



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2023

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UNAUDITED FIRST QUARTERLY RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company presents the unaudited condensed consolidated first quarterly results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2023 together with the unaudited comparative figures for the corresponding period in 2022.

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

FOR THE THREE MONTHS ENDED 31 MARCH 2023

		For the three months ended 31 March	
		2023	2022
	Notes	HK\$'000	HK\$'000
Gross proceeds	3	<u>130,561</u>	<u>384,157</u>
Turnover	3	130,561	384,088
Cost of sales		<u>(81,400)</u>	<u>(194,356)</u>
Gross profit		49,161	189,732
Net gain on financial assets at fair value through profit or loss		–	1,974
Other income and gains/(loss)	4	(1,815)	(200)
Selling and distribution expenses		(3,720)	(3,905)
Administrative expenses		<u>(44,717)</u>	<u>(54,340)</u>
(Loss)/profit from operations		(1,091)	133,261
Finance costs	5	(1,353)	(1,217)
Loss on deregistration of subsidiaries		(26)	–
Share of loss of a joint venture		<u>(1,490)</u>	<u>–</u>
(Loss)/profit before tax		(3,960)	132,044
Income tax expense	6	<u>(3,821)</u>	<u>(25,459)</u>
(Loss)/profit for the period		(7,781)	106,585

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

FOR THE THREE MONTHS ENDED 31 MARCH 2023

		For the three months ended 31 March	
	<i>Notes</i>	2023	2022
		HK\$'000	HK\$'000
(Loss)/profit for the period		<u>(7,781)</u>	<u>106,585</u>
Other comprehensive loss for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value change of financial assets at fair value through other comprehensive income ("FVTOCI")		(4,716)	(32,737)
Exchange differences arising on translation of foreign operations		<u>3,680</u>	<u>1,182</u>
Other comprehensive loss for the period, net of tax		<u>(1,036)</u>	<u>(31,555)</u>
Total comprehensive (loss)/income for the period		<u>(8,817)</u>	<u>75,030</u>
(Loss)/profit for the period attributable to:			
– Owners of the Company		(15,375)	34,938
– Non-controlling interests		<u>7,594</u>	<u>71,647</u>
		<u>(7,781)</u>	<u>106,585</u>
Total comprehensive (loss)/income for the period attributable to:			
– Owners of the Company		(16,500)	6,046
– Non-controlling interests		<u>7,683</u>	<u>68,984</u>
		<u>(8,817)</u>	<u>75,030</u>
(Loss)/earnings per share			
– Basic and diluted (HK\$)	8	<u>(0.016)</u>	<u>0.036</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2023

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Share-based payment reserves HK\$'000	Special reserves HK\$'000	Shares held under share award scheme HK\$'000	Other reserves HK\$'000	Financial assets at fair value through other comprehensive income reserves HK\$'000	Exchange reserves HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2023 (Audited)	96,323	490,692	8,809	212,948	(2,985)	6,488	8,022	(7,710)	(209,912)	602,675	223,845	826,520
Loss for the period	-	-	-	-	-	-	-	-	(15,375)	(15,375)	7,594	(7,781)
Other comprehensive loss for the period:												
Fair value change of financial assets at FVTOCI	-	-	-	-	-	-	(4,716)	-	-	(4,716)	-	(4,716)
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	3,591	-	3,591	89	3,680
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	(4,716)	3,591	-	(1,125)	89	(1,036)
Total comprehensive loss for the period	-	-	-	-	-	-	(4,716)	3,591	(15,375)	(16,500)	7,683	(8,817)
Share-based payments	-	-	516	-	-	-	-	-	-	516	-	516
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	5,855	5,855
Disposal of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(13)	(13)
At 31 March 2023 (Unaudited)	96,323	490,692	9,325	212,948	(2,985)	6,488	3,306	(4,119)	(225,287)	586,691	237,370	824,061

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2023

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Share-based payment reserves HK\$'000	Special reserves HK\$'000	Shares held under share award scheme HK\$'000	Other reserves HK\$'000	Financial assets at fair value through other comprehensive income reserves HK\$'000	Exchange reserves HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2022 (Audited)	96,323	490,692	16,451	212,948	-	6,482	42,910	4,725	(475,133)	395,398	70,497	465,895
Profit for the period	-	-	-	-	-	-	-	-	34,938	34,938	71,647	106,585
Other comprehensive loss for the period:												
Fair value change of financial assets at FVTOCI	-	-	-	-	-	-	(29,762)	-	-	(29,762)	(2,975)	(32,737)
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	870	-	870	312	1,182
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	(29,762)	870	-	(28,892)	(2,663)	(31,555)
Total comprehensive income for the period	-	-	-	-	-	-	(29,762)	870	34,938	6,046	68,984	75,030
Share-based payments	-	-	640	-	-	-	-	-	-	640	-	640
Lapse of share options	-	-	(5,999)	-	-	-	-	-	5,999	-	-	-
At 31 March 2022 (Unaudited)	96,323	490,692	11,092	212,948	-	6,482	13,148	5,595	(434,196)	402,084	139,481	541,565

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS

1. GENERAL INFORMATION

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

The issued shares of the Company have been listed on GEM of the Stock Exchange since 17 June 2004.

The Company is an investment holding company. The principal activities of its subsidiaries are (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 People's Republic of China (the "PRC"); (iii) sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; and (iv) provision of insurance brokerage services.

As at 31 March 2023, the Company's immediate and ultimate holding company is Genius Lead Limited ("Genius Lead"), a company incorporated in Samoa with limited liability and Genius Earn Limited ("Genius Earn"), a company incorporated in the British Virgin Islands ("BVI") with limited liability, respectively.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated first quarterly results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and applicable disclosures by the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") and the Hong Kong Companies Ordinance.

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

The principal accounting policies used in the preparation of the unaudited condensed consolidated first quarterly results for the three months ended 31 March 2023 are in consistent with those applied in the Company's annual report for the year ended 31 December 2022, except for the adoption of new and amendments to HKFRSs that affect the Group and has adopted for the first time in the current period's unaudited condensed consolidated first quarterly results.

The HKICPA has issued a number of new and revised standards, amendments to standards and interpretations (collectively referred to as “**new and revised HKFRSs**”). The Group has adopted the new and revised HKFRSs which are relevant to the Group’s operations and are mandatory for the financial year beginning on 1 January 2023. The adoption of these new and revised HKFRSs does not have any significant financial effect on the Group’s unaudited results of operations and financial position.

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

3. TURNOVER

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

	For the three months ended 31 March	
	2023	2022
	HK\$’000	<i>HK\$’000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Provision of medical laboratory testing services and health check services	129,065	162,662
Sale and distribution of health related and pharmaceutical products	302	214,752
Provision of insurance brokerage services	1,192	3,460
Provision of logistics services	2	3,199
Money lending business	–	15
	130,561	384,088
Gross proceeds from trading of securities (<i>note</i>)	–	69
Gross proceeds	130,561	384,157

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

4. OTHER INCOME AND GAINS/(LOSS)

	For the three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Interest income	700	12
Government grant	23	–
Sundry income	130	142
Exchange losses, net	(1,209)	(255)
Loss on written off of property, plant and equipment	(1,459)	(99)
	<u>(1,815)</u>	<u>(200)</u>

5. FINANCE COSTS

	For the three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Interest expenses:		
– Other borrowings	–	138
– Effective interest on convertible bonds	1,100	950
– Lease liabilities	253	129
	<u>1,353</u>	<u>1,217</u>

6. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
The amount comprises:		
Current tax:		
– Hong Kong Profits Tax	<u>4,141</u>	<u>25,803</u>
Deferred tax:		
– Current period	<u>(320)</u>	<u>(344)</u>
	<u>3,821</u>	<u>25,459</u>

Under the two-tiered Profits Tax regime, the first HK\$2 million of assessable 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 a tax rate of 16.5%. The taxable profits of the group entities not qualifying for the two-tiered Profits Tax rate regime will continue to be taxed at a rate of 16.5% for the three months ended 31 March 2023 (three months ended 31 March 2022: 16.5%).

PRC Enterprise Income Tax has been provided at a rate of 25% for the three months ended 31 March 2023 (three months ended 31 March 2022: 25%).

One of the subsidiaries had been certified by the relevant PRC authorities as a high technology enterprise. Pursuant to the Income Tax Law in the PRC, the subsidiary was subjected to Enterprise Income Tax rate of 15% for the three months ended 31 March 2023 (three months ended 31 March 2022: 15%).

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

7. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2023 (three months ended 31 March 2022: Nil).

8. (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share are calculated by dividing the (loss)/profit for the period attributable to owners of the Company by the weighted average number of ordinary shares during the three months ended 31 March 2023 and 2022.

	For the three months ended 31 March	
	2023	2022
	'000	'000
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	963,231	963,231
	963,231	963,231
	For the three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
(Loss)/profit for the period attributable to owners of the Company	(15,375)	34,938
Basic and diluted (loss)/earnings per share (HK\$)	(0.016)	0.036

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted (loss)/earnings per share are the same for the three months ended 31 March 2023 and 2022.

Diluted loss per share for the three months ended 31 March 2023 equals basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

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 three months ended 31 March 2022.

The computation of the diluted (loss)/earnings per share did not assume the conversion of the Company's convertible bonds since its exercise would have an anti-dilutive effect that would result in a decrease/an increase in (loss)/earnings per share for the three months ended 31 March 2023 and 2022 respectively.

FINANCIAL REVIEW

During the three months ended 31 March 2023 (the “**2023 Q1 Period**”), the principal activities of the Group are (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) sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; and (iv) provision of insurance brokerage services.

Turnover

During the 2023 Q1 Period, the Group recorded a turnover of approximately HK\$130,561,000, representing a significantly decrease of approximately 66.01% as compared with that of approximately HK\$384,088,000 for the three months ended 31 March 2022 (the “**2022 Q1 Period**”). The introduction of new antiviral oral drugs and bivalent vaccines after the fifth wave of COVID-19 broke out in 2022 marked a big turning point in the battle of the pandemic. The rapid changes in the COVID-19 epidemic situation and the swift relaxation of the COVID-19 related quarantine prevention and control measures adopted by the Hong Kong government caused a negative impact to the demand for the Group’s COVID-19 nucleic acid tests (“**NAT**”) services. The fade away of the threat of COVID-19 also affected the sales of rapid antigen test kits in the 2023 Q1 Period.

Provision of medical laboratory testing services and health check services

The Group continues to offer a wide spectrum of medical laboratory testing services and quality health check diagnostic services in Hong Kong. The services of this segment were being delivered through three medical laboratories and three health check centres established in Hong Kong.

The turnover of this segment decreased from approximately HK\$162,662,000 for the 2022 Q1 Period to approximately HK\$129,065,000 for the 2023 Q1 Period. It recorded a decrease of 20.65% as compared with the 2022 Q1 Period. During the 2022 Q1 Period, the Group was one of the pivot service providers to provide rapid NAT for COVID-19 to passengers arriving Hong Kong International Airport and prior to departure from Hong Kong to the Mainland China or Macau at the Shenzhen Bay Port and at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port under the arrangement enacted by the government of Hong Kong. However, due to the relaxation of COVID-19 quarantine requirements by the relevant government authorities, the demand of COVID-19 NAT testing services for ports decreased during the 2023 Q1 Period. As a result, the decrease of segmental turnover was mainly brought by the decrease in demand of COVID-19 related laboratory testing services in the 2023 Q1 Period.

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 and health management services in the PRC. Shanghai Longyao received the approval for initiating a stage I clinical trial (the “**Trial**”) on its investigational new drug (“**IND**”) named as LY007 Cellular Injection (“**LY007 Injection**”) from the National Medical Products Administration of China (“**NMPA**”) in January 2021. LY007 Injection is the first CD20-targeted autologous chimeric antigen receptor T-cell (“**CAR-T**”) therapy product approved by NMPA for initiating the Trial. LY007 Injection is an IND that carries Shanghai Longyao’s patented novel structural design with the OX40 costimulatory molecule built-in independently for purpose of enhancing the natural T-cell activation. It has been classified as a Class 1 IND for the treatment of relapsed/refractory CD20-positive B-cell non-Hodgkin lymphoma. In January 2022, kick-off meetings of the Trial were convened in 上海交通大學醫學院附屬瑞金醫院 (in English, for identification purpose only, Ruijin Hospital affiliated to Shanghai Jiao Tong University School of Medicine) (“**Ruijin Hospital**”) and 江蘇省人民醫院 (in English, for identification purpose only, Jiangsu People’s Hospital). The first subject enrolled in the Trial was taken up by the Ruijin Hospital on 1 March 2022 and the same subject was dosed successfully on 7 April 2022. The first group of four patients had completed cell infusion treatment in the Trial. No turnover from this segment was generated during the 2023 Q1 Period.

Sale and distribution of health related and pharmaceutical products

Sale and distribution of health related and pharmaceutical products segment recorded a significant decrease during the 2023 Q1 Period. The turnover of this segment substantial decreased from approximately HK\$214,752,000 for the 2022 Q1 Period to approximately HK\$302,000 for the 2023 Q1 Period. It represented a decrease of approximately 99.86% as compared with that of the 2022 Q1 Period. This significant decrease was driven by the decline in demand for rapid antigen test kits following to the relaxation of COVID-19 quarantine requirements by the relevant government authorities during the 2023 Q1 Period. To further strengthen the Group’s sale of health related and pharmaceutical product segment and to expand the Group’s product portfolio, the Group has entered into a five-year license and distribution agreement with a Japanese supplier of the product nicotinamide mononucleotide (“**NMN**”) powder for intravenous (IV) infusion. In January 2023, the Group entered into a distributorship and agency agreement with an agent for the exclusive distribution of the NMN products in Hong Kong and Macau.

Provision of insurance brokerage services

Provision of insurance brokerage services segment recorded a decrease in turnover during the 2023 Q1 Period. The turnover of this segment decreased from approximately HK\$3,460,000 during the 2022 Q1 Period to approximately HK\$1,192,000 for the 2023 Q1 Period. It represented a decreased by 65.55% as compared with the 2022 Q1 Period due to keen competition of the market. Also, economics recovery will take time as COVID-19 quarantine on visiting Mainland customers released at the beginning of 2023.

Provision of logistics services

The Group has been providing testing materials and specimens logistics services for local clinics and other corporate clients. The turnover of logistics services has decreased from approximately HK\$3,199,000 for the 2022 Q1 Period to approximately HK\$2,000 for the 2023 Q1 Period. It represented a decrease by 99.94% as compared with the 2022 Q1 Period due to keen competition of the market and decrease in demand on testing materials and specimen logistics services.

Money lending business

Ferran Finance Limited, an indirect wholly-owned subsidiary of the Company, is a holder of money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group's loan portfolio comprises unsecured loans granted to individual customers and are repayable within one year. No additional loan was granted by the Group for the 2023 Q1 Period. During the 2023 Q1 Period, no interest income is recorded from the money lending business (2022 Q1 Period: HK\$15,000).

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$49,161,000 for the 2023 Q1 Period, representing a decrease of approximately HK\$140,571,000 when compared with that of approximately HK\$189,732,000 in the 2022 Q1 Period. Also, the gross profit margin for the 2023 Q1 Period was approximately 37.65%, representing a decrease of approximately 11.75 percentage points when compared with the gross profit margin of approximately 49.40% for the 2022 Q1 Period. The decrease in gross profit margin were attributable to (i) decrease of the turnover from medical laboratory testing services and health check services segment; and (ii) decrease in trading of rapid antigen test kits from the sale and distribution of health related and pharmaceutical products segment.

Selling and distribution expenses

Selling and distribution expenses for the 2023 Q1 Period were approximately HK\$3,720,000 (2022 Q1 Period: HK\$3,905,000), representing a slightly decrease of approximately HK\$185,000 or 4.74% compared with such expenses for the 2022 Q1 Period. The Group maintained 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 2023 Q1 Period were approximately HK\$44,717,000, representing a decrease of approximately HK\$9,623,000 or 17.71%, as compared with that of approximately HK\$54,340,000 for the 2022 Q1 Period. The decrease in administrative expenses was mainly attributable to (i) decrease in research and development costs by approximately HK\$7,188,000 resulted from tumor immune cell therapy services segment; and (ii) decrease in staff costs and recruitment expenses by approximately HK\$6,902,000 due to cessation of COVID-19 testing services provided in airport and other ports from medical laboratory testing services and health check services segment.

Finance costs

During the 2023 Q1 Period, the Group's interest expenses amounted to approximately HK\$1,353,000 (2022 Q1 Period: HK\$1,217,000). The increase in the finance costs was mainly attributable to the finance costs arising from convertible bonds issued on 30 December 2022.

Loss for the period

The Group recorded a net loss attributable to the owners of the Company of approximately HK\$15,375,000 for the 2023 Q1 Period (2022 Q1 Period: net profit attributable to the owners of the Company of HK\$34,938,000). The turning from net profit to net loss was mainly attributable to the declines in the demand for the Group's COVID-19 NAT services as well as the rapid antigen test kits following to the relaxation of COVID-19 quarantine requirements by the relevant government authorities.

BUSINESS REVIEW

Renewal of continuing connected transaction in relation to the master supply agreement

On 18 January 2023, Sunrise Diagnostic Centre Limited (“**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 supply agreement 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 with annual cap for the transactions contemplated thereunder for the year ending 31 December 2023 of HK\$120,000,000. Details were disclosed in the announcement of the Company dated 18 January 2023.

The acquisition of BNCT parts and the procurement of maintenance services for the BNCT equipment

On 17 January 2023, the Company, 鵬博(海南)硼中子醫療科技有限公司 (in English, for identification purpose only, Pengbo (Hainan) Medical Technology Co., Ltd.) (“**Pengbo (Hainan)**”), and Sumitomo Heavy Industries, Ltd. (“**Sumitomo**”) entered into the sales contract and maintenance service contract, pursuant to which Pengbo (Hainan) agreed to acquire the Boron Neutron Capture Therapy (“**BNCT**”) parts at the initial sales contract price of JPY436,000,000 (equivalent to approximately HK\$26,502,000) and procure maintenance service for the BNCT equipment at the consideration of JPY360,600,000 (equivalent to approximately HK\$21,919,000) from Sumitomo, excluding any withholding tax which shall be borne by Pengbo (Hainan). Details were disclosed in the announcement of the Company dated 17 January 2023.

Grant of share options

On 6 January 2023, the Company granted to eligible participants share options to subscribe for up to a total of 5,000,000 shares of the Company under its share option scheme adopted on 29 May 2014 (“**Share Options Scheme**”), representing approximately 0.52% of the total number of shares of the Company in issue as at the date of grant on 6 January 2023. The share options have a vesting period of three years. Details were disclosed in the announcements of the Company dated 6 January 2023 and 10 January 2023.

FUTURE PROSPECT

To lay a strong foundation for our medical laboratory testing and health check services business in the post-pandemic era, we have been expanding our high throughput health screening services to the Hong Kong community by continuing to step up our effort in collaborating with the operators of various district health centres (“**DHCs**”) for the provision of health check-up and laboratory test services to members of the DHCs. Under the Primary Healthcare Blueprint released by the Hong Kong Government in December 2022, DHCs have been established as the hub for coordinating primary health services for Hong Kong residents, and they will partner with private healthcare sector to promote the concept of “family doctor for all” and collaborate with various healthcare professions to provide comprehensive, sustainable and people-centric primary health services in the community. So far, a total of HK\$1,900 million was allocated to the development of the DHC programme and more government subsidies are expected to be granted periodically to support the future operation of the DHCs by their respective authorised operators thereafter. As at the date of this announcement, we have entered into eight services agreements with the relevant operators of DHCs.

Due to the rising awareness and health concerns of the general public post COVID-19, the growing trend of aging population, larger demand for private medical services and increasing number of life insurance policies, it is expected that demand for health check and related medical services in Hong Kong will continue to grow.

To seize this opportunity, we have been aggressively seeking cooperations with different medical platforms, insurance companies and corporate entities to promote our healthcare services and expand our reach into the Greater Bay Area. At the same time, we have continued to strengthen and broaden our scope of services to cope with the expected demand. For instance, we have introduced several new tests, such as HPV (human papillomavirus, a type of virus that can cause abnormal tissue growth (for example, warts) and other changes to cells) DNA test, colorectal cancer DNA test and cPass™ test (neutralizing antibodies screening) etc. On the other hand, we will seek cooperation with the Hong Kong government, medical specialists, non-profit organisations and other institutes to achieve rapid entry into the early screening of colorectal cancer and HPV DNA test market.

Our high-standard molecular biology laboratory at the Hong Kong Science and Technology Park has been providing next generation sequencing (“NGS”) based cancer companion diagnostic test since July 2022. We are presently seeking business cooperation with contract research organisations, local hospitals, medical centres, local clinical laboratories and insurance companies to distribute reagents and NGS testing services. Moreover, we will endeavour to collaborate with hospitals and surgeons to prepare for the next FDA (The Food and Drug Administration of the United States) test product verification, to cooperate with local and overseas universities to develop and verify the testing items in demand, increase the scope of services of hospital testing, as well as to establish a personal genetic database in Hong Kong to provide real implementation of personalized precision health and precision medicine in Hong Kong and the Greater Bay Area.

Simultaneously, we have not stopped the development of our anti-tumor cell therapy products during the past three years of the pandemic, and the clinical trials of our CAR-T drug have been progressing as planned. The stage I Trial of the first CD20-targeted investigational new drug, namely LY007 Cellular Injection, began in the first quarter of 2022. The first group of four patients had completed cell infusion treatment in the Trial and we are confident to have enrolled sufficient patients to participate in the Trial by the end of 2023.

More notably, we have entered into agreements to purchase the BNCT equipment, drug and related services from Sumitomo and Stella Pharma Corporation. We intend to be the first service provider to offer BNCT cancer treatment to patients in the Greater China region, and aim to introduce and scale up this advanced tumor radiation therapy to patients in Mainland China, Hong Kong and Macau with advanced cancer.

We have been making progress on the construction of the BNCT Centre in Boao Pilot Zone. Pengbo (Hainan) has also been granted the medical institution practicing license (醫療機構執業許可證) by the administration of the Boao Pilot Zone. The construction and renovation of the BNCT Centre, followed by installation of BNCT equipment and test run, is targeted to be completed in late 2024 or early 2025.

Moving forward, we will continue to enrich our diagnostic and health checkup business with customised service offerings. We will endeavor to speed up the Trial and the construction of the BNCT Centre and will continue to stay at the forefront of the biomedical field by leveraging on the latest advancements in biomedical research and technology to develop innovative solutions for precision diagnosis and treatment.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any other material acquisition or disposal of subsidiaries, associates and joint ventures for the 2023 Q1 Period.

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

As at 31 March 2023, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(i) Long position in shares of the Company

Name of Director	Capacity and nature of interest	No. of shares held	Approximate percentage (Note a)
Mr. Liu Xiaolin ("Mr. Liu")	Interest of a controlled corporation	529,500,546 (<i>Note b</i>)	54.97%

Notes:

- (a) As at 31 March 2023, the total number of the issued shares of the Company was 963,231,150 ordinary shares of HK\$0.10 each of the Company.
- (b) Genius Lead is the registered and beneficial owner of these shares of the Company, and Genius Lead is wholly-owned by Genius Earn, which is in turn wholly-owned by Mr. Liu. As such, Mr. Liu is deemed to be interested in the shares of the Company held by Genius Lead.

(ii) Long position in shares of associated corporation

Name of Director	Name of associated corporation	Nature of interest	No. of shares held in associated corporation	Approximate percentage
Mr. Liu	Genius Earn	Beneficial owner	1	100%
	Genius Lead	Interest of a controlled corporation	1	100%

(iii) Long position in share options granted by the Company

Name of Directors	Nature of interest	Date of Grant	Exercise period	Exercise price per share	Aggregate long position in the underlying shares	Approximate percentage (note a)
Mr. Liu	Beneficial owner	20 August 2019	20 August 2022 to 19 August 2023	HK\$1.68	320,000	0.03%
Mr. He Xun	Beneficial owner	2 September 2020	2 September 2022 to 1 September 2024	HK\$2.00	6,440,000	0.67%
Ms. Chui Hoi Yam	Beneficial owner	5 January 2023	5 January 2023 to 4 January 2027	HK\$1.45	5,000,000	0.52%
Total					<u>11,760,000</u>	<u>1.22%</u>

Note:

- (a) As at 31 March 2023, the total number of the issued shares of the Company was 963,231,150 ordinary shares of HK\$0.10 each of the Company.

Please refer to the section headed “Share Option Scheme” for details of the share options granted to the Directors.

Save as disclosed above, as at 31 March 2023, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

NOTIFIABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2023, the following person or entity (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in shares and underlying shares of the Company

Name of shareholder	Capacity and nature of interest	No. of ordinary shares held	Approximate percentage (Note a)
Genius Earn (Note b)	Interest of a controlled corporation	529,500,546	54.97%
Genius Lead (Note b)	Beneficial owner	529,500,546	54.97%
Guoyuan Securities Investment (Hong Kong) Limited (Note c)	Beneficial owner	54,137,931	5.62%
	Person having a security interest in shares	187,903,805	19.51%
Guoyuan International Holdings Limited (Note c)	Interest of a controlled corporation	242,041,736	25.13%
Guoyuan Securities Co., Ltd. (Note c)	Interest of a controlled corporation	242,041,736	25.13%
Richlane Ventures Limited (Note d)	Beneficial owner	58,000,000	6.02%
Ko Chun Shun Johnson (“Mr. Ko”) (Note d)	Interest of controlled corporations	95,545,000	9.92%

Notes:

- (a) As at 31 March 2023, the total number of the issued shares of the Company was 963,231,150 ordinary shares of HK\$0.10 each of the Company.
- (b) Genius Lead is wholly-owned by Genius Earn. As such, Genius Earn is deemed to be interested in the shares of the Company held by Genius Lead under the SFO.
- (c) Guoyuan Securities Investment (Hong Kong) Limited is wholly-owned by Guoyuan International Holdings Limited. As such, Guoyuan International Holdings Limited is deemed to be interested in the shares of the Company in which Guoyuan Securities Investment (Hong Kong) Limited is interested. Guoyuan International Holdings Limited is wholly-owned by Guoyuan Securities Co., Ltd.. As such, Guoyuan Securities Co., Ltd. is deemed to be interested in the shares of the Company in which Guoyuan International Holdings Limited is deemed to be interested.
- (d) Richlane Ventures Limited is wholly-owned by Mr. Ko. As such, Mr. Ko is deemed to be interested in the 58,000,000 shares of the Company held by Richlane Ventures Limited. The remaining 37,545,000 shares of the Company in which Mr. Ko is deemed to be interested are held by other companies controlled by Mr. Ko.

Save as disclosed above, as at 31 March 2023, no other person or entity (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company on 29 May 2014, the Company adopted the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants (including employee participants, related entities participants and service providers as defined under Rule 23.03A(1) of the GEM Listing Rules) who contribute to the success the Group's operation. The principal terms of the Share Option Scheme were disclosed in the Company's 2022 annual report.

Details of movements in the Company's share options during the 2023 Q1 Period are set out as follows:

Category/ Name of Grantees	Date of grant	Exercise price per share (HK\$)	Balance as at 1 January 2023	Number of shares over which options are exercisable				Balance as at 31 March 2023	Exercise period
				Granted during the 2023 Q1 Period	Exercised during the 2023 Q1 Period	Lapsed during the 2023 Q1 Period	Cancelled during the 2023 Q1 Period		
Directors									
Mr. Liu	20 August 2019	1.68	320,000	-	-	-	-	320,000	<i>Note 1</i>
Mr. He Xun	2 September 2020	2.00	6,440,000	-	-	-	-	6,440,000	<i>Note 2</i>
Ms. Chui Hoi Yam	6 January 2023	1.45	-	5,000,000	-	-	-	5,000,000	<i>Note 4</i>
Sub-total			6,760,000	5,000,000	-	-	-	11,760,000	
Related Entities Participants									
Mr. Wu Ting Yuk Anthony	20 August 2019	1.68	3,240,000	-	-	-	-	3,240,000	<i>Note 1</i>
Service Providers									
Consultant									
Dr. Zhai Pu	26 November 2020	2.00 to 2.20	3,335,000	-	-	-	-	3,335,000	<i>Note 3</i>
Sub-total			6,575,000	-	-	-	-	6,575,000	
Employees	20 August 2019	1.68	1,180,000	-	-	-	-	1,180,000	<i>Note 1</i>
Sub-total			1,180,000	-	-	-	-	1,180,000	
Total			14,515,000	5,000,000	-	-	-	19,515,000	

Notes:

1. The share options were granted on 20 August 2019. The closing price of the shares immediately before the date of grant was HK\$1.37 per share. The share options granted to each grantee are exercisable to subscribe for (i) a maximum of one-third of the shares in respect of which the share options granted were vested from 20 August 2019 to 19 August 2020 and exercisable from 20 August 2020 to 19 August 2021; (ii) a maximum of another one-third of the shares in respect of which the share options granted were vested from 20 August 2019 to 19 August 2021 and exercisable from 20 August 2021 to 19 August 2022; and (iii) a maximum of the remaining one-third of the shares in respect of which the share options granted were vested from 20 August 2019 to 19 August 2022 and exercisable from 20 August 2022 to 19 August 2023.
2. The share options were granted on 2 September 2020. The closing price of the shares immediately before the date of grant was HK\$1.55 per share. The share options are exercisable to subscribe for (i) 3,220,000 shares from 2 September 2022 to 1 September 2023 for share options vested from 2 September 2020 to 1 September 2022; and (ii) 3,220,000 shares from 2 September 2023 to 1 September 2024 for share options vested from 2 September 2020 to 1 September 2023.
3. The share options were granted on 26 November 2020. The closing price of the shares immediately before the date of grant was HK\$1.34 per share. The share options are exercisable to subscribe for (i) 1,665,000 shares from 26 November 2022 to 25 November 2023 at exercise price of HK\$2.10 for share options vested from 26 November 2020 to 25 November 2022; and (ii) 1,670,000 shares from 26 November 2023 to 25 November 2024 at exercise price of HK\$2.20 for share options vested on from 26 November 2020 to 25 November 2023.
4. 5,000,000 share options were granted to Ms. Chui Hoi Yam on 6 January 2023. There is no performance target and no claw back mechanism in respect of the share options granted to Ms. Chui Hoi Yam. The closing price of the shares on the date of grant was HK\$1.10 per share and the average closing price for the five business days immediately preceding the date of grant was HK\$1.13 per share. The closing price of the shares immediately before the date of grant was HK\$1.13.

The share options are valid for a period of four years commencing from the date of grant until the end of the end of the respective exercisable periods, among which (i) 33.33% (1,665,000 share options) will vest from 6 January 2023 to 5 January 2024 and become exercisable from 6 January 2024 to 5 January 2025; (ii) 33.33% (1,665,000 share options) will vest from 6 January 2023 to 5 January 2025 and become exercisable from 6 January 2025 to 5 January 2026; and (iii) 33.34% (1,670,000 share options) will vest from 6 January 2023 to 5 January 2026 and become exercisable from 6 January 2026 to 5 January 2027.

SHARE AWARD SCHEME

(1) Purpose of the Share Award Scheme and Participants

The Company adopted a share award scheme (the “**Share Award Scheme**”) in accordance with the scheme rules on 18 August 2021 for the purpose of providing incentives and rewards to eligible participants (including employee participants, related entities participants and service providers as defined under Rule 23.03A(1) of the GEM Listing Rules) who may contribute to the success the Group’s operation. The principal terms of the Share Award Scheme are disclosed in the Company’s 2022 annual report.

During the 2023 Q1 Period, the trustee of the Share Award Scheme did not subscribe for any new shares of the Company, receive any existing shares of the Company from any shareholder of the Company or purchase any shares of the Company on the market and no shares of the Company were awarded by the Company under the Share Award Scheme. As at 31 March 2023, 2,325,000 shares of the Company were held by the trustee.

(2) Total Number of Shares Available for Issue

Under the Share Award Scheme, the Company shall not make any further grant of award which will result in the number of shares of the Company granted under the Share Award Scheme exceeding 10% of the total number of issued shares of the Company as at the adoption date of the Share Award Scheme on 18 August 2021, i.e. 963,231,150 shares.

As no shares of the Company were awarded by the Company under the Share Award Scheme since its adoption, 96,323,115 shares, representing 10% of the issued shares of the Company as at the date of the adoption of the Share Award Scheme on 18 August 2021 and as at the date of this announcement, were available for grant under the Share Award Scheme as at the date of this announcement.

(3) Maximum Entitlement of Participants

The maximum entitlement of each participant under the Share Award Scheme shall not exceed 1% of the total number of issued shares of the Company as at 18 August 2021, the adoption date of the Share Award Scheme.

(4) Vesting and Conditions

The Board may from time to time while the Share Award Scheme is in force and subject to all applicable laws and the GEM Listing Rules, determine such vesting criteria and conditions or periods for the awards to be vested. All of such vesting criteria and conditions (if any) and periods (including the vesting date) shall be set out in the relevant award letter issued to each selected participant.

(5) Basis of Determining the Purchase Price

The Board may at any time during the term of the Share Award Scheme direct and procure the trustee to receive existing shares of the Company from any shareholder of the Company or purchase existing shares of the Company (either on-market or off-market) at such range of purchase price as the Board may direct or authorise, subject to compliance with the applicable laws and the GEM Listing Rules.

(6) Remaining life of the Scheme

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date, the remaining life of the Share Award Scheme will expire on 17 August 2031.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the 2023 Q1 Period or at the end of the 2023 Q1 Period has been/was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the share options granted to three Directors on 20 August 2019, 2 September 2020 and 6 January 2023. No shares of the Company were awarded to any Director under the Share Award Scheme.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive right under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the 2023 Q1 Period.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the required standard of dealings and its code of conduct concerning securities transactions by the Directors during the 2023 Q1 Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board believes that corporate governance is essential to the success of the Company. The Board is committed to maintaining corporate governance with high standard and ensuring compliance of the legal and regulatory requirements. The Company has put in place governance practices with emphasis on the integrity, quality of disclosures, transparency and accountability for the shareholders of the Company.

Throughout the 2023 Q1 Period, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

COMPETING AND CONFLICT OF INTEREST

None of the Directors or the controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group nor any conflict of interest which has or may have with the Group during the 2023 Q1 Period.

AUDIT COMMITTEE

The Board established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules for the purpose of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises of three independent non-executive Directors, namely, Mr. Yan Guoxiang, Dr. Ho Ivan Chun Kit and Mr. Qian Hongji as at the date of this announcement.

The unaudited condensed consolidated first quarterly results of the Group for the 2023 Q1 Period have not been audited by the Company’s auditor, but have been reviewed by the Audit Committee in accordance with the accounting principles and practices adopted by the Company and the Audit Committee has discussed internal controls and financial reporting matters before any disclosure and release of information.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float under the GEM Listing Rules.

GENERAL

On behalf of the Board, I would like to take this opportunity express my sincere gratitude to all the shareholders for their support to the Company.

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

Hong Kong, 11 May 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 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.