



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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

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UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of Directors of 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 2018 together with the unaudited comparative figures for the corresponding period in 2017.

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

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2018

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Gross proceeds	3	16,612	132,777	33,771	171,774
Turnover	3	16,612	25,953	33,771	60,059
Cost of sales		(9,886)	(18,803)	(19,951)	(45,743)
Gross profit		6,726	7,150	13,820	14,316
Net loss on financial assets at fair value through profit or loss	5	–	955	–	(22,185)
Other income and gains	6	264	182	299	282
Selling and distribution expenses		(4,094)	(3,683)	(7,806)	(8,179)
Administrative expenses		(16,838)	(10,993)	(32,872)	(21,505)
Loss from operations		(13,942)	(6,389)	(26,559)	(37,271)
Finance costs	7	(866)	(530)	(1,687)	(726)
Loss on disposal of assets held for sale	16	–	–	–	(493)
Gain on disposal of subsidiaries	17	–	74	–	2,473
Gain on disposal of associates	18	–	25,558	–	25,558
Share of profits of associates		324	1,130	8	1,216
(Loss)/profit before tax	8	(14,484)	19,843	(28,238)	(9,243)
Income tax expense	9	(101)	(184)	(107)	(257)
(Loss)/profit for the period		(14,585)	19,659	(28,345)	(9,500)

	<i>Notes</i>	For the three months ended 30 June		For the six months ended 30 June	
		2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
(Loss)/profit for the period		<u>(14,585)</u>	<u>19,659</u>	<u>(28,345)</u>	<u>(9,500)</u>
Other comprehensive					
(loss)/income for the period					
<i>Items that may be reclassified</i>					
<i>subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(73)	515	34	859
Release of exchange difference upon disposal of assets held for sale	16	–	–	–	1,716
Release of exchange difference upon disposal of subsidiaries	17	–	–	–	1,728
Release of exchange difference upon disposal of associates	18	–	293	–	293
Share of exchange differences of investments in associates		<u>(128)</u>	<u>84</u>	<u>(165)</u>	<u>393</u>
Other comprehensive (loss)/income for the period, net of tax		<u>(201)</u>	<u>892</u>	<u>(131)</u>	<u>4,989</u>
Total comprehensive (loss)/income for the period		<u><u>(14,786)</u></u>	<u><u>20,551</u></u>	<u><u>(28,476)</u></u>	<u><u>(4,511)</u></u>
(Loss)/profit for the period attributable to:					
– Owners of the Company		(13,534)	20,641	(26,797)	(7,294)
– Non-controlling interests		<u>(1,051)</u>	<u>(982)</u>	<u>(1,548)</u>	<u>(2,206)</u>
		<u><u>(14,585)</u></u>	<u><u>19,659</u></u>	<u><u>(28,345)</u></u>	<u><u>(9,500)</u></u>
Total comprehensive (loss)/income for the period attributable to:					
– Owners of the Company		(13,742)	21,296	(26,955)	(2,660)
– Non-controlling interests		<u>(1,044)</u>	<u>(745)</u>	<u>(1,521)</u>	<u>(1,851)</u>
		<u><u>(14,786)</u></u>	<u><u>20,551</u></u>	<u><u>(28,476)</u></u>	<u><u>(4,511)</u></u>
(Loss)/earnings per share					
– Basic and diluted (HK\$)	11	<u><u>(0.016)</u></u>	<u><u>0.026</u></u>	<u><u>(0.031)</u></u>	<u><u>(0.009)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

		30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment		41,537	41,428
Prepaid land lease payments		7,942	8,175
Goodwill		264	264
Intangible assets		44,049	44,661
Investments in associates		5,128	5,285
Available-for-sale financial assets	12	–	21,612
Financial assets at fair value through other comprehensive income	13	58,699	–
		<u>157,619</u>	<u>121,425</u>
Current assets			
Prepaid land lease payments		238	241
Inventories		8,455	6,579
Trade and other receivables	14	36,048	83,945
Loan and interest receivables		23,404	15,017
Held for trading securities		2,966	2,966
Income tax recoverable		28	46
Bank and cash balances		53,484	73,181
		<u>124,623</u>	<u>181,975</u>
Total current assets		<u>124,623</u>	<u>181,975</u>
TOTAL ASSETS		<u><u>282,242</u></u>	<u><u>303,400</u></u>
EQUITY AND LIABILITIES			
Share capital		85,637	85,637
Other reserves		148,562	169,037
		<u>234,199</u>	<u>254,674</u>
Equity attributable to owners of the Company		234,199	254,674
Non-controlling interests		(4,887)	(3,366)
		<u>(4,887)</u>	<u>(3,366)</u>
TOTAL EQUITY		<u>229,312</u>	<u>251,308</u>

		30 June 2018	31 December 2017
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Loan from a non-controlling shareholder of a subsidiary		1,585	4,759
Deferred tax liabilities		1,497	1,598
		3,082	6,357
Current liabilities			
Trade and other payables	15	15,797	18,444
Bank and other borrowings		30,065	26,784
Loan from a non-controlling shareholder of a subsidiary		3,229	—
Current tax liabilities		757	507
Total current liabilities		49,848	45,735
TOTAL EQUITY AND LIABILITIES		282,242	303,400

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

	Attributable to owners of the Company							Non-controlling interest	Total
	Share capital	Share premium	Share option reserves	Special reserves	Other reserves	Exchange reserves	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017 (Audited)	78,837	279,068	–	212,948	4,163	(5,949)	(303,557)	265,510	275,217
Loss for the period	–	–	–	–	–	–	(7,294)	(7,294)	(9,500)
Other comprehensive income for the period:									
Exchange differences arising from translation of foreign operations	–	–	–	–	–	504	–	504	859
Release of exchange difference upon disposal of assets held for sale (Note 16)	–	–	–	–	–	1,716	–	1,716	1,716
Release of exchange difference upon disposal of subsidiaries (Note 17)	–	–	–	–	–	1,728	–	1,728	1,728
Release of exchange difference upon disposal of associates (Note 18)	–	–	–	–	–	293	–	293	293
Share of exchange differences of investments in associates	–	–	–	–	–	393	–	393	393
Other comprehensive income for the period, net of tax	–	–	–	–	–	4,634	–	4,634	4,989
Total comprehensive loss for the period	–	–	–	–	–	4,634	(7,294)	(2,660)	(4,511)
At 30 June 2017 (Unaudited)	78,837	279,068	–	212,948	4,163	(1,315)	(310,851)	262,850	270,706

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	For the six months ended	
	30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	2,123	(15,213)
Net cash (used in)/generated from investing activities	(23,820)	42,544
Net cash generated from financing activities	<u>2,139</u>	<u>2,700</u>
Net (decrease)/increase in cash and cash equivalents	(19,558)	30,031
Cash and cash equivalents at beginning of the period	73,181	34,695
Effect of foreign exchange rate changes	<u>(139)</u>	<u>(117)</u>
Cash and cash equivalents at end of the period	<u><u>53,484</u></u>	<u><u>64,609</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

1. GENERAL INFORMATION

The Company 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 since 17 June 2004.

The principal activity of the Company is investment holding. 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.

As at 30 June 2018, 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 of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and applicable disclosures by the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of the Stock Exchange and the Hong Kong Companies Ordinance.

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

The principal accounting policies used in the preparation of the unaudited condensed consolidated interim results for the six months ended 30 June 2018 are consistent with those applied in the Company's annual report for the year ended 31 December 2017, 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 HKICPA has issued a number of new and revised standards, amendments to standards and interpretations (collectively referred to as “**new and amendments to HKFRSs**”). The Group has adopted the new and amendments to HKFRSs which are relevant to the Group’s operations and are mandatory for the financial year beginning on 1 January 2018. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and presentation of the Group’s condensed consolidated interim financial information, except for the adoption of HKFRS 9 Financial Instruments. Upon the adoption of HKFRS 9, the Group elected to classify all equity investments of the Group which were previously classified as available-for-sale financial assets into financial assets measured at fair value through other comprehensive income because these investments have been held as long-term strategic investments that are not expected to be sold in the short term. As a result, the impairment loss on available-for-sale financial assets previously recognised in profit or loss (if any) was reclassified from accumulated losses to investment revaluation reserve on 1 January 2018. The reserve will no longer be reclassified to profit or loss upon impairment or disposal of equity investments, but the cumulative gain or loss previously recognised in other comprehensive income is will be transferred within equity as a reclassification adjustment upon derecognition of equity investments.

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

3. TURNOVER

Gross proceeds represents the amounts received and receivables from sales of goods and provision of medical laboratory testing services and health check services less sales tax and discounts, money lending business and provision of research and development services, if any, and sales proceeds arising from trading of securities during the six months ended 30 June 2018.

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Manufacture and sale of health related and pharmaceutical products	1,884	11,308	4,468	31,840
Provision of medical laboratory testing services and health check services	14,337	14,645	28,616	28,199
Money lending business	391	–	687	–
Provision for research and development services	–	–	–	20
	16,612	25,953	33,771	60,059
Gross proceeds from trading of securities (<i>Note</i>)	–	106,824	–	111,715
Gross proceeds	16,612	132,777	33,771	171,774

Note:

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

4. 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

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 information in respect of business segments is presented as below:

Segment turnover and results

For the six months ended 30 June 2018

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

For the six months ended 30 June 2017

	Pharmaceutical products <i>HK\$'000</i> (Unaudited)	Medical and health related services <i>HK\$'000</i> (Unaudited)	Securities <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Gross proceeds –Segment turnover (<i>Note</i>)	31,840	28,199	111,715	20	171,774
Segment results	(4,595)	(1,331)	(23,571)	(1,165)	(30,662)
Other income and gains					282
Finance costs					(726)
Loss on disposal of assets held for sale					(493)
Gain on disposal of subsidiaries					2,473
Gain on disposal of associates					25,558
Share of profits of associates					1,216
Unallocated corporate expenses					(6,891)
Loss before tax					(9,243)
Income tax expense					(257)
Loss for the period					(9,500)

Note:

Reconciliation of total segment turnover to the Group's turnover

	For the three months ended 30 June	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Gross proceeds	33,771	171,774
Less: Gross proceeds from trading of securities	–	(111,715)
Turnover	33,771	60,059

Segment assets and liabilities
As at 30 June 2018

	Pharmaceutical products <i>HK\$'000</i> (Unaudited)	Medical and health related services <i>HK\$'000</i> (Unaudited)	Securities <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	<u>35,425</u>	<u>88,351</u>	<u>3,389</u>	<u>25,396</u>	152,561
Unallocated corporate assets					<u>129,681</u>
					<u>282,242</u>
Segment liabilities	<u>8,323</u>	<u>12,716</u>	<u>147</u>	<u>98</u>	21,284
Unallocated corporate liabilities					<u>31,646</u>
					<u>52,930</u>

As at 31 December 2017

	Pharmaceutical products <i>HK\$'000</i> (Audited)	Medical and health related services <i>HK\$'000</i> (Audited)	Securities <i>HK\$'000</i> (Audited)	Others <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets	<u>35,732</u>	<u>88,406</u>	<u>33,674</u>	<u>17,038</u>	174,850
Unallocated corporate assets					<u>128,550</u>
					<u>303,400</u>
Segment liabilities	<u>10,956</u>	<u>12,794</u>	<u>95</u>	<u>104</u>	23,949
Unallocated corporate liabilities					<u>28,143</u>
					<u>52,092</u>

Other segment information

For the six months ended 30 June 2018

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

For the six months ended 30 June 2017

	Pharmaceutical products HK\$'000 (Unaudited)	Medical and health related services HK\$'000 (Unaudited)	Securities HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Capital expenditures	2,196	219	–	1,236	3,651
Loss on disposal of assets held for sale	–	–	–	493	493
Gain on disposal of subsidiaries	–	–	–	(2,473)	(2,473)
Gain on disposal of associates	–	–	–	(25,558)	(25,558)
Share profits of associates	–	–	–	(1,216)	(1,216)
Amortisation of prepaid land lease payments	114	–	–	–	114
Amortisation of intangible assets	–	612	–	–	612
Depreciation of property, plant and equipment	545	2,030	–	289	2,864

5. NET LOSS 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	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net unrealised gain on financial assets at FVTPL	–	16,440	–	–
Net realised loss on financial assets at FVTPL	–	(15,485)	–	(22,185)
	–	955	–	(22,185)

6. OTHER INCOME AND GAINS

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	1	111	2	142
Sundry income	268	67	296	150
Written off of property, plant and equipment	(2)	–	(2)	–
Exchange (losses)/gain, net	(3)	4	3	(10)
	264	182	299	282

7. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses:				
– Bank borrowing	20	27	42	55
– Other borrowings	818	883	1,590	1,439
– Imputed interest on loan from a non-controlling shareholder of a subsidiary	28	27	55	45
	<u>28</u>	<u>27</u>	<u>55</u>	<u>45</u>
Total interest expenses	866	937	1,687	1,539
Less: Interest capitalised on construction in progress (<i>Note</i>)	–	(407)	–	(813)
	<u>–</u>	<u>(407)</u>	<u>–</u>	<u>(813)</u>
	<u>866</u>	<u>530</u>	<u>1,687</u>	<u>726</u>

Note:

The weighted average capitalisation rate on fund borrowed generally is at a rate of 1% per month for the three and six month ended 30 June 2017 (three and six month ended 30 June 2018: Nil).

8. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Amortisation of intangible assets	306	306	612	612
Amortisation of prepaid land lease payments	63	57	124	114
Cost of inventories sold	3,350	12,570	6,826	33,523
Depreciation of property, plant and equipment	1,974	1,444	3,443	2,864
Equity-settled share-based payment (included in administrative expenses)	3,451	–	6,480	–
Operating lease charges				
– Office premises, warehouses and staff quarters	2,975	1,377	5,004	2,865
Staff costs (including Directors' remuneration)				
– Salaries, bonuses and allowances	11,247	7,678	22,132	16,322
– Retirement benefits scheme contributions	426	383	899	897
	<u>11,673</u>	<u>8,061</u>	<u>23,031</u>	<u>17,219</u>
Written off of property, plant and equipment	2	–	2	–
Write-down on inventories (included in cost of sales)	23	–	64	–
	<u><u>23</u></u>	<u><u>–</u></u>	<u><u>64</u></u>	<u><u>–</u></u>

9. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The amount comprises:				
Current tax:				
– Hong Kong Profits Tax	<u>151</u>	<u>234</u>	<u>208</u>	<u>358</u>
Deferred tax:				
– Current period	<u>(50)</u>	<u>(50)</u>	<u>(101)</u>	<u>(101)</u>
	<u>101</u>	<u>184</u>	<u>107</u>	<u>257</u>

Hong Kong Profits Tax is calculated at the tax rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2018.

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 2018 (six months ended 30 June 2017: 15%).

The PRC Enterprise Income Tax has been provided as a rate of 25% for the six months ended 30 June 2018 (six months ended 30 June 2017: 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 2018 (six months ended 30 June 2017: HK\$Nil).

11. (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/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 2018 and 2017.

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	'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 (loss)/earnings per share	856,367	788,367	856,367	788,367
	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company (HK\$'000)	(13,534)	20,641	(26,797)	(7,294)
Basic and diluted (loss)/earnings per share (HK\$)	(0.016)	0.026	(0.031)	(0.009)

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

No dilutes (loss)/earnings per share has been presented for the three and six months ended 30 June 2017 as there was no dilutive potential ordinary share outstanding during the periods.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Unlisted equity securities, at cost	28,856	28,856
Less: Impairment loss	(7,244)	(7,244)
Transfer to financial assets at fair value through other comprehensive income	(21,612)	—
	<u>—</u>	<u>(21,612)</u>

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Unlisted equity securities at beginning	—	—
Transfer from available-for-sale financial assets	21,612	—
Disposal during the period	(2,196)	—
Addition during the period	39,283	—
	<u>58,699</u>	<u>—</u>
Unlisted equity securities at the end of the reporting period	<u>58,699</u>	<u>—</u>

Upon the adoption of HKFRS 9, all equity investments previously classified as available-for-sale financial assets were re-classified into financial assets measured at fair value through other comprehensive income.

14. TRADE AND OTHER RECEIVABLES

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Trade receivables	27,971	26,828
Allowance for doubtful debts	(7,474)	(7,580)
	<u>20,497</u>	<u>19,248</u>
Rental and other deposits	4,136	4,026
Other receivables	1,730	4,117
Prepayment	6,172	6,541
Sales proceeds on disposal of associates	3,502	20,000
Cash held in securities trading accounts with stock brokers	11	30,013
	<u>36,048</u>	<u>83,945</u>

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

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

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
0 to 90 days	10,898	13,202
91 to 180 days	3,477	2,161
181 to 365 days	2,866	2,191
Over 365 days	3,256	1,694
	<u>20,497</u>	<u>19,248</u>

As at 30 June 2018, trade receivables of approximately HK\$9,599,000 (31 December 2017: HK\$6,046,000) 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 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Less than 90 days	3,477	2,161
91 to 275 days	2,866	2,191
Over 275 days	3,256	1,694
	9,599	6,046

15. TRADE AND OTHER PAYABLES

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Trade payables	4,770	5,057
Accruals	4,456	4,469
Receipt in advance	114	84
Other payables	6,457	8,834
	15,797	18,444

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

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
0 to 90 days	2,244	2,186
91 to 180 days	29	23
181 to 365 days	76	75
Over 365 days	2,421	2,773
	4,770	5,057

16. ASSETS HELD FOR SALE

On 28 January 2016, Dynasty Well Limited, a direct wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to dispose of the entire issued share capital in Allied View International Limited (“**Allied View**”) and the entire sum owed by Allied View to the Company (the “**Sale Loan**”) at a cash consideration of HK\$10,000,000. The completion of the Allied View Disposal took place on 15 February 2017 and a loss on disposal of approximately HK\$493,000 was recorded by the Group. Details of the Allied View Disposal are disclosed in the announcement of the Company dated 17 November 2016.

Loss on disposal of assets held for sale:

	<i>HK\$'000</i>
Consideration	10,000
Release of exchange difference upon disposal	(1,716)
Less: Net liabilities disposed of	20,259
Less: Sale Loan assigned	(29,036)
	<u>(493)</u>

17. DISPOSAL OF SUBSIDIARIES

(a) Jet Rich

On 30 March 2017, Luxury Sun Holdings Limited, an indirect wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to dispose of the entire equity interests in Jet Rich Investment Limited and its subsidiary (collectively, the “**Jet Rich Group**”) at a cash consideration of HK\$12,700,000. The completion of the disposal of the Jet Rich Group took place on the same date.

An analysis of the net assets of the Jet Rich Group at the date on which the Group lost control (i.e. 30 March 2017), was as follows:

	<i>HK\$'000</i>
	(Audited)
Property, plant and equipment	221
Deposits, prepayments and other receivables	663
Cash and cash equivalents	12,528
Total assets	<u>13,412</u>
Other payables and accruals	4,839
Total liability	<u>4,839</u>
Net assets disposed of	<u><u>8,573</u></u>

For the
six months
ended
30 June 2017
HK\$'000
(Unaudited)

Gain on disposal of the Jet Rich Group:

Consideration	12,700
Release of exchange difference upon disposal	(1,728)
Less: Net assets disposed of	(8,573)
	<u>2,399</u>

Net cash inflow arising on disposal:

Consideration received in cash and cash equivalents	12,700
Cash and cash equivalents disposed of	(12,528)
	<u>172</u>

(b) V-Express

On 1 June 2017, Icy Snow Limited (“**Icy Snow**”), a direct wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to dispose of the entire equity interests in V-Express Pharmaceutical Limited (“**V-Express**”) at a cash consideration of HK\$50,000. The completion of the disposal of V-Express took place on the same date.

An analysis of the net assets of V-Express at the date on which the Group lost control (i.e. 1 June 2017), was as follows:

	<i>HK\$'000</i> (Audited)
Cash and cash equivalents	<u>18</u>
Total assets	<u>18</u>
Other payables and accruals	<u>42</u>
Total liability	<u>42</u>
Net liabilities disposed of	<u>(24)</u>

For the
six months
ended
30 June 2017
HK\$'000
(Unaudited)

Gain on disposal of V-Express:

Consideration	50
Less: Net assets disposed of	24
	<u>74</u>

Net cash inflow arising on disposal:

Consideration received in cash and cash equivalents	50
Cash and cash equivalents disposed of	(18)
	<u>32</u>

18. DISPOSAL OF ASSOCIATES

On 7 April 2017, Icy Snow, as vendor, entered into a sale and purchase agreement with two independent third parties, as purchasers, to dispose of 30% equity interests in Magical Bloom Limited and its subsidiaries (collectively, the “**Magical Bloom Group**”) and the entire sum owed by the Magical Bloom Group to Icy Snow at an aggregate cash consideration of HK\$41,000,000 (the “**Magical Bloom Disposal**”). The completion of the Magical Bloom Disposal took place on 22 June 2017, whereby the Group ceased to hold any equity interest in each member of the Magical Bloom Group and each member of the Magical Bloom Group ceased to be an associate of the Group. Details of the Magical Bloom Disposal are disclosed in the announcement of the Company dated 9 April 2017 and the circular of the Company dated 19 May 2017.

For the
six months
ended
30 June 2017
HK\$'000
(Unaudited)

Gain on the Magical Bloom Disposal:

Consideration	41,000
Release of exchange difference upon disposal	(293)
Less: Investments in associates	(12,832)
Less: Assignment of debt	(2,317)
	<u>25,558</u>

19. SHARE-BASED PAYMENTS

Equity-settled share option scheme

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

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

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

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

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

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

Details of the specific categories of options are as follows:

Date of grant	Exercise period	Exercise price per share
12 January 2018	12 January 2019 to 11 January 2022	HK\$1.67
12 January 2018	1 January 2021 to 30 June 2021	HK\$1.67

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

	30 June 2018		30 June 2017	
	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	–	–	–	–
Granted during the period	<u>27,380,000</u>	<u>1.67</u>	<u>–</u>	<u>–</u>
Exercisable at the end of the period	<u><u>27,380,000</u></u>	<u><u>1.67</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

During the six months ended 30 June 2018, share options were granted on 12 January 2018. The estimated fair value of the share options on that date is HK\$25,507,000.

The fair value is calculated using the Binomial model. The inputs into the model were as follows:

Date of grant	12 January 2018
Exercise price	HK\$1.67
Expected life	2-4 years
Expected volatility	84.72%-92.79%
Dividend yield	0%
Risk-free interest rate	1.78%-2.06%
Exercise multiple	2.2-2.8

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The Group recognised the total expense of approximately HK\$6,480,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: HK\$Nil) in relation to share options granted by the Company.

20. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Within one year	9,900	8,007
In the second to fifth year inclusive	5,407	6,759
	15,307	14,766

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 for the six months ended 30 June 2018 (31 December 2017: one to eight years) and do not include contingent rentals.

21. CAPITAL COMMITMENT

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Authorised but not contracted for	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 貴州紅花崗區經濟開發區委員會 (in English, for identification purpose, Guizhou Hong Hua Gang District Economic Development District Management Committee) in relation to the cooperation for the investment and construction of a pharmaceutical factory in Hong Hua Gang Economic Development District, Guizhou Province, the PRC. The registered capital of the WFOE is RMB30,000,000 and the Group has paid the registered capital of RMB10,000,000. The remaining capital commitment was RMB20,000,000 (equivalent to approximately HK\$25,438,000).

22. PLEDGE OF ASSETS

At the end of the reporting period, the following asset was pledged by the Group to secure the financing facilities of the Group:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Property, plant and equipment	14,178	14,423

As at 30 June 2018, the Group had a secured bank borrowing of approximately HK\$3,466,000 (31 December 2017: HK\$4,005,000), which was secured by a legal charge on leasehold land and buildings in Hong Kong with the carrying amounts of approximately HK\$14,178,000 (31 December 2017: HK\$14,423,000) and a corporate guarantee executed by a subsidiary of the Company in favour of the bank for the banking facilities of HK\$5,500,000 (31 December 2017: HK\$5,500,000).

23. RELATED PARTY TRANSACTIONS

Key management personnel remuneration

	For the three months ended 30 June 2018 HK\$'000 (Unaudited)		For the six months ended 30 June 2018 HK\$'000 (Unaudited)	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Salaries, bonus and benefits	1,618	1,165	3,594	2,462
Equity-settled share-based payments	1,159	–	2,176	–
Retirement benefits scheme contributions	9	25	18	53
	2,786	1,190	5,788	2,515

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

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Financial assets		
Held for trading securities (<i>Note</i>)	<u>2,966</u>	<u>2,966</u>

Note: The fair value hierarchy is level 2.

25. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (a) On 22 July 2018, the Company and China Biology Services Group Limited, a wholly-owned subsidiary of the Company (the “**Purchaser**”), have entered into a master agreement and the HK SPA (as defined in announcement dated 22 July 2018) and the Purchaser has entered into the PRC Capital Increase and Equity Transfer Agreement (as defined in announcement dated 22 July 2018) in respect of acquisition of approximately 67% direct or indirect equity interest in Shanghai Longyao Biotech Company Limited (“**Shanghai Longyao Biotech**”) (the “**Acquisition**”).

The maximum amount of the consideration is approximately RMB227,773,087 (equivalent to approximately HK\$264,216,782), among which the Purchaser shall make a capital contribution of RMB40,000,000 (equivalent to approximately HK\$46,400,000) to Shanghai Longyao Biotech. Further, as part of the Acquisition, RMB38,733,426 (equivalent to approximately HK\$44,930,774) and RMB1,264,834 (equivalent to approximately HK\$1,467,207) shall be settled in cash to 深圳市北辰生物技術有限公司 (in English, for identification purpose only, Shenzhen Beichen Biotech Company Limited) and Mr. Ye Shengqin (“**Mr. Ye**”) respectively, and RMB47,430,000 (equivalent to approximately HK\$55,018,800) shall be settled by the Company by allotting and issuing the initial consideration shares at the issue price of HK\$2.00 to Beike Biotech Holdings or its designated nominees.

Subject to completion of the Acquisition and the fulfillment of the incentive conditions, in the event that Shanghai Longyao Biotech meets the first target achievement, the Company shall allot and issue the first incentive shares at the issue price of HK\$2.00 to the Mr. Ye, two other individuals who are core members of Shanghai Longyao Biotech and Beike Biotech Holdings; in the event that Shanghai Longyao Biotech, after meeting the first target achievement, further meets the second target achievement, the Company shall further allot and issue the second incentive shares at the issue price of HK\$2.00 to Mr. Ye, the two specified core members of Shanghai Longyao Biotech and Beike Biotech Holdings; however, in the event that Shanghai Longyao Biotech only meets the second target achievement but not the first target achievement, the Company shall allot and issue the one-off incentive shares at the issue price of HK\$2.00 to Mr. Ye, the two specified core members of Shanghai Longyao Biotech and Beike Biotech Holdings.

On the same date, the Company and Mr. Ye further entered into a subscription agreement in relation to the subscription of 5,800,000 new shares of the Company by Mr. Ye at the subscription price of HK\$2.00 per subscription share. The subscription shares will be allotted and issued under the general mandate.

Details were disclosed in the announcements of the Company dated 22 July 2018 and 8 August 2018.

- (b) On 6 August 2018, China Biology Services Group Limited, a wholly-owned subsidiary of the Company, entered into a termination agreement with 安徽未名生物醫藥有限公司 (in English, for identification purpose only, Sinobioway Biomedical Co., Ltd.) in relation to the memorandum of understanding of possible acquisition of 34.33% equity interest in 安徽未名細胞治療有限公司 (in English, for identification purpose only, Sinobioway Cell Therapy Co., Ltd). Details were disclosed in the announcement of the Company dated 6 August 2018.

FINANCIAL REVIEW

During the six months ended 30 June 2018 (the “**2018 Interim Period**”), the principal activities of the Group are (i) the 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.

Turnover

During the 2018 Interim Period, the Group recorded a turnover of approximately HK\$33,771,000, representing a decrease of approximately 43.77% as compared with that of approximately HK\$60,059,000 for the six months ended 30 June 2017 (the “**2017 Interim Period**”). The overall decrease in the turnover was mainly resulted from absence of trading of pharmaceutical intermediates to overseas which contributed approximately HK\$26,609,000 for the 2017 Interim Period.

Manufacture and sale of health related and pharmaceutical products

Manufacture and sale of health related and pharmaceutical products segment recorded a significant decrease during the 2018 Interim Period. The turnover of this segment decreased from approximately HK\$31,840,000 for the 2017 Interim Period to approximately HK\$4,468,000 for the 2018 Interim Period mainly resulted from absence of trading of pharmaceutical intermediates to overseas which contributed approximately HK\$26,609,000 for the 2017 Interim Period. Also, the sales performance of the healthcare and skincare products business of the Group in Hong Kong has been affected significantly due to the keen competition in healthcare and skincare product market.

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 four health check centers, one medical testing central laboratory and one molecular laboratory. During the 2018 Interim Period, a new health check center put into operation together with more diversified laboratory tests are available to fulfill various needs of customers, the turnover of this segment has increased slightly from approximately HK\$28,199,000 for the 2017 Interim Period to approximately HK\$28,616,000 for the 2018 Interim Period, notwithstanding the existence of the keen competition in the medical laboratory testing services and health check services industry in light of the market saturation and the constant increase in number of new entrants in the industry.

Trading of financial assets at FVTPL

The Group investment portfolio comprises investments in listed securities in Hong Kong. This business segment recorded no gain or loss on financial assets at FVTPL during the 2018 Interim Period as no trading activities were incurred (2017 Interim Period: net loss of approximately HK\$22,185,000).

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 mitigate possible financial risks related to the equity investments.

Gross profit and gross profit margin

The Group recorded a slight decrease in the gross profit for the 2018 Interim Period of approximately HK\$13,820,000 when compared with that of approximately HK\$14,316,000 in the 2017 Interim Period. However, the gross profit margin for the 2018 Interim Period was approximately 40.92%, representing a significant increase by approximately 17.08 percentage point when compared with the gross profit margin of approximately 23.84% for the 2017 Interim Period. The increase in gross profit margin was attributable to cease of trading of pharmaceutical intermediates business which commanded a thinner gross profit margin for 2017 Interim Period.

Selling and distribution expenses

Selling and distribution expenses for the 2018 Interim Period were approximately HK\$7,806,000 (2017 Interim Period: HK\$8,179,000), representing a decrease of approximately HK\$373,000 or 4.56% compared with such expenses for the 2017 Interim Period. Such decrease was mainly attributable to 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 2018 Interim Period were approximately HK\$32,872,000, representing a significant increase of approximately HK\$11,367,000 or 52.86%, as compared with that of approximately HK\$21,505,000 for the 2017 Interim Period, which was mainly due to (i) amortisation of equity-settled share-based payment of approximately HK\$6,480,000 (2017 Interim Period: HK\$Nil); (ii) rental expenses of approximately HK\$2,969,000 (2017 Interim Period: HK\$1,217,000) and (iii) staff costs of approximately HK\$9,198,000 for 2018 Interim Period (2017 Interim Period: HK\$6,699,000).

Finance costs

During the 2018 Interim Period, the Group's interest expenses (including capitalised interest) amounted to approximately HK\$1,687,000 (2017 Interim Period: HK\$1,539,000). The increase in finance costs (including capitalised interest) was attributable to the short term other borrowings as the working capital by 貴州雙升製藥有限公司 (in English, for identification purpose only, Guizhou Shuang Sheng Pharmaceutical Co., Ltd.) during the 2018 Interim Period which resulted in a higher average borrowing level.

Loss for the Period

The Group recorded a loss of approximately HK\$28,345,000 for the 2018 Interim Period (2017 Interim Period: HK\$9,500,000). The increase in net loss for the 2018 Interim Period was mainly attributable to (i) amortisation of equity-settled share-based payment of approximately HK\$6,480,000 in relation to the granting of share options (as opposed to the absence of such amortisation for the 2017 Interim Period); (ii) increase in administrative expenses (excluding amortisation of equity-settled share-based payment) of approximately HK\$4,887,000; and (iii) neither a gain on disposal of associates and subsidiaries nor gain or loss on fair value change of financial assets at fair value through profit or loss recorded (as opposed to a gain on disposal of associates and subsidiaries of approximately HK\$28,031,000 being recorded which was partially offset by a net loss of approximately HK\$22,185,000 on financial assets at fair value through profit or loss for the 2017 Interim Period).

BUSINESS REVIEW

Memorandum of understanding in relation to possible acquisition of 34.33% equity interest in Sinobioway Cell

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 binding 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). No legally binding agreement has been entered into by the Company with the Vendor in respect of the Possible Acquisition and the exclusivity period ends on 5 April 2018. On 6 August 2018, the Purchaser and the Vendor entered into a termination agreement of the MOU. Details were disclosed in the announcements of the Company dated 5 January 2018, 6 April 2018 and 6 August 2018.

Grant of share options

On 12 January 2018, the Company has granted to eligible participants (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.

Disposal of 8% of equity interest in a securities company

On 24 January 2018, Keyun Limited, an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with an independent third party to disposal of 8% of equity interest in a securities company with a cash consideration of HK\$2,500,000. No gain or loss was recorded during the 2018 Interim Period. The completion of disposal took place on the same date.

Subscription of approximately 2.27% of the issued shares capital of Broncus Holding Corporation

On 17 April 2018, Gain Yield Holdings Limited (the “**Subscriber**”), a wholly-owned subsidiary of the Company, and Broncus Holding Corporation, (“**Broncus**”) entered into a share subscription agreement, pursuant to which, Broncus agreed to issue and allot, and the Subscriber agreed to subscribe for, the subscription shares, being 1,641,794 series B preferred shares in Broncus at the consideration of US\$5,000,001.54 (equivalent to approximately HK\$39,247,000). The subscription shares represent approximately 2.27% of the total issued share capital of Broncus (as enlarged by the issue of the subscription shares but before the issue of any other series B preferred shares by Broncus) as at the date of completion. Broncus and its subsidiaries is mainly engaged in the development and manufacturing of navigation, diagnostic and therapeutic technologies to treat patients with lung disease. The completion of subscription took place on 19 April 2018. Details were disclosed in the announcement of the Company dated 17 April 2018.

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

On 22 July 2018, the Company and China Biology Services Group Limited, a wholly-owned subsidiary of the Company (the “**Purchaser**”), have entered into a mater agreement and the HK SPA (as defined in announcement dated 22 July 2018) and the Purchaser has entered into the PRC Capital Increase and Equity Transfer Agreement (as defined in announcement dated 22 July 2018) in respective of acquisition of approximately 67% direct or indirect equity interest in Shanghai Longyao Biotech Company Limited (“**Shanghai Longyao Biotech**”) (the “**Acquisition**”).

The maximum amount of the consideration is approximately RMB227,773,087 (equivalent to approximately HK\$264,216,782), among which the Purchaser shall make a capital contribution of RMB40,000,000 (equivalent to approximately HK\$46,400,000) to Shanghai Longyao Biotech. Further, as part of the Acquisition, RMB38,733,426 (equivalent to approximately HK\$44,930,774) and RMB1,264,834 (equivalent to approximately HK\$1,467,207) shall be settled in cash to 深圳市北辰生物技术有限公司 (in English, for identification purpose only, Shenzhen Beichen Biotech Company Limited) and Mr. Ye Shengqin (“**Mr. Ye**”) respectively, and RMB47,430,000 (equivalent to approximately HK\$55,018,800) shall be settled by the Company by allotting and issuing the initial consideration shares at the issue price of HK\$2.00 to Beike Biotech Holdings or its designated nominees.

Subject to completion of the Acquisition and the fulfillment of the incentive conditions, in the event that Shanghai Longyao Biotech meets the first target achievement, the Company shall allot and issue the first incentive shares at the issue price of HK\$2.00 to Mr. Ye, two other individuals who are core members of Shanghai Longyao Biotech and Beike Biotech Holdings; in the event that Shanghai Longyao Biotech, after meeting the first target achievement, further meets the second target achievement, the Company shall further allot and issue the second incentive shares at the issue price of HK\$2.00 to Mr. Ye, the two specified core members of Shanghai Longyao Biotech and Beike Biotech Holdings; however, in the event that Shanghai Longyao Biotech only meets the second target achievement but not the first target achievement, the Company shall allot and issue the one-off incentive shares at the issue price of HK\$2.00 to Mr. Ye, the two specified core members of Shanghai Longyao Biotech and Beike Biotech Holdings.

On the same date, the Company and Mr. Ye further entered into a subscription agreement in relation to the subscription of 5,800,000 new shares of the Company by Mr. Ye at the subscription price of HK\$2.00 per subscription share. The subscription shares will be allotted and issued under the general mandate.

Details were disclosed in the announcements of the Company dated 22 July 2018 and 8 August 2018.

FUTURE PROSPECT

The Group will continue to cautiously monitor the business environment and continue to strength the competitiveness in the markets, the Group will further focus on the core business and continue to seek potential investment opportunities.

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 30 June 2018, the Group held cash and bank balances of approximately HK\$53,484,000 (31 December 2017: HK\$73,181,000), all were principally denominated in Renminbi and Hong Kong dollars. The decrease in cash and bank balances of approximately HK\$19,697,000 is mainly utilised for working capital of the Group and subscription of shares in Broncus Holding Corporation.

As at 30 June 2018, the Group had secured bank borrowing of approximately HK\$3,466,000 (31 December 2017: HK\$4,005,000), 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 30 June 2018, the Group had unsecured other borrowings of (i) approximately RMB21,400,000 (equivalent to approximately HK\$25,299,000) (31 December 2017: RMB17,900,000 (equivalent to approximately HK\$21,460,000)), which carried a fixed interest rate of 1% per month (31 December 2017: 1% per month) and is repayable within one year; and (ii) approximately RMB1,100,000 (equivalent to approximately HK\$1,300,000 (31 December 2017: RMB1,100,000 (equivalent to approximately HK\$1,319,000)), 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 2018 Interim Period.

As at 30 June 2018, the total assets of the Group were approximately HK\$282,242,000 (31 December 2017: HK\$303,400,000), whereas total liabilities were approximately HK\$52,930,000 (31 December 2017: HK\$52,092,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 18.75% (31 December 2017: 17.17%). Current ratio (defined as total current assets divided by total current liabilities) was 2.50 times (31 December 2017: 3.98 times).

Capital Structure

As at 30 June 2018, the total issued share capital of the Company was HK\$85,636,675 (31 December 2017: HK\$85,636,675) divided into 856,366,750 (31 December 2017: 856,366,750) ordinary shares of HK\$0.10 each.

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 30 June 2018, the Company has utilised (i) approximately HK\$12,000,000 for general working capital of the Group and (ii) approximately HK\$35,500,000 for subscription of shares in Broncus Holding Corporation. The net proceeds has been used as intended for potential investments and general working capital of the Group.

SIGNIFICANT INVESTMENT HELD AND PERFORMANCE

During the 2018 Interim Period, proceeds of HK\$2,500,000 were received from disposal of financial assets at fair value through other comprehensive income and an investment of HK\$39,282,000 was made for financial assets at fair value through other comprehensive income through subscription of new shares of Broncus Holding Corporation, a company mainly engaged in the development and manufacturing of navigation, diagnostic and therapeutic technologies to treat patients with lung disease.

The Group did not hold any other significant investments with a market value that account for more than 5% of the Group's audited net assets as at 30 June 2018.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any other material acquisition or disposal of subsidiaries and affiliated companies for the 2018 Interim Period.

OPERATING LEASE COMMITMENTS

Details of operating lease commitments are stated in note 20 to the unaudited condensed consolidated interim results.

CAPITAL COMMITMENTS

Details of capital commitments are stated in note 21 to the unaudited condensed consolidated interim results.

CHARGES ON THE GROUP'S ASSETS

Details of charges on the Group's assets are stated in note 22 to the unaudited condensed consolidated interim results.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group has no contingent liabilities.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

During the 2018 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 2018, the Group had a total of 174 (30 June 2017: 166) full time employees which were located in the PRC and Hong Kong. Total staff costs for the 2018 Interim Period was approximately HK\$23,031,000 (2017 Interim Period: HK\$17,219,000).

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

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

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

The total contributions payable to the above schemes by the Group and charged to the condensed consolidated statement of profit or loss and other comprehensive income for the 2018 Interim Period were approximately HK\$899,000 (2017 Interim Period: HK\$897,000).

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

As at 30 June 2018, 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)	61.83%
	Beneficial owner	<u>93,820,000</u>	<u>10.96%</u>
	Total	<u><u>623,320,546</u></u>	<u><u>72.79%</u></u>

Notes:

- (a) As at 30 June 2018, the total number of the issued shares of the Company was 856,366,750 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	Exercisable period	Exercise price per share	Aggregate long position in the underlying shares	Approximately percentage (note a)
Mr. Liu	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK\$1.67	780,000	0.09%
Mr. Wang Zheng	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK\$1.67	4,000,000	0.47%
Mr. Huang Song	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK\$1.67	4,000,000	0.47%

Note:

- (a) As at 30 June 2018, the total number of the issued shares of the Company was 856,366,750 ordinary shares of HK\$0.10 each of the Company.

Save as disclosed above, as at 30 June 2018, 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 2018, the following person or entity (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in shares and underlying shares

Name of shareholder	Capacity and nature of interest	No. of shares held	Approximate percentage (Note a)
Genius Earn (Note b)	Interest of a controlled corporation	529,500,546	61.83%
Genius Lead (Note b)	Beneficial owner	529,500,546	61.83%

Notes:

- (a) As at 30 June 2018, the total number of the issued shares of the Company was 856,366,750 ordinary shares of HK\$0.10 each of the Company.
- (b) Genius Lead is wholly-owned by Genius Earn. As such, Genius Earn is deemed to be interested in the shares of the Company held by Genius Lead under the SFO.

Save as disclosed above, as at 30 June 2018, 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 2017 annual report. Details of movements in the Company's share options during the six months period ended 30 June 2018 are set out as follows:

	Number of share options				Outstanding at 30 June 2018
	Outstanding at 1 January 2018	Granted during the period (Note)	Exercised during the period	Lapsed during the period	
Directors	–	8,780,000	–	–	8,780,000
Other grantees	–	18,600,000	–	–	18,600,000
Total	–	27,380,000	–	–	27,380,000

Note:

A total of 27,380,000 share options were granted on 12 January 2018, with an exercise price of HK\$1.67. Among the share options granted, (i) Type A share options to subscribe for up to 8,780,000 ordinary shares of the Company were granted to three Directors; and (ii) Type A share options to subscribe for up to 15,600,000 ordinary shares of the Company and Type B share options to subscribe for up to 3,000,000 ordinary shares of the Company were granted to other grantee. The Type A share options are valid for a period of four years commencing from the date of grant until 11 January 2022 and are exercisable to subscribe for: (i) a maximum of one-third of the Shares granted to each Grantee in respect of the Type A share options from 12 January 2019 to 11 January 2020; (ii) a maximum of another one-third of the shares granted to each grantee in respect of the Type A share options from 12 January 2020 to 11 January 2021; and (iii) a maximum of the remaining one-third of the shares granted to each grantee in respect of the Type A share options from 12 January 2021 to 11 January 2022. The Type B share options are valid from the date of grant until 30 June 2021 and are exercisable during the period of six (6) months commencing from 1 January 2021 and ending on 30 June 2021 subject to the fulfillment of certain financial performance targets by a subsidiary of the Group as set out in the offer letter.

DIRECTOR' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the 2018 Interim Period or at the end of the 2018 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. Details are disclosed in the announcement dated 12 January 2018.

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 2018 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 2018 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 2018 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 2018 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, Mr. Ho Fung Shan Bob and Mr. Qian Hongji as at the date of this announcement.

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 unaudited condensed consolidated interim results of the Group for the 2018 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 announcement, 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

Hong Kong, 10 August 2018

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