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

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
Stock Code: 8037

First Quarterly Report 2020

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

UNAUDITED FIRST QUARTERLY RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Biotech Services Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated first quarterly results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2020 together with the unaudited comparative figures for the corresponding period in 2019.

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

FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Notes	For the three months ended 31 March	
		2020 HK\$'000	2019 HK\$'000
Gross proceeds	3	12,704	14,181
Turnover	3	12,704	14,181
Cost of sales		(9,707)	(9,602)
Gross profit		2,997	4,579
Other income and gains/(loss)	4	143	(316)
Selling and distribution expenses		(2,917)	(2,944)
Administrative expenses		(24,793)	(15,915)
Loss from operations		(24,570)	(14,596)
Finance costs	5	(456)	(74)
Share of loss of associates		—	(299)
Loss before tax		(25,026)	(14,969)
Income tax credit	6	318	11
Loss for the period		(24,708)	(14,958)

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

FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Notes	For the three months ended 31 March	
		2020 HK\$'000	2019 HK\$'000
Loss for the period		(24,708)	(14,958)
Other comprehensive loss for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(272)	58
Share of exchange differences of investments in associates		—	(450)
Other comprehensive loss for the period, net of tax		(272)	(392)
Total comprehensive loss for the period		(24,980)	(15,350)
Loss for the period attributable to:			
– Owners of the Company		(22,096)	(14,708)
– Non-controlling interests		(2,612)	(250)
		(24,708)	(14,958)
Total comprehensive loss for the period attributable to:			
– Owners of the Company		(22,284)	(15,095)
– Non-controlling interests		(2,696)	(255)
		(24,980)	(15,350)
Loss per share			
– Basic and diluted (HK\$)	8	(0.023)	(0.016)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Attributable to owners of the Company										Total HK\$'000
	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	
At 1 January 2020 (Audited)	96,981	498,852	22,793	212,948	4,163	(15,285)	(200)	(531,060)	289,192	24,171	313,363
Loss for the period	-	-	-	-	-	-	-	(22,096)	(22,096)	(2,612)	(24,708)
Other comprehensive loss for the period: Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	(188)	-	(188)	(84)	(272)
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	(188)	-	(188)	(84)	(272)
Total comprehensive loss for the period	-	-	-	-	-	-	(188)	(22,096)	(22,284)	(2,696)	(24,980)
Share-based payments	-	-	2,578	-	-	-	-	-	2,578	-	2,578
At 31 March 2020 (Unaudited)	96,981	498,852	25,371	212,948	4,163	(15,285)	(388)	(553,156)	269,486	21,475	290,961

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2020

	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 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	-	-	-	-	-	-	-	(14,708)	(14,708)	(250)	(14,958)
Other comprehensive income(loss) for the period:											
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	63	-	63	(5)	58
Share of exchange differences of investments in associates	-	-	-	-	-	-	(450)	-	(450)	-	(450)
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	(387)	-	(387)	(5)	(392)
Total comprehensive loss for the period	-	-	-	-	-	-	(387)	(14,708)	(15,095)	(255)	(15,350)
Share-based payments	-	-	2,201	-	-	-	-	-	2,201	-	2,201
Allotment of shares for acquisition of subsidiaries	2,751	41,264	-	-	-	-	-	-	44,015	-	44,015
Subscription shares	580	11,020	-	-	-	-	-	-	11,600	-	11,600
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	10,464	10,464
At 31 March 2019 (Unaudited)	96,866	495,424	14,459	212,948	4,163	(10,402)	263	(446,923)	366,798	5,047	371,845

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS

1. GENERAL INFORMATION

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

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

The Company is an investment holding company. 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; (iv) provision of insurance brokerage services; and (v) trading of securities in Hong Kong.

As at 31 March 2020, the Company’s immediate and ultimate holding company is Genius Lead Limited (“**Genius Lead**”), a company incorporated in Samoa with limited liability and Genius Earn Limited (“**Genius Earn**”), a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability, respectively.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies used in the preparation of the unaudited condensed consolidated first quarterly results for the three months ended 31 March 2020 are consistent with those applied in the Company’s annual report for the year ended 31 December 2019, except for the adoption of new and amendments to HKFRSs that affect the Group and has adopted the first time for the current period’s unaudited condensed consolidated first quarterly results.

The HKICPA has issued a number of new and revised standards, amendments to standards and Int (collectively referred to as “**new and 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 2020. The adoption of these new and revised HKFRSs does not have any significant financial effect on the Group’s unaudited results of operations and financial position.

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

3. TURNOVER

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

	For the three months ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Manufacture and sale of health related and pharmaceutical products	407	477
Provision of medical laboratory testing services and health check services	8,885	13,257
Provision of insurance brokerage services	3,084	–
Money lending business	328	447
	12,704	14,181
Gross proceeds from trading of securities <i>(note)</i>	–	–
Gross proceeds	12,704	14,181

Note:

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

4. OTHER INCOME AND GAINS/(LOSS)

	For the three months ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Interest income	8	17
Written-off of property, plant and equipment	–	(365)
Sundry income	144	63
Exchange losses, net	(9)	(31)
	143	(316)

5. FINANCE COSTS

	For the three months ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Interest expenses:		
– Other borrowings	323	–
– Imputed interest on loan from a non-controlling shareholder of a subsidiary	9	28
– Lease liabilities	124	46
	456	74

6. INCOME TAX CREDIT

	For the three months ended 31 March	
	2020 HK\$'000	2019 HK\$'000
The amount comprises:		
Current tax:		
– Hong Kong Profits Tax	(9)	(40)
Deferred tax:		
– Current period	327	51
	318	11

Hong Kong Profits Tax is calculated at the tax rate of 16.5% (three months ended 31 March 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the three months ended 31 March 2020.

One of the subsidiaries had been certified by the relevant PRC authorities as high technology enterprises. Pursuant to the Income Tax Law in the PRC, the subsidiary was subjected to Enterprise Income Tax rate of 15% for the three months ended 31 March 2020 (three months ended 31 March 2019: 15%).

The PRC Enterprise Income Tax has been provided as a rate of 25% for the three months ended 31 March 2020 (three months ended 31 March 2019: 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 three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

8. LOSS PER SHARE

Basic and diluted loss per share are calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares during the three months ended 31 March 2020 and 2019.

	For the three months ended 31 March	
	2020 '000	2019 '000
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	969,806	936,457
	For the three months ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Loss for the period attributable to owners of the Company	(22,096)	(14,708)
Basic and diluted loss per share (HK\$)	(0.023)	(0.016)

Diluted loss per share for the three months ended 31 March 2020 and 2019 equals basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

9. EVENT AFTER THE END OF THE REPORTING PERIOD

On 24 April 2020, the Company and Guoyuan Capital (Hong Kong) Limited (the **"Placing Agent"**) entered into a placing agreement (the **"Placing Agreement"**), pursuant to which the Placing Agent has conditionally agreed, on a best efforts basis, to procure subscriber(s) to enter into a subscription agreement with the Company and to subscribe for and pay for, and the Company has conditionally agreed to issue, convertible bonds at the issue price of US\$10,000,000 (the **"Convertible Bonds"**) (equal to 100 per cent. of the principal amount of the Convertible Bonds) on the completion date. On the same date, pursuant to the Placing Agreement, the Company further entered into a subscription agreement with Guoyuan Securities Investment (Hong Kong) Limited (the **"Subscriber"**) (being the placee procured by the Placing Agent) pursuant to which the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of US\$10,000,000 (equivalent to approximately HK\$77,800,000). Based on the initial conversion price of HK\$1.75 per conversion share at the exchange rate of HK\$7.85 to US\$1.00, a maximum number of 44,857,142 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represent approximately 4.63% of the existing issued share capital of the Company and approximately 4.42% of the issued share capital of the Company as enlarged by the issue of the conversion shares. The completion of the placing took place on 11 May 2020. Details of the placing were disclosed in the announcements of the Company dated 24 April 2020, 27 April 2020 and 11 May 2020.

A background image showing laboratory glassware, including a graduated cylinder and beakers, with a light orange tint.

FINANCIAL REVIEW

During the three months ended 31 March 2020 (the “**2020 Q1 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) 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; (iv) provision of insurance brokerage services; and (v) trading of securities in Hong Kong.

Turnover

During the 2020 Q1 Period, the Group recorded a turnover of approximately HK\$12,704,000, representing a decrease of approximately 10.42% as compared with that of approximately HK\$14,181,000 for the three months ended 31 March 2019 (the “**2019 Q1 Period**”). In view of the rapid spread of the novel coronavirus (“**COVID-19**”) epidemic worldwide, tremendous impacts have been brought to the business operation of various industries and overall global economy. Inevitably, the Group recorded a decrease in revenue from laboratory testing and health check services segment resulted from COVID-19 pandemic outbreak and weak consumption sentiments.

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**”) on 29 March 2019, a company engaged in tumor immune cell therapy, immune cell storage and health management services in the PRC. Shanghai Longyao has completed the clinical research cooperation for cell therapy with 3 Class III Grade A hospitals in the PRC. Also, Shanghai Longyao has conducted an investigator initiated clinical research on its self-developed new generation of CD20-targeted autologous CAR-T. As a result, no turnover from this segment was generated during 2020 Q1 Period.

Manufacture and sale of health related and pharmaceutical products

Manufacture and sale of health related and pharmaceutical products segment recorded a slightly decrease during the 2020 Q1 Period. The turnover of this segment decreased from approximately HK\$477,000 for the 2019 Q1 Period to approximately HK\$407,000 for the 2020 Q1 Period mainly due to the tough economic environment in Hong Kong and COVID-19 pandemic.

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 2020 Q1 Period, Hong Kong suffered from economic downturn due to COVID-19 pandemic. The performance of medical laboratory and health check segment was affected by the outbreak of COVID-19, the keen competition in the medical laboratory testing services and health check services industry and sluggish consumption. The turnover of this segment has decreased from approximately HK\$13,257,000 for the 2019 Q1 Period to approximately HK\$8,885,000 for the 2020 Q1 Period. To minimise the impact on the performance of the Group resulting from the COVID-19 epidemic, the Group has entered into distribution agreements with suppliers in relation to detection test kit of COVID-19, in order to capture the market share of demand shift focusing on COVID-19 tests.

Provision of insurance brokerage services

Having completed the acquisition of 51% issued shares in Fortstone International (Hong Kong) Limited (“**Fortstone**”), a company engaged in insurance brokerage services, on 31 October 2019, the Group has established a foothold in provision of insurance brokerage services and the total turnover from the business was approximately HK\$3,084,000 during the 2020 Q1 Period (2019 Q1 Period: HK\$Nil).

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\$16.5 million for the money lending business. The Group’s loan portfolio comprises unsecured loans granted to individual customers. The loan receivables carry an interest rate at 8% per annum and are repayable within one year. The money lending business recorded an interest income of approximately HK\$328,000 for the 2020 Q1 Period (2019 Q1 Period: HK\$447,000).

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$2,997,000 for the 2020 Q1 Period, representing a decrease of approximately HK\$1,582,000 when compared with that of approximately HK\$4,579,000 in the 2019 Q1 Period. Also, the gross profit margin for the 2020 Q1 Period was approximately 23.59%, representing a decrease of approximately 8.70 percentage point when compared with the gross profit margin of approximately 32.29% for the 2019 Q1 Period. The decrease in gross profit margin was attributable to decrease in the turnover from medical laboratory and health check services segment.

A background image showing laboratory glassware, including a test tube with a pipette and a beaker, set against a light, warm-toned background.

Selling and distribution expenses

Selling and distribution expenses for the 2020 Q1 Period were approximately HK\$2,917,000 (2019 Q1 Period: HK\$2,944,000), representing a decrease of approximately HK\$27,000 or 0.92% compared with such expenses for the 2019 Q1 Period. The Group maintained stable level of selling and distribution expenses.

Administrative expenses

The administrative expenses mainly consisted of staff costs, share-based payment, legal and professional fees, depreciation, research and development costs, and amortisation of intangible assets. The administrative expenses for the 2020 Q1 Period were approximately HK\$24,793,000, representing an increase of approximately HK\$8,878,000 or 55.78%, as compared with that of approximately HK\$15,915,000 for the 2019 Q1 Period. The increase in administrative expenses was mainly attributable to increase in research and development costs and amortisation of intangible assets of approximately HK\$4,934,000 (2019 Q1 Period: HK\$Nil) and HK\$2,177,000 (2019 Q1 Period: HK\$Nil) for 2020 Q1 Period respectively resulted from tumor immune cell therapy services segment.

Finance costs

During the 2020 Q1 Period, the Group's interest expenses amounted to approximately HK\$456,000 (2019 Q1 Period: HK\$74,000). The increase in the finance costs was mainly attributable to higher level of other short-term borrowings as the working capital.

Loss for the period

The Group recorded a loss of approximately HK\$24,708,000 for the 2020 Q1 Period (2019 Q1 Period: HK\$14,958,000). The increase in net loss for 2020 Q1 Period was mainly attributable to (i) decrease in revenue from medical laboratory testing and health check services segment due to the outbreak of COVID-19; and (ii) increase in administrative expenses of approximately HK\$8,878,000 due to increase in amortisation of intangible assets and research and development costs from tumor immune cell therapy services segment.

BUSINESS REVIEW

Memorandum of understanding in relation to the possible investment in the equity interest in Hechao Reproductive Medical Centre Limited

On 25 March 2020, the Company entered into a non-legally binding memorandum of understanding with 合巢生殖醫學中心有限公司 (in English, for identification purpose only, Hechao Reproductive Medical Centre Limited) (“**Hechao Reproductive Medical Centre**”) in relation to the Group’s possible investment in Hechao Reproductive Medical Centre, which is a company principally engaged in the provision of reproductive medical services. No legally binding agreement has been entered into by the Company with Hechao Reproductive Medical Centre in respect of the possible investment as at the date of this report and the effective period ends on 24 June 2020. Details were disclosed in the announcement of the Company dated 25 March 2020.

FUTURE PROSPECT

The economic outlook for the coming year will continue to be sluggish with the uncertain geopolitical and macroeconomic environment challenges including the ongoing trade conflict between the US and China, Brexit, the social unrest in Hong Kong and novel coronavirus outbreak.

The healthcare industry is also affected to varying degrees. The Group will continue to overcome the adverse effects, adjusting its strategy and continuing to consolidate the market share of its medical testing and healthcare businesses in Hong Kong. At the same time, the focus will be placed on the development and application for registration of immune cell products, striving to achieve breakthroughs in product research and development milestones.

CAR-T technology is considered to be the most promising tumour treatment method. According to the expectation of Coherent Market Insights, its market size will grow exponentially between 2019 and 2028, with a compound annual growth rate as high as 46.1%. CAR-T companies in the market will benefit from the rapid growth of the industry alike.

The management of the Group is confident of the prospects of the biotechnology industry. The Group will seek to obtain clinical approval for cell therapy products as soon as possible and strive for the early launch of CAR-T products for tumour treatment. While serving cancer patients, the CAR-T products will also create more value for the Company. At the same time, the Company will continue to explore and identify better technologies and products internationally for cooperation and acquisition, and continuously enrich the Group’s technology reserve and product lines in the field of cell therapy industry. The Company is committed to developing into a competitive company in the international cell therapy industry.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any other material acquisition or disposal of subsidiaries and affiliated companies for the 2020 Q1 Period.

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

As at 31 March 2020, 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)	54.60%
	A concert party to an agreement to buy shares as described in s317(1)(b) of the SFO	128,300,000 (Note c)	13.23%
	Total	657,800,546	67.83%

Notes:

- (a) As at 31 March 2020, the total number of the issued shares of the Company was 969,806,150 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 was deemed to be interested in the shares which Genius Lead was 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 remained to be interested in 128,300,000 shares as the lender of the loan to Bright Joy Ventures Limited to buy the relevant shares as described in s317(1)(b) of the SFO as at 31 March 2020.

(ii) Long position in shares of associated corporation

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

(iii) Long position in share options granted

Name of Directors	Nature of interest	Date of Grant	Exercisable period	Exercise price per share	Aggregate long position in the underlying shares	Approximate 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 31 March 2020, the total number of the issued shares of the Company was 969,806,150 ordinary shares of HK\$0.10 each of the Company.

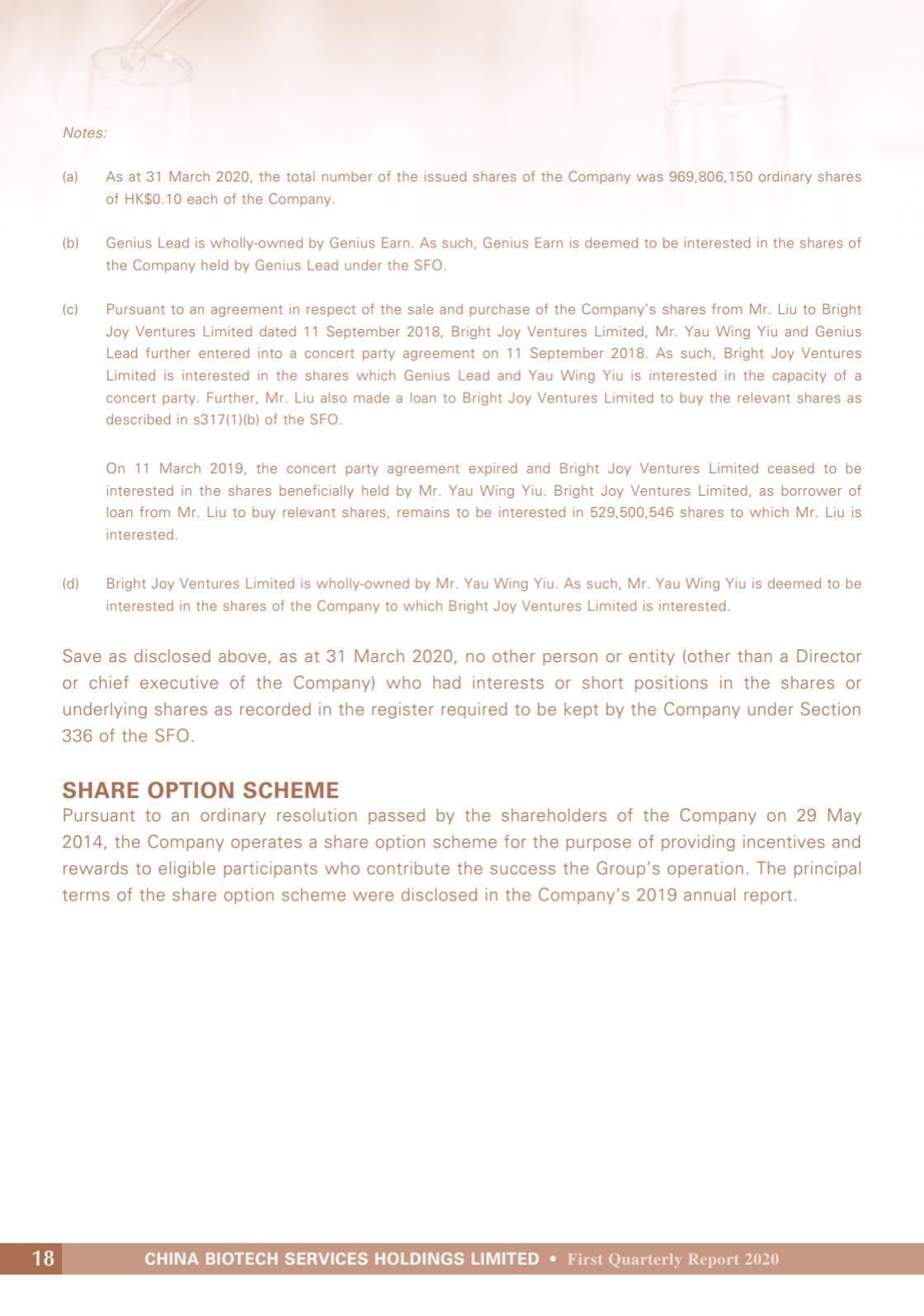
Save as disclosed above, as at 31 March 2020, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 March 2020, the following person or entity (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in shares and underlying shares

Name of shareholder	Capacity and nature of interest	No. of shares held	Approximate percentage (Note a)
Genius Earn (Note b)	Interest of a controlled corporation	529,500,546	54.60%
Genius Lead (Note b)	Beneficial owner	529,500,546	54.60%
Bright Joy Ventures Limited	Beneficial owner	128,300,000	13.23%
	A concert party to an agreement to buy shares as described in s317(1)(b) of the SFO	529,500,546 (Note c)	54.60%
Yau Wing Yiu	Beneficial owner	7,720,000	0.80%
	Interest of a controlled corporation	657,800,546 (Note d)	67.83%

A background image showing laboratory glassware, including a beaker with a glass rod and another beaker, set against a light, warm-toned background.

Notes:

- (a) As at 31 March 2020, the total number of the issued shares of the Company was 969,806,150 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, 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.

- (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 shares of the Company to which Bright Joy Ventures Limited is interested.

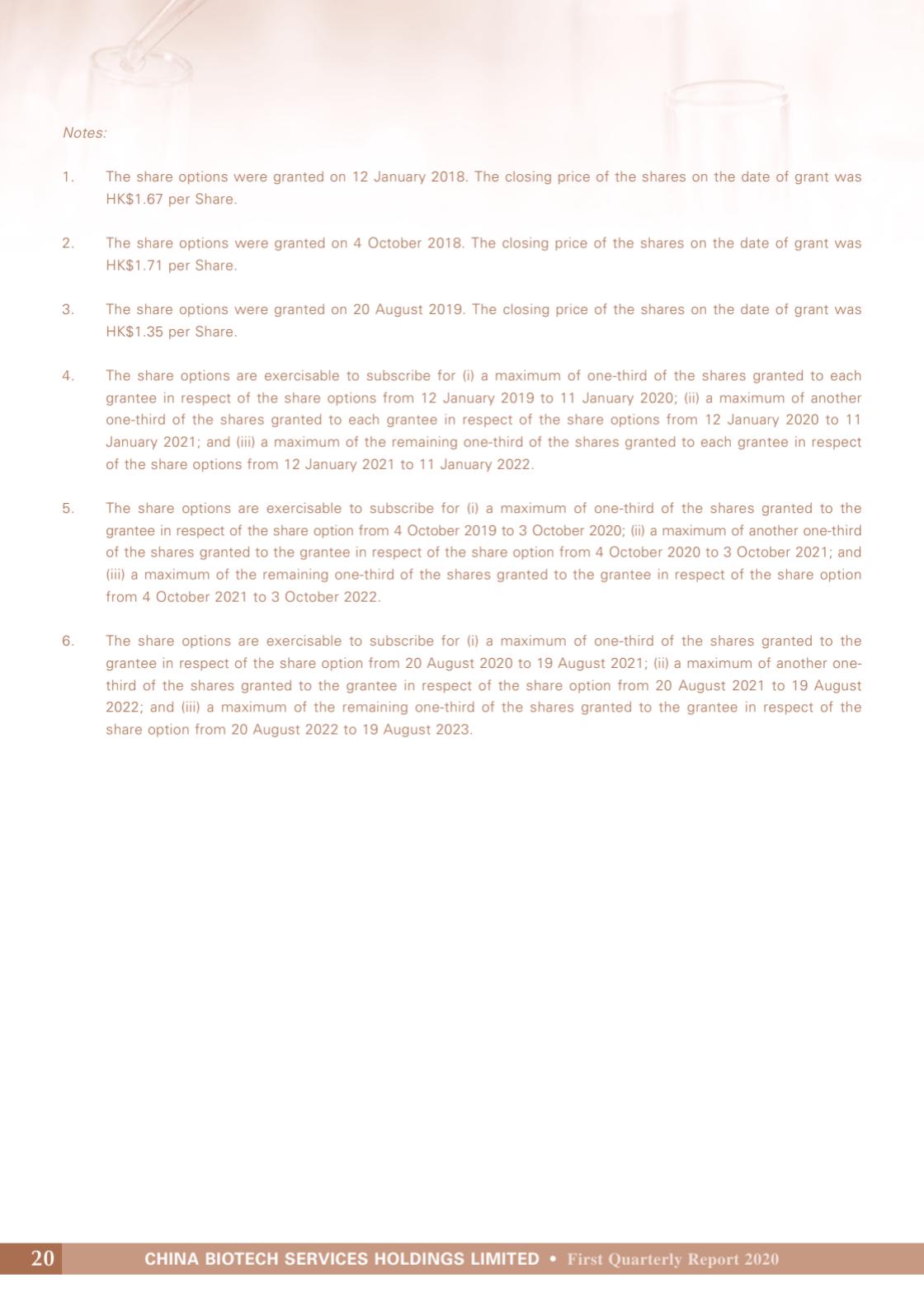
Save as disclosed above, as at 31 March 2020, no other person or entity (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company on 29 May 2014, the Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute the success the Group's operation. The principal terms of the share option scheme were disclosed in the Company's 2019 annual report.

Details of movements in the Company's share options during the 2020 Q1 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 31 March 2020	Exercise period	
			Balance as at 1 January 2020	Granted during the 2020 Q1 Period	Exercised during the 2020 Q1 Period	Lapsed during the 2020 Q1 Period	Cancelled during the 2020 Q1 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 6	
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 6	
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 6	
Sub-total			20,020,000	–	–	–	–	20,020,000		
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 6	
Sub-total			25,280,000	–	–	–	–	25,280,000		
Employees										
	4 October 2018	1.71	3,000,000 (Note 2)	–	–	–	–	3,000,000	Note 5	
	20 August 2019	1.68	4,500,000 (Note 3)	–	–	–	–	4,500,000	Note 6	
Sub-total			7,500,000	–	–	–	–	7,500,000		
Total			52,800,000	–	–	–	–	52,800,000		

A background image showing laboratory glassware, including a beaker with a glass rod and another beaker, set against a light, warm-toned background.

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 were granted on 20 August 2019. The closing price of the shares on the date of grant was HK\$1.35 per Share.
4. 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.
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.
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 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 2020 Q1 Period or at the end of the 2020 Q1 Period has been/was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the share options granted to four Directors on 12 January 2018 and 20 August 2019.

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 2020 Q1 Period.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the required standard of dealings and its code of conduct concerning securities transactions by the Directors during the 2020 Q1 Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Throughout the 2020 Q1 Period, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

COMPETING AND CONFLICT OF INTEREST

None of the Directors or the controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group nor any conflict of interest which has or may have with the Group during the 2020 Q1 Period.

AUDIT COMMITTEE

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

The unaudited condensed consolidated first quarterly results of the Group for the 2020 Q1 Period have not been audited by the Company’s auditor, but have been reviewed by the Audit Committee in accordance with the accounting principles and practices adopted by the Company and the Audit Committee has discussed internal controls and financial reporting matters before any disclosure and release of information.

SUFFICIENCY OF PUBLIC FLOAT

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

GENERAL

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

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

Hong Kong, 12 May 2020

As at the date of this report, the board of Directors comprises six executive Directors, namely, Mr. Liu Xiaolin (Co-Chairman), Mr. Yao Michael Yi (Co-Chairman), Mr. He Xun, Mr. Huang Song, Mr. Leung Pak Hou Anson and Mr. Wang Zheng; and three independent non-executive Directors, namely, Mr. Yan Guoxiang, Dr. Ho Ivan Chun Kit and Mr. Qian Hongji.