being an independent 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 15 May 2019.

## 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 2019 Interim 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, Dr. Ho Ivan Chun Kit and Mr. Qian Hongji as at the date of this report.

The unaudited condensed consolidated interim results of the Group for the 2019 Interim 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**  
*Co-Chairman and Executive Director*

Hong Kong, 13 August 2019

*As at the date of this report, the Board comprises five executive Directors namely, Mr. Liu Xiaolin (Co-Chairman), Mr. Yao Michael Yi (Co-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, Dr. Ho Ivan Chun Kit and Mr. Qian Hongji.*