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CHINA BIOTECH SERVICES HOLDINGS LIMITED

中國生物科技服務控股有限公司

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

(Stock code: 8037)

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE MASTER SUPPLY AGREEMENT

MASTER SUPPLY AGREEMENT

On 9 June 2021 (after trading hours), SDCL, an indirect 60%-owned subsidiary of the Company, and BGI entered into the Master Supply Agreement in respect of the supply of the Equipment, Consumables and Kits by BGI to SDCL.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, BGI holds 40% of the issued share capital of SDCL, an indirect 60%-owned subsidiary of the Company. BGI is therefore a connected person of the Company at the subsidiary level.

The Master Supply Agreement and the transactions contemplated thereunder constitute a continuing connected transaction with a connected person at the subsidiary level under Chapter 20 of the GEM Listing Rules.

Reference is made to the announcements of the Company dated 30 March 2021 and 7 April 2021 in relation to, among other matters, the provision of COVID-19 test services by BGI including the provision of testing kits and consumables under the Master Services Agreement. As both the Master Supply Agreement and the Master Services Agreement are entered into by SDCL, an indirect 60%-owned subsidiary of the Company with BGI, the Master Supply Agreement and the Master Services Agreement have been aggregated under Chapter 20 of the GEM listing Rules.

Given that (i) the Directors have approved the Master Supply Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the Master Supply Agreement are fair and reasonable and the Master Supply Agreement is on normal commercial terms and in the interests of the Company and its Shareholders as a whole, such continuing connected transaction is exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

MASTER SUPPLY AGREEMENT

On 9 June 2021 (after trading hours), SDCL, an indirect 60%-owned subsidiary of the Company, and BGI entered into the Master Supply Agreement in respect of the supply of the Equipment, Consumables and Kits by BGI to SDCL.

The principal terms of the Master Supply Agreement are summarised as follows:

Date: 9 June 2021 (after trading hours)

Parties: (i) SDCL as customer; and
(ii) BGI as supplier.

BGI is a company incorporated in Hong Kong with limited liability. As at the date of this announcement, BGI holds 40% of the issued share capital of SDCL. BGI is therefore a connected person of the Company at the subsidiary level. BGI is principally engaged in the provision of genomic sequencing services and efficient bioinformatics analysis services. The beneficial owner of BGI is 深圳華大基因股份有限公司 (in English, for identification purpose only, BGI Genomics Co., Ltd), a company listed on the Shenzhen Stock Exchange (stock code: 300676.SZ).

Term of the Master Supply Agreement: The Master Supply Agreement shall, unless terminated by giving not less than two (2) months' prior notice in writing to the other party, commence from the date of the Master Supply Agreement and shall continue in full force until its expiry on 31 December 2022

Assets to be acquired: Pursuant to the Master Supply Agreement, SDCL has agreed to purchase and BGI has agreed to sell the Equipment, Consumables and Kits for performing COVID-19 nucleic acid testing.

The Equipment, Consumables and Kits includes protective equipment such as face masks, disposable gloves, protective suits, disposable shoes covers; consumables for running the COVID-19 real-time RT-PCR test and detection of COVID-19 virus and inactivation of COVID-19 virus in the test samples such as filter tips, centrifuge tubes; and sterilizing equipment.

Delivery and inspection of the Equipment, Consumables and Kits: BGI shall deliver the Equipment, Consumables and Kits in accordance with the relevant purchase order and proforma invoice, together with the full and complete copies of the product document, applicable standard user manual, package insert, and similar documentation thereof to SDCL.

SDCL shall have three (3) business days from receipt of each delivery of the Equipment, Consumables and Kits to inspect the delivery for any shortfall or non-conformity with specifications before use.

Purchase price: Pursuant to the Master Supply Agreement, the purchase price of the Equipment, Consumables and Kits shall be determined in each purchase order to be placed by SDCL with reference to the market price and on arm's length basis. The purchase price shall be on normal commercial terms, not less favourable to SDCL than the price charged by BGI for selling same equipment, consumables and kits to independent third parties and not less favourable to SDCL than those offered by independent third parties.

The Group will (i) ascertain whether the equipment, consumables and kits can be sourced from other independent suppliers; and (ii) if so, obtain fee quotation from other independent suppliers in respect of such equipment, consumables or kits, to ensure that the purchase price shall be determined based on prevailing market price and shall be fair and reasonable and not less favourable to SDCL than those offered by independent third parties.

Payment terms: Purchase of the Equipment, Consumables and Kits shall be paid by telegraphic transfer in full in 60 days after the invoice is issued.

Payments set forth in the Master Supply Agreement shall, if overdue, bear an interest of 0.05% per day of unpaid amount.

Historical transaction amount

SDCL have not entered into any other master supply agreement in similar nature with BGI prior to the entering into of the Master Supply Agreement.

Annual caps

For the two years ended 31 December 2022, the maximum aggregate amount payable by SDCL to BGI under the Master Services Agreement and the Master Supply Agreement are as follows:

	For the year ending 31 December 2021	For the year ending 31 December 2022
Master Services Agreement	HK\$250,000,000	–
Master Supply Agreement	HK\$65,000,000 (for the period from the date of the Master Supply Agreement to 31 December 2021)	HK\$80,000,000 (the “ 2022 Annual Cap ”)
Annual caps	HK\$315,000,000	HK\$80,000,000

2022 Annual cap is subject to the regulatory approval to be obtained by BGI from the relevant governmental or regulatory authorities according to relevant laws and regulations. BGI and SDCL agree that no transactions contemplated under the Master Supply Agreement shall be carried out for the year ending 31 December 2022 until BGI has obtained all necessary regulatory approval from the relevant governmental or regulatory authorities for the 2022 Annual Cap.

The annual caps under the Master Supply Agreement shall cover all the Equipment, Consumables and Kits provided by BGI to SDCL for the Term.

The annual caps were determined with reference to the historical figures of the actual amount of COVID-19 nucleic acid test performed by SDCL and the anticipated demand for the Equipment, Consumables and Kits during the Term.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE MASTER SUPPLY AGREEMENT

The Group is principally engaged in (i) provision of tumor immune cell therapy, immune cell storage and health management services in the PRC; (ii) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (iii) provision of medical laboratory testing services and health check services in Hong Kong; (iv) provision of insurance brokerage services; and (v) trading of securities in Hong Kong.

The Company has maintained a strategic partnership with BGI since the incorporation of SDCL with BGI in June 2020 and SDCL has been providing the COVID-19 test services to corporate client and private clinics in Hong Kong since the beginning of the COVID-19 pandemic in Hong Kong. As the prevalence of COVID-19 continues and the mandatory testing and quarantine arrangement for inbound travelers from foreign places continues to take place and the Company foresees that travel bubble plan with foreign countries will be resumed in the future, the Company expects that the anticipated demand for the COVID-19 test services will remain strong for the remaining year 2021 and for the year ending 31 December 2022.

The Directors consider that the entering into of the Master Supply Agreement will enable SDCL to secure a stable supply for laboratory equipment, consumables and kits for SDCL to perform COVID-19 nucleic acid testing in a long run.

Having considered the factors as mentioned above, the Directors (including the independent non-executive Directors) are of the view that the Master Supply Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms thereof, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

None of the Directors of the Company has material interest in the Master Supply Agreement and the transactions contemplated thereunder and hence no Director is required to abstain from voting on the relevant resolutions of the Board approving the same.

GEM LISTING RULES IMPLICATIONS

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Reference is made to the announcements of the Company dated 30 March 2021 and 7 April 2021 in relation to, among other matters, the provision of COVID-19 test services by BGI including the provision of testing kits and consumables under the Master Services Agreement. As both the Master Supply Agreement and the Master Services Agreement are entered into by SDCL, an indirect 60%-owned subsidiary of the Company with BGI, the Master Supply Agreement and the Master Services Agreement have been aggregated under Chapter 20 of the GEM listing Rules.

Given that (i) the Directors have approved the Master Supply Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the Master Supply Agreement are fair and reasonable and the Master Supply Agreement is on normal commercial terms and in the interests of the Company and its Shareholders as a whole, such continuing connected transaction is exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Internal control

In order to ensure that the terms of the Master Supply Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable and that the purchase price of the Equipment, Consumables and Kits is not less favourable to SDCL than those offered by independent third parties and the annual caps will not be exceeded, the Group has adopted the following measures:

- (i) before agreeing on the purchase price to be charged by BGI for supplying the Equipment, Consumables and Kits, the Group will obtain fee quotation from other independent third parties suppliers and review the unit price(s) of similar equipment, consumables and kits charged by other independent third parties suppliers;
- (ii) the Company has assigned the chief financial controller of the Company to supervise the continuing connected transaction and review and assess whether the continuing connected transactions contemplated under the Master Supply Agreement are on normal commercial terms, fair and reasonable and conducted in accordance with the terms of the Master Supply Agreement and to monitor and ensure that the annual caps will not be exceeded;
- (iii) the general manager of SDCL will regularly review the market price for similar equipment, consumables and kits, the purchase price for the Equipment, Consumables and Kits under the Master Supply Agreement to ensure that the purchase price is not less favourable to SDCL than those offered by other independent third parties and is comparable to the market rate;

- (iv) the independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transaction under the Master Supply Agreement to confirm that such transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and the terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and
- (v) the Company’s external auditors will conduct an annual review on the continuing connected transaction under the Master Supply Agreement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“BGI”	BGI Health (HK) Company Limited, a company incorporated in Hong Kong with limited liability and the holder of 40% of the issued share capital of SDCL;
“Board”	the board of Directors;
“Company”	China Biotech Services Holdings Limited, a company incorporated in Cayman Islands and continued in Bermuda with limited liability and listed on GEM (stock code: 8037);
“connected person”	has the meaning ascribed to it under the GEM Listing Rules;
“Director(s)”	the director(s) of the Company;
“Equipment, Consumables and Kits”	various laboratory equipment, consumables and kits for SDCL to perform COVID-19 nucleic acid testing;
“GEM”	GEM operated by the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Master Supply Agreement”	the master supply agreement dated 9 June 2021 entered into between SDCL and BGI in respect of the engagement of BGI by SDCL for the supply of the Equipment, Consumables and Kits by BGI to SDCL;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RT-PCR”	reverse transcription polymerase chain reaction;
“SDCL”	Sunrise Diagnostic Centre Limited (華昇診斷中心有限公司), an indirect 60%-owned subsidiary of the Company and principally engaged in the provision of medical laboratory testing services in Hong Kong;
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder of issued Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Term”	from the date of the Master Supply Agreement to 31 December 2022
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong; and
“%”	per cent.

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

Hong Kong, 9 June 2021

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain on the “Latest Listed Company Information” 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.