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

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

(Stock code: 8037)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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 companies listed on GEM are generally small and mid-sized, 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.

*This announcement, 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 announcement 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 announcement misleading.*

FINAL RESULTS

The board ("**Board**") of Directors of the Company announces that the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Continuing operations			
Gross proceeds	4	**216,850**	135,258
Revenue	4	**105,135**	86,565
Cost of sales		**(74,933)**	(56,522)
Gross profit		**30,202**	30,043
Net loss on financial assets at fair value through profit or loss		**(32,671)**	(25,679)
Other income, gains/(losses)	5	**667**	1,512
Selling and distribution expenses		**(16,807)**	(19,996)
Administrative expenses		**(54,676)**	(52,533)
Loss from operations		**(73,285)**	(66,653)
Finance costs	7	**(2,189)**	(2,010)
Share of profits of associates		**6,642**	8,648
Share of loss of a joint venture		**–**	(4,043)
Loss on disposal of asset held for sales		**(493)**	–
Gain on disposal of associates		**8,066**	–
Gain/(loss) on disposal of subsidiaries		**2,473**	(217)
Impairment loss on available-for-sale financial assets		**(4,049)**	(3,195)
Impairment loss on goodwill		**(1,478)**	(27,669)
Impairment loss on intangible assets		**(11,085)**	–
Loss before tax		**(75,398)**	(95,139)
Income tax expense	8	**(1,132)**	(479)
Loss for the year from continuing operations	9	**(76,530)**	(95,618)
Discontinued operation			
Profit for the year from discontinued operation		**–**	35,526
Loss for the year		**(76,530)**	(60,092)
Loss for the year attributable to:			
Owners of the Company		**(63,022)**	(50,151)
Non-controlling interests		**(13,508)**	(9,941)
		(76,530)	(60,092)

	Notes	2017 *HK$'000*	2016 *HK$'000*
Loss for the year		**(76,530)**	(60,092)
Other comprehensive income after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**1,215**	(3,000)
Release of exchange differences upon disposal of assets held for sales		**1,716**	–
Release of exchange differences upon disposal of investments in associates		**(184)**	–
Release of exchange differences upon disposal of investments in subsidiaries		**1,728**	–
Release of exchange differences upon disposal of discontinued operation		**–**	(24,802)
Share of exchange differences of investments in associates		**596**	(175)
Share of exchange differences of an investment in a joint venture		**–**	(688)
Other comprehensive income for the year, net of tax		**5,071**	(28,665)
Total comprehensive income for the year		**(71,459)**	(88,757)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(58,386)**	(77,791)
Non-controlling interests		**(13,073)**	(10,966)
		(71,459)	(88,757)
Loss per share	11		
From continuing and discontinued operations			
Basic and diluted (cents)		**7.9**	7.1
From continuing operations			
Basic and diluted (cents)		**7.9**	12.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**41,428**	41,421
Prepaid land lease payments		**8,175**	7,842
Goodwill		**264**	1,742
Intangible assets		**44,661**	56,610
Investments in associates		**5,285**	48,743
Available-for-sale financial assets		**21,612**	20,621
		121,425	176,979
Current assets			
Prepaid land lease payments		**241**	224
Inventories		**6,579**	7,395
Trade and other receivables	12	**83,945**	40,097
Loan and interest receivable		**15,017**	–
Held for trading securities		**2,966**	53,844
Income tax recoverable		**46**	945
Bank and cash balances		**73,181**	34,695
		181,975	137,200
Assets classified as held for sale		**–**	8,777
Total current assets		**181,975**	145,977
TOTAL ASSETS		**303,400**	322,956
EQUITY AND LIABILITIES			
Share capital		**85,637**	78,837
Other reserves		**169,037**	186,673
Equity attributable to owners of the Company		**254,674**	265,510
Non-controlling interests		**(3,366)**	9,707
TOTAL EQUITY		**251,308**	275,217

	Notes	**2017**	2016
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Loan from a non-controlling shareholder of a subsidiary		**4,759**	3,120
Deferred tax liabilities		**1,598**	1,786
		6,357	4,906
Current liabilities			
Trade and other payables	13	**18,444**	23,979
Bank and other borrowings		**26,784**	18,854
Current tax liabilities		**507**	–
Total current liabilities		**45,735**	42,833
TOTAL EQUITY AND LIABILITIES		**303,400**	322,956

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company											
	Share capital	Share premium	Share based payment reserve	Special reserve	Other reserve	Statutory surplus reserve fund	Statutory enterprise expansion fund	Foreign currency translation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	65,699	270,972	3,385	235,391	3,154	15,479	3,098	21,691	(297,811)	321,058	21,680	342,738
Total comprehensive income for the year	–	–	–	–	–	–	–	(27,640)	(50,151)	(77,791)	(10,966)	(88,757)
Change in ownership interests in subsidiaries without loss of control	–	–	–	–	1,009	–	–	–	–	1,009	(1,007)	2
Issue of shares on placement	13,138	9,065	–	–	–	–	–	–	–	22,203	–	22,203
Less: Shares issue expenses	–	(969)	–	–	–	–	–	–	–	(969)	–	(969)
Disposal of discontinued operation	–	–	–	(22,443)	–	(15,479)	(3,098)	–	41,020	–	–	–
Transfer of share based payment reserve upon lapse of share options	–	–	(3,385)	–	–	–	–	–	3,385	–	–	–
Changes in equity for the year	13,138	8,096	(3,385)	(22,443)	1,009	(15,479)	(3,098)	(27,640)	(5,746)	(55,548)	(11,973)	(67,521)
At 31 December 2016	78,837	279,068	–	212,948	4,163	–	–	(5,949)	(303,557)	265,510	9,707	275,217
At 1 January 2017	**78,837**	**279,068**	**-**	**212,948**	**4,163**	**-**	**-**	**(5,949)**	**(303,557)**	**265,510**	**9,707**	**275,217**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,376**	**(63,022)**	**(61,646)**	**(13,073)**	**(74,719)**
Release of exchange difference upon disposal of assets held for sales	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,716**	**-**	**1,716**	**-**	**1,716**
Release of exchange difference upon disposal of associates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(184)**	**-**	**(184)**	**-**	**(184)**
Release of exchange differences upon disposal of investments in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,728**	**-**	**1,728**	**-**	**1,728**
Top-up share subscription	**6,800**	**40,800**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47,600**	**-**	**47,600**
Less: Share issue expenses	**-**	**(50)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(50)**	**-**	**(50)**
Changes in equity for the year	**6,800**	**40,750**	**-**	**-**	**-**	**-**	**-**	**4,636**	**(63,022)**	**(10,836)**	**(13,073)**	**(23,909)**
At 31 December 2017	**85,637**	**319,818**	**-**	**212,948**	**4,163**	**-**	**-**	**(1,313)**	**(366,579)**	**254,674**	**(3,366)**	**251,308**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated registered as an exempted company in 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 address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business in Hong Kong is Suites 1904-05A, 19/F, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong. The Company's shares are listed on GEM of the Stock Exchange.

The Company is an investment holding company. The principal activities of its subsidiaries are (i) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the People's Republic of China (the "**PRC**") and Hong Kong; (ii) provision of medical laboratory testing services and health check services in Hong Kong; and (iii) trading of securities in Hong Kong.

In the opinion of the directors of the Company, Genius Lead Limited, a company incorporated in Samoa with limited liability, is the immediate holding company, Genius Earn Limited, a company incorporated in the British Virgin Islands with limited liability, is the ultimate holding company and Mr. Liu Xiaolin is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments.	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) Classification and measurement

The Group expects to irrevocably designate those listed and unlisted equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Fair value gains and losses on these instruments will no longer be recycled to profit or loss on disposal. Impairment losses on debt securities will be measured applying the general impairment model in HKFRS 9 as described in (b) below and recognised in profit or loss. Impairment losses on equity securities will no longer be recognised in profit or loss but rather in other comprehensive income. In addition, the Group currently measures certain unlisted equity securities at cost less impairment. Under HKFRS 9 these instruments will be measured at fair value.

(b) Impairment

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would not be significantly impacted.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from the sales of health related and pharmaceutical products and the medical laboratory testing services and health check services are generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

For contracts with customers in which the sale of sales manufactured goods and trading of raw materials is generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$14,766,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2017	2016
	HK$'000	*HK$'000*
Manufacture and sale of health related and pharmaceutical products	**43,720**	26,846
Provision of medical laboratory testing services and health check services	**61,379**	57,048
Provision of research and development services	**20**	1,758
Money lending business	**16**	913
	105,135	86,565
Gross proceeds from trading of securities *(note)*	**111,715**	48,693
Gross proceeds	**216,850**	135,258

Note:

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

5. OTHER INCOME, GAINS/(LOSSES)

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Interest income	**144**	326
Government grants *(note)*	**104**	662
Forfeiture of consideration received	**–**	1,360
Dividends income from equity investments	**–**	4,596
Gain/(loss) on disposal of property, plant and equipment	**74**	(35)
Net foreign exchange (loss)/gain	**(9)**	38
Written off on property, plant and equipment	**–**	(6,134)
Others	**354**	699
	667	1,512

Note:

During the year ended 31 December 2017, a special government funding of approximately RMB90,000 (equivalent to approximately HK$104,000) (2016: RMB56,000 or equivalent to approximately HK$66,000) received by a subsidiary of the Company in the PRC for research and development.

During the year ended 31 December 2016, a government incentive subsidy of RMB500,000 (equivalent to approximately HK$596,000) received by a subsidiary of the Company in the PRC as a result of its developed pharmaceutical formulation being registered in the Chinese Pharmacopoeia (2015 Edition).

6. SEGMENT INFORMATION

The Group has four operating segments as follows:

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

One operation (the manufacture and sale of consumer cosmetics and the manufacture and sale of health supplement wine, dental materials and equipment) were discontinued in 2016. The segment information reported does not include any amounts for this discontinued operation.

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

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

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about operating segment profit or loss, assets and liabilities from continuing operations:

	Pharmaceutical products *HK$'000*	Medical and health related services *HK$'000*	Securities *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 December 2017					
Revenue from external customers *(note)*	**43,720**	**61,379**	**111,715**	**36**	**216,850**
Segment loss	**(27,956)**	**(475)**	**(37,346)**	**(804)**	**(66,581)**
Other income, gain/(loss)					**667**
Finance costs					**(2,189)**
Share of profits of associates					**6,642**
Loss on disposal of assets held for sales					**(493)**
Gain on disposal of associates					**8,066**
Gain on disposal of subsidiaries					**2,473**
Unallocated corporate expenses					**(23,983)**
Loss before tax					**(75,398)**
Income tax expense					**(1,132)**
Loss for the year					**(76,530)**
As at 31 December 2017					
Segment assets	**35,732**	**88,406**	**33,674**	**17,038**	**174,850**
Unallocated corporate assets					**128,550**
					303,400
Segment liabilities	**10,956**	**12,794**	**95**	**104**	**23,949**
Unallocated corporate liabilities					**28,143**
					52,092

	Pharmaceutical products *HK$'000*	Medical and health related services *HK$'000*	Securities *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 December 2016					
Revenue from external customers *(note)*	26,846	57,048	48,693	2,671	135,258
Segment loss	(21,639)	(33,003)	(30,606)	(2,954)	(88,202)
Other income, gains/(losses)					7,681
Finance costs					(2,010)
Share of profits of associates					8,648
Share of loss of a joint venture					(4,043)
Loss on disposal of a subsidiary					(217)
Unallocated corporate expenses					(16,996)
Loss before tax					(95,139)
Income tax expense					(479)
Loss for the year					(95,618)
As at 31 December 2016					
Segment assets	52,068	89,176	55,061	8,857	205,162
Assets classified as held for sale					8,777
Unallocated corporate assets					109,017
					322,956
Segment liabilities	10,863	10,964	115	4,945	26,887
Unallocated corporate liabilities					20,852
					47,739

Note:

Reconciliation of total segment revenue to the Group's revenue from continuing operations:

	2017	2016
	HK$'000	*HK$'000*
Gross proceeds	**216,850**	135,258
Less: Gross proceeds from trading of securities	**(111,715)**	(48,693)
Revenue	**105,135**	86,565

Other segment information

Other segment information for the year ended 31 December 2017:

	Pharmaceutical products	**Medical and health related services**	**Securities**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Capital expenditures	**2,162**	**1,042**	**15**	**1,851**	**5,070**
Amortisation of prepaid land lease payments	**232**	**–**	**–**	**–**	**232**
Amortisation of intangible assets	**–**	**1,225**	**–**	**–**	**1,225**
Depreciation of property, plant and equipment	**1,060**	**4,086**	**4**	**664**	**5,814**
Gain on disposal of property, plant and equipment	**–**	**–**	**–**	**(74)**	**(74)**
Share of profits of associates	**–**	**–**	**–**	**(6,642)**	**(6,642)**
Impairment loss on goodwill	**1,478**	**–**	**–**	**–**	**1,478**
Impairment loss on intangible assets	**11,085**	**–**	**–**	**–**	**11,085**
Allowance for doubtful debts	**2,732**	**–**	**–**	**–**	**2,732**
Impairment loss on available-for-sale financial assets	**–**	**–**	**–**	**4,049**	**4,049**
Write-down of inventories	**894**	**297**	**–**	**–**	**1,191**

Other segment information for the year ended 31 December 2016

	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	3,752	18,706	–	824	23,282
Amortisation of prepaid land lease payments	235	–	–	–	235
Amortisation of intangible assets	–	1,225	–	–	1,225
Depreciation of property, plant and equipment	1,796	3,478	–	370	5,644
Loss on disposal of property, plant and equipment	–	35	–	–	35
Written off on property, plant and equipment	5,863	252	–	19	6,134
Share of profits of associates	–	–	–	(8,648)	(8,648)
Share of loss of a joint venture	–	–	–	4,043	4,043
Impairment loss on goodwill	–	27,669	–	–	27,669
Allowance for doubtful debt	5,075	–	–	–	5,075
Impairment loss on available-for-sale financial assets	–	–	–	3,195	3,195
Write-down of inventories	189	–	–	–	189

Geographical information:

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**67,835**	61,401	**71,616**	75,296
PRC except Hong Kong	**8,284**	15,049	**28,197**	50,036
Malaysia	**10,467**	5,385	**–**	–
Singapore	**13,515**	4,730	**–**	–
Germany	**4,657**	–	**–**	–
India	**377**	–	**–**	–
Switzerland	**–**	–	**–**	31,026
	105,135	86,565	**99,813**	156,358

Revenue from major customers:

Revenue from customers in relation to continuing operations contributing over 10% of the total revenue of the Group is as follows:

	2017	2016
	HK$'000	*HK$'000*
Manufacture and sale of health related and pharmaceutical products segment		
Customer A	**13,515**	N/A[1]
Provision of medical and health related services segment		
Customer B	**13,612**	10,938

[1] The revenue contributed from customer A was not over 10% for the year ended 31 December 2016.

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowing	**105**	51
Interest on other borrowings	**2,539**	2,389
Imputed interest on loan from a non-controlling shareholder of a subsidiary	**99**	42
Total borrowing costs	**2,743**	2,482
Amount capitalised	**(554)**	(472)
	2,189	2,010

The weighted average capitalisation rate on funds borrowed generally is at a rate of 1% per month (2016: 1% per month).

8. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2017	2016
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**1,321**	705
Over-provision in prior years	**(1)**	–
	1,320	705
Deferred tax	**(188)**	(226)
	1,132	479

Hong Kong Profits Tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2017.

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 EIT rate of 15%.

PRC Enterprise Income Tax has been provided at a rate of 25% (2016: 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 existing legislation, interpretation and practices in respect thereof.

9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's loss for the year is stated after charging/(crediting) the following:

	2017	2016
	HK$'000	*HK$'000*
Amortisation of intangible assets	**1,225**	1,225
Amortisation of prepaid land lease payments	**232**	235
Depreciation of property, plant and equipment	**5,814**	5,644
(Gain)/loss on disposal of property, plant and equipment	**(74)**	35
Operating lease charges		
– Office premises, warehouses and staff quarters	**5,888**	7,014
Staff costs		
– Salaries, bonuses and allowances	**36,595**	35,442
– Retirement benefits scheme contributions	**1,723**	1,911
	38,318	37,353
Auditor's remuneration	**750**	760
Cost of inventories sold	**48,769**	31,410
Write-down on inventories (included in cost of sales)	**1,191**	189
Allowance for doubtful debts	**2,732**	5,075
Impairment loss on goodwill	**1,478**	27,699
Impairment loss on available-for-sale financial assets	**4,049**	3,195
Impairment loss on intangible assets	**11,085**	–
Written off on property, plant and equipment	**–**	6,134

10. DIVIDENDS

The directors of the Company did not recommend payment of any final dividend for the year ended 31 December 2017 (2016: Nil).

11. LOSS PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company from continuing and discontinued operations is based on the following:

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share	**(63,022)**	(50,151)

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**801,222**	706,883

(b) From continuing operations

The calculation of the basic and diluted earnings per share attributable to the owners of the Company from continuing operations is based on the following:

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the year	**(63,022)**	(50,151)
Less: Profit for the year from discontinued operations	**–**	(35,526)
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	**(63,022)**	(85,677)

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same.

(c) From discontinued operations

Basic and diluted earnings per share from the discontinued operations for the year ended 31 December 2016 is HK5 cents per share, based on the profit for the year ended 31 December 2016 from discontinued operation attributable to the owners of the Company of approximately HK$35,526,000 and the denominators used are the same as those detailed above for both basic and diluted loss per share. The Group did not have any discontinued operation for the year ended 31 December 2017.

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**26,828**	26,685
Allowance for doubtful debts	**(7,580)**	(4,711)
	19,248	21,974
Rental and other deposits	**4,026**	2,031
Other receivables	**4,117**	11,817
Prepayments	**6,541**	3,462
Sales proceeds on disposal of associates	**20,000**	–
Cash held in securities trading accounts with stock brokers	**30,013**	813
Total trade and other receivables	**83,945**	40,097

The Group generally allows an average credit period of 90 days (2016: 90 days) for its pharmaceutical products customer, and its laboratory testing and health check services customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**13,202**	16,516
91 to 180 days	**2,161**	2,104
181 to 365 days	**2,191**	1,604
Over 365 days	**1,694**	1,750
	19,248	21,974

As at 31 December 2017, an aggregate allowance was made for estimated irrecoverable trade receivables of approximately HK$7,580,000 (2016: HK$4,711,000).

Reconciliation of allowance for doubtful debts:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**4,711**	116
Allowance for the year	**2,732**	5,075
Amounts written off	**(301)**	(263)
Exchange differences	**438**	(217)
At 31 December	**7,580**	4,711

As of 31 December 2017, trade receivables of approximately HK$6,046,000 (2016: HK$5,458,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables past due but not impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
Less than 90 days	**2,161**	2,104
91 to 275 days	**2,191**	1,604
Over 275 days	**1,694**	1,750
	6,046	5,458

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
HK$	**16,357**	14,772
USD	**–**	2,782
RMB	**2,891**	4,420
Total	**19,248**	21,974

13. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**5,057**	8,390
Accruals	**4,469**	4,733
Receipt in advance	**84**	4,990
Other payables	**8,834**	5,866
	18,444	23,979

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

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**2,186**	5,348
91 to 180 days	**23**	61
181 to 365 days	**75**	2,042
Over 365 days	**2,773**	939
	5,057	8,390

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
HK$	**2,079**	5,235
RMB	**2,978**	3,155
Total	**5,057**	8,390

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2017 ("**2017 Year**"), the principal activities of the Group are (i) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong, (ii) provision of medical laboratory testing services and health check services in Hong Kong, and (iii) trading of securities in Hong Kong.

Manufacture and sale of health related and pharmaceutical products

Manufacture and sale of health related and pharmaceutical products segment recorded a significant increase in turnover during the 2017 Year. The significant increase in turnover of this segment from approximately HK$26,846,000 for the year ended 31 December 2016 ("**2016 Year**") to approximately HK$43,720,000 for the 2017 Year is mainly due to the contribution of the new business, i.e. trading of pharmaceutical intermediates since the fourth quarter of 2016, of approximately HK$33,708,000 during the 2017 Year (2016 Year: HK$10,115,000). The Group has also upgraded and redesigned the websites of the operating subsidiaries in Hong Kong, http://www.thslife.com.hk and http://www.healthyintl.com, since the fourth quarter of 2016 in order to enhance the online sales of healthcare and skincare related products in 2017. Starting from 2017, the Group has also expanded the e-commerce business through online sales platforms.

Provision of medical laboratory testing services and health check services

The Group had offered a wide spectrum of quality health check diagnostic services in Hong Kong through three health check centers, one medical testing central laboratory and one molecular laboratory. During the 2017 Year, a service contract with a major customer was renewed for a further period of 3 years and the price list for exclusive laboratory services was adjusted with some increments for the unit prices of certain laboratory tests, as well as more diversified laboratory tests are carried out to different customers. As such, the turnover of this segment increased slightly from approximately HK$57,048,000 for the 2016 Year to approximately HK$61,379,000 for the 2017 Year. However, such business segment of the Group remains challenging due to the keen competition in the medical laboratory testing services and health check services industry in Hong Kong and the saturated market with constant increase in number of new entrants in the industry.

Starting from 2017, the Group has provided regular complimentary seminars to the public including local specialist doctors about the molecular laboratory testing services provided by the Group in order to expand the customer base, enhance its competitiveness in the market and profitability.

Trading of financial assets at fair value through profit or loss ("FVTPL")

This business segment recorded a net loss on financial assets at FVTPL of approximately HK$32,671,000 during the 2017 Year (2016 Year: HK$25,679,000) comprising (i) the net unrealised loss on fair value changes of approximately HK$10,486,000 (2016 Year: HK$19,798,000); and (ii) the net realised loss of approximately HK$22,185,000 (2016 Year: HK$5,881,000). The Group's investment portfolio comprises investments in listed securities in Hong Kong during the 2017 Year. The performance of equity investments is subject to certain degree of volatility in the Hong Kong stock market and is susceptible to other external factors. It has been the policy of the Company to closely monitor the performance of its securities investment and to diversify the investment portfolio with a view to mitigating possible financial risks related to the equity investments.

Disposal of subsidiaries

(a) Jet Rich Group

Having taken into consideration that the performance of Jet Rich Investment Limited and its subsidiary (collectively, the "**Jet Rich Group**") for the past financial years was not satisfactory, the Directors considered that the disposal of the Jet Rich 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 Jet Rich Group took place on 30 March 2017.

(b) V-Express

Having taken into consideration that V-Express Pharmaceutical Limited ("**V-Express**") had been inactive in recent years, the Directors considered that the disposal of V-Express would enable the Company to save administrative costs. The completion of the disposal of V-Express took place on 1 June 2017.

Disposal of associates

(a) Magical Bloom Group

Having taken into account the keen competition of the medicine and medical appliances wholesale industry in the PRC in recent years and that the Company does not have majority voting right over the board of Magical Bloom Limited ("**Magical Bloom**") and its subsidiaries (collectively, the "**Magical Bloom Group**"), the Group is unable to dictate the development of the Magical Bloom Group, the Directors are of the view that the disposal of Magical Bloom represents an opportunity for the Group to realise its investment in the Magical Bloom Group (through Magical Bloom) with a reasonable return and that the Group can allocate more resources to its other business. The completion of the disposal of interest in the Magical Bloom Group took place on 22 June 2017.

(b) ***New Health***

On 12 May 2017, Silver Wisdom Development Limited, an indirect wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent purchaser, to dispose of the Group's entire interest in a company engaged in health management business for a cash consideration of HK$4,830,000. However, the said disposal was terminated (as detailed in the announcement of the Company dated 24 July 2017).

(c) ***Ultimate Synergy Group***

Having considered that (i) the Company had no intention to participate in the proposed rights issue exercise of Ultimate Synergy Limited and its subsidiaries (collectively, the "**Ultimate Synergy Group**"); (ii) the Ultimate Synergy Group's timetable for the listing is subject to high level of uncertainties; and (iii) the interest in Ultimate Synergy Group representing a minority interest, is of limited marketability; the Directors are of the view that the disposal of interest in Ultimate Synergy Group represents an opportunity for the Group to realise its investment in the Ultimate Synergy Group and that the Group can reallocate more resource for existing business of the Group and future investment opportunities. The completion of the disposal of interest in the Ultimate Synergy Group took place on 29 December 2017.

Unconditional mandatory general cash offer and sufficiency of public float

On 15 June 2017, China Wah Yan Healthcare Limited ("**Wah Yan Healthcare**"), as vendor, Genius Lead Limited ("**Genius Lead**"), as purchaser, entered into a sale and purchase agreement whereby Wah Yan Healthcare has conditionally agreed to sell and Genius Lead has conditionally agreed to acquire the 406,023,891 shares of the Company (the "**Sale Shares**") at an aggregate cash consideration of HK$207,072,184.41, equivalent to HK$0.51 per Sale Share ("**Rui Kang Disposal**"). As at 15 June 2017, Mr. Liu Xiaolin ("**Mr. Liu**"), being the ultimate beneficial owner of Genius Lead and therefore an associate of and a party acting in concert (within the meaning of the Code of Takeovers and Mergers of Hong Kong (the "**Takeovers Code**")) with Genius Lead, was interested in 93,820,000 shares of the Company, representing approximately 11.90% of the entire issued share capital of the Company. Details of the Rui Kang Disposal are disclosed in the announcement dated 15 June 2017 jointly published by Genius Lead, Wah Yan Healthcare and the Company and the joint announcement of Genius Lead and the Company dated 31 July 2017.

Upon completion of the Rui Kang Disposal on 31 July 2017, Wah Yan Healthcare ceased to have any interest in the Company and Genius Lead and parties acting in concert with it have become interested in a total of 499,843,891 shares of the Company, representing approximately 63.40% of the entire issued share capital of the Company. As such, pursuant to Rule 26.1 of the Takeovers Code, Genius Lead, as offeror, is required to make an unconditional mandatory cash offer for all the issued shares of the Company other than those already owned or agreed to be acquired by Genius Lead and parties acting in concert with it (the "**Mandatory General Cash Offer**").

The Mandatory General Cash Offer has become unconditional in all respects on 31 July 2017. Details of the Mandatory General Cash Offer are disclosed in the composite document in respect of the Mandatory General Cash Offer dated 7 August 2017 jointly published by Genius Lead and the Company, and the joint announcement of Genius Lead and the Company in relation to, among other things, the close of the Offer, the results of the Offer and the public float dated 28 August 2017. The minimum public float of the Company was restored on 16 October 2017 by way of the 2017 Placing, details of which are disclosed in the announcements of the Company dated 12 October 2017, 13 October 2017 and 16 October 2017.

FINANCIAL REVIEW

Turnover

During the 2017 Year, the Group recorded a turnover of approximately HK$105,135,000 from continuing operations, representing a significant increase of approximately 21.45% as compared with that of approximately HK$86,565,000 for the 2016 Year. The overall increase in the turnover was mainly due to the contribution of the new business, i.e. trading of pharmaceutical intermediates since the fourth quarter of 2016, of approximately HK$33,708,000 during the 2017 Year (2016 Year: HK$10,115,000).

Gross profit and gross profit margin

The Group recorded gross profit from continuing operations in the 2017 Year of approximately HK$30,202,000, representing a slight increase when compared with that of approximately HK$30,043,000 in the 2016 Year. However, the gross profit margin for the 2017 Year was approximately 28.73%, representing a decrease by approximately 5.98 percentage point when compared with the gross profit margin of approximately 34.71% for the 2016 Year. The decrease in gross profit margin was attributable to the increase in trading of pharmaceutical intermediates business which has a thinner gross profit margin.

Selling and distribution expenses

Selling and distribution expenses for the 2017 Year for continuing operations were approximately HK$16,807,000 (2016 Year: HK$19,996,000), representing a decrease of approximately HK$3,189,000 or 15.95% as compared with such expenses for the 2016 Year. Such decrease was mainly attributable to (i) the absence of rental expenses for the marketing center of 貴州雙升製藥有限公司(in English, for identification purpose only, Guzhou Shuang Sheng Pharmaceutical Co., Ltd.) ("**Shuang Sheng**") in Beijing during the 2017 Year as the tenancy agreement was terminated in the second quarter of the year 2016; (ii) less advertising and promotion expenses were incurred for healthcare and skincare product market in Hong Kong as the use of traditional advertising through printed magazines for the 2016 Year were replaced by the use of online advertising through digital media, which were less expensive; and (iii) less staff costs were incurred for healthcare and skincare product market in Hong Kong due to the decrease in number of promoters as result of termination of co-operation with one retail store in Hong Kong in mid of 2017.

Administrative expenses

The administrative expenses for the 2017 Year for continuing operations were approximately HK$54,676,000, representing an increase of approximately 4.08%, as compared with that of approximately HK$52,533,000 for the 2016 Year was mainly due to a slight increase in staff cost during the 2017 Year.

Finance costs

During the 2017 Year, the Group's interest expenses (including capitalised interest) amounted to approximately HK$2,743,000 (2016 Year: HK$2,482,000). The increase in finance costs (including capitalised interest) was attributable to the short term other borrowings as the working capital to finance the construction costs of the expansion of the manufacturing plant held by Shuang Sheng during the 2017 Year, which resulted in a higher average borrowing level.

Loss for the year from continuing operations

The Group continued to record a significant net loss from continuing operations of approximately HK$76,530,000 for the 2017 Year (2016 Year: HK$95,618,000) mainly attributable to (i) a significant net loss of approximately HK$32,671,000 on financial assets at FVTPL (2016 Year: HK$25,679,000); (ii) the recognition of an impairment loss on trade receivables of approximately HK$2,732,000 (2016 Year: HK$5,075,000); (iii) the impairment of available-for-sale financial assets of approximately HK$4,079,000 (2016 Year: HK$3,195,000); (iv) the write-off of certain property, plant and equipment of approximately HK$Nil (2016 Year: HK$6,134,000); (v) the impairment loss on goodwill in respect of its certain subsidiaries of approximately HK$1,478,000 (2016 Year: HK$27,669,000); and (vi) the increase of impairment loss on intangible assets of approximately HK$11,085,000 (2016 Year: HK$Nil).

OUTLOOK

With the rising personal income levels, accelerating consumption structure upgrades, higher expectations on living quality and increasing demand for healthcare services due to aging population in the PRC, the big health industry will see a promising future. According to a Statistical Bulletin of the PRC National Health and Family Planning Development (中國衛生和計劃生育事業發展統計公報), the PRC total health expenditure in 2017 was RMB3,166.15 billion, which accounted for 5.57% of its gross domestic product (GDP). Moreover, the State Council of the PRC, in September 2013, issued the Several Opinions of the State Council on Promoting the Development of Health Service Industry (國務院關於促進健康服務業發展的若干意見), stating that a full life-cycle healthcare services system shall be fundamentally established by 2020 and the total size of the industry is expected to exceed RMB8 trillion.

The PRC big health industry will be developed under a favourable policy environment. As the PRC attaches great importance to people-oriented concept, the PRC government has proposed practical healthcare development strategies for the new medical reform plan and "Healthy China 2020". It is clearly stated in the strategies that, by 2020, the PRC key health indicators shall essentially meet the level of middle developing countries, as well as the total health expenditure as a percentage of GDP shall increase 2 percentage points to 6.5-7%.

In October 2016, the "Healthy China 2030 Plan" was published, outlining that in 2050, the 100th anniversary of founding of the New China, the Healthy China 2030 will be an important strategic support. People's health is put to the top strategic priority among a series of major initiatives of the Communist Party of the PRC and the State Council of the PRC, which would bring tremendous opportunities for economic development.

Such policy takes "healthy strong country" as a basic state policy and lifts it to a national strategic level. Going forward, the PRC government will further increase its investment in medical health. The critical window period when two major policies at a crossroad creates unprecedented and historic chances and rooms for the Group to achieve leapfrog growth. The Group will expedite mergers and acquisitions and business consolidation to further strengthen its emerging medical technology for medical industry.

The market size of health check industry in the PRC amounted to RMB94.0 billion in 2015 and is projected to reach RMB 174.9 billion in 2018. For the next five years (2018-2022), the compound annual growth rate (CAGR) is expected to be approximately 20.60%, with the market size in 2022 amounting to RMB370.0 billion.

The PRC pharmaceutical manufacturing industry generated a sales revenue of RMB2,806.29 billion in 2016 and RMB1,944.87 billion from January to August in 2017. As projected, the PRC pharmaceutical manufacturing industry will generate a sales revenue of RMB3,212.6 billion and RMB4,403.0 billion in 2018 and 2022, respectively, representing a CAGR of approximately 8.20% for the next five years (2018-2022).

The PRC pharmaceutical manufacturing industry registered a total profit of RMB300.29 billion in 2016 and RMB212.76 billion from January to August in 2017. As projected, the PRC pharmaceutical manufacturing industry will register a profit of RMB358.4 billion and RMB536.7 billion in 2018 and 2022, respectively, representing a CAGR of approximately 10.62% for the next five years (2018-2022). (The above data is sourced from CIC Industry Research Centre (中投顧問產業研究中心)).

The efforts made on finishing human genome, targeted therapy, big data, molecular pathology and a lot are all aimed for a more accurate and precise medicine as well as driving the development of precision medicine. Precision medicine is a personalised disease precaution and treatment option by applying modern genetic technology and biotechnology and taking into account the living environment and lifestyle of patient that achieve precise categorisation and diagnosis of diseases and greater understanding about the disease.

In light of the development of the health industry, social capital will be provided with numerous opportunities for investing in, among others, the development and research of pharmaceutical products, development of equipment and precision medical services, precision examination and testing as well as treatment system. The Group will also increase its investment focus on such projects as Car-T, protein molecular diagnosis, third-party examination laboratories, precision medical equipment, genetic tests, cell processing centres, biotechnology and artificial intelligence (AI). Both the development momentum of and the policy steer on the medical services industry in the PRC would create a favourable development environment for the Group in establishing future biotechnology platforms.

The Company will plan to pursue two directions, namely "precision diagnosis: precision big health checkups system" and "precision treatment: Car-T integrated industry chain" by grasping the historic opportunity for the development of global precision medical care, in an effort to become a future biotechnology platform.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

Liquidity and Financial Resources

As at 31 December 2017, the Group held cash and bank balances of approximately HK$73,181,000 (2016: HK$34,695,000), all were principally denominated in Renminbi and Hong Kong dollars. The increase in cash and bank balances of approximately HK$38,486,000 is mainly due to (i) the net proceeds from the Top-up Subscription of new shares under general mandate of approximately HK$47,500,000 which was completed on 24 October 2017; and (ii) the sales proceeds of HK$41,000,000 from disposal of interest in the Magical Bloom Group which was completed on 22 June 2017.

As at 31 December 2017, the Group had secured bank borrowing of approximately HK$4,005,000 (2016: HK$5,065,000), which carried a floating interest rate (i.e. HK$ best lending rate offered by the bank minus 2.7%) and is not repayable within one year from the end of the reporting period but contains a repayment on demand clause.

As at 31 December 2017, the Group had unsecured other borrowings of (i) approximately RMB17,900,000 (equivalent to approximately HK$21,460,000) (2016: RMB12,344,000 (equivalent to approximately HK$13,789,000)), which carried a fixed interest rate of 1% per month (2016: 1% per month) and is repayable within one year; and (ii) approximately RMB1,100,000 (equivalent to approximately HK$1,319,000 (2016: HK$Nil), which carried a fixed interest rate of 12% per annum and is repayable within one year.

The increase in the bank and other borrowings were mainly due to additional other borrowings during the 2017 Year.

As at 31 December 2017, the total assets of the Group (including assets classified as held for sale) were approximately HK$303,400,000 (2016: HK$322,956,000), whereas total liabilities (including liabilities associated with assets classified as held for sale) were approximately HK$52,092,000 (2016: HK$47,739,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 17.17% (2016: 14.78%). Current ratio (defined as total current assets (including assets classified as held for sale) divided by total current liabilities (including liabilities associated with assets classified as held for sale) was 3.98 times (2016: 3.41 times).

Capital Structure

As at 31 December 2017, the total issued share capital of the Company was HK$85,636,675 (2016: HK$78,836,675) divided into 856,366,750 (2016: 788,366,750) ordinary shares of HK$0.10 each.

Placing of existing shares and top-up subscription of new shares under general mandate

On 12 October 2017, Mr. Liu entered into the two placing agreements (the "**Placing Agreements**"), pursuant to which Mr. Liu agreed to sell 40,000,000 and 28,000,000 shares of the Company (the "**Placing Shares**") to Mr. Chen Huiyong (the "**Placing A**") and Ms. Wing Man Yi (the "**Placing B**") respectively at a price of HK$0.70 per Placing Share (the **2017 Placing**). On the same date, Mr. Liu entered into top-up subscription agreement with the Company (the "**Top-up Subscription Agreement**"). Pursuant to the Top-up Subscription Agreement, the Company conditionally agreed to allot and issue, and Mr. Liu conditionally agreed to subscribe for 68,000,000 ordinary shares of the Company of HK$0.10 each in the share capital of the Company, of aggregate nominal value of HK$6,800,000 (the "**Top-up Subscription Shares**") (equivalent to the number of Placing Shares sold by Mr. Liu under the Placing Agreements) at a price of HK$0.70 per Top-up Subscription Share, representing a discount of 5.41% to the closing price of HK$0.74 per share of the Company as quoted on the Stock Exchange on 12 October 2017 (the "**Top-up Subscription**"). The completion of the Placing B, the Placing A and the Top-up Subscription took place on 13 October 2017, 16 October 2017 and 24 October 2017 respectively. Details of the 2017 Placing and Top-up Subscription were disclosed in the announcements of the Company dated 12 October 2017, 13 October 2017, 16 October 2017 and 24 October 2017.

Following the close of the Mandatory General Cash Offer, the minimum public float requirement of 25.0% under Rule 11.23(7) of the GEM Listing Rules was not satisfied as 165,046,204 shares of the Company, representing 20.94% of the then issued share capital of the Company, were held in the hands of the public and the Stock Exchange granted to the Company a waiver from strict compliance with Rule 11.23(7) of the GEM Listing Rules for the period from 28 August 2017 up to and including 13 October 2017 (the "**Waiver**"). The Directors have considered various ways to restore the public float of the Company and are of the view that that the arrangement of placing and top-up subscription is the appropriate method to restore the public float of the Company as the time and costs involved in the 2017 Placing and the Top-up Subscription are relatively less. Details of the aforementioned public float insufficiency and the Wavier are disclosed in the announcements of the Company dated 28 August 2017 and 1 September 2017 respectively.

Use of net proceeds from Top-up Subscription of new shares under general mandate

Net proceeds from the top-up subscription of new share under general mandate which completed on 24 October 2017 was approximately HK$47,500,000. As at 31 December 2017, the Company has utilised approximately HK$12,000,000 for general working capital of the Group. The Company intends to apply the remaining balance of HK$35,500,000 for potential investments and general working capital of the Group.

SIGNIFICANT INVESTMENT HELD AND PERFORMANCE

Other than disclosed elsewhere in this announcement, during the 2017 Year, proceeds of HK$41,000,000 were received from the disposal of associates (i.e. the Magical Bloom Group) and further investment of HK$5,040,000 was made for available-for-sale financial assets through subscription of new shares in a company licensed to carry on the provision of securities dealing and advisory services.

The Group did not hold any other significant investments with a market value that account for more than 5% of the Group's audited net assets as at 31 December 2017.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the disposal of subsidiaries and associates as disclosed in the section headed "BUSINESS REVIEW" above, the Group did not have any other material acquisition or disposal of subsidiaries and affiliated companies for the 2017 Year.

OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**8,007**	5,935
In the second to fifth years inclusive	**6,759**	5,475
	14,766	11,410

Operating lease payments represent rentals payable by the Group for certain of its offices, warehouses and staff quarters. Leases are negotiated and rentals are fixed for a term ranging from one to eight years (2016: one to eight years) and do not include contingent rentals.

CAPITAL COMMITMENTS

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

	2017	2016
	HK$'000	*HK$'000*
Investment and construction of a pharmaceutical factory	**25,438**	25,438

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

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2017, the Group had a secured bank borrowing of approximately HK$4,005,000 (2016: HK$5,065,000), which was secured by a legal charge on leasehold land and buildings in Hong Kong with the carrying amounts of approximately HK$14,423,000 (2016: HK$14,914,000) and a corporate guarantee executed by a subsidiary in favour of the bank for the banking facilities of HK$5,500,000. The banking facilities are subject to the fulfilment of restrictive covenants including certain financial ratios of a subsidiary as a guarantor. As at 31 December 2017, none of the restrictive covenants relating to drawn down facilities had been breached (2016: none).

CONTINGENT LIABILITIES

As at 31 December 2017 and 2016, the Group has no contingent liabilities.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

During the 2017 Year, 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 31 December 2017, the Group had a total of 170 (2016: 194) full time employees which were located in the PRC and Hong Kong from continuing operations. Total staff costs for the 2017 Year was approximately HK$38,318,000 (2016 Year: HK$40,430,000) of which total staff costs from continuing operations recorded approximately HK$38,318,000 for the 2017 Year (2016 Year: HK$37,353,000).

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

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

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

The total contributions payable to the above schemes by the Group and charged to the consolidated statement of profit or loss and other comprehensive income for the 2017 Year were approximately HK$1,723,000 (2016 Year: HK$2,232,000) of which total contributions payable from continuing operations amounted to approximately HK$1,723,000 for the 2017 Year (2016 Year: HK$1,911,000).

EVENTS AFTER THE REPORTING PERIOD

On 5 January 2018, China Biology Services Group Limited (the "**Purchaser**"), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, entered into a non-legally finding memorandum of understanding (the "**MOU**") with安徽未名生物醫藥有限公司 (the "**Vendor**") in relation to the Purchaser's possible acquisition of 34.33% equity interest in安徽未名細胞治療有限公司 ("**Sinobioway Cell Therapy Co., Ltd.**"), company incorporated in the PRC with limited liability. The Purchaser will acquire and the Vendor will sell 34.33% equity interest in Sinobioway Cell Therapy Co., Ltd. at a total cash consideration of RMB165,980,000 (equivalent to approximately HK$199,744,000). Details of the MOU were disclosed in the announcement of the Company dated 5 January 2018.

On 12 January 2018, the Company has granted to eligible participants (the "**Grantees**"), subject to acceptance by the Grantees, certain options to subscribe for up to a total of 27,380,000 ordinary shares of nominal value of HK$ 0.10 each in the share capital of the Company. Details were disclosed in the announcement of the Company dated 12 January 2018.

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 2017 Year, the Company has complied with the code provisions in the Corporate Governance Code ("**CG Code**") as set out in Appendix 15 to the GEM Listing Rules save for the deviation from code provision A.2.7 and E.1.2 of the CG Code as disclosed below.

Attendance of Directors at Meetings

Under code provision A.2.7 of the CG Code, the chairman of the Company should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As the former chairman of the Company, Mr. Chan Ka Chung, was unable to hold such meeting where no executive Director was present.

Under code provision E.1.2 of the CG Code, the chairman of the Company should attend the annual general meeting of the Company. The former chairman of the Company, Mr. Chan Ka Chung, did not attend the annual general meeting of the Company held on 26 May 2017 ("**2017 AGM**") due to other commitments during the period of his appointment. However, Mr. Leung Pak Hou Anson, the executive Director, and Mr. Fung Wing Sang, the former company secretary of the Company, attended the 2017 AGM to answer questions and communicate with the shareholders of the Company present thereat.

Non-executive Director and independent non-executive Directors should attend general meetings of the Company under Code Provision A.6.7. Due to other pre-arranged business commitments which had to be attended, Mr. Leung Ka Fai (being an independent non-executive Director) and Mr. Ho Fung Shan Bob (being an independent non-executive Director) were unable to attend 2017 AGM.

Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. The positions of the chairman is held by Mr. Liu Xiaolin. The responsibilities of the chairman of the Company is to ensure the Board to work effectively and perform its responsibilities, and all key and appropriate issues are discussed by the Board, draw up and approve the agenda for each board meeting and take into accounts, any matters proposed by others Directors for inclusion in the agenda.

As at 31 December 2017 and up to the date of this announcement, the Company has not appointed a chief executive officer and is looking for a suitable candidate to act as chief executive officer in order to comply with the CG Code.

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 regarding securities transactions by the Directors during the 2017 Year.

AUDIT COMMITTEE

Each of Mr. Yuen Chun Fai and Mr. Leung Ka Fai has tendered his resignation as the chairman of the Audit Committee and a member of Audit Committee with effect from 28 August 2017 and 5 December 2017 respectively. Mr. Yan Guoxiang has been appointed as the chairman of the Audit Committee with effect from 28 August 2017. Mr. Qian Hongji has been appointed as a member of Audit Committee with effect from 2 March 2018.

Following the resignation of Leung Ka Fai as an independent non-executive Director on 5 December 2017, he also ceased to be a member of the Audit Committee. As such, the Company was unable to fulfill the requirement of having three members on the Audit Committee as required under Rule 5.28 of the GEM Listing Rules. Following the appointment of Mr. Qian Hongji as a member of the Audit Committee with effect from 2 March 2018, the requirement of having three members on the Audit Committee has been fulfilled.

The Audit Committee is currently composed of three independent non-executive Directors, namely, Mr. Yan Guoxiang, Mr. Ho Fung Shan Bob and Mr. Qian Hongji. The financial results for the 2017 Year have been reviewed by the Audit Committee.

The principal duties of the Audit Committee include:

(a) to review the relationship with the external auditor to (i) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; and (ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(b) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and review these reports and significant financial reporting judgments contained in them;

(c) to review the Company's financial controls, risk management and internal control systems, discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, and consider major investigation findings on risk management and internal control matters;

(d) to consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors; and

(e) to review arrangements employees of the Company can use, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters, and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the 2017 Year, the Audit Committee has performed the above mentioned principal duties and reviewed the Company's monthly unaudited consolidated financial statements, annual results, annual report, interim report and quarterly reports and to advise and comments thereon to the Board. The Audit Committee has performed the duties to review the compliance procedures, report on the Company's internal control and risk management. The Audit Committee also met the external auditor twice without the presence of the executive Directors. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

The Audit Committee established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The full terms of reference setting out the Audit Committee's authority and its role and responsibilities are available on the websites of the Company (www.cbshhk.com) and the Stock Exchange.

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 2017 Year.

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

Hong Kong, 19 March 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Liu Xiaolin (Chairman), Mr. Leung Pak Hou Anson, and Mr. Wang Zheng; one non-executive Director, namely Mr. Huang Song; and three independent non-executive Directors, namely Mr. Yan Guoxiang, Mr. Ho Fung Shan Bob and Mr. Qian Hongji.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.cbshhk.com.