



CHINA BIOTECH SERVICES HOLDINGS LIMITED

中國生物科技服務控股有限公司

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

Precision Diagnosis
精準檢測

Future Biotechnology Platform
未來生物科技平臺

Precision Treatment
精準治療

INTERIM REPORT 2022

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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



UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Biotech Services Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the three and six months ended 30 June 2022 together with the unaudited comparative figures for the corresponding period in 2021.

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

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2022

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Gross proceeds	3	302,821	219,990	686,978	374,159
Turnover	3	302,821	219,990	686,909	374,159
Cost of sales		(137,649)	(78,652)	(332,005)	(157,601)
Gross profit		165,172	141,338	354,904	216,558
Net gain on financial assets at fair value through profit or loss	5	733	–	2,707	–
Other income and gains/(loss)	6	4,072	186	3,872	388
Selling and distribution expenses		(6,805)	(2,995)	(10,710)	(6,133)
Administrative expenses		(39,487)	(30,110)	(93,827)	(63,529)
Profit from operations		123,685	108,419	256,946	147,284
Finance costs	7	(1,093)	(1,796)	(2,310)	(4,076)
Share of loss of a joint venture		(1,032)	–	(1,032)	–
Gain on disposal of subsidiaries	12	1,696	–	1,696	–
Loss on disposal of financial assets		–	(507)	–	(507)
Loss on the extension of convertible bonds	15	(1,527)	–	(1,527)	–
Loss on partial redemption of convertible bonds		–	(2,687)	–	(2,687)
Change in fair value of derivative financial instrument		(17)	(1,311)	(17)	(1,311)
Profit before tax	8	121,712	102,118	253,756	138,703
Income tax expense	9	(21,937)	(20,367)	(47,396)	(29,713)
Profit for the period		99,775	81,751	206,360	108,990

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

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2022

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit for the period		99,775	81,751	206,360	108,990
Other comprehensive (loss)/income for the period					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Fair value change of financial assets at fair value through other comprehensive income ("FVTOCI")		(2,299)	–	(35,036)	–
Exchange differences arising from translation of foreign operations		(8,504)	2,414	(7,322)	1,921
Release of exchange differences upon disposal of associates	12(b)	(740)	–	(740)	–
Other comprehensive (loss)/income for the period, net of tax		(11,543)	2,414	(43,098)	1,921
Total comprehensive income for the period		88,232	84,165	163,262	110,911
Profit for the period attributable to:					
– Owners of the Company		33,282	22,420	68,220	24,239
– Non-controlling interests		66,493	59,331	138,140	84,751
		99,775	81,751	206,360	108,990
Total comprehensive income for the period attributable to:					
– Owners of the Company		24,222	23,267	30,268	24,529
– Non-controlling interests		64,010	60,898	132,994	86,382
		88,232	84,165	163,262	110,911
Earnings per share					
– Basic and diluted (HK\$)	11	0.035	0.023	0.071	0.025

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment		78,525	94,710
Right-of-use assets		28,847	10,784
Goodwill		115,729	120,554
Intangible assets		73,698	80,939
Investments in associates		–	–
Investment in a joint venture		19,368	–
Financial assets at fair value through other comprehensive income		86,985	122,021
Derivative financial assets	15	2,800	–
		405,952	429,008
Current assets			
Inventories		13,663	4,738
Trade and other receivables	13	252,150	105,939
Loan and interest receivables		16,279	13,257
Held for trading securities		–	1,759
Derivative financial assets	15	–	1,527
Bank and cash balances		204,884	150,554
Total current assets		486,976	277,774
TOTAL ASSETS		892,928	706,782

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
	Notes		
EQUITY AND LIABILITIES			
Share capital		96,323	96,323
Other reserves		330,622	299,075
Equity attributable to owners of the Company		426,945	395,398
Non-controlling interests		113,491	70,497
TOTAL EQUITY		540,436	465,895
LIABILITIES			
Non-current liabilities			
Convertible bonds	15	42,098	–
Lease liabilities		8,048	3,556
Deferred tax liabilities		9,672	9,936
		59,818	13,492
Current liabilities			
Trade and other payables	14	111,977	54,927
Convertible bonds	15	–	38,651
Lease liabilities		7,778	7,576
Contingent consideration payables		23,658	23,658
Other borrowings		15,814	17,387
Current tax liabilities		133,447	85,196
Total current liabilities		292,674	227,395
TOTAL EQUITY AND LIABILITIES		892,928	706,782

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Share repurchase for cancellation HK\$'000	Share-based payment 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 2022 (Audited)	96,323	490,692	-	16,451	212,948	6,482	42,910	4,725	(475,133)	395,398	70,497	465,895
Profit for the period	-	-	-	-	-	-	-	-	68,220	68,220	138,140	206,360
Other comprehensive loss for the period:												
Fair value change of financial assets at FVTOCI	-	-	-	-	-	-	(31,851)	-	-	(31,851)	(3,185)	(35,036)
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	(5,361)	-	(5,361)	(1,961)	(7,322)
Release of exchange differences upon disposal of associates (note 12(b))	-	-	-	-	-	-	-	(740)	-	(740)	-	(740)
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	(31,851)	(6,101)	-	(37,952)	(5,146)	(43,098)
Total comprehensive income for the period	-	-	-	-	-	-	(31,851)	(6,101)	68,220	30,268	132,994	163,262
Share-based payments	-	-	-	1,279	-	-	-	-	-	1,279	-	1,279
Lapse of share options	-	-	-	(5,999)	-	-	-	-	5,999	-	-	-
Dividend paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	(90,000)	(90,000)
At 30 June 2022 (Unaudited)	96,323	490,692	-	11,731	212,948	6,482	11,059	(1,376)	(400,914)	426,945	113,491	540,436

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Share repurchase for cancellation HK\$'000	Share-based payment reserves HK\$'000	Special reserves HK\$'000	Other reserves HK\$'000	Financial assets at fair value through other comprehensive income reserve 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 2021 (Audited)	96,685	495,840	(1,200)	25,629	212,948	3,312	938	2,783	(493,604)	343,331	168,774	512,105
Profit for the period	-	-	-	-	-	-	-	-	24,239	24,239	84,751	108,990
Other comprehensive income for the period:												
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	290	-	290	1,631	1,921
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	290	-	290	1,631	1,921
Total comprehensive income for the period	-	-	-	-	-	-	-	290	24,239	24,529	86,382	110,911
Release of financial assets at fair value through other comprehensive income reserve upon disposal	-	-	-	-	-	-	14,830	-	(14,830)	-	-	-
Capital contribution from non- controlling interests	-	-	-	-	-	-	-	-	-	-	490	490
Changes in ownership interests in subsidiaries without loss of control	-	-	-	-	-	3,170	-	-	-	3,170	1,057	4,227
Dividend paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	(168,000)	(168,000)
Repurchase and/or cancellation of shares	(141)	(1,687)	517	-	-	-	-	-	-	(1,311)	-	(1,311)
Share-based payments	-	-	-	3,669	-	-	-	-	-	3,669	-	3,669
Lapse of share options	-	-	-	(13,118)	-	-	-	-	13,118	-	-	-
At 30 June 2021 (Unaudited)	96,544	494,153	(683)	16,180	212,948	6,482	15,768	3,073	(471,077)	373,388	88,703	462,091

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	184,025	(32,647)
Net cash used in investing activities	(122,600)	(168,785)
Net cash used in financing activities	(7,164)	(50,206)
Net increase/(decrease) in cash and cash equivalents	54,261	(251,638)
Cash and cash equivalents at beginning of the period	150,554	384,539
Effect of foreign exchange rate changes	69	266
Cash and cash equivalents at end of the period	204,884	133,167

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

1. GENERAL INFORMATION

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

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

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

As at 30 June 2022, the Company’s immediate and ultimate holding company is Genius Lead Limited (**“Genius Lead”**), a company incorporated in Samoa with limited liability and Genius Earn Limited (**“Genius Earn”**), a company incorporated in the British Virgin Islands (**“BVI”**) with limited liability, respectively.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim results for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 (**“HKAS 34”**) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (**“HKICPA”**) as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The principal accounting policies used in the preparation of the unaudited condensed consolidated interim results for the six months ended 30 June 2022 are consistent with those applied in the Company’s annual report for the year ended 31 December 2021, except for the adoption of new and amendments to HKFRSs that affect the Group and has adopted the first time for the current period’s unaudited condensed consolidated interim results.

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

The HKICPA has issued a number of new and revised standards, amendments to standards and Int (collectively referred to as “**new and revised HKFRSs**”). The Group has adopted the new and revised HKFRSs which are relevant to the Group’s operations and are mandatory for the financial year beginning on 1 January 2022. The adoption of these new and revised HKFRSs does not have any significant financial effect on the Group’s unaudited condensed consolidated interim 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 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Provision of medical laboratory testing services and health check services	298,244	216,343	460,906	362,783
Manufacture and sale of health related and pharmaceutical products	650	–	215,402	107
Provision of insurance brokerage services	1,239	990	4,699	4,767
Provision of logistics services	2,673	2,343	5,872	5,877
Money lending business	15	314	30	625
	302,821	219,990	686,909	374,159
Gross proceeds from trading of securities	–	–	69	–
Gross proceeds	302,821	219,990	686,978	374,159

4. SEGMENT INFORMATION

The Group has five operating segments as follows:

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

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

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

Segment profits or losses do not include other income and gains/(losses), unallocated administrative expenses, share of loss of a joint venture, gain on disposal of subsidiaries, loss on disposal of financial assets, loss on the extension of convertible bonds, loss on partial redemption of convertible bonds, change in fair value of derivative financial instrument, finance costs and income tax expense. Segment assets do not include the unallocated bank and cash balances, interests in associates, interest in a joint venture, derivative financial assets, current and deferred tax assets. Segment liabilities do not include convertible bonds, other borrowings, current and deferred tax liabilities and contingent consideration. Segment non-current assets do not include financial instruments, deferred tax assets and post-employment benefit assets.

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

Segment turnover and results

For the six months ended 30 June 2022

	Medical and health related services HK\$'000 (Unaudited)	Immunotherapy HK\$'000 (Unaudited)	Pharmaceutical products HK\$'000 (Unaudited)	Securities HK\$'000 (Unaudited)	Insurance brokerage HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers (note)	460,906	–	215,402	69	4,699	5,902	686,978
Segment results	209,134	(19,591)	79,006	1,958	(768)	(842)	268,897
Other income and gains/(losses)							3,872
Finance costs							(2,310)
Share of loss of a joint venture							(1,032)
Gain on disposal of subsidiaries							1,696
Loss on the extension of convertible bonds							(1,527)
Change in fair value of derivative financial instrument							(17)
Unallocated corporate expenses							(15,823)
Profit before tax							253,756
Income tax expense							(47,396)
Profit for the period							206,360

For the six months ended 30 June 2021

	Medical and health related services HK\$'000 (Unaudited)	Immunotherapy HK\$'000 (Unaudited)	Pharmaceutical products HK\$'000 (Unaudited)	Securities HK\$'000 (Unaudited)	Insurance brokerage HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers (note)	362,783	–	107	–	4,767	6,502	374,159
Segment results	181,614	(17,986)	(273)	(1,953)	(293)	956	162,065
Other income and gains/(losses)							388
Finance costs							(4,076)
Loss on disposal of financial assets							(507)
Loss on early redemption of convertible bonds							(2,687)
Change in fair value of derivative financial instrument							(1,311)
Unallocated corporate expenses							(15,169)
Profit before tax							138,703
Income tax expense							(29,713)
Profit for the period							108,990

Note: Reconciliation of total segment revenue to the Group's revenue:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gross proceeds	686,978	374,159
Less: Gross proceeds from trading of securities	(69)	–
	686,909	374,159

Segment assets and liabilities
As at 30 June 2022

	Medical and health related services HK\$'000 (Unaudited)	Immunotherapy HK\$'000 (Unaudited)	Pharmaceutical products HK\$'000 (Unaudited)	Securities HK\$'000 (Unaudited)	Insurance brokerage HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	354,106	171,118	962	–	11,215	17,178	554,579
Unallocated corporate assets							338,349
Total assets							892,928
Segment liabilities	240,812	11,456	30	–	485	2,612	255,395
Unallocated corporate liabilities							97,097
Total liabilities							352,492

As at 31 December 2021

	Medical and health related services HK\$'000 (Audited)	Immunotherapy HK\$'000 (Audited)	Pharmaceutical products HK\$'000 (Audited)	Securities HK\$'000 (Audited)	Insurance brokerage HK\$'000 (Audited)	Others HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	211,823	184,589	8	4,442	12,005	13,485	426,352
Unallocated corporate assets							280,430
Total assets							706,782
Segment liabilities	132,641	10,606	58	365	838	316	144,824
Unallocated corporate liabilities							96,063
Total liabilities							240,887

Other segment information
For the six months ended 30 June 2022

	Medical and health related services HK\$'000 (Unaudited)	Immunotherapy HK\$'000 (Unaudited)	Pharmaceutical products HK\$'000 (Unaudited)	Securities HK\$'000 (Unaudited)	Insurance brokerage HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Capital expenditures	14,261	388	-	-	-	13,532	28,181
Amortisation of intangible assets	-	4,503	-	-	-	-	4,503
Depreciation of property, plant and equipment	22,506	595	-	3	31	163	23,298
Depreciation of right-of-use assets	3,836	-	-	-	151	1,553	5,540
Share loss of a joint venture	-	-	-	-	-	1,032	1,032
Written-off of property, plant and equipment	4	-	-	-	-	-	4
(Gain)/loss on disposal of property, plant and equipment	(3,196)	65	-	-	-	-	(3,131)

For the six months ended 30 June 2021

	Medical and health related services HK\$'000 (Unaudited)	Immunotherapy HK\$'000 (Unaudited)	Pharmaceutical products HK\$'000 (Unaudited)	Securities HK\$'000 (Unaudited)	Insurance brokerage HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Capital expenditures	4,836	28	-	-	-	6	4,870
Amortisation of intangible assets	-	4,478	-	-	-	-	4,478
Depreciation of property, plant and equipment	22,018	586	-	11	31	225	22,871
Depreciation of right-of-use assets	3,857	342	48	-	146	2,244	6,637
Write-down of inventories	2,630	-	-	-	-	-	2,630

5. NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net unrealised gain on financial assets at FVTPL	733	–	2,659	–
Net realised gain on financial assets at FVTPL	–	–	48	–
	733	–	2,707	–

6. OTHER INCOME AND GAINS/(LOSS)

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	4	3	16	5
Sundry income	495	332	637	622
Government grants (note)	600	–	600	–
Gain on disposal of property, plant and equipment	3,230	–	3,131	–
Loss on written-off of property, plant and equipment	(4)	–	(4)	–
Exchange losses, net	(253)	(149)	(508)	(239)
	4,072	186	3,872	388

Note: During the six months ended 30 June 2022, the Group recognised government grants of approximately HK\$600,000 in respect of COVID-19 related subsidies, relates to Employment Support Scheme provided by the Hong Kong government.

7. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses:				
– Other borrowings	116	53	254	237
– Effective interest expense on convertible bonds	841	1,562	1,791	3,437
– Lease liabilities	136	181	265	402
	1,093	1,796	2,310	4,076

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Amortisation of intangible assets	2,210	2,244	4,503	4,478
Cost of inventories sold	61,014	32,846	210,555	57,458
Depreciation of property, plant and equipment	11,779	11,277	23,298	22,871
Depreciation of right-of-use assets	3,202	3,418	5,540	6,637
Equity-settled share-based payment (included in administrative expenses)	639	1,357	1,279	3,669
Operating lease charges				
– Office premises, warehouses and staff quarters	1,472	683	2,892	1,319
Staff costs (including Directors' remuneration)				
– Salaries, bonuses and allowances	29,183	18,076	58,612	32,503
– Retirement benefits scheme contributions	685	581	1,329	1,006
	29,868	18,657	59,941	33,509
Write-down on inventories (included in cost of sales)	–	2,630	–	2,630

9. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The amount comprises:				
Current tax:				
– Hong Kong Profits Tax	22,268	20,704	48,071	30,385
Deferred tax:				
– Current period	(331)	(337)	(675)	(672)
	21,937	20,367	47,396	29,713

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5% (six months ended 30 June 2021: 16.5%) during the six months ended 30 June 2022.

One of the subsidiaries had been certified by the relevant PRC authorities as high technology enterprises. Pursuant to the Income Tax Law in the PRC, the subsidiary was subjected to Enterprise Income Tax rate of 15% for the six months ended 30 June 2022 (six months ended 30 June 2021: 15%).

The PRC Enterprise Income Tax has been provided as a rate of 25% for the six months ended 30 June 2022 (six months ended 30 June 2021: 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.

10. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$Nil).

11. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares during the three and six months ended 30 June 2022 and 2021.

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Number of ordinary shares				
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	963,231	965,441	963,231	965,745
	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company (HK\$'000)	33,282	22,420	68,220	24,239
Basic and diluted earnings per share (HK\$)	0.035	0.023	0.071	0.025

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same for the three months and six months ended 30 June 2022 and 2021.

The computation of the diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market prices of the share for the three months and six months ended 30 June 2022 and 2021.

The computation of the diluted earnings per share did not assume the conversion of the Company's convertible bonds since its exercise had anti-dilute effect that would result in an increase in earnings per share for the three months and six months ended 30 June 2022 and 2021.

12. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Lustrous Pearl Group

On 4 April 2022, the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to disposal of the entire equity interest in Lustrous Pearl International Limited and its subsidiaries (collectively, the “**Lustrous Pearl Group**”) at a cash consideration of HK\$6,400,000. The completion of the disposal of Lustrous Pearl Group took place on the same date.

An analysis of the net assets of the Lustrous Pearl Group at the date on which the Group lost control (i.e. 4 April 2022), was as follows:

	<i>HK\$'000</i> (Unaudited)
Property, plant and equipment	8
Held for trading securities	4,398
Other receivables	720
Cash and cash equivalents	1,037
Total assets	6,163
Other payables	353
Total liability	353
Net assets disposal of	5,810
	For the six months ended 30 June 2022 HK\$'000 (Unaudited)
Gain on disposal of the Lustrous Pearl Group:	
Consideration	6,400
Less: Net assets disposal of	(5,810)
	590
Net cash inflow arising on disposal:	
Consideration received on cash	6,400
Cash and cash equivalents disposal of	(1,037)
	5,363

(b) Disposal of Dynasty Well Group

On 31 May 2022, the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to disposal of the entire equity interest in Dynasty Well Limited and its subsidiaries (collectively, the “**Dynasty Well Group**”) at a cash consideration of HK\$50,000. The completion of the disposal of Dynasty Well Group took place on the same date.

An analysis of the net liabilities of the Dynasty Well Group at the date on which the Group lost control (i.e. 31 May 2022), was as follows:

	HK\$'000 (Unaudited)
Other receivables	7
Cash and cash equivalents	39
Total assets	46
Other payables	362
Total liability	362
Net liabilities disposal of	(316)
	For the six months ended 30 June 2022 HK\$'000 (Unaudited)
Gain on disposal of the Dynasty Well Group:	
Consideration	50
Release of exchange difference	740
Less: Net liabilities disposal of	316
	1,106
Net cash inflow arising on disposal:	
Consideration received on cash	50
Cash and cash equivalents disposal of	(39)
	11

13. TRADE AND OTHER RECEIVABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables	230,882	93,223
Allowance for impairment loss	(1,003)	(1,093)
	229,879	92,130
Rental and other deposits	9,460	5,851
Other receivables	9,684	4,399
Allowance for impairment loss of other receivables	–	(1,423)
Prepayment	3,127	1,570
Sales proceeds on disposal of associates	–	1,268
Cash held in securities trading accounts with stock brokers	–	2,144
	22,271	13,809
	252,150	105,939

The Group generally allows an average credit period of 90 days for its pharmaceutical products customers, laboratory testing and health check services customers and logistics customers and 30 days for its insurance brokerage services customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
0 to 90 days	216,928	80,062
91 to 180 days	10,919	10,490
181 to 365 days	1,285	1,325
Over 365 days	747	253
	229,879	92,130

As at 30 June 2022, an aggregate allowance was made for estimated irrecoverable trade receivables of approximately HK\$1,003,000 (31 December 2021: HK\$1,093,000).

As at 30 June 2022, trade receivables of approximately HK\$12,951,000 (31 December 2021: HK\$12,068,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables past due but not impaired is as follows:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Less than 90 days	10,919	10,490
91 to 275 days	1,285	1,325
Over 275 days	747	253
	12,951	12,068

14. TRADE AND OTHER PAYABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade payables	75,924	16,149
Accruals	24,013	28,189
Receipt in advance	425	281
Other payables	11,615	10,308
	111,977	54,927

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
0 to 90 days	75,146	16,147
91 to 180 days	778	–
181 to 365 days	–	2
	75,924	16,149

15. CONVERTIBLE BONDS

On 11 May 2020, the Company issued convertible bonds at the issue price of US\$10,000,000 (equivalent to approximately HK\$77,500,000) (equal to 100 per cent. of the principal amount of the convertible bonds). The bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion price of HK\$1.75 per conversion share and 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. The bonds carry interest at a rate of 8.5% per annum, which is payable half-yearly in arrears on 24 June and 24 December.

The rate of exchange to be used shall be at the rate of US\$1.00 to HK\$7.85, provided that, if the average exchange rate (the **“Adjusted Exchange Rate”**) of the Telegraphic Transfer Bank Buy and the Telegraphic Transfer Bank Sell as quoted on the website of the Hong Kong and Shanghai Banking Corporation Limited on the Business Day immediately prior to such date is at the rate of US\$1.00 to HK\$7.85001 or more, the rate of exchange to be used shall be such Adjusted Exchange Rate; provided further that if the bondholder exercises its Conversion Right, the exchange rate for the purpose of conversion will be the rate of US\$1.00 to HK\$7.85, and that the Company shall pay the bondholder in cash at the time of conversion in an amount resulting from the difference between such rate and the Adjusted Exchange Rate.

On 27 May 2021, the Company has redeemed the outstanding convertible bonds in part in the principal amount of US\$5,000,000 being 50% of the total outstanding principal amount of US\$10,000,000. The maturity date is two years from issue date. The remaining outstanding convertible bonds are secured by 264,750,273 ordinary shares of the Company held by Genius Lead Limited, the controlling shareholder and guaranteed by Mr. Liu Xiaolin, the chairman and executive director of the Company.

On 10 May 2022, the Company and the subscriber entered into an amendment agreement for the purpose of extending the maturity date of the outstanding convertible bonds for two years from 10 May 2022 to 10 May 2024. The proposed amendment has taken effect on 24 June 2022.

The proceeds received from the issue of the convertible bonds have been split between the liability and derivative components as follows:

	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Liability component 1 January	38,651	76,292
Partial redemption during the period	–	(38,044)
Derivative components on extension of convertible bonds	2,817	–
Interest expense	1,791	3,437
Interest paid	(1,689)	(3,310)
Exchange difference	528	17
Liability component	42,098	38,392

Derivative component

The summary of movement of convertible bonds is as follows:

	(Assets) HK\$'000	Liabilities HK\$'000	Total HK\$'000
Derivative component at 1 January 2021	(14,234)	8,597	(5,637)
Partial redemption	6,442	(4,253)	2,189
Fair value loss/(gain) for the year	4,230	(2,309)	1,921
Derivative component at 31 December 2021 (audited)	(3,562)	2,035	(1,527)
Loss/(gain) on the extension of convertible bonds	3,562	(2,035)	1,527
Derivative component at the date of extension	(18,403)	15,586	(2,817)
Fair value (gain)/loss for the period	(1,950)	1,967	17
Derivative component at 30 June 2022 (unaudited)	(20,353)	17,553	(2,800)

The interest charge of the convertible bonds for the six months ended 30 June 2022 is calculating using effective interest method by applying an effective interest rate of approximately 4.53% (for the six months ended 30 June 2021: 10.19%) to the liability.

The directors estimate the fair value of the liability component of the convertible bonds at 30 June 2022 to be approximately HK\$42,112,000 (31 December 2021: HK\$40,545,000). This fair value has been calculated by discounting the future cash flows at the market interest rate.

The derivative financial assets and derivative financial liabilities are embedded in the convertible bonds, which is the call option and the conversion option respectively. Each derivative component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using Binomial Option Pricing Model (level 3 fair value measurements). The key assumptions used are as follows:

	30 June 2022	24 June 2022	31 December 2021
Weighted average share price (HK\$)	1.68	1.57	1.38
Weighted average exercise price (HK\$)	1.75	1.75	1.75
Expected volatility	90.27%	88.40%	60.84%
Expected life	1.86	1.88	0.36
Risk free rate	2.514%	2.683%	0.14%
Expected dividend yield	Nil	Nil	Nil

16. SHARE-BASED PAYMENTS

(a) Equity-settled share option scheme

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

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

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

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

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

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

Details of the specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price (HK\$)	Number of share options
Directors				
12 January 2018	12 January 2018 to 11 January 2020	12 January 2020 to 11 January 2021	1.67	2,860,000
12 January 2018	12 January 2018 to 11 January 2021	12 January 2021 to 11 January 2022	1.67	3,060,000
20 August 2019	20 August 2019 to 19 August 2020	20 August 2020 to 19 August 2021	1.68	3,740,000
20 August 2019	20 August 2019 to 19 August 2021	20 August 2021 to 19 August 2022	1.68	3,740,000
20 August 2019	20 August 2019 to 19 August 2022	20 August 2022 to 19 August 2023	1.68	3,760,000
2 September 2020	2 September 2020 to 1 September 2021	2 September 2021 to 1 September 2022	2.00	3,220,000
2 September 2020	2 September 2020 to 1 September 2022	2 September 2022 to 1 September 2023	2.00	3,220,000
2 September 2020	2 September 2020 to 1 September 2023	2 September 2023 to 1 September 2024	2.00	3,220,000
Consultants				
12 January 2018	12 January 2018 to 11 January 2020	12 January 2020 to 11 January 2021	1.67	5,200,000
12 January 2018	12 January 2018 to 11 January 2021	12 January 2021 to 11 January 2022	1.67	5,200,000
20 August 2019	20 August 2019 to 19 August 2020	20 August 2020 to 19 August 2021	1.68	3,220,000
20 August 2019	20 August 2019 to 19 August 2021	20 August 2021 to 19 August 2022	1.68	3,220,000
20 August 2019	20 August 2019 to 19 August 2022	20 August 2022 to 19 August 2023	1.68	3,240,000
26 November 2020	26 November 2020 to 25 November 2021	26 November 2021 to 25 November 2022	2.00	1,665,000
26 November 2020	26 November 2020 to 25 November 2022	26 November 2022 to 25 November 2023	2.10	1,665,000
26 November 2020	26 November 2020 to 25 November 2023	26 November 2023 to 25 November 2024	2.20	1,670,000
Employees				
4 October 2018	4 October 2018 to 3 October 2020	4 October 2020 to 3 October 2021	1.71	1,000,000
4 October 2018	4 October 2018 to 3 October 2021	4 October 2021 to 3 October 2022	1.71	1,000,000
20 August 2019	20 August 2019 to 19 August 2020	20 August 2020 to 19 August 2021	1.68	1,490,000
20 August 2019	20 August 2019 to 19 August 2021	20 August 2021 to 19 August 2022	1.68	1,490,000
20 August 2019	20 August 2019 to 19 August 2022	20 August 2022 to 19 August 2023	1.68	1,520,000
				58,400,000

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

	30 June 2022		30 June 2021	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Outstanding at the beginning of the period	33,430,000	1.83	58,400,000	1.77
Expired during the period	(8,260,000)	1.67	(8,060,000)	1.67
Lapsed during the period	–	N/A	(11,680,000)	1.68
Exercisable at the end of the period	25,170,000	1.89	38,660,000	1.81

The weighted average share price at the date of exercise for share options exercised during the period was HK\$1.89. The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 1.23 years (2021: 1.94) and the exercise prices range from HK\$1.67 to HK\$2.20 (for the six months ended 30 June 2021: HK\$1.67 to HK\$2.20). The options were granted on 12 January 2018, 4 October 2018, 20 August 2019 and 26 November 2020 respectively.

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

Date of grant	12 January 2018	4 October 2018	20 August 2019	2 September 2020	26 November 2020
Weight average share price (HK\$)	1.67	1.71	1.68	1.53	1.43
Weighted average exercise price (HK\$)	1.67	1.71	1.68	2.00	2.10
Expected life	4 years	4 years	4 years	4 years	4 years
Expected volatility	84.72%-92.79%	70.28%-83.06%	51.60%-74.76%	38.77%-60.78%	40.52%-54.91%
Risk-free interest rate	1.78%-2.06%	2.74%-2.95%	1.59%-1.79%	0.26%-0.28%	0.12%-0.24%
Expected dividend yield	0%	0%	0%	0%	0%

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

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

The Group recognised the total expense of approximately HK\$1,279,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$3,669,000) in relation to share options granted by the Company.

(b) **Share award scheme**

The Company operates a share award scheme (the **“Share Award Scheme”**) for the purpose of providing incentives and rewards (**“Award Shares”**) to selected participants who contribute to the success of the Group’s operations. Selected participants include the employees, officers, directors and consultants of the Company and the Company’s subsidiaries. The Share Award Scheme became effective on 18 August 2021 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date.

Pursuant to the rules of the Share Award Scheme, the Company shall not make any further grant of Award Shares which will result in the number of shares granted under the Share Award Scheme exceeding 10% of the total number of issued shares of the Company as at 18 August 2021. The maximum number of Award Shares may be granted under the Share Award Scheme to a Selected Participant shall not exceed 1% of the total number of issued shares as at 18 August 2021.

A trust is constituted by the trust deed entered by the Company and the trustee appointed (the **“Trustee”**) to service the Share Award Scheme.

The Board may, from time to time, select any eligible person to participate in the Share Award Scheme, make an offer to the selected participants and grant Award Shares to such selected participants which are to be satisfied by (i) the new shares to be subscribed by the Trustee under the Company’s available general mandate on the relevant grant date or under a specific mandate approved or to be approved by the shareholders of the Company; or (ii) the existing shares received by the Trustee from any shareholder of the Company; or (iii) purchased by the Trustee in the open market (either on-market or off-market) as directed by the Board.

The Board may, from time to time, subject to all applicable laws, determine vesting criteria and conditions or periods for the Award Shares to be vested.

The Trustee shall not exercise the voting rights in respect of any shares held by it under the Share Award Scheme.

As at 30 June 2022, the Board has not yet awarded any Award Shares to any selected participants.

17. CAPITAL COMMITMENT

The Group had the following capital commitment at the end of the reporting period:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Contract, but not provided for:		
Property, plant and equipment	198,662	–

18. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group had the following transaction with its related party during the period:

	For the three months ended 30 June 2022 HK\$'000 (Unaudited)		For the six months ended 30 June 2022 HK\$'000 (Unaudited)	
	2021 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Purchase of materials, consumables, kits and equipment from a non-controlling shareholder of a subsidiary	53,454	11,878	187,424	11,878
Service fee charged by a non-controlling shareholder of a subsidiary	9,415	18,504	15,372	43,321
Service fee received from a non-controlling shareholder of a subsidiary	120,396	135,683	205,396	195,456
Logistics services income generated from a non-controlling shareholder of a subsidiary	2,675	2,342	5,841	5,877
Sales of goods from a non-controlling shareholder of a subsidiary	–	–	2,672	–

(b) Remuneration of key management personnel

	For the three months ended 30 June		For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Salaries, bonus and benefits	2,193	2,991	4,187	4,859
Equity-settled share-based payments	336	738	673	1,687
Retirement benefits scheme contributions	5	7	9	16
	2,534	3,736	4,869	6,562

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

19. EVENT AFTER THE END OF THE REPORTING PERIOD

On 12 July 2022, the trustee of the Company's share award scheme purchased an aggregate of 655,000 shares of the Company on the Stock Exchange for the purpose of the share award scheme. Details were disclosed in the announcement of the Company dated 12 July 2022.

FINANCIAL REVIEW

During the six months ended 30 June 2022 (the “**2022 Interim Period**”), the principal activities of the Group are (i) provision of medical laboratory testing services and health check services in Hong Kong; (ii) provision of tumor immune cell therapy, immune cell storage and health management services in the PRC; (iii) the manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; and (iv) provision of insurance brokerage services.

Turnover

During the 2022 Interim Period, the Group recorded a turnover of approximately HK\$686,909,000, representing an increase of approximately 83.59% as compared with that of approximately HK\$374,159,000 for the six months ended 30 June 2021 (the “**2021 Interim Period**”). As the prevalence of novel coronavirus disease 2019 (“**COVID-19**”) continued with outbreak of mutated variants happening from time to time, the demand for medical laboratory testing services and health check services including nucleic acid test (“**NAT**”) for COVID-19 remained high. The introduction of compulsory testing for high risk or high exposure groups of persons under regulation (in particular, the Prevention and Control of Disease (Compulsory Testing for Certain Persons) Regulation (Chapter 599J of the Laws of Hong Kong)) brought a support to the demand for NAT services. In addition, the Group is one of the appointed service providers to provide passengers’ rapid NAT for COVID-19 prior to departure from Hong Kong to the Mainland China or Macau at the Shenzhen Bay Port and at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port under the new arrangement enacted by the government of Hong Kong in March 2022. Further, (i) the robust demand for rapid antigen test kits and COVID-19 test services; and (ii) the increase in demand for COVID-19 testing services from cross-border or overseas passengers due to the easing of border restrictions led to a significant increase in revenue during the 2022 Interim Period.

Provision of medical laboratory testing services and health check services

The Group continues to offer a wide spectrum of medical laboratory testing services and quality health check diagnostic services in Hong Kong. The services of this segment were being delivered through four medical laboratories and three health check centres established in Hong Kong. The turnover of this segment increased from approximately HK\$362,783,000 for the 2021 Interim Period to approximately HK\$460,906,000 for the 2022 Interim Period. It marked an increase of 27.05% as compared with the 2021 Interim Period. In the fifth wave of COVID-19 pandemic which broke out in December 2021, the Group continued to provide NAT for COVID-19 for clients from private clinics, corporates, government offices and individuals to capture the soared demand for the services. Also, the Group is one of the pivot service providers to provide rapid NAT for COVID-19 to passengers prior to departure from Hong Kong to the Mainland China or Macau at the Shenzhen Bay Port and at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port under the new arrangement enacted by the government of Hong Kong in March 2022. The increase of segmental turnover was mainly brought by increase in demand of COVID-19 related laboratory testing services.

Provision of tumor immune cell therapy services

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**"), an indirect non-wholly-owned subsidiary of the Company, is engaged in tumor immune cell therapy and health management services in the PRC. Shanghai Longyao received the approval for initiating a stage I clinical trial (the "**Trial**") on its investigational new drug ("**IND**") named as LY007 Cellular Injection ("**LY007 Injection**") from the National Medical Products Administration of China ("**NMPA**") in January 2021. LY007 Injection is the first CD20-targeted autologous chimeric antigen receptor T-cell ("**CAR-T**") therapy product approved by NMPA for initiating the Trial. LY007 Injection is an IND that carries Shanghai Longyao's patented novel structural design with the OX40 costimulatory molecule built-in independently for purpose of enhancing the natural T-cell activation. It has been classified as a Class 1 IND for the treatment of relapsed/refractory CD20-positive B-cell non-Hodgkin lymphoma. By the end of September 2021, Professor Zhao Weili, Vice President of 上海交通大學醫學院附屬瑞金醫院 (in English, for identification purpose only, Ruijin Hospital of Shanghai Jiao Tong University School of Medicine) ("**Ruijin Hospital**") of Shanghai, and Professor Li Jianyong, Head of the Department of Hematology of 江蘇省人民醫院 (in English, for identification purpose only, Jiangsu People's Hospital) ("**Jiangsu Hospital**") of Jiangsu, have been appointed by Shanghai Longyao as the co-principal investigators of the Trial. In January 2022, kick-off meetings of the Trial had been convened in the Ruijin Hospital and the Jiangsu Hospital. The first subject enrolled in the Trial was taken up by the Ruijin Hospital on 1 March 2022 and the same subject was dosed successfully on 7 April 2022. No turnover from this segment was generated during the 2022 Interim Period.

Manufacture and sale of health related and pharmaceutical products

Manufacture and sale of health related and pharmaceutical products segment recorded a robust increase in turnover during the 2022 Interim Period. The turnover of this segment increased significantly from approximately HK\$107,000 for the 2021 Interim Period to HK\$215,402,000 for the 2022 Interim Period. It represented an increase of 2,012.10 times as compared with that of the 2021 Interim Period. This significant uplift was driven by the robust demand for rapid antigen test kits due to the raging fifth wave of COVID-19 pandemic happened in the 2022 Interim Period.

Provision of insurance brokerage services

Provision of insurance brokerage services segment recorded a slightly decrease in turnover during the 2022 Interim Period. The turnover of this segment decreased slightly from approximately HK\$4,767,000 during the 2021 Interim Period to approximately HK\$4,699,000 for the 2022 Interim Period. It represented a decreased of 1.43% as compared with the 2021 Interim Period due to the impact of stringent travel restrictions imposed on visiting Mainland Chinese customers during the fifth wave of COVID-19 pandemic.

Provision of logistics services

The Group has been providing testing materials and specimens logistics services for local clinics and other corporate clients. The turnover of logistics services decreased slightly from approximately HK\$5,877,000 for the 2021 Interim Period to approximately HK\$5,872,000 for the 2022 Interim Period. There is no material change during the 2022 Interim Period as compared with the 2021 Interim Period.

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\$18.8 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% to 10% per annum and are repayable within one year. The money lending business recorded an interest income of approximately HK\$30,000 for the 2022 Interim Period (2021 Interim Period: HK\$625,000).

Trading of financial assets at FVTPL

The Group investment portfolio comprises investments in listed securities in Hong Kong. This business segment recorded a net gain on financial assets at FVTPL of approximately HK\$2,707,000 for the 2022 Interim Period (2021 Interim Period: Nil) due to the disposal of some marketable shares and a fair value change of the investment portfolio.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$354,904,000 for the 2022 Interim Period, representing an increase of approximately HK\$138,346,000 when compared with that of approximately HK\$216,558,000 in the 2021 Interim Period. Also, the gross profit margin for the 2022 Interim Period was approximately 51.67%, representing a decrease of approximately 6.21 percentage point when compared with the gross profit margin of approximately 57.88% for the 2021 Interim Period. The Group maintained a stable level of gross profit margin for medical laboratory testing services. However, the overall decrease in gross profit margin were attributable to increase in trading of rapid antigen test kits from health related and pharmaceutical segment which has a thinner gross profit.

Selling and distribution expenses

Selling and distribution expenses for the 2022 Interim Period were approximately HK\$10,710,000 (2021 Interim Period: HK\$6,133,000), representing an increase of approximately HK\$4,577,000 or 74.63% compared with such expenses for the 2021 Interim Period. The increase was due to increase in number of salesperson and more aggressive strategic marketing and promotion campaign adopted for promoting the sales of health related products during the 2022 Interim Period.

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 2022 Interim Period were approximately HK\$93,827,000, representing an increase of approximately HK\$30,298,000 or 47.69%, as compared with that of approximately HK\$63,529,000 for the 2021 Interim Period. The increase in administrative expenses was mainly attributable to (i) increase in staff costs by approximately HK\$16,120,000 due to expansion of medical laboratory testing services and health check services segment; and (ii) increase in research and development cost by approximately HK\$2,221,000 resulted from tumor immune cell therapy services segment.

Finance costs

During the 2022 Interim Period, the Group's interest expenses amounted to approximately HK\$2,310,000 (2021 Interim Period: HK\$4,076,000). The decrease in the finance costs was mainly attributable to the lower finance costs arising from convertible bonds subsequent to the partial redemption of convertible bonds on 11 May 2021.

Profit for the period

The Group recorded a net profit attributable to the owners of the Company of approximately HK\$68,220,000 for the 2022 Interim Period (2021 Interim Period: HK\$24,239,000). The increase in net profit attributable to the owners of the Company for the 2022 Interim Period was mainly attributable to (i) the robust demand for rapid antigen test kits for COVID-19 and COVID-19 testing services due to the fifth wave of COVID-19 pandemic in Hong Kong; and (ii) the increase in demand for COVID-19 testing services from cross-border or overseas passengers due to the easing of border restrictions.

BUSINESS REVIEW

Equity investment term sheet entered into between a subsidiary and an industry investor

On 26 January 2022, Shanghai Longyao, an indirect non-wholly owned subsidiary of the Company, entered into a non-legally binding term sheet (the “**Term Sheet**”) with 前海德潤資本管理(深圳)有限公司 (in English, for identification purpose only, Qianhai Devin Capital Management (Shenzhen) Company Limited) (the “**Investor**”) in relation to the Investor’s proposed investment of RMB20,000,000 in Shanghai Longyao. No legally binding format agreement has been entered into by both parties as at the date of this announcement. Details were disclosed in the announcement of the Company dated 26 January 2022.

Revision of annual cap for continuing connected transaction in relation to the master supply agreement

On 15 February 2022, Sunrise Diagnostic Centre Limited (“**SDCL**”), an indirect non-wholly-owned subsidiary of the Company, and BGI Health (HK) Company Limited (“**BGI**”), a company incorporated in Hong Kong with limited liability and the holder of 40% of the issued share capital of SDCL, entered into a supplemental master supply agreement to increase the annual cap for continuing connected transaction between the signing parties from HK\$80,000,000 to HK\$400,000,000 for the year ending 31 December 2022 with explicit specification that supply of COVID-19 rapid antigen test kits would be covered. Details were disclosed in the announcement of the Company dated 15 February 2022. For the amount of such continuing connected transaction recorded for the six months ended 30 June 2022, please refer to the disclosure made in note 18(a) to the unaudited condensed consolidated interim results, and BGI is the “non-controlling shareholder of a subsidiary” referred to in that note.

Entering into a site admission and investment agreement in relation to the Boao Lecheng pilot zone for a BNCT commercialisation project

On 28 February 2022, CBSH Flourish (Hong Kong) BNCT Medical Centre Limited (“**CBSH Flourish Hong Kong**”), an indirect wholly-owned subsidiary of the Company and 鵬博(海南) 硼中子醫療科技有限公司 (in English, for identification purpose only, Pengbo (Hainan) Medical Technology Co., Ltd.) (“**Pengbo (Hainan)**”), an indirect wholly-owned subsidiary of the Company, entered into a site admission and investment agreement with the Hainan Boao Lecheng International Medical Tourism Pilot Zone Administration in relation to the investment in and construction of a Boron Neutron Capture Therapy (“**BNCT**”) cancer treatment centre in the Boao Lecheng Pilot Zone. Details were disclosed in the announcement of the Company dated 28 February 2022.

Formation of a joint venture between a subsidiary of the Company and a leading healthcare group in Hong Kong

On 11 March 2022, SDCL, an indirect non-wholly-owned subsidiary of the Company, entered into a joint venture agreement (“**JV Agreement**”) with Sure Metro Limited (“**SML**”), a wholly-owned subsidiary of Town Health International Medical Group Limited (“**Town Health**”, together with its subsidiaries, the “**Town Health Group**”), a company with its shares (stock code: 3886) listed on the Main Board of the Stock Exchange. Under the JV Agreement, SDCL and SML shall, respectively, subscribe for 51 and 48 shares (the “**JV Shares**”) of Hong Kong Medical Test Centre Limited (the “**JV Company**”), a wholly-owned subsidiary of SML immediately before the signing of the JV Agreement. Upon completion of the JV Agreement, SDCL and SML hold 51% and 49% shareholding of the JV Company respectively. The completion took place on 27 May 2022. The JV Company is engaged in the operation of a medical laboratory in Hong Kong. Details were disclosed in the announcement of the Company dated 11 March 2022.

Letter of intent of strategic cooperation signed with a leading pharmaceutical group

On 23 March 2022, the Company and CSPC Pharmaceutical Group Limited (“**CSPC Group**”), a company listed on the Main Board of the Stock Exchange (stock code: 1093), entered into a letter of intent in relation to seeking strategic cooperation in one or more of the equity-based investments or projects initiated by the Company and making a direct equity investment of 10% to 20% shareholding of the Company by the CSPC Group. No legally binding format agreement has been entered into by both parties as at the date of this report. Details were disclosed in the announcement of the Company dated 23 March 2022.

Extension of maturity date of convertible bonds

On 10 May 2022, the Company and the subscriber of the convertible bonds entered into an amendment agreement for the purpose of extending the maturity date of the outstanding convertible bonds for two years from 10 May 2022 to 10 May 2024 (the “**Proposed Amendments**”). The Proposed Amendments have taken effect on 24 June 2022. Details were disclosed in the announcements of the Company dated 10 May 2022 and 24 June 2022.

Continuing connected transactions in relation to the 2022 master services agreement and the 2022 referral services agreement

On 27 May 2022, SDCL, an indirect non-wholly-owned subsidiary of the Company, and BGI, a company incorporated in Hong Kong with limited liability and the holder of 40% of the issued share capital of SDCL, entered into the 2022 master services agreement in respect to the provision of COVID-19 testing services through RT-PCR method by BGI to SDCL and the 2022 referral services agreement in respect of which SDCL will refer customers who require COVID-19 testing services to BGI from 27 May 2022 to 31 December 2022. Details were disclosed in the announcement of the Company dated 27 May 2022. For the amount of such continuing connected transactions recorded for the six months ended 30 June 2022, please refer to the disclosure made in the note 18(a) to the unaudited condensed consolidated interim results, and BGI is the “non-controlling shareholder of a subsidiary” referred to in that note.

Land use rights of a piece of state-owned construction land in Hainan Boao Lecheng International Medical Tourism Pilot Zone

On 27 May 2022, Pengbo (Hainan), an indirect wholly-owned subsidiary of the Company, entered into a confirmation letter (掛牌出讓成交確認書) with the Public Resource Trading Centre of Qionghai City Land Reserve Sorting Out and Exchange Centre (瓊海市土地儲備整理交易中心), confirming that Flourish Hainan has successfully won a bid for the right to use of a piece of state-owned construction land located in Hainan Boao Lecheng International Medical Tourism Pilot Zone (the “**Boao Pilot Zone**”) (Boao Pilot Zone with an area of 6,171.03 square metres (Land Lot No.: LC07-18-01-03) for a term of 50 years for the construction and operation of a BNCT cancer treatment centre. Details were disclosed in the announcement of the Company dated 27 May 2022.

Major transaction in relation to the acquisition of BNCT equipment, the provision of technical advisory service and the acquisition of BNCT parts

On 23 June 2022, the Company (as guarantor) and Pengbo (Hainan), an indirect wholly-owned subsidiary of the Company, entered into the sales contract, memorandum of understanding and the service contract with Sumitomo Heavy Industries (“**Sumitomo**”) pursuant to which Pengbo (Hainan) will purchase BNCT equipment from Sumitomo, purchase BNCT parts from Sumitomo and receive technical advisory service from Sumitomo for the installation and tuning of the BNCT equipment, respectively. Details were disclosed in the announcement of the Company dated 23 June 2022.

Disposal of subsidiaries

(a) Disposal of Lustrous Pearl Group

Having taken into consideration that the performance of the Lustrous Pearl International Limited and its subsidiaries (collectively, the “**Lustrous Pearl Group**”) for the past financial years was not satisfactory, the Directors determined that the disposal of the Lustrous Pearl Group would enable the Company to free up the resources devoted to this business and redirect the resources to the Group’s other existing business which might have higher growth potential to maximise the benefit of the shareholders of the Company. The completion of the disposal of the Lustrous Pearl Group took place on 4 April 2022. For details, please refer to the disclosure made in note 12(a) to the unaudited condensed consolidated interim results.

(b) Disposal of Dynasty Well Group

Having taken into consideration that Dynasty Well Limited and its subsidiaries (collectively, the “**Dynasty Well Group**”) had been inactive in recent years, the Directors considered that the disposal of Dynasty Well Group would enable the Company to save administrative costs. The completion of the disposal of Dynasty Well Group took place on 31 May 2022. For details, please refer to the disclosure made in note 12(b) to the unaudited condensed consolidated interim results.

FUTURE PROSPECT

From a global perspective, the international economy has shown signs of recovery with increasing rate of vaccinations, but the uncertainty over the impact of COVID-19 variants on the recovery of global economy remains. The macroeconomic conditions of Hong Kong will remain uncertain, and will fundamentally depend on, among other things, the (i) status of immigration control between mainland China and Hong Kong; (ii) easing of mandatory quarantine requirements for visitors and residents entering Hong Kong; (iii) level of inflation; and (iv) extent and frequency of interest rate adjustments by the Monetary Authority of Hong Kong.

The fifth wave of the COVID-19 outbreak boosted the demand of diagnostic and health checkup services of the Group in the first half of 2022. The Government of Hong Kong imposed a series of anti-epidemic measures in view of the ravages brought up by the highly contagious COVID-19 Omicron variant.

While the fifth wave has faded out, the city's leading medical expert teams have warned the public on the possibility of a sixth wave COVID-19 outbreak. Consequently, the Group expects the demand of diagnostic and health checkup services to remain stable in the second half of 2022, while demand for self-paid nucleic acid test and other medical diagnostic services is expected to pick up upon easing of immigration control and quarantine requirements. The gradual resumption of normal lives will also help to dig out latent demands for healthcare services.

It is expected that the targeted opening of Asia Molecular Diagnostics Laboratory Limited ("**AMDL**") in the second half of 2022 will bring another growth driver to the Group. The new molecular laboratory of AMDL is going to provide FDA approved NGS-based cancer companion diagnostic tests to clients for saving lives.

The progress of the Group's treatment segment has been drummed up. The stage I clinical trial of the first CD20-targeted investigational new drug, namely LY007 Cellular Injection, has begun in the first quarter of 2022. The first enrolled case in the clinical trial has been completed by the Ruijin Hospital of Shanghai Jiao Tong University School of Medicine on 7 April 2022. LY007 Cellular Injection is a CD-20-targeted autologous chimeric antigen receptor T-cell ("**CAR-T**") therapy product approved by the National Medical Products Administration of China for the treatment of relapsed/refractory CD20-positive B-cell non-Hodgkin lymphoma. The stage I clinical trial of LY007 Cellular Injection is expected to be completed by early 2023.

The Group has also been implementing the BNCT cancer treatment center project. The land rights of a designated site in Hainan Boao Free trade Hope City has been secured for the setup and operation of the BNCT cancer treatment center and the Group has entered into agreements for the purchase and installation of equipment as well as the supply of related drugs for rendering BNCT in the second quarter of 2022. The Group is also well prepared for the design and planning works of the project. It is expected that the building and construction works of the project will begin by the end of 2022. Targeted launch of the BNCT cancer treatment center will be in 2025.

The Group has been striving to become an advanced international biomedical innovation platform by proactively exploring innovative cancer treatment technologies on a global scale. We will continue to optimize, enrich and diversify our diagnostic and health checkup business; complete Phase I clinical trials of CAR-T product that has already received clinical approval; commence the construction of the BNCT cancer treatment center as soon as possible; and strengthen our presence in the medical and healthcare industry in the Greater Bay Area. All in all, we are cautiously optimistic that the Group's performance will remain stable in the second half of 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has financed its operations and capital expenditures requirements through (i) internal generated resources, and (ii) other borrowings.

Liquidity and Financial Resources

As at 30 June 2022, the Group held cash and bank balances of approximately HK\$204,884,000 (31 December 2021: HK\$150,554,000), all were principally denominated in Renminbi and Hong Kong dollars. The increase in cash and bank balances of approximately HK\$54,330,000 is mainly due to cash and cash equivalents generated from operations.

As at 30 June 2022, the Group had convertible bonds in the principal amount of US\$5,000,000 with carrying amount of approximately US\$5,363,000 (equivalent to approximately HK\$42,098,000) (31 December 2021: US\$5,000,000 with carrying amount of US\$4,987,000 (equivalent to approximately HK\$38,651,000)) which are secured by 264,750,273 (31 December 2021: 264,750,273) ordinary shares of the Company held by Genius Lead Limited, the controlling shareholder of the Company and guaranteed by Mr. Liu Xiaolin, chairman and executive director of the Company and carried a fixed interest rate of 8.5% per annum and is repayable on 10 May 2024.

As at 30 June 2022, the Group had unsecured other borrowings of approximately HK\$15,814,000 (equivalent to approximately RMB13,500,000) (31 December 2021: HK\$17,387,000 (equivalent to approximately RMB14,200,000)), which carried a fixed interest rate of 8% to 10% (31 December 2021: 8% to 10%) per annum and is repayable within one year.

As at 30 June 2022, total assets of the Group were approximately HK\$892,928,000 (31 December 2021: HK\$706,782,000), whereas total liabilities were approximately HK\$352,492,000 (31 December 2021: HK\$240,887,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 39.48% (31 December 2021: 34.08%). Current ratio (defined as total current assets divided by total current liabilities) was 1.66 times (31 December 2021: 1.22 times).

Fortstone International (Hong Kong) Limited ("**Fortstone**"), an indirect non-wholly owned subsidiary of the Company, is a holder of insurance broker licence under the Insurance Ordinance. As an insurance brokerage company, Fortstone is subject to capital and net assets requirements under the Insurance Ordinance. Fortstone shall maintain a minimum net assets value and a minimum paid up share capital of HK\$500,000 at all times. Fortstone oversees its compliance with the capital and net assets requirement by monitoring Fortstone's liquid asset and ranking liabilities at all times to ensure they are well above the minimum required level (i.e. HK\$500,000). Fortstone had been in full compliance with capital and net assets requirement during the 2022 Interim Period.

Capital Structure

As at 30 June 2022, the total issued share capital of the Company was HK\$96,323,115 (31 December 2021: HK\$96,323,115) divided into 963,231,150 (31 December 2021: 963,231,150) ordinary shares of HK\$0.10 each.

SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

As at 30 June 2022, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK\$86,985,000 (31 December 2021: HK\$122,021,000) including one investments in unlisted equity securities and one investment in listed securities. It consisted an investment of approximately HK\$67,940,000 in Pillar Biosciences, Inc. ("**Pillar**") (which represented 7.61% of the total asset of the Group as at 30 June 2022) and an investment of HK\$19,045,000 in Broncus Holding Corporation ("**Broncus**") (a company whose shares are listed on the Main Board of the Stock Exchange with stock code: 2216) (which represented 2.13% of the total asset of the Group as at 30 June 2022).

(i) Investment in Pillar

As at 30 June 2022, the Group held approximately 3.48% (31 December 2021: 3.48%) of equity interest of Pillar or 1,638,216 series B preferred stock in Pillar with fair value of HK\$67,940,000 (equivalent to US\$8,714,000) (31 December 2021: 67,940,000 (equivalent to US\$8,714,000)) and at an initial investment costs of US\$4,999,999 (equivalent to HK\$39,208,000). Pillar is a precision testing company for cancer based in Boston, Massachusetts, the United States of America with a wholly-owned subsidiary in Shanghai, the PRC. Based on the latest unaudited consolidated financial statements of Pillar for the year ended 31 December 2021, it recorded an unaudited consolidated loss of approximately US\$24.16 million. No fair value change had been recognised in other comprehensive income for the 2022 Interim Period. No dividend income was received from Pillar for the 2022 Interim Period. The Group believes that the investment in Pillar will create synergies with the Group's medical laboratory testing services and health check services.

(ii) Investment in Broncus

As at 30 June 2022, the Group held approximately 1.25% (31 December 2021: 1.25%) of equity interest or 6,567,176 shares in Broncus with fair value of HK\$19,045,000 (31 December 2021: HK\$54,081,000) and at an initial investment costs of US\$5,000,001.54 (equivalent to HK\$39,282,000). Broncus is a company mainly engaged in research and development, and the manufacture and commercialization of medical devices and consumables. A fair value loss on the Group's investment in Broncus of approximately HK\$35,036,000 had been recognised in other comprehensive income for the 2022 Interim Period. No dividend income was received from Broncus for the 2022 Interim Period. The investment in Broncus enables the Group to strategically lay out in precision diagnosis, and to enter into the field of precision treatment. Other than bringing investment return to the Group, the Group will also explore collaborative opportunity with Broncus.

The Group did not hold any other significant investments with a market value that account for more than 5% of the Group's unaudited total assets as at 30 June 2022.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the formation of a joint venture and the disposal of subsidiaries of the entire equity interest of the Lustrous Pearl Group and the Dynasty Well Group as disclosed in the section headed "BUSINESS REVIEW" above, the Group did not have any other material acquisition or disposal of subsidiaries, associates and joint ventures for the 2022 Interim Period.

CAPITAL COMMITMENTS

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

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2022, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no significant contingent liabilities.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

During the 2022 Interim Period, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including interest rate swaps and foreign currency forwards contract will be used by the Group in the management of exposure affecting interest rates and foreign exchange rate fluctuations as appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had a total of 210 (30 June 2021: 200) full time employees which were located in the PRC and Hong Kong. Total staff costs for the 2022 Interim Period was approximately HK\$59,941,000 (2021 Interim Period: HK\$33,509,000).

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, share option scheme and share award scheme to provide further incentive and reward to eligible participants who contribute to the success of the Group.

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

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

The total contributions payable to the above schemes by the Group and charged to the condensed consolidated statement of profit or loss and other comprehensive income for the 2022 Interim Period were approximately HK\$1,329,000 (2021 Interim Period: HK\$1,006,000).

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

As at 30 June 2022, 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)	54.97%

Notes:

- (a) As at 30 June 2022, the total number of the issued shares of the Company was 963,231,150 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.

(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	Exercise period	Exercise price per share	Aggregate long position in the underlying shares	Approximate percentage (note a)
Mr. Liu	Beneficial owner	20 August 2019	20 August 2021 to 19 August 2023	HK\$1.68	640,000	0.07%
Mr. Wang Zheng	Beneficial owner	20 August 2019	20 August 2021 to 19 August 2023	HK\$1.68	400,000	0.04%
Mr. He Xun	Beneficial owner	2 September 2020	2 September 2021 to 1 September 2024	HK\$2.00	9,660,000	1.00%
Total					10,700,000	1.11%

Note:

- (a) As at 30 June 2022, the total number of the issued shares of the Company was 963,231,150 ordinary shares of HK\$0.10 each of the Company.

Save as disclosed above, as at 30 June 2022, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 June 2022, 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	Number of Shares held	Approximate percentage (Note a)
Genius Earn (Note b)	Interest of a controlled corporation	529,500,546	54.97%
Genius Lead (Note b)	Beneficial owner	529,500,546	54.97%
Guoyuan Securities Investment (Hong Kong) Limited (Note c)	Beneficial owner	22,428,571	2.33%
	Person having a security interest in shares	452,654,078	46.99%
Guoyuan International Holdings Limited (Note c)	Interest of a controlled corporation	475,082,649	49.32%
Guoyuan Securities Co., Ltd. (Note c)	Interest of a controlled corporation	475,082,649	49.32%
Richlane Ventures Limited (Note d)	Beneficial owner	58,000,000	6.02%
Ko Chun Shun Johnson ("Mr. Ko") (Note d)	Interest of controlled corporations	95,545,000	9.92%

Notes:

- As at 30 June 2022, the total number of the issued shares of the Company was 963,231,150 ordinary shares of HK\$0.10 each of the Company.
- 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.
- Guoyuan Securities Investment (Hong Kong) Limited is wholly-owned by Guoyuan International Holdings Limited. As such, Guoyuan International Holdings Limited is deemed to be interested in the shares of the Company in which Guoyuan Securities Investment (Hong Kong) Limited is interested. Guoyuan International Holdings Limited is wholly-owned by Guoyuan Securities Co., Ltd.. As such, Guoyuan Securities Co., Ltd. is deemed to be interested in the shares of the Company in which Guoyuan International Holdings Limited is deemed to be interested.
- Richlane Ventures Limited is wholly-owned by Mr. Ko. As such, Mr. Ko is deemed to be interested in the 58,000,000 shares of the Company held by Richlane Ventures Limited. The remaining 37,545,000 shares of the Company in which Mr. Ko is deemed to be interested are held by other companies controlled by Mr. Ko.

Save as disclosed above, as at 30 June 2022, 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 2021 annual report.

Details of movements in the Company's share options during the 2022 Interim Period are set out as follows:

Name of Grantees	Date of grant	Exercise price per share (HK\$)	Balance as at 1 January 2022	Number of shares over which options are exercisable				Balance as at 30 June 2022	Exercise period
				Granted during the 2022 Interim Period	Exercised during the 2022 Interim Period	Lapsed during the 2022 Interim Period	Cancelled during the 2022 Interim Period		
Directors									
Mr. Liu	12 January 2018	1.67	260,000 (Note 1)	–	–	260,000	–	–	Note 5
	20 August 2019	1.68	640,000 (Note 2)	–	–	–	–	640,000	Note 6
Mr. Wang Zheng	12 January 2018	1.67	1,400,000 (Note 1)	–	–	1,400,000	–	–	Note 5
	20 August 2019	1.68	400,000 (Note 2)	–	–	–	–	400,000	Note 6
Mr. Huang Song	12 January 2018	1.67	1,400,000 (Note 1)	–	–	1,400,000	–	–	Note 5
Mr. He Xun	2 September 2020	2.00	9,660,000 (Note 3)	–	–	–	–	9,660,000	Note 7
Sub-total			13,760,000	–	–	3,060,000	–	10,700,000	

Name of Grantees	Date of grant	Exercise price per share (HK\$)	Balance as at 1 January 2022	Number of shares over which options are exercisable				Balance as at 30 June 2022	Exercise period
				Granted during the 2022 Interim Period	Exercised during the 2022 Interim Period	Lapsed during the 2022 Interim Period	Cancelled during the 2022 Interim Period		
Consultants									
Mr. Bi Wenhan	12 January 2018	1.67	2,600,000 (Note 1)	-	-	2,600,000	-	-	Note 5
Mr. Wu Ting Yuk Anthony	12 January 2018	1.67	2,600,000 (Note 1)	-	-	2,600,000	-	-	Note 5
	20 August 2019	1.68	6,460,000 (Note 2)	-	-	-	-	6,460,000	Note 6
Dr. Zhai Pu	26 November 2020	2.00 to 2.20	5,000,000 (Note 4)	-	-	-	-	5,000,000	Note 8
Sub-total			16,660,000	-	-	5,200,000	-	11,460,000	
Employees	20 August 2019	1.68	3,010,000 (Note 2)	-	-	-	-	3,010,000	Note 6
Sub-total			3,010,000	-	-	-	-	3,010,000	
Total			33,430,000	-	-	8,260,000	-	25,170,000	

Notes:

1. The share options were granted on 12 January 2018. The closing price of the shares immediately before the date of grant was HK\$1.51 per share.
2. The share options were granted on 20 August 2019. The closing price of the shares immediately before the date of grant was HK\$1.37 per share.
3. The share options were granted on 2 September 2020. The closing price of the shares immediately before the date of grant was HK\$1.55 per share.
4. The share options were granted on 26 November 2020. The closing price of the shares immediately before the date of grant was HK\$1.34 per share.

5. The share options granted to each grantee are exercisable to subscribe for (i) a maximum of one-third of the shares in respect which the share options were granted from 12 January 2019 to 11 January 2020; (ii) a maximum of another one-third of the shares in respect which the share options were granted from 12 January 2020 to 11 January 2021; and (iii) a maximum of the remaining one-third of the shares in respect of which the share options were granted from 12 January 2021 to 11 January 2022.
6. The share options granted to each grantee are exercisable to subscribe for (i) a maximum of one-third of the shares in respect of which the share options were granted from 20 August 2020 to 19 August 2021; (ii) a maximum of another one-third of the shares in respect which the share options were granted from 20 August 2021 to 19 August 2022; and (iii) a maximum of the remaining one-third of the shares in respect which the share options were granted from 20 August 2022 to 19 August 2023.
7. The share options are exercisable to subscribe for (i) 3,220,000 shares from 2 September 2021 to 1 September 2022; (ii) 3,220,000 shares from 2 September 2022 to 1 September 2023; and (iii) 3,220,000 shares from 2 September 2023 to 1 September 2024.
8. The share options are exercisable to subscribe for (i) 1,665,000 shares from 26 November 2021 to 25 November 2022 at exercise price of HK\$2.00; (ii) 1,665,000 shares from 26 November 2022 to 25 November 2023 at exercise price of HK\$2.10; and (iii) 1,670,000 shares from 26 November 2023 to 25 November 2024 at exercise price of HK\$2.20.

SHARE AWARD SCHEME

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who may contribute to the success the Group's operation. The principal terms of the share award scheme are disclosed in the Company's 2021 annual report.

During the 2022 Interim Period, the trustee of the share award scheme did not subscribe for any new shares of the Company, receive any existing shares of the company from any shareholder of the Company or purchase any share on the market and no shares were awarded by the Company under the share award scheme.

Under the share award scheme, the Company shall not make any further grant of award which will result in the number of shares granted under the share award scheme exceeding 10% of the total number of issued shares of the Company as at the adoption date of the share award scheme on 18 August 2021, i.e. 963,231,150 shares.

As no shares were awarded by the Company under the share award scheme, 96,323,115 shares, representing 10% of the issued shares of the Company as at the date of this report, were available for grant under the share award scheme as at the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the 2022 Interim Period or at the end of the 2022 Interim Period has been/ was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the share options granted to three Directors on 12 January 2018, 20 August 2019 and 2 September 2020. No shares were awarded to any Director under the share award scheme.

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 2022 Interim Period.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the required standard of dealings and its code of conduct concerning securities transactions by the Directors during the 2022 Interim Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Throughout the 2022 Interim 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 2022 Interim Period.

AUDIT COMMITTEE

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

The unaudited condensed consolidated interim results of the Group for the 2022 Interim Period have not been audited by the Company’s auditor, but have been reviewed by the Audit Committee in accordance with the accounting principles and practices adopted by the Company and the Audit Committee has discussed internal controls and financial reporting matters before any disclosure and release of information.

SUFFICIENCY OF PUBLIC FLOAT

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

GENERAL

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

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

Hong Kong, 12 August 2022

As at the date of this report, the board of Directors comprises three executive Directors, namely, Mr. Liu Xiaolin (Chairman), Mr. He Xun, and Mr. Huang Song; one non-executive Director, namely, Mr. Wang Zheng; and three independent non-executive Directors, namely, Mr. Yan Guoxiang, Dr. Ho Ivan Chun Kit and Mr. Qian Hongji.