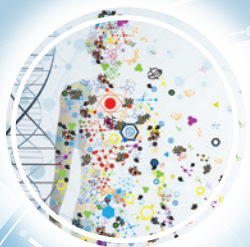


2019 THIRD QUARTERLY REPORT



Precision Treatment
精準治療

Precision Diagnosis
精準檢測



Future Biotechnology Platform
未來生物科技平臺



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

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

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Directors**”) of China Biotech Services Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this report misleading.*



UNAUDITED THIRD QUARTERLY RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Biotech Services Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (collectively, the “**Group**”) for the three and nine months ended 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 2019

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2019	2018	2019	2018
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Gross proceeds	3	14,151	17,590	42,721	51,361
Turnover	3	14,151	17,590	42,721	51,361
Cost of sales		(8,844)	(11,481)	(27,032)	(31,432)
Gross profit		5,307	6,109	15,689	19,929
Other income and gains/(loss)	4	(923)	1,765	(1,046)	2,064
Selling and distribution expenses		(3,128)	(4,197)	(9,322)	(12,003)
Administrative expenses		(24,591)	(22,250)	(64,456)	(55,122)
Loss from operations		(23,335)	(18,573)	(59,135)	(45,132)
Finance costs	5	(488)	(884)	(772)	(2,571)
Loss on disposal of subsidiaries	9	(316)	–	(316)	–
Share of loss of associates		(158)	(241)	(719)	(233)
Loss before tax		(24,297)	(19,698)	(60,942)	(47,936)
Income tax credit	6	321	177	648	70
Loss for the period		(23,976)	(19,521)	(60,294)	(47,866)



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

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss for the period		(23,976)	(19,521)	(60,294)	(47,866)
Other comprehensive (loss)/ income for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(996)	126	(1,866)	160
Release of exchange difference upon disposal of subsidiaries	9	323	–	323	–
Share of exchange differences of investments in associates		164	162	(157)	(3)
Other comprehensive (loss)/income for the period, net of tax		(509)	288	(1,700)	157
Total comprehensive loss for the period		(24,485)	(19,233)	(61,994)	(47,709)
Loss for the period attributable to:					
– Owners of the Company		(21,935)	(17,362)	(56,148)	(44,159)
– Non-controlling interests		(2,041)	(2,159)	(4,146)	(3,707)
		(23,976)	(19,521)	(60,294)	(47,866)
Total comprehensive loss for the period attributable to:					
– Owners of the Company		(22,131)	(17,171)	(57,252)	(44,126)
– Non-controlling interests		(2,354)	(2,062)	(4,742)	(3,583)
		(24,485)	(19,233)	(61,994)	(47,709)
Loss per share					
– Basic and diluted (HK\$)	8	(0.023)	(0.020)	(0.059)	(0.051)



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	Attributable to owners of the Company										Total
	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	
	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 2019 (Audited)	93,535	443,140	12,258	212,948	4,163	(10,402)	650	(432,215)	324,077	(5,162)	318,915
Loss for the period	-	-	-	-	-	-	-	(56,148)	(56,148)	(4,146)	(60,294)
Other comprehensive loss for the period:											
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	(1,270)	-	(1,270)	(596)	(1,866)
Release of exchange difference upon disposal of subsidiaries (note 9)	-	-	-	-	-	-	323	-	323	-	323
Share of exchange differences of investments in associates	-	-	-	-	-	-	(157)	-	(157)	-	(157)
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	(1,104)	-	(1,104)	(596)	(1,700)
Total comprehensive loss for the period	-	-	-	-	-	-	(1,104)	(56,148)	(57,252)	(4,742)	(61,994)
Equity-settled share-based payment	-	-	7,014	-	-	-	-	-	7,014	-	7,014
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	1,950	1,950
Issue of ordinary shares	2,751	43,465	-	-	-	-	-	-	46,216	-	46,216
Subscription shares	580	11,020	-	-	-	-	-	-	11,600	-	11,600
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	35,413	35,413
Repurchase of ordinary shares	(38)	(471)	-	-	-	-	-	-	(509)	-	(509)
At 30 September 2019 (Unaudited)	96,828	497,154	19,272	212,948	4,163	(10,402)	(454)	(488,363)	331,146	27,459	358,605

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

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



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY RESULTS

1. GENERAL INFORMATION

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

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are (i) 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 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 September 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 third quarterly results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and applicable disclosures by the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of the Stock Exchange and the Hong Kong Companies Ordinance.

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

The principal accounting policies used in the preparation of the unaudited condensed consolidated third quarterly results for the nine months ended 30 September 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 quarterly results.

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 quarterly 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 amounts recognised in profit or loss:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$’000 (Unaudited)	2018 HK\$’000 (Unaudited)	2019 HK\$’000 (Unaudited)	2018 HK\$’000 (Unaudited)
Depreciation expense of right-of-use assets	1,807	–	4,457	–
Interest expense on lease liabilities	89	–	208	–
Rent expenses – short-term leases	490	3,030	3,370	8,034
	2,386	3,030	8,035	8,034

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 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Provision of tumor immune cell therapy services	77	–	138	–
Manufacture and sale of health related and pharmaceutical products	398	2,791	1,192	7,259
Provision of medical laboratory testing services and health check services	13,162	14,341	40,059	42,957
Money lending business	514	458	1,332	1,145
	14,151	17,590	42,721	51,361
Gross proceeds from trading of securities	–	–	–	–
Gross proceeds	14,151	17,590	42,721	51,361

4. OTHER INCOME AND GAINS/(LOSS)

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest income	35	1	174	3
Sundry income	85	87	186	383
Gain on disposal of property, plant and equipment	–	1,735	534	1,735
Written off of property, plant and equipment	(1,081)	(23)	(1,950)	(25)
Exchange gain/(losses), net	38	(35)	10	(32)
	(923)	1,765	(1,046)	2,064

5. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest expenses:				
– Bank borrowing	–	20	–	62
– Other borrowings	390	836	505	2,426
– Imputed interest on loans from a non-controlling shareholder of a subsidiary	9	28	59	83
– Lease liabilities	89	–	208	–
	488	884	772	2,571

6. INCOME TAX CREDIT

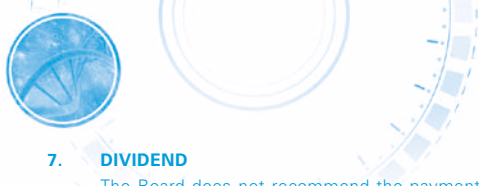
	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
The amount comprises:				
Current tax (expense)/credit:				
– Hong Kong Profits Tax	(56)	137	(157)	(71)
Deferred tax:				
– Current period	377	40	805	141
	321	177	648	70

Hong Kong Profits Tax is calculated at the tax rate of 16.5% (nine months ended 30 September 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the nine months ended 30 September 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 nine months ended 30 September 2019 (nine months ended 30 September 2018: 15%).

The PRC Enterprise Income Tax has been provided as a rate of 25% for the nine months ended 30 September 2019 (nine months ended 30 September 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.



7. DIVIDEND

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

8. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares during the three and nine months ended 30 September 2019 and 2018.

For the three months ended 30 September		For the nine months ended 30 September	
2019 '000 (Unaudited)	2018 '000 (Unaudited)	2019 '000 (Unaudited)	2018 '000 (Unaudited)

Number of ordinary shares

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

968,640	877,970	958,035	863,647
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	For the three months ended 30 September		For the nine months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Loss for the period attributable to owners of the Company (HK\$'000)	(21,935)	(17,362)	(56,148)	(44,159)
Basic and diluted loss per share (HK\$)	(0.023)	(0.020)	(0.059)	(0.051)

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

9. DISPOSAL OF SUBSIDIARIES

On 16 August 2019, Dynasty Well Limited, a direct wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to dispose of the entire equity interests in Dragon Leap Enterprises Limited and its subsidiary (collectively, the “**Dragon Leap Group**”) at a cash consideration of HK\$50,000. The completion of the disposal of the Dragon Leap Group took place on the same date.

An analysis of the net assets of the Dragon Leap Group at the date on which the Group lost control (i.e. 16 August 2019), was as follows:

	HK\$'000 (Unaudited)
Deposits, prepayments and other receivables	455
Cash and cash equivalents	34
Total assets	489
Other payables and accruals	446
Total liability	446
Net assets disposed of	43
	For the nine months ended 30 September 2019 HK\$'000 (Unaudited)
Gain on disposal of the Dragon Leap Group:	
Consideration	50
Release of exchange difference upon disposal	(323)
Less: Net assets disposed of	(43)
	(316)

10. EVENT AFTER THE END OF THE REPORTING PERIOD

On 31 October 2019, the Company, Gain Access Holdings Limited (“**Gain Access**”), as purchaser, a direct wholly-owned subsidiary of the Company, entered into a supplemental agreement with Ms. Qiu Li and Ms. Geng Xiuguan, as vendors, and Mr. Liu Haibo, as guarantor, whereby the parties agreed to reduce the total number of subscription shares from 100,000 new ordinary shares of Fortstone International (Hong Kong) Limited (“**Fortstone**”) to 20,000 new ordinary shares of Fortstone and the total subscription price from HK\$2,000,000 to HK\$400,000. On the same date, Gain Access had completed the acquisition of 51% issued shares of Fortstone involving issue of 1,530,000 shares of the Company under general mandate. Details are disclosed in the announcement of the Company dated 31 October 2019.



FINANCIAL REVIEW

During the nine months ended 30 September 2019 (the “**2019 Q3 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 Q3 Period, the Group recorded a turnover of approximately HK\$42,721,000, representing a decrease of approximately 16.82% as compared with that of approximately HK\$51,361,000 for the nine months ended 30 September 2018 (the “**2018 Q3 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 economic downturn and keen competition.

Provision of tumor immune cell therapy services

Upon the completion of the acquisition of approximately 67% of equity interest 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 recorded a turnover of approximately HK\$138,000 (2018 Q3 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 Q3 Period. The turnover of this segment decreased from approximately HK\$7,259,000 for the 2018 Q3 Period to approximately HK\$1,192,000 for the 2019 Q3 Period. It was decreased by HK\$6,067,000 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 Q3 Period, diversified laboratory tests are available to fulfill various needs of customers, the turnover of this segment has decreased slightly from approximately HK\$42,957,000 for the 2018 Q3 Period to approximately HK\$40,059,000 for the 2019 Q3 Period, representing a decrease of approximately HK\$2,898,000 or 6.75% compared with that for the 2018 Q3 Period. It has been affected by economic downturn and 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\$1,332,000 for the 2019 Q3 Period (2018 Q3 Period: HK\$1,145,000).

Gross profit and gross profit margin

The Group recorded the gross profit of approximately HK\$15,689,000 for the 2019 Q3 Period, representing a decrease of approximately HK\$4,240,000 when compared with that of approximately HK\$19,929,000 in the 2018 Q3 Period. Also, the gross profit margin for the 2019 Q3 Period was approximately 36.72%, representing a decrease by approximately 2.08 percentage point when compared with the gross profit margin of approximately 38.80% for the 2018 Q3 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\$9,322,000 (2018 Q3 Period: HK\$12,003,000) for the 2019 Q3 Period, representing a decrease of approximately HK\$2,681,000 or 22.34% compared with such expenses for the 2018 Q3 Period. During 2018 Q3 Period, selling and distribution expenses of approximately HK\$2,690,000 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, amortisation of intangible assets and so on. The administrative expenses for the 2019 Q3 Period were approximately HK\$64,456,000, representing an increase of approximately HK\$9,334,000 or 16.93%, as compared with that of approximately HK\$55,122,000 for the 2018 Q3 Period. The increase in administrative expenses mainly contributed from increase in amortisation of intangible assets, research and development costs, and legal and professional fee for corporate activities.



Finance costs

During the 2019 Q3 Period, the Group's interest expenses amounted to approximately HK\$772,000 (2018 Q3 Period: HK\$2,571,000). 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\$60,294,000 for the 2019 Q3 Period (2018 Q3 Period: HK\$47,866,000). The aforesaid loss for the 2019 Q3 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.



Acquisition of 51% issued shares in Fortstone involving issue of consideration shares under general mandate

On 3 June 2019, Gain Access, as purchaser, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. Qiu Li and Ms. Geng Xiujuan, as vendors and Mr. Liu Haibo, as guarantor, pursuant to which Gain Access conditionally agreed to purchase, and the vendors conditionally agreed to sell 51% issued shares of Fortstone at the consideration of HK\$12,240,000 (subject to adjustment). HK\$3,060,000 was paid in cash to the vendors and HK\$3,060,000 was settled by issue and allotment of 1,530,000 shares of the Company at the issue price of HK\$2.00 per share. The remaining balance of HK\$6,120,000 shall be paid in cash subject to profit guarantee ("**Fortstone Acquisition**"). Fortstone is engaged in the provision of insurance brokerage services. On 30 August 2019 and 30 September 2019, the parties entered into first and second supplemental agreement to extend the long-stop date to 30 September 2019 and 31 October 2019 respectively. On 31 October 2019, the parties entered into third supplemental agreement, pursuant to which agreed to reduce the total number of subscription shares from 100,000 new ordinary shares of Fortstone to 20,000 new ordinary shares of Fortstone and the total subscription price from HK\$2,000,000 to HK\$400,000. The completion of the Fortstone Acquisition took place on 31 October 2019. Details of the Fortstone Acquisition are disclosed in the announcements of the Company dated 3 June 2019, 30 August 2019, 30 September 2019 and 31 October 2019, circular of the Company dated 30 August 2019.

The Group considers the Fortstone Acquisition represents a unique opportunity to extend its products and services into insurance industry. In order to increase competitiveness, there is a trend of business combinations of health check business and insurance related business. The Directors believe that the Fortstone Acquisition will provide synergistic effect to the Group's existing business by leveraging its expertise and enlarging its customer base, broadening its income source alongside with developing its existing businesses, and thus leading to a more comprehensive development in the Company's healthcare related business.

Disposal of subsidiaries

Dragon Leap

Having taken into consideration that Dragon Leap Enterprises Limited and its subsidiary (collectively, the ("**Dragon Leap Group**") had been inactive in recent years, the Directors considered that the disposal of the Dragon Leap Group save administrative costs. The completion of the disposal of the Dragon Leap Group took place on 16 August 2019. For details, please refer to the disclosure made in note 9 to the unaudited condensed consolidated financial statement.

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.



Lapse of the possible disposal of the entire issued 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 ("**China XinZheng**") 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 exclusively period to 31 August 2019. On 30 August 2019, the Company, as a vendor, entered into a sales and purchaser agreement with China XinZheng, as a purchaser, pursuant to which the Company conditionally agreed to sell as beneficial owner and China XinZheng conditionally agreed to purchase the entire issued shares capital of Gain Yield, and the shareholder's loan at a cash consideration of US\$5,400,000 (equivalent to approximately HK\$42,390,000). However, the said disposal was lapsed on 30 September 2019. Details were disclosed in the announcements of the Company dated 27 June 2019, 31 July 2019, 30 August 2019 and 30 September 2019.

Grant of share options

On 20 August 2019, the Company has granted to eligible participants certain options to subscribe for up to a total of 25,420,000 ordinary shares of nominal value of HK\$0.10 each in the share capital of the Company. Details were disclosed in the announcement of the Company dated 20 August 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.



MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the acquisition of subsidiaries and disposal 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 Q3 Period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group had a total of 136 (30 September 2018: 171) full time employees which were located in the PRC and Hong Kong. Total staff costs for the 2019 Q3 Period was approximately HK\$34,895,000 (2018 Q3 Period: HK\$33,839,000).

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 unaudited condensed consolidated statement of profit or loss and other comprehensive income for the 2019 Q3 Period were approximately HK\$1,524,000 (2018 Q3 Period: HK\$1,330,000).

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

As at 30 September 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

Name of Director	Capacity and nature of interest	No. of shares held	Approximate percentage (Note a)
Mr. Liu Xiaolin ("Mr. Liu")	Interest of a controlled corporation	529,500,546 (Note b)	54.68%
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	128,300,000 (Note c)	13.25%
Mr. He Xun ("Mr. He")	Beneficial owner	10,000,000 (Note d)	1.03%
Total		667,800,546	68.96%

Notes:

- As at 30 September 2019, the total number of the issued shares of the Company was 968,276,150 ordinary shares of HK\$0.10 each of the Company.
- Genius Lead is the registered and beneficial owner of these shares of the Company, and Genius Lead is wholly-owned by Genius Earn, which is in turn wholly-owned by Mr. Liu. As such, Mr. Liu is deemed to be interested in the shares of the Company held by Genius Lead.



- (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

Name of Director	Capacity and nature of interest	No. of Shares held	Approximate percentage <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>	2.07%

Notes:

- (a) As at 30 September 2019, the total number of issued shares of the Company was 968,276,150 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

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

(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 (note a)
Mr. Liu	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK\$1.67	780,000	0.08%
	Beneficial owner	20 August 2019	20 August 2020 to 19 August 2023	HK\$1.68	960,000	0.10%
Mr. Wang Zheng	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK\$1.67	4,000,000	0.41%
	Beneficial owner	20 August 2019	20 August 2020 to 19 August 2023	HK\$1.68	600,000	0.06%
Mr. Huang Song	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK\$1.67	4,000,000	0.41%
Mr. Yao Michael Yi	Beneficial owner	20 August 2019	20 August 2020 to 19 August 2023	HK\$1.68	9,680,000	1.00%
Total					20,020,000	2.06%

Note:

- (a) As at 30 September 2019, the total number of the issued shares of the Company was 968,276,150 ordinary shares of HK\$0.10 each of the Company.



Save as disclosed above, as at 30 September 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 September 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 <i>(Note a)</i>
Genius Earn <i>(Note b)</i>	Interest of a controlled corporation	529,500,546 <i>(Note c)</i>	54.68%
Genius Lead <i>(Note b)</i>	Beneficial owner	529,500,546	54.68%
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 <i>(Note e)</i>	54.68%
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 <i>(Note f)</i>	54.68%



Notes:

- (a) As at 30 September 2019, the total number of the issued shares of the Company was 968,276,150 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

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	20,000,000 (Note b)	2.07%
Genius Lead (Note b)	Beneficial owner	20,000,000 (Note c)	2.07%
Bright Joy Ventures Limited	Beneficial owner	20,000,000	2.07%
Yau Wing Yiu	Interest of a controlled corporation	20,000,000 (Note d)	2.07%

Notes:

- (a) As at 30 September 2019, the total number of issued of the Company was 968,276,150 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 September 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 Q3 Period are set out as follows:

Name of Grantees	Date of grant	Exercise price per share (HK\$)	Number of Shares over which options are exercisable					Balance as at 30 September 2019	Exercise period	
			Balance as at 1 January 2019	Granted during the 2019 Q3 Period	Exercised during the 2019 Q3 Period	Lapsed during the 2019 Q3 Period	Cancelled during the 2019 Q3 Period			
Directors										
Mr. Liu	12 January 2018	1.67	780,000 (Note 1)	–	–	–	–	780,000	Note 4	
	20 August 2019	1.68	–	960,000 (Note 3)	–	–	–	960,000	Note 7	
Mr. Wang Zheng	12 January 2018	1.67	4,000,000 (Note 1)	–	–	–	–	4,000,000	Note 4	
	20 August 2019	1.68	–	600,000 (Note 3)	–	–	–	600,000	Note 7	
Mr. Huang Song	12 January 2018	1.67	4,000,000 (Note 1)	–	–	–	–	4,000,000	Note 4	
Mr. Yao Michael Yi	20 August 2019	1.68	–	9,680,000 (Note 3)	–	–	–	9,680,000	Note 7	
Sub-total			8,780,000	11,240,000	–	–	–	20,020,000		



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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 September 2019	Exercise period
				Granted during the 2019 Q3 Period	Exercised during the 2019 Q3 Period	Lapsed during the 2019 Q3 Period	Cancelled during the 2019 Q3 Period		
Consultants	12 January 2018	1.67	15,600,000 (Note 1)	-	-	-	-	15,600,000	Note 4
	20 August 2019	1.68	-	9,680,000 (Note 3)	-	-	-	9,680,000	Note 7
Sub-total			15,600,000	9,680,000	-	-	-	25,280,000	
Employees	12 January 2018	1.67	3,000,000 (Note 1)	-	-	(3,000,000)	-	-	Note 5
	4 October 2018	1.71	3,000,000 (Note 2)	-	-	-	-	3,000,000	Note 6
	20 August 2019	1.68	-	4,500,000 (Note 3)	-	-	-	4,500,000	Note 7
Sub-total			6,000,000	4,500,000	-	(3,000,000)	-	7,500,000	
Total			30,380,000	25,420,000	-	(3,000,000)	-	52,800,000	

Notes:

- 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.
- 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.
- The share options were granted on 20 August 2019. The closing price of the Shares on the date of grant was HK\$1.35 per Share.
- 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.
- 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 Q3 Period.

6. 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.
7. 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 20 August 2020 to 19 August 2021; (ii) a maximum of another one-third of the Shares granted to the grantee in respect of the share option from 20 August 2021 to 19 August 2022; and (iii) a maximum of the remaining one-third of the Shares granted to the grantee in respect of the share option from 20 August 2022 to 19 August 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the 2019 Q3 Period or at the end of the 2019 Q3 Period has been/was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the share options granted to three Directors on 12 January 2018 and 20 August 2019 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

During the 2019 Q3 Period, a total of 380,000 ordinary shares of the Company were repurchased by the Company on the Stock Exchange. All the repurchased shares were subsequently cancelled by the Company. The Directors believe that the repurchases reflect the Company's confidence in its long-term business prospects and would ultimately benefit the Company and create value for the shareholders of the Company. Details of the repurchases of shares of the Company are as follows:

Date of repurchase	Number of shares	Repurchased price per share		Consideration HK\$
		Highest HK\$	Lowest HK\$	
15 August 2019	20,000	1.38	1.38	27,600
19 August 2019	60,000	1.34	1.30	80,200
20 August 2019	20,000	1.30	1.30	26,000
21 August 2019	60,000	1.38	1.30	80,600
23 August 2019	40,000	1.38	1.36	54,800
26 August 2019	40,000	1.38	1.30	53,600
27 August 2019	40,000	1.33	1.30	52,600
28 August 2019	20,000	1.36	1.36	27,200
29 August 2019	20,000	1.35	1.35	27,000
30 August 2019	20,000	1.33	1.33	26,600
2 September 2019	40,000	1.33	1.30	52,600
Total	380,000			508,800

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of any listed securities of the Company during the 2019 Q3 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 Q3 Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Throughout the 2019 Q3 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 Q3 Period.

AUDIT COMMITTEE

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

The unaudited condensed consolidated quarterly results of the Group for the 2019 Q3 Period have not been audited by the Company’s auditor, but have been reviewed by the Audit Committee in accordance with the accounting principles and practices adopted by the Company and the Audit Committee has discussed internal controls and financial reporting matters before any disclosure and release of information.



SUFFICIENCY OF PUBLIC FLOAT

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

GENERAL

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

By order of the Board
China Biotech Services Holdings Limited
Liu Xiaolin
Co-Chairman and Executive Director

Hong Kong, 12 November 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.