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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

FINAL RESULTS

The board of Directors ("**Board**") of the Company announces that the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021** *HK$'000*	2020 *HK$'000*
Revenue	*4*	**623,761**	655,792
Cost of sales		**(265,741)**	(316,710)
Gross profit		**358,020**	339,082
Net gain/(loss) on financial assets at fair value through profit or loss		**489**	(47)
Other income, gains/(losses)	*5*	**225**	5,817
Allowance for impairment loss on financial assets, net		**(251)**	(1,145)
Selling and distribution expenses		**(11,724)**	(11,848)
Administrative expenses		**(157,081)**	(132,489)
Profit from operations		**189,678**	199,370
Finance costs	*7*	**(6,543)**	(6,498)
Gain on fair value change of contingent consideration	*14*	**2,141**	5,494
Loss on partial redemption of convertible bonds	*13*	**(2,687)**	–
(Loss)/gain on fair value change of derivative financial instrument	*13*	**(1,921)**	6,384
Loss on disposal of subsidiaries		**–**	(1,948)
Profit before tax		**180,668**	202,802
Income tax expense	*8*	**(48,096)**	(35,179)
Profit for the year	*9*	**132,572**	167,623
Profit for the year attributable to:			
Owners of the Company		**19,385**	30,170
Non-controlling interests		**113,187**	137,453
		132,572	167,623

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK$'000	2020 HK$'000
Profit for the year		**132,572**	167,623
Other comprehensive income after tax:			
Items that will not be reclassified to profit or loss:			
Fair value change of financial assets at fair value through other comprehensive income ("**FVTOCI**")		**27,763**	16,223
Loss on disposal of financial assets at FVTOCI		**(507)**	–
		27,256	16,223
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**4,310**	2,696
		4,310	2,696
Other comprehensive income for the year, net of tax		**31,566**	18,919
Total comprehensive income for the year		**164,138**	186,542
Total comprehensive income for the year attributable to:			
Owners of the Company		**47,962**	49,376
Non-controlling interests		**116,176**	137,166
		164,138	186,542
Earnings per share	*11*		
Basic and diluted (cents)		**2.0**	3.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Note	**2021** **HK$'000**	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**94,710**	128,796
Right-of-use assets		**10,784**	18,863
Goodwill		**120,554**	117,595
Intangible assets		**80,939**	88,072
Investment in an associate		**–**	–
Financial assets at FVTOCI		**122,021**	98,845
Derivative financial assets	*13*	**–**	5,637
		429,008	457,808
Current assets			
Inventories		**4,738**	5,532
Trade and other receivables	*12*	**105,939**	41,533
Loan and interest receivables		**13,257**	13,060
Held for trading securities		**1,759**	1,270
Derivative financial assets	*13*	**1,527**	–
Income tax recoverable		**–**	379
Bank and cash balances		**150,554**	384,539
Total current assets		**277,774**	446,313
TOTAL ASSETS		**706,782**	904,121

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Note	2021 HK$'000	2020 HK$'000
EQUITY AND LIABILITIES			
Share capital		**96,323**	96,685
Other reserves		**299,075**	246,646
Equity attributable to owners of the Company		**395,398**	343,331
Non-controlling interests		**70,497**	168,774
Total equity		**465,895**	512,105
LIABILITIES			
Non-current liabilities			
Convertible bonds	*13*	**–**	76,292
Lease liabilities		**3,556**	6,786
Contingent consideration	*14*	**–**	25,799
Deferred tax liabilities		**9,936**	10,825
		13,492	119,702
Current liabilities			
Trade and other payables	*15*	**54,927**	213,041
Convertible bonds	*13*	**38,651**	–
Lease liabilities		**7,576**	12,598
Contingent consideration	*14*	**23,658**	–
Borrowings		**17,387**	10,664
Current tax liabilities		**85,196**	36,011
Total current liabilities		**227,395**	272,314
TOTAL EQUITY AND LIABILITIES		**706,782**	904,121

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Share repurchase for cancellation *HK$'000*	Share-based payments reserve *HK$'000*	Special reserve *HK$'000*	Other reserves *HK$'000*	Financial assets at FVTOCI reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2020	96,981	498,852	–	22,793	212,948	4,163	(15,285)	(200)	(531,060)	289,192	24,171	313,363
Total comprehensive income for the year	–	–	–	–	–	–	16,223	2,983	30,170	49,376	137,166	186,542
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	6,884	6,884
Share-based payments	–	–	–	9,113	–	–	–	–	–	9,113	–	9,113
Lapse of share options	–	–	–	(6,277)	–	–	–	–	6,277	–	–	–
Transfer upon disposal of subsidiaries	–	–	–	–	–	(1,009)	–	–	1,009	–	602	602
Changes in ownership interests in subsidiaries without loss of control	–	–	–	–	–	158	–	–	–	158	(49)	109
Repurchase and/for cancellation of shares	(296)	(3,012)	(1,200)	–	–	–	–	–	–	(4,508)	–	(4,508)
Changes in equity for the year	(296)	(3,012)	(1,200)	2,836	–	(851)	16,223	2,983	37,456	54,139	144,603	198,742
At 31 December 2020	96,685	495,840	(1,200)	25,629	212,948	3,312	938	2,783	(493,604)	343,331	168,774	512,105
At 1 January 2021	**96,685**	**495,840**	**(1,200)**	**25,629**	**212,948**	**3,312**	**938**	**2,783**	**(493,604)**	**343,331**	**168,774**	**512,105**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**26,635**	**1,942**	**19,385**	**47,962**	**116,176**	**164,138**
Release of financial assets at FVTOCI reserves upon disposal	**–**	**–**	**–**	**–**	**–**	**–**	**15,337**	**–**	**(15,337)**	**–**	**–**	**–**
Repurchase and/for cancellation of shares	**(362)**	**(5,148)**	**1,200**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,310)**	**–**	**(4,310)**
Share-based payments	**–**	**–**	**–**	**5,245**	**–**	**–**	**–**	**–**	**–**	**5,245**	**–**	**5,245**
Lapse of share options	**–**	**–**	**–**	**(14,423)**	**–**	**–**	**–**	**–**	**14,423**	**–**	**–**	**–**
Changes in ownership interests in subsidiaries without loss of control	**–**	**–**	**–**	**–**	**–**	**3,170**	**–**	**–**	**–**	**3,170**	**1,057**	**4,227**
Capital injection from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**490**	**490**
Dividend paid to non-controlling shareholders of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(216,000)**	**(216,000)**
Changes in equity for the year	**(362)**	**(5,148)**	**1,200**	**(9,178)**	**–**	**3,170**	**41,972**	**1,942**	**18,471**	**52,067**	**(98,277)**	**(46,210)**
At 31 December 2021	**96,323**	**490,692**	**–**	**16,451**	**212,948**	**6,482**	**42,910**	**4,725**	**(475,133)**	**395,398**	**70,497**	**465,895**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company in Cayman Islands under the Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2003. On 29 August 2013, the Company deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business in Hong Kong is Suites 1904-05A, 19/F, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong. The Company's shares are listed on GEM of the Stock Exchange.

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

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

2. BASIS OF PREPARATION

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

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

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

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phrase 2

In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19- Related Rent Concessions beyond 30 June 2021.

Except as described below, the application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phrase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR reform**").

The amendments do not have an impact on these consolidated financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

The Group previously applied the practical expedient in HKFRS 16 such that as lessee, it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

The application of the amendments had no impact on the consolidated financial statements as the Group has adopted the amendments since 1 January 2021.

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

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021, the Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Business Combination – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

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

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15:		
Manufacture and sale of health related and pharmaceutical products	**107**	869
Provision of medical laboratory testing services and health check services	**607,776**	646,748
Provision of insurance brokerage services	**7,922**	6,875
Money lending business	**1,244**	1,300
Provision of logistic services	**6,712**	–
	623,761	655,792

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and the geographical regions:

For the year ended 31 December	Manufacture and sale of health related and pharmaceutical products		Provision of medical laboratory testing services and health check services		Provision of insurance brokerage services		Money lending business		Provision of logistic services		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Primary geographical markets												
– Hong Kong	**107**	869	**607,776**	646,748	**7,922**	6,875	**1,244**	1,300	**6,712**	–	**623,761**	655,792
– The PRC except Hong Kong	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Segment revenue	**107**	869	**607,776**	646,748	**7,922**	6,875	**1,244**	1,300	**6,712**	–	**623,761**	655,792
Timing of revenue recognition												
Products and services transferred at a point in time	**107**	869	**607,776**	646,748	**7,922**	6,875	**1,244**	1,300	**–**	–	**617,049**	655,792
Products and services transferred over time	**–**	–	**–**	–	**–**	–	**–**	–	**6,712**	–	**6,712**	–
Total	**107**	869	**607,776**	646,748	**7,922**	6,875	**1,244**	1,300	**6,712**	–	**623,761**	655,792

5. OTHER INCOME, GAINS/(LOSSES)

	2021	2020
	HK$'000	*HK$'000*
Interest income	**12**	21
Government grants *(note)*	**–**	5,037
Loss on disposal of property, plant and equipment	**–**	(39)
Net foreign exchange (loss)/gain	**(525)**	200
COVID-19- related rent concessions	**156**	–
Gain on early termination of lease	**11**	–
Others	**571**	598
	225	5,817

Note:

During the year ended 31 December 2020, the Group recognised government grants of HK$5,037,000 in respect of COVID-19 related subsidies, of which HK$5,017,000 related to the Employment Support Scheme provided by the Hong Kong government.

6. SEGMENT INFORMATION

The Group has five operating segments as follows:

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

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

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

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

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

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

	Immunotherapy	Pharmaceutical products	Medical and health related services	Securities	Insurance brokerage	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2021							
Revenue from external customers	–	107	607,776	–	7,922	7,956	623,761
Segment (loss)/profit	(42,393)	(1,088)	266,305	(3,163)	(66)	1,257	220,852
Other income, gain/(losses)							225
Finance costs							(6,543)
Gain on fair value change of contingent consideration							2,141
Loss on partial redemption of convertible bonds							(2,687)
Loss on fair value change of derivative financial instrument							(1,921)
Unallocated corporate expenses							(31,399)
Profit before tax							180,668
Income tax expense							(48,096)
Profit for the year							132,572
As at 31 December 2021							
Segment assets	184,589	8	211,823	4,442	12,005	13,485	426,352
Unallocated corporate assets							280,430
Total assets							706,782
Segment liabilities	10,606	58	132,641	365	838	316	144,824
Unallocated corporate liabilities							96,063
Total liabilities							240,887

	Immunotherapy *HK$'000*	Pharmaceutical products *HK$'000*	Medical and health related services *HK$'000*	Securities *HK$'000*	Insurance brokerage *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 December 2020							
Revenue from external customers	–	869	646,748	–	6,875	1,300	655,792
Segment (loss)/profit	(39,376)	(2,313)	287,276	(6,603)	(349)	(2,373)	236,262
Other income, gain/(losses)							5,817
Reversal of allowance for impairment loss on financial asset							2,079
Finance costs							(6,498)
Gain on fair value change of contingent consideration							5,494
Gain on fair value change of derivative financial instruments							6,384
Loss on disposal of subsidiaries							(1,948)
Unallocated corporate expenses							(44,788)
Profit before tax							202,802
Income tax expense							(35,179)
Profit for the year							167,623
As at 31 December 2020							
Segment assets	188,718	1,234	190,506	2,084	11,515	13,060	407,117
Unallocated corporate assets							497,004
Total assets							904,121
Segment liabilities	9,977	309	248,047	375	422	72	259,202
Unallocated corporate liabilities							132,814
Total liabilities							392,016

Other segment information

Other segment information for the year ended 31 December 2021:

	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Insurance brokerage HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	**120**	**–**	**12,072**	**–**	**–**	**24**	**12,216**
Amortisation of intangible assets	**8,994**	**–**	**–**	**–**	**–**	**–**	**8,994**
Depreciation of property, plant and equipment	**1,178**	**–**	**44,720**	**16**	**61**	**447**	**46,422**
Depreciation of right-of-use assets	**343**	**48**	**7,710**	**–**	**292**	**4,303**	**12,696**
Provision/(reversal) of allowance for impairment loss on financial assets, net	**–**	**90**	**426**	**–**	**–**	**(265)**	**251**
Write-down of inventories	**–**	**569**	**2,630**	**–**	**–**	**–**	**3,199**

Other segment information for the year ended 31 December 2020:

	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Insurance brokerage HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	732	–	125,848	–	–	20	126,600
Amortisation of intangible assets	8,392	–	–	–	–	–	8,392
Depreciation of property, plant and equipment	1,166	–	19,446	21	62	457	21,152
Depreciation of right-of-use assets	768	290	4,863	–	292	4,579	10,792
Loss on disposal of property, plant and equipment	39	–	–	–	–	–	39
Allowance for impairment loss on financial assets, net	–	–	232	–	–	913	1,145
Write-down of inventories	–	94	13	–	–	–	107

Geographical information

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

	Revenue		Non-current assets	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**623,761**	655,792	**125,241**	165,827
The PRC except Hong Kong	**–**	–	**181,746**	187,499
	623,761	655,792	**306,987**	353,326

Revenue from major customers:

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2021	2020
	HK$'000	*HK$'000*
Provision of medical and health related services segment		
Customer A	**–**	462,822
Customer B	**127,817**	65,557
Customer C	**310,226**	–

7. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on lease liabilities	**697**	724
Interest on borrowings	**504**	978
Effective interest on convertible bonds	**5,342**	4,787
Imputed interest on loan from a non-controlling shareholder of a subsidiary	**–**	9
	6,543	6,498

8. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	2021	2020
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**49,465**	36,478
Over-provision in prior year	**(20)**	(40)
	49,445	36,438
Deferred tax	**(1,349)**	(1,259)
	48,096	35,179

Under the two-tiered Profits Tax regime, the first HK$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

PRC Enterprise Income Tax has been provided at a rate of 25% (2020: 25%).

A subsidiary of the Group in the PRC had been certified by the relevant PRC authorities as high technology enterprises pursuant to the Income Tax Law in the PRC, the subsidiary was subjected to EIT rate of 15% (2020: 15%).

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

9. PROFIT FOR THE YEAR

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

	2021	2020
	HK$'000	*HK$'000*
Amortisation of intangible assets	**8,994**	8,392
Depreciation of property, plant and equipment	**46,422**	21,152
Depreciation of right-of-use assets	**12,696**	10,792
Loss on disposal of property, plant and equipment	**–**	39
Loss/(gain) on fair value change of derivative financial instrument	**1,921**	(6,384)
Operating lease charges		
– Office premises and warehouses	**1,278**	1,765
Staff costs including directors' remuneration		
– Salaries, bonuses and allowances	**94,784**	61,143
– Equity-settled share-based payments	**2,481**	4,865
– Retirement benefits scheme contributions	**2,089**	1,543
	99,354	67,551
Research and development cost	**28,677**	29,192
Auditor's remuneration		
– Audit services	**1,100**	1,100
– Non-audit services	**–**	140
	1,100	1,240
Cost of inventories sold	**56,712**	67,928
Write-down on inventories (included in cost of sales)	**3,199**	107
Allowance for impairment loss on financial assets, net	**251**	1,145

10. DIVIDENDS

The directors of the Company did not recommend payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

11. EARNINGS PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Earnings		
Earnings for the year for the purpose of calculating basic/diluted earnings per share	**19,385**	30,170

	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic/diluted earnings per share	**964,714**	968,490

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

The computation of the diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market prices of the shares for the year ended 31 December 2021 and 2020.

The computation of the diluted earnings per share did not assume the conversion of the Company's convertible bonds since its exercise had anti-dilute effect that would result in an increase in earnings per share for the year ended 31 December 2021 and 2020.

12. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**93,223**	30,891
Allowance for impairment loss	**(1,093)**	(577)
	92,130	30,314
Rental and other deposits	**5,851**	5,383
Other receivables	**4,399**	3,891
Allowance for impairment loss of other receivables	**(1,423)**	(1,423)
Prepayments	**1,570**	1,621
Sales proceeds on disposal of associates	**1,268**	1,268
Cash held in securities trading accounts with stock brokers	**2,144**	479
	13,809	11,219
Total trade and other receivables	**105,939**	41,533

The Group generally allows an average credit period of 90 days (2020: 90 days) for its pharmaceutical products customers, laboratory testing and health check services customers and logistic service customers and 30 days (2020: 30 days) for its insurance brokerage services customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2021	2020
	HK$'000	*HK$'000*
0 to 90 days	**80,062**	27,041
91 to 180 days	**10,490**	3,042
181 to 365 days	**1,325**	231
Over 365 days	**253**	–
	92,130	30,314

As at 31 December 2021, an aggregate allowance was made for estimated irrecoverable trade receivables of approximately HK$1,093,000 (2020: HK$577,000).

As of 31 December 2021, trade receivables of approximately HK$12,068,000 (2020: HK$3,273,000) were past due but not impaired. These related to a number of independent customers for whom there had no recent history of default. The ageing analysis of these trade receivables past due but not impaired is as follows:

	2021	2020
	HK$'000	*HK$'000*
Less than 90 days	**10,490**	3,042
91 to 275 days	**1,325**	231
Over 275 days	**253**	–
	12,068	3,273

The carrying amounts of the Group's trade receivables are denominated in HK$.

13. CONVERTIBLE BONDS

On 11 May 2020, the Company issued convertible bonds at the issue price of US$10,000,000 (equivalent to approximately HK$77,500,000) (equal to 100 per cent. of the principal amount of the convertible bonds). The bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion price of HK$1.75 per conversion share and at the exchange rate of HK$7.85 to US$1.00, a maximum number of 44,857,142 conversion shares of the Company will be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full. The bonds carry interest at a rate of 8.5% per annum, which is payable half-yearly in arrears on 20 June and 20 December.

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

The maturity date is two years from issue date. As at 31 December 2021, the convertible bonds were secured by 264,750,273 (2020: 529,500,546) ordinary shares of the Company held by Genius Lead Limited, the controlling shareholder and guaranteed by Mr. Liu Xiaolin, the chairman and executive director of the Company, and Genius Lead Limited.

On 27 May 2021, the Company redeemed the convertible bonds in part in the principal amount of US$5,000,000 being 50% of the total principal amount of US$10,000,000 at applicable redemption amount of US$5,186,527.78 (equivalent to approximately HK$40,187,000) which included principal and interest accrued up to the date of redemption.

	HK$'000
Reconciliation of partial redemption:	
Cash settlement	40,187
Decrease in liability component	(39,689)
Decrease in derivative component	2,189
Loss on partial redemption	**2,687**

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

	HK$'000
Nominal value of convertible bonds issued	77,500
Transaction cost related to liability component	(1,223)
Derivative component	(747)
Liability component at date of issue	75,530
Interest expenses	4,787
Interest paid	(4,025)
Liability component at 31 December 2020 and 1 January 2021	**76,292**
Partial redemption	**(39,689)**
Interest expenses	**5,342**
Interest paid	**(3,294)**
Liability component at 31 December 2021	**38,651**

	(Assets)	**Liabilities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Derivative component at date of issue	(5,543)	6,290	747
Fair value (gain)/loss for the year	(8,691)	2,307	(6,384)
Derivative component at 31 December 2020 and 1 January 2021	(14,234)	8,597	(5,637)
Partial redemption	**6,442**	**(4,253)**	**2,189**
Fair value loss/(gain) for the year	**4,230**	**(2,309)**	**1,921**
Derivative component at 31 December 2021	**(3,562)**	**2,035**	**(1,527)**

The interest charged for the year is calculated by applying an effective interest rate of 10.19% (2020: 10.19%) to the liability component for the year (2020: 7.6 months period since the bonds were issued).

The directors of the Company estimate that the fair value of the liability component of the convertible bonds as at 31 December 2021 is approximately HK$40,545,000 (2020: HK$83,802,000). This fair value has been estimated by discounting the future cash flows at the market interest rate.

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

	31 December 2021	31 December 2020
Weighted average share price (HK$)	**1.38**	1.30
Weighted average exercise price (HK$)	**1.75**	1.75
Expected volatility	**60.84%**	52.74%
Expected life	**0.36**	1.36
Risk free rate	**0.14%**	0.08%
Expected dividend yield	**Nil**	Nil

14. CONTINGENT CONSIDERATION

	Shanghai Longyao *HK$'000* *(Note a)*	**Fortstone** *HK$'000* *(Note b)*	**Total** *HK$'000*
At 1 January 2020	26,048	5,245	31,293
Gain on fair value change	(3,350)	(2,144)	(5,494)
At 31 December 2020 and 1 January 2021	22,698	3,101	25,799
Gain on fair value change	(612)	(1,529)	(2,141)
At 31 December 2021	**22,086**	**1,572**	**23,658**
Classified as:			
Current liabilities			
– 2021	22,086	1,572	23,658
Non-current liabilities			
– 2020	22,698	3,101	25,799

As of 31 December 2021, the fair value of the contingent consideration liability was remeasured, and a gain of HK$2,141,000 (2020: HK$5,494,000) resulted from the change in fair value of the contingent consideration liability was recognised in other income and gains in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

Note a:

Contingent consideration is payable, which is subject to fulfillment of certain performance targets ("**First Target Achievement**") by Shanghai Longyao Biotech Company Limited ("**Shanghai Longyao**"). The Company shall allot and issue a total of 29,100,000 new shares of the Company at an issue price of HK$2.00. In the event that Shanghai Longyao meets certain other performance targets ("**Second Target Achievement**") after meeting the First Target Achievement, the Company shall allot and issue another 29,100,000 new shares of the Company in aggregate. In the event that Shanghai Longyao meets the Second Target Achievement without achieving the First Target Achievement, the Company shall allot and issue a total of 58,200,000 new shares of the Company to Mr. Ye Shenqin, Beike International (HK) Limited, Mr. Yang Xuanming and Mr. Wang Xin.

The initial amount recognised was HK$34,149,000, and as at 31 December 2021, the amount recognised was HK$22,086,000 (2020: HK$22,698,000). The fair value which was determined using management's best estimate and was within level 3 fair value measurement, which were reference to the valuation performed by an independent professional qualified valuer.

Note b:

Contingent consideration is payable in cash to the vendors of Fortstone International (Hong Kong) Limited ("**Fortstone**") in an amount of HK$6,120,000 ("**Tranche Consideration**"), which is subject to the accumulated net profit after tax of Fortstone amounted to HK$9,000,000 ("**Actual Accumulated Profit**") for (a) the period from 31 October 2019 to 31 December 2019, (b) the two financial years ended 31 December 2020 and 2021 and (c) the period from 1 January 2022 to 31 October 2022 collectively. In the event that the Actual Accumulated Profit is a positive figure but less than HK$9,000,000 for third anniversary of the completion date, the Tranche Consideration shall be adjusted to the figures calculated according to as below:

Actual Accumulated Profit multiplied by HK$6,120,000 and divided by HK$9,000,000.

If the Actual Accumulated Profit is a negative figure, the contingent consideration shall be zero.

The initial amount recognised was HK$5,182,000, and as at 31 December 2021, the amount recognised was HK$1,572,000 (2020: HK$3,101,000). The fair value which was determined using management's best estimate and was within level 3 fair value measurement, which were reference to the valuation performed by an independent professional qualified valuer.

15. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**16,149**	190,233
Accruals	**28,189**	12,477
Receipt in advance	**281**	559
Other payables	**10,308**	9,772
	54,927	213,041

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

	2021	2020
	HK$'000	*HK$'000*
0 to 90 days	**16,147**	24,144
91 to 180 days	**–**	166,079
181 to 365 days	**2**	10
	16,149	190,233

The carrying amounts of the Group's trade payables are denominated in HK$ and RMB, amount of approximately HK$16,149,000 (2020: HK$189,691,000) and HK$Nil (2020: HK$542,000) respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 December 2021 ("**2021 Year**"), the principal activities of the Group are (i) provision of tumor immune cell therapy, immune cell storage and health management services in the PRC; (ii) the 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; and (v) trading of securities in Hong Kong.

Turnover

During the 2021 Year, the Group recorded a turnover of approximately HK$623,761,000, representing a mild decrease of 4.88% as compared with that of approximately HK$655,792,000 for the year ended 31 December 2020 (the "**2020 Year**"). Provision of medical laboratory testing services and health check services in Hong Kong remained to be the principal source of turnover of the Group in the 2021 Year, accounting for over 97.44% of the consolidated turnover in the year.

As the prevalence of COVID-19 continued with outbreaks of mutated variants happening from time to time, revenue from nucleric acid testing ("**NAT**") services for COVID-19 carried on to contribute over 85% of the segmental turnover of the medical laboratory testing services and health check services in the 2021 Year. Supported also by the introduction of compulsory testing for high risk or high exposure groups of persons under regulation (in particular, the Prevention and Control of Disease (Compulsory Testing for Certain Persons) Regulation (Chapter 599J of the Laws of Hong Kong)), the demand for NAT services has become normalised.

Provision of tumor immune cell therapy services

上海隆耀生物科技有限公司 (in English, for identification purpose only, Shanghai Longyao Biotech Company Limited) ("**Shanghai Longyao**"), an indirect non-wholly owned subsidiary of the Company, is engaged in tumor immune cell therapy, immune cell storage and health management services in the PRC. On 21 January 2021, Shanghai Longyao received the approval on its application for initiating a stage I clinical trial (the "**Trial**") on an investigational new drug named as LY007 Cellular Injection ("**LY007 Injection**") from the National Medical Products Administration of China ("**NMPA**").

LY007 Injection is the first and the only CD20-targeted autologous chimeric antigen receptor T-cell ("**CAR-T**") therapy product approved by NMPA for initiating a Trial. It has been classified as a Class 1 IND for the treatment of relapsed/refractory CD20-positive B-cell non-Hodgkin lymphoma. All necessary regulatory procedures for conducting the Trial of LY007 Injection had been completed in the 2021 Year.

By the end of September 2021, Professor Zhao Weili, Vice President of 上海交通大學醫學院附屬瑞金醫院 (in English, for identification purpose only, Ruijin Hospital of Shanghai Jiao Tong University School of Medicine) ("**Ruijin Hospital**") of Shanghai, and Professor Li Jianyong, Head of the Department of Hematology of 江蘇省人民醫院 (in English, for identification purpose only, Jiangsu People's Hospital) ("**Jiangsu Hospital**") of Jiangsu, have been appointed by Shanghai Longyao as the co-principal investigators of the Trial. In January 2022, kick-off meetings of the Trial had been convened in the Ruijin Hospital and the Jiangsu Hospital. The first patient case enrolled in the Trial has been undertaken by the Ruijin Hospital on 1 March 2022.

In the 2021 Year, Shanghai Longyao had sponsored the investigator-initiated trials ("**IITs**") for two other CAR-T products. One of these CAR-T products under IIT is a CLDN18.2-targeted therapy for the treatment of pancreatic or gastric cancer whilst the other one is a CD19-targeted universal CAR-T for the treatment of relapsed/refractory CD19-positive B-cell non-Hodgkin lymphoma or leukemia.

Pre-clinical studies and tests on other cell and gene therapies in research and development pipeline regarding chemistry, manufacturing, and control, pharmacology and toxicology, and clinical study design had also been conducted by Shanghai Longyao in the 2021 Year. Research and development costs totalling HK$28,677,000 were incurred in this segment in the 2021 Year, representing a year-on-year slight decrease of 1.76% over the HK$29,192,000 incurred in the 2020 Year for the same purpose.

Manufacture and sale of health related and pharmaceutical products

Manufacture and sale of health related and pharmaceutical products segment recorded a decrease in turnover during the 2021 Year. The turnover of this segment decreased from approximately HK$869,000 for the 2020 Year to approximately HK$107,000 for the 2021 Year mainly due to the tough economic environment in Hong Kong under the COVID-19 pandemic.

Provision of medical laboratory testing services and health check services

The Group continued to offer a wide spectrum of medical laboratory testing services and health check services in the 2021 Year. The services of this segment were being delivered through three medical laboratories and three health check centers established in Hong Kong.

Sunrise Diagnostic Centre Limited ("**SDCL**"), a non-wholly owned subsidiary of the Company, maintained its pivot position in the provision of NAT services for COVID-19 and the number of testing samples completed rose by more than 50% from over 2.3 million in the 2020 Year to over 3.6 million in the 2021 Year. Despite the slight decline in contribution from NAT services for COVID-19 due to the descending market price in the 2021 Year, the demand for other medical laboratory testing and pre-vaccination health check services increased significantly in the 2021 Year.

Turnover of this segment decreased from approximately HK$646,748,000 for the 2020 Year to approximately HK$607,776,000 for the 2021 Year. That represented a decrease of 6.03% on a year-on-year basis. The decrease of segmental turnover was brought by a weakened contribution from NAT services for COVID-19 due to a descending market price per test caused by competition.

Provision of insurance brokerage services

The insurance brokerage services segment recorded a slight increase in turnover during the 2021 Year. The turnover of this segment increased from approximately HK$6,875,000 during the 2020 Year to approximately HK$7,922,000 for the 2021 Year. It represented an increase of 15.23% as compared with the 2020 Year due to a change of marketing focus to local customers to minimise the impact of travel restrictions for better control of COVID-19.

Provision of logistics services

Starting from the fourth quarter of 2020, the Group has been providing testing materials and specimens logistics services for local clinics and other corporate clients. It recorded a turnover of approximately HK$6,712,000 (2020 Year: HK$Nil) during the 2021 Year.

Money lending business

Ferran Finance Limited, an indirect wholly-owned subsidiary of the Company, is a holder of money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). With the increasing market demands of the micro-financing business in Hong Kong, the Group has utilised HK$15.8 million (2020: HK$17.1 million) in the money lending business. The Group's loan portfolio comprises unsecured loans granted to individual customers. The loan receivables carry an interest rate at 8% to 10% per annum and are repayable within one year. The money lending business recorded an interest income of approximately HK$1,244,000 for the 2021 Year (2020 Year: HK$1,300,000).

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

The Group investment portfolio comprises investments in listed securities in Hong Kong. This business segment recorded a net of gain on financial assets at FVTPL of approximately HK$489,000 during the 2021 Year as no trading activities were incurred (2020 Year: net of loss HK$47,000).

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 mitigating possible financial risks related to the equity investments.

Gross profit and gross profit margin

Despite a dip in turnover, the Group recorded a gross profit of approximately HK$358,020,000 for the 2021 Year, representing an increase of approximately HK$18,938,000 when compared with that of approximately HK$339,082,000 in the 2020 Year. Also, the gross profit margin for the 2021 Year was approximately 57.40%, representing an increase of approximately 5.69 percentage point when compared with the gross profit margin of approximately 51.71% for the 2020 Year. The increase of gross profit and the improvement of gross profit margin in 2021 Year were attributable to the reduction in overall cost of testing materials utilised in NAT services in the period. The growth in turnover from non-NAT related medical laboratory tests and health check services also helped to push up the gross profit and gross profit margin.

Selling and distribution expenses

Selling and distribution expenses for the 2021 Year were approximately HK$11,724,000 (2020 Year: HK$11,848,000), representing a decrease of approximately 1.05% compared with such expenses for the 2020 Year. The Group maintained a stable level of selling and distribution expenses.

Administrative expenses

The administrative expenses mainly consisted of staff costs, share-based payment, legal and professional fees, depreciation, research and development costs, and amortisation of intangible assets. The administrative expenses for the 2021 Year were approximately HK$157,081,000, representing an increase of approximately HK$24,592,000 or 18.56%, as compared with that of approximately HK$132,489,000 for the 2020 Year. The increase in administrative expenses was mainly attributable to the increases recorded in depreciation of property, plant and equipment and right-of use assets of approximately HK$2,399,000 (approximately HK$10,922,000 in the 2021 Year versus approximately HK$8,523,000 in the 2020 Year) and staff costs of HK$26,455,000 (approximately HK$68,903,000 in the 2021 Year versus approximately HK$42,448,000 in the 2020 Year) due to the expansion in business capacity of medical laboratory testing services and health check services segment made in the 2021 Year.

Finance costs

During the 2021 Year, the Group's interest expenses amounted to approximately HK$6,543,000 (2020 Year: HK$6,498,000). The increase in the finance costs was mainly attributable to the finance costs arising from convertible bonds during the 2021 Year (2020: 7.6 months since issuance).

Profit for the year

The Group recorded a net profit of approximately HK$132,572,000 for the 2021 Year (2020 Year: HK$167,623,000). The decrease in net profit for the 2021 Year was mainly attributable to (i) a mild decrease in revenue from medical laboratory testing and health check services segment due to descending market price per test caused by competition for COVID-19 testing services during the 2021 Year; and (ii) an increase in staff costs in the 2021 Year.

BUSINESS REVIEW

Memorandum of understanding in relation to the proposed investment in a new subsidiary and the setup of a research and development and production base

On 13 September 2021, Shanghai Longyao, an indirect non-wholly-owned subsidiary of the Company, entered into a non-legally binding cooperation memorandum of understanding with 江蘇省如東高新技術產業開發區管委會 (in English, for identification purpose only, the Administrative Commission of Rudong New and Hi-Tech Industrial Development Zone of Jiangsu) (the "**Administrative Commission**") and 深圳前海海潤國際併購基金管理有限公司 (in English, for identification purpose only, China Highrun Capital Limited) (together with the Administrative Commission, the "**Investors**") on the Investors' proposed investment in a new subsidiary of the Company engaged in the research and development of innovative immune cell therapies to be set up by Shanghai Longyao (the "**Subsidiary**") and the set up of a research and development and production base for the Subsidiary at the Rudong New and Hi-Tech Industrial Development Zone in Jiangsu, the PRC (the "**Project**"). No legally binding formal cooperation agreement has been entered into by Shanghai Longyao with the Investors in respect of the Project as at the date of this announcement. Details were disclosed in the announcement of the Company dated 14 September 2021, 23 September 2021 and 26 January 2022 respectively.

Master services agreement, referral services agreement and master supply agreement

On 30 March 2021, SDCL, an indirect non-wholly-owned subsidiary of the Company, and BGI Health (HK) Company Limited ("**BGI**"), a company incorporated in Hong Kong with limited liability and the holder of 40% of the issued share capital of SDCL, entered into a master services agreement in respect of the provision of the COVID-19 test services through RT-PCR method by BGI to SDCL. On the same date, SDCL and BGI also entered into a referral services agreement pursuant to which SDCL will refer customers who require COVID-19 test service to BGI. On 9 June 2021, SDCL entered into a master supply agreement with BGI in respect of the supply of laboratory equipment, consumables and kits for COVID-19 NAT by BGI to SDCL. Details were disclosed in the announcements of the Company dated 30 March 2021, 7 April 2021, 9 June 2021 and 28 July 2021 respectively.

REPURCHASE OF SHARES

During the 2021 Year, the Company repurchased 485,000 shares, 450,000 shares and 1,760,000 shares of the Company in January, June and July 2021 respectively with repurchase prices ranging from HK$1.27 to HK$1.78 per share from open market pursuant to the general mandates to repurchase the shares of the Company granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on 26 May 2020 and 18 May 2021 respectively. The Company subsequently cancelled the 485,000 repurchased shares and 2,210,000 repurchased shares on 9 February 2021 and 9 August 2021 respectively.

PARTIAL REDEMPTION OF CONVERTIBLE BONDS

On 11 May 2020, the Company issued convertible bonds in the principal amount of US$10,000,000 (the "**Convertible Bonds**") to the subscriber. On 27 May 2021, the Company redeemed the outstanding Convertible Bonds in part in the principal amount of US$5,000,000 being 50% of the total outstanding principal amount of US$10,000,000 (the "**Partial Redemption**"). Upon completion of the Partial Redemption, the principal amount of the Convertible Bonds remaining outstanding is US$5,000,000. Following the Partial Redemption, the subscriber has released 264,750,273 shares of the Company being half of the shares charged by Genius Lead Limited to the subscriber under the share charge (the "**Partial Release**"). Upon the Partial Release, the number of shares held by Genius Lead Limited which remain subject to the share charge is 264,750,273 shares. Details were disclosed in the announcement of the Company dated 27 May 2021.

ADOPTION OF SHARE AWARD SCHEME

On 18 August 2021, the Company adopted a share award scheme (the "**Share Award Scheme**") in which the eligible persons being any individual who is an employee, officer, director or consultant of the Company or any of its subsidiaries will be entitled to participate. The objectives of the Share Award Scheme are (i) to recognise the contributions by the selected participants; (ii) to offer suitable incentives to attract and retain talented selected participants who may be beneficial to the growth and development of the Group; and (iii) to align the interests of the selected participants directly to the shareholders through ownership of the shares, dividends and other distributions paid on the shares and/or the increase in the value of the shares. Details were disclosed in the announcement of the Company dated 18 August 2021.

OUTLOOK

The emergence and rampant spread of the Omicron variant have caused the global economy to get stuck in the doldrums after nearly two years from the start of the pandemic. The fifth wave of COVID-19 brought by this infectious variant has nearly put the economy of Hong Kong in a halt. Unless we can eradiate this pathogen, the demand for NAT service will stay on with surges following the evolution of new variant strains from time to time. The Group will be steadfast in working on this front to secure our market share and operational efficiency by bringing in new technology once available.

The Group is also broadening our service channels to prepare for the post-pandemic era when the demand for NAT services from corporate and individual users may shoot up following the resumption of normal daily activities. In the meantime, the Group is working on the research and development project concerning a new generation of nasal COVID-19 vaccine and is conducting laboratory studies on several innovative COVID-19 testing technology platforms that may overtake the existing ones with potential advantages, if any, in accuracy, cost, sensitivity, turnaround time, etc. After all, the Group is striving to be well prepared for the ever-changing pandemic and post-pandemic transformation.

Other medical laboratory test services and health check services will take leverage on the grown awareness for health by the general public during the pandemic time. The Group launched a few new testing services including, but not limited to, cervical cell (ultra-thin smear) screening, HPV vaccination and cPass™ tests for COVID-19 neutralizing antibodies in the 2021 Year. On the advanced medical diagnostic service side, Asia Molecular Diagnostics Laboratory Limited ("**AMDL**"), a 80%-owned subsidiary of the Company, has made its new-built molecular laboratory set up in Hong Kong Science and Technology Park ready for commercial launch in 2022. By adopting the FDA-approved cross-cancer test assay developed by Pillar Biosciences Inc., the 20% shareholder of AMDL, AMDL is going to provide next generation sequencing based companion diagnostic to identify patients with lung or colon cancer who may benefit from treatment with certain targeted therapies.

In respect of the development of precision treatment, the Group is pressing for the completion of stage I clinical trial of the first NMPA-approved CD20-targeted CAR-T therapy, namely, LY007 Injection for treatment of relapse/refractory CD20-positive B-cell non-Hodgkin lymphoma, including diffuse large B-cell lymphoma and metastatic follicular lymphoma in 2022. LY007 Injection has been developed independently by Shanghai Longyao and has incorporated its patented OX40 co-stimulatory domain design. On the other hand, Shanghai Longyao is working on the pre-clinical trials of another two CAR-T products. One of these CAR-T products under pre-clinical trial is a CLDN18.2-targeted therapy for the treatment of pancreatic or gastric cancer whilst the other one is a CD19-targeted universal CAR-T for the treatment of relapsed/refractory CD19-positive B-cell non-Hodgkin lymphoma or leukemia. Applications for initiating stage I clinical trials for these two investigational new drugs will be submitted to NMPA once significant results have been made available in the year.

For the project of commercializing the boron neutron capture therapy ("**BNCT**") technology in China by setting up a cancer treatment center in the Boao Hope City of Hainan, the Group has signed the zone admission and investment agreement with the Administration on 28 February 2022. Works for the completion of the project have been kicked off. The development of the cancer treatment center is expected to be finished in 24 months after the start of the construction works on site.

Looking ahead to 2022, the Group is aiming high to deliver enhanced NAT services in synchronization with the change of demand, if any, in the transformation of the COVID-19 pandemic into the post-pandemic era. More new medical laboratory test services and health check services are about to be launched to make the scope of precision diagnostic services more affluent and patient-oriented. Pursuant to the completion of the clinical trials and laboratory studies under schedule, we are expecting to make more exciting progress from the research and development of immune cell therapies. Together with the kick-off of the commercialization project in Hainan to bring in the BNCT technology for cancer treatment, we are taking a big step forward to muscle up our precision treatment arm, especially for the treatment of both blood and solid tumors.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

Liquidity and Financial Resources

As at 31 December 2021, the Group held cash and bank balances of approximately HK$150,554,000 (2020: HK$384,539,000), all of which were principally denominated in Renminbi and Hong Kong dollars. The decrease in cash and bank balances of approximately HK$233,985,000 is mainly due to outlays used for the partial redemption of convertible bonds and for dividend payment made to the non-controlling shareholders of a subsidiary during the 2021 Year.

As at 31 December 2021, the Group had outstanding convertible bonds in the principal amount of US$5,000,000 with carrying amount of approximately US$4,987,000 (equivalent to approximately HK$38,651,000) (2020: US$10,000,000 with carrying amount of US$9,844,000 (equivalent to approximately HK$76,292,000)) which were secured by 264,750,273 (2020: 529,500,546) ordinary shares of the Company held by Genius Lead Limited, the controlling shareholder of the Company and guaranteed by Mr. Liu Xiaolin, the chairman and executive director of the Company and Genius Lead Limited and carried a fixed interest rate of 8.5% per annum and are repayable on 11 May 2022.

As at 31 December 2021, the Group had unsecured other borrowings of approximately HK$17,387,000 (equivalent to approximately RMB14,200,000) (31 December 2020: HK$10,664,000 (equivalent to approximately USD500,000 and RMB5,700,000)), which carried fixed interest rates of 8% to 10% (31 December 2020: 8% to 10%) per annum and are repayable within one year.

The increase in other borrowings were mainly due to additional resources for working capital during the 2021 Year.

As at 31 December 2021, total assets of the Group were approximately HK$706,782,000 (31 December 2020: HK$904,121,000), whereas total liabilities were approximately HK$240,887,000 (31 December 2020: HK$392,016,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 34.08% (31 December 2020: 43.36%). Current ratio (defined as total current assets divided by total current liabilities) was 1.22 times (31 December 2020: 1.64 times).

Fortstone International (Hong Kong) Limited ("**Fortstone**"), an indirect non-wholly-owned subsidiary of the Company, is a holder of insurance broker licence under the Insurance Ordinance. As an insurance brokerage company, Fortstone is subject to capital and net assets requirements under the Insurance Ordinance. Fortstone shall maintain a minimum net assets value and a minimum paid up share capital of HK$500,000 at all times. Fortstone oversees its compliance with the capital and net assets requirement by monitoring Fortstone's liquid asset and ranking liabilities at all times to ensure they are well above the minimum required level (i.e. HK$500,000). Fortstone had been in full compliance with the capital and net assets requirement during the 2021 Year.

Capital Structure

As at 31 December 2021, the total issued share capital of the Company was HK$96,323,115 (2020: HK$96,685,115) divided into 963,231,150 (2020: 966,851,150) ordinary shares of HK$0.10 each.

SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

As at 31 December 2021, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK$122,021,000 (2020: HK$98,845,000) including one (2020: three) investment in unlisted equity securities and one investment in listed securities. It consisted of an investment of approximately HK$67,940,000 in Pillar Biosciences, Inc. ("**Pillar**") (which represented 9.61% of the total assets of the Group as at 31 December 2021) and an investment of HK$54,081,000 in Broncus Holding Corporation ("**Broncus**") (a company whose shares are listed on the Main Board of the Stock Exchange with stock code: 2216) (which represented 7.65% of the total assets of the Group as at 31 December 2021).

(i) Investment in Pillar

As at 31 December 2021, the Group held approximately 3.48% (2020: 4%) equity interest in Pillar or 1,638,216 series B preferred stock in Pillar with fair value of HK$67,940,000 (equivalent to US$8,714,000) (2020: HK$47,006,000 (equivalent to US$6,064,000)) and at an initial investment costs of US$4,999,999 (equivalent to HK$39,208,000). Pillar is a precision testing company for cancer based in Boston, Massachusetts, the United States of America with a wholly-owned subsidiary in Shanghai, the PRC. Based on the latest unaudited consolidated financial statements of Pillar for the year ended 31 December 2021, it recorded an unaudited consolidated loss of approximately US$24.16 million. A fair value gain on the Group's investment in Pillar of approximately HK$20,934,000 (2020 Year: HK$8,126,000) had been recognised in other comprehensive income for the 2021 Year. No dividend income was received from Pillar for both years. The Group believes that the investment in Pillar will create synergies with the Group's medical laboratory testing services and heath check services.

(ii) Investment in Broncus

As at 31 December 2021, the Group held approximately 1.25% (2020: 1.63%) equity interest in Broncus or 6,567,176 shares in Broncus with fair value of HK$54,081,000 (2020: HK$47,252,000) and at an initial investment costs of US$5,000,001.54 (equivalent to HK$39,282,000). Broncus is a company mainly engaged in research and development, and the manufacture and commercialisation of medical devices and consumables. A fair value gain on the Group's investment in Broncus of approximately HK$6,829,000 (2020: HK$7,945,000) had been recognised in other comprehensive income for the 2021 Year. No dividend income was received from Broncus for both years. The investment in Broncus enables the Group to strategically lay out in precision diagnosis, and to enter into the field of precision treatment. Other than bringing investment return to the Group, the Group will also explore collaborative opportunity with Broncus.

The Group did not hold any other significant investments with a market value that account for more than 5% of the Group's audited total assets as at 31 December 2021.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures in the 2021 Year.

CAPITAL COMMITMENTS

Capital commitments authorised but not yet contracted at the end of the 2021 Year and the 2020 Year respectively are as follows:

	2021	2020
	HK$'000	*HK$'000*
Capital contribution to:		
WFOE in Guangdong province, PRC	**–**	4,781

On 19 January 2018, the Group established a wholly foreign-owned enterprise ("**WFOE**") in Guangdong Province, the PRC, pursuant to the cooperation agreement dated 6 November 2017 entered into with 中國(廣東)自由貿易試驗區深圳前海蛇口片區管理委員會 (in English, China (Guangdong) Pilot Free Trade Zone Qianhai & Shekou Area of Shenzhen Management Committee) in relation to cooperation for provision of biotech services. The registered capital of the WFOE is RMB10,000,000. As at 31 December 2020, the Group had paid the registered capital of RMB5,947,000 for the WFOE with unpaid capital commitment of RMB4,053,000 (equivalent to approximately HK$4,781,000) remained outstanding. During the year ended 31 December 2021, the Group has fully paid up the registered capital.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2021 and 2020, the Group did not have any charge on its assets.

CONTINGENT LIABILITIES

As at 31 December 2021 and 2020 the Group had no contingent liabilities.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

During the 2021 Year, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including interest rate swaps and foreign currency forwards contract will be used by the Group in the management of exposure affecting interest rates and foreign exchange rate fluctuations as appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had a total of 211 (2020: 129) full time employees located in the PRC and Hong Kong. Total staff costs for the 2021 Year was approximately HK$99,354,000 (2020 Year: HK$67,551,000).

The Group remunerates its employees based on their performance, experience and the prevailing market condition. Performance related bonuses are also granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training, share option scheme and share award scheme to provide further incentive and rewards to eligible participants who contribute to the success of the Group.

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

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

The total contributions payable to the above schemes by the Group and charged to the consolidated statement of profit or loss and other comprehensive income for the 2021 Year were approximately HK$2,089,000 (2020 Year: HK$1,543,000).

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period up to the date of this annoucement.

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 2021 Year, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the 2021 Year.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") is currently composed of three independent non-executive Directors, namely, Mr. Yan Guoxiang (Chairman of the Audit Committee), Dr. Ho Ivan Chun Kit and Mr. Qian Hongji. The financial results for the 2021 Year have been reviewed by the Audit Committee.

The principal duties of the Audit Committee include:

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

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

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

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

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

During the 2021 Year, the Audit Committee had five meetings and has performed the above-mentioned principal duties and reviewed the Company's monthly unaudited consolidated financial statements, annual results, annual report, interim report and quarterly reports and advised and provided comments thereon to the Board. The Audit Committee has performed the duties to review the compliance procedures, report on the Company's internal control and risk management. The Audit Committee also met the external auditor twice without the presence of the executive Directors. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the 2021 Year, the Company repurchased 485,000 shares, 450,000 shares and 1,760,000 shares of the Company on the Stock Exchange in January, June and July 2021 respectively. 485,000 and 2,210,000 shares repurchased were subsequently cancelled by the Company on 9 February 2021 and 9 August 2021 respectively. The Directors believed that the repurchases reflected the management's confidence in the Company's long-term business prospects and would ultimately benefit the Company and create value for the shareholders of the Company. Details of the repurchases of shares of the Company are as follows:

Date of repurchase	Number of shares	Repurchased price per share Highest	Repurchased price per share Lowest	Consideration
		HK$	*HK$*	*HK$*
4 January 2021	115,000	1.30	1.27	147,850
5 January 2021	60,000	1.30	1.29	77,900
6 January 2021	30,000	1.33	1.28	38,950
8 January 2021	30,000	1.30	1.29	38,900
11 January 2021	25,000	1.27	1.27	31,750
12 January 2021	15,000	1.29	1.28	19,250
13 January 2021	5,000	1.27	1.27	6,350
14 January 2021	140,000	1.34	1.27	181,000
15 January 2021	65,000	1.35	1.31	86,250
22 June 2021	180,000	1.35	1.28	234,450
29 June 2021	70,000	1.65	1.62	114,600
30 June 2021	200,000	1.69	1.65	334,000
2 July 2021	215,000	1.69	1.63	357,950
5 July 2021	195,000	1.73	1.64	325,950
6 July 2021	325,000	1.75	1.68	550,750
7 July 2021	370,000	1.77	1.67	644,200
8 July 2021	255,000	1.75	1.66	436,150
9 July 2021	400,000	1.78	1.67	683,450
Total	**2,695,000**			**4,309,700**

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of any listed securities of the Company during the 2021 Year.

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.

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

Hong Kong, 28 March 2022

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 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.