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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTION 2023 MASTER SUPPLY AGREEMENT

THE 2023 MASTER SUPPLY AGREEMENT

References are made to the announcements of the Company dated 9 June 2021 and 15 February 2022 in relation to the 2021 Master Supply Agreement and the 2022 Supplemental Agreement respectively, pursuant to which SDCL agreed to purchase and BGI agreed to sell the Equipment, Consumables and Kits, in connection with SDCL's business of providing COVID-19 nucleic acid testing services and COVID-19 self-test kits to users in Hong Kong.

On 18 January 2023, SDCL entered into the 2023 Master Supply Agreement with BGI to renew the existing continuing connected transaction in relation to the procurement of the Equipment, Consumables and Kits by SDCL from BGI for a term commencing from 18 January 2023 to 31 December 2023.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, BGI holds 40% of the issued share capital of SDCL, an indirect non-wholly owned subsidiary of the Company. BGI is therefore a connected person of the Company at the subsidiary level. Therefore, the 2023 Master Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Pursuant to Rule 20.52 under the GEM Listing Rules, if the Company proposes to renew continuing connected transactions, the Company will have to re-comply with the provisions of Chapter 20 of the GEM Listing Rules applicable to the relevant continuing connected transaction.

Given that (i) the Directors have approved the 2023 Master Supply Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the 2023 Master Supply Agreement and the 2023 Annual Cap are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and its shareholders as a whole, the 2023 Master Supply Agreement (including the 2023 Annual Cap) is exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

THE 2023 MASTER SUPPLY AGREEMENT

References are made to the announcements of the Company dated 9 June 2021 and 15 February 2022 in relation to the 2021 Master Supply Agreement and the 2022 Supplemental Agreement respectively, pursuant to which SDCL agreed to purchase and BGI agreed to sell the Equipment, Consumables and Kits in connection with SDCL's business of providing COVID-19 nucleic acid testing services and COVID-19 self-test kits to users in Hong Kong.

On 18 January 2023, SDCL entered into the 2023 Master Supply Agreement with BGI to renew the existing continuing connected transaction in relation to the procurement of the Equipment, Consumables and Kits by SDCL from BGI to SDCL for a term commencing from 18 January 2023 to 31 December 2023 and to agree the annual cap for the transactions contemplated thereunder for the year ending 31 December 2023.

The principal terms of the 2023 Master Supply Agreement are summarised as follows:

- Date:** 18 January 2023
- 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, a non-wholly owned subsidiary of the Company. 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 (for identification purpose only, BGI Genomics Co., Ltd), a company listed on the Shenzhen Stock Exchange (stock code: 300676.SZ).

Term: The 2023 Master Supply Agreement shall, unless terminated by giving not less than two (2) months' prior notice in writing to the other party, commence from 18 January 2023 and shall continue in full force until its expiry on 31 December 2023.

Subject matter: SDCL has agreed to purchase and BGI has agreed to sell the Equipment, Consumables and Kits in accordance with the relevant purchase order(s) as may be issued by SDCL to BGI from time to time.

The Equipment, Consumables and Kits include 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; sterilizing equipment; and COVID-19 self-test kits for performing rapid antigen testing.

Delivery and inspection of the Equipment, Consumables and Kits: BGI shall deliver the Equipment, Consumables and Kits in accordance with the relevant purchase order(s) and proforma invoice(s), 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: 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 an 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 the 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 suppliers which are Independent Third Parties; and (ii) if so, obtain fee quotation from such Independent Third Party suppliers in respect of the Equipment, Consumables and Kits, to ensure that the purchase price shall be determined based on the prevailing market price and shall be fair and reasonable and no less favourable to SDCL than prices offered by Independent Third Parties.

Payment terms: Purchase price of the Equipment, Consumables and Kits shall be paid by telegraphic transfer in full in 60 days after the relevant invoice is issued. Overdue payments shall bear an interest of 0.05% of the unpaid amount per day.

Historical transaction amount

Based on the latest management accounts of the Group, the aggregate transaction amounts under the 2021 Master Supply Agreement (as amended and supplemented by the 2022 Supplemental Agreement) amounted to approximately HK\$21,482,000 for the period from the commencement of the initial term of the Master Supply Agreement (i.e. 9 June 2021) to 31 December 2021 and approximately HK\$259,421,000 for the period from 1 January 2022 to 30 November 2022.

Annual cap

Pursuant to the 2023 Master Supply Agreement, the maximum amount payable by SDCL to BGI for the purchase of the Equipment, Consumables and Kits under the 2023 Master Supply Agreement for the year ending 31 December 2023 is HK\$120,000,000 (the “**2023 Annual Cap**”).

The 2023 Annual Cap is subject to the corporate and regulatory approval to be obtained by BGI from the relevant governing body, governmental or regulatory authorities according to relevant laws and regulations. BGI and SDCL agree that no transactions shall be carried out pursuant to the 2023 Master Supply Agreement for the year ending 31 December 2023 until BGI has obtained all necessary corporate and regulatory approvals from the relevant governing body or governmental or regulatory authorities in respect of the 2023 Annual Cap.

The 2023 Annual Cap was determined with reference to (i) the historical transaction amounts under the Master Supply Agreement; and (ii) the anticipated demand for the Equipment, Consumables and Kits for the year ending 31 December 2023.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 MASTER SUPPLY AGREEMENT

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

The Company has maintained a strategic partnership with BGI since the incorporation of SDCL with BGI in June 2020 and SDCL has been providing COVID-19 testing services to users in Hong Kong since the beginning of the COVID-19 pandemic in Hong Kong. The Equipment, Consumables and Kits are required by SDCL primarily to perform COVID-19 nucleic acid tests as part of the COVID-19 testing services. SDCL also procures for COVID-19 self-test kits from BGI in light of the market demand for such products in Hong Kong. While the Company expects the demand for COVID-19 testing services in Hong Kong may decrease for the year ending 31 December 2023 due to relaxation of government policies on compulsory COVID-19 testing, the Company expects that there is still keen demand for the COVID-19 testing services of SDCL and for COVID-19 self-test kits in light of the ongoing pandemic situation and the pandemic control requirements on cross-border travellers, and SDCL will still need to procure for the Equipment, Consumables and Kits during the year ending 31 December 2023.

The Directors consider that the entering into of the 2023 Master Supply Agreement to renew the Master Supply Agreement will enable SDCL to secure a stable supply of the Equipment, Consumables and Kits so that SDCL can continue to provide COVID-19 testing services to users in Hong Kong.

Having considered the factors as mentioned above, the Directors (including the independent non-executive Directors) are of the view that the 2023 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 has a material interest in the 2023 Master Supply Agreement and the transactions contemplated thereunder and hence no Director was required to abstain from voting on the relevant Board resolutions approving the same.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, BGI holds 40% of the issued share capital of SDCL, an indirect non-wholly owned subsidiary of the Company. BGI is therefore a connected person of the Company at the subsidiary level. Therefore, the 2023 Master Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Pursuant to Rule 20.52 under the GEM Listing Rules, if the Company proposes to renew continuing connected transactions, the Company will have to re-comply with the provisions of Chapter 20 of the GEM Listing Rules applicable to the relevant continuing connected transaction.

Given that (i) the Directors have approved the 2023 Master Supply Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the 2023 Master Supply Agreement and the 2023 Annual Cap are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and its shareholders as a whole, the 2023 Master Supply Agreement (including the 2023 Annual Cap) is exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

INTERNAL CONTROL MEASURES

In order to ensure that the terms of the 2023 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 that the 2023 Annual Cap will not be exceeded, the Group has adopted the following internal control 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 quotations from other suppliers which are Independent Third Parties and review the unit price(s) of similar equipment, consumables and kits charged by such Independent Third Party suppliers;
- (ii) the Company has assigned the chief financial controller of the Group to supervise the continuing connected transactions and review and assess whether the continuing connected transactions contemplated under the 2023 Master Supply Agreement are on normal commercial terms, fair and reasonable and conducted in accordance with the terms of the 2023 Master Supply Agreement and to monitor and ensure that the 2023 Annual Cap will not be exceeded;
- (iii) the general manager of SDCL will regularly review the market price for similar equipment, consumables and kits against the purchase price for the Equipment, Consumables and Kits under the 2023 Master Supply Agreement to ensure that the purchase price is not less favourable to SDCL than those offered by 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 transactions under the 2023 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 transactions under the 2023 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:

“2021 Master Supply Agreement”	the master supply agreement dated 9 June 2021 entered into between SDCL and BGI for the supply of the Equipment, Consumables and Kits by BGI to SDCL, details of which are set out in the Company’s announcement dated 9 June 2021
“2022 Supplemental Agreement”	the supplemental agreement dated 15 February 2022 entered into between SDCL and BGI to amend and supplement the 2021 Master Supply Agreement, details of which are set out in the Company’s announcement dated 15 February 2022
“2023 Annual Cap”	as defined under the paragraph headed “Annual Cap” of this announcement
“2023 Master Supply Agreement”	the master supply agreement dated 18 January 2023 entered into between SDCL and BGI in relation to the renewal of the Master Supply Agreement for a term commencing from 18 January 2023 and ending on 31 December 2023
“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(s)”	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 and COVID-19 self-test kits for performing rapid antigen testing
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third parties who are independent of and not connected with the Company and its connected persons within the meaning of the GEM Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC 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 non-wholly owned subsidiary of the Company principally engaged in the provision of medical laboratory testing services in Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 18 January 2023

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Liu Xiaolin (Chairman), Mr. He Xun, Mr. Huang Song and Ms. Chui Hoi Yam; 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 website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk for at least 7 days from the date of its publication and on the website of the Company at www.cbshhk.com.