



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

*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.*

UNAUDITED THIRD QUARTERLY RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company presents the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (collectively, the “**Group**”) for the three and nine months ended 30 September 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 AND NINE MONTHS ENDED 30 SEPTEMBER 2023

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Gross proceeds	3	<u>18,355</u>	588,842	<u>200,712</u>	1,275,820
Turnover	3	<u>18,355</u>	588,842	<u>200,712</u>	1,275,751
Cost of sales		<u>(29,758)</u>	(203,751)	<u>(150,789)</u>	(539,438)
Gross (loss)/profit		(11,403)	385,091	49,923	736,313
Net gain on financial assets at fair value through profit or loss		–	–	–	2,707
Other income and gains/(losses)	4	(3,541)	(4,796)	(13,892)	(924)
Reversal of impairment loss on financial assets, net		–	859	–	859
Selling and distribution expenses		(3,335)	(3,166)	(10,611)	(10,194)
Administrative expenses		(30,962)	(63,728)	(108,728)	(157,555)
(Loss)/profit from operations		(49,241)	314,260	(83,308)	571,206
Finance costs	5	(1,269)	(949)	(3,936)	(3,259)
Share of loss of a joint venture		(4,901)	(1,428)	(7,672)	(2,460)
Loss on deregistration of subsidiaries		–	–	(26)	–
Gain on disposal of subsidiaries	9	–	–	–	1,696
Gain on fair value change of contingent consideration		–	7,653	–	7,653
Loss on extension of convertible bonds		–	–	–	(1,527)
Change in fair value of derivative financial instrument		–	(1,266)	14,854	(1,283)
Impairment loss recognised on goodwill		–	(1,716)	–	(1,716)
(Loss)/profit before tax		(55,411)	316,554	(80,088)	570,310
Income tax credit/(expense)	6	<u>435</u>	(59,308)	<u>(2,609)</u>	(106,704)
(Loss)/profit for the period		(54,976)	257,246	(82,697)	463,606

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME**
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023

	For the three months ended 30 September		For the nine months ended 30 September	
<i>Notes</i>	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(54,976)	257,246	(82,697)	463,606
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	(1,552)	(7,158)	(7,881)	(42,194)
Exchange differences arising on translation of foreign operations	(846)	(10,998)	(11,779)	(18,320)
Release of exchange differences upon disposal of associates	9(b) —	—	—	(740)
Other comprehensive loss for the period, net of tax	(2,398)	(18,156)	(19,660)	(61,254)
Total comprehensive (loss)/income for the period	(57,374)	239,090	(102,357)	402,352
(Loss)/profit for the period attributable to:				
– Owners of the Company	(35,492)	91,296	(65,976)	159,516
– Non-controlling interests	(19,484)	165,950	(16,721)	304,090
	(54,976)	257,246	(82,697)	463,606
Total comprehensive (loss)/income for the period attributable to:				
– Owners of the Company	(37,926)	72,683	(85,710)	102,951
– Non-controlling interests	(19,448)	166,407	(16,647)	299,401
	(57,374)	239,090	(102,357)	402,352
(Loss)/earnings per share				
– Basic and diluted (HK\$)	8 (0.037)	0.095	(0.068)	0.166

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

	Attributable to owners of the Company											Total
	Share capital	Share premium	Share-based payment reserves	Special reserves	Shares held under share award scheme	Other reserves	Financial assets at fair value through other comprehensive income reserves	Exchange reserves	Accumulated losses	Sub-total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	-	-	-	-	-	-	-	-	(65,976)	(65,976)	(16,721)	(82,697)
Other comprehensive loss for the period:												
Fair value change of financial assets at FVTOCI	-	-	-	-	-	-	(7,881)	-	-	(7,881)	-	(7,881)
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	(11,853)	-	(11,853)	74	(11,779)
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	(7,881)	(11,853)	-	(19,734)	74	(19,660)
Total comprehensive loss for the period	-	-	-	-	-	-	(7,881)	(11,853)	(65,976)	(85,710)	(16,647)	(102,357)
Share-based payments	-	-	1,530	-	-	-	-	-	-	1,530	-	1,530
Lapse of share options	-	-	(3,797)	-	-	-	-	-	3,797	-	-	-
Purchase of shares under share award scheme	-	-	-	-	(4,185)	-	-	-	-	(4,185)	-	(4,185)
Shares granted under share award scheme	-	-	-	-	548	-	-	-	-	548	-	548
Dividend paid	-	-	-	-	-	-	-	-	(9,632)	(9,632)	-	(9,632)
Dividend paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	(156,000)	(156,000)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	5,855	5,855
Disposal of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(13)	(13)
At 30 September 2023 (Unaudited)	96,323	490,692	6,542	212,948	(6,622)	6,488	141	(19,563)	(281,723)	505,226	57,040	562,266

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

	Attributable to owners of the Company											Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share-based payment reserves HK\$'000	Shares held under share award scheme HK\$'000	Special reserves 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	
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	-	-	-	-	-	-	-	-	159,516	159,516	304,090	463,606
Other comprehensive loss for the period:												
Fair value change of financial assets at FVTOCI	-	-	-	-	-	-	(38,359)	-	-	(38,359)	(3,835)	(42,194)
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	(17,466)	-	(17,466)	(854)	(18,320)
Release of exchange differences upon disposal of associates (note 9(b))	-	-	-	-	-	-	-	(740)	-	(740)	-	(740)
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	(38,359)	(18,206)	-	(56,565)	(4,689)	(61,254)
Total comprehensive income for the period	-	-	-	-	-	-	(38,359)	(18,206)	159,516	102,951	299,401	402,352
Share-based payments	-	-	1,767	-	-	-	-	-	-	1,767	-	1,767
Lapse of share options	-	-	(9,308)	-	-	-	-	-	9,308	-	-	-
Shares purchased under share award scheme	-	-	-	(2,985)	-	-	-	-	-	(2,985)	-	(2,985)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	7,906	7,906
Dividend paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	(150,000)	(150,000)
At 30 September 2022 (Unaudited)	96,323	490,692	8,910	(2,985)	212,948	6,482	4,551	(13,481)	(306,309)	497,131	227,804	724,935

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED THIRD 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 since 17 June 2004.

The principal activity of the Company is investment holding. 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 30 September 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 third quarterly results of the Group for the three and nine months ended 30 September 2023 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 third quarterly results of the Group for the three and nine months ended 30 September 2023 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 third quarterly results of the Group for the nine months ended 30 September 2023 are consistent with those applied in the Company's annual report for the year ended 31 December 2022, except for the adoption of new standards and amendments to HKFRSs that affect the Group and has adopted the first time for the current period's unaudited condensed consolidated third 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 amendments to 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 30 September		For the nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15:				
Provision of medical laboratory testing services and health check services	15,034	584,077	185,559	1,044,983
Sale and distribution of health related and pharmaceutical products	117	1,155	473	216,557
Provision of insurance brokerage services	3,194	1,661	14,661	6,360
Provision of logistics services	10	1,944	19	7,816
Money lending business	–	5	–	35
	18,355	588,842	200,712	1,275,751
Gross proceeds from trading of securities (<i>note</i>)	–	–	–	69
Gross proceeds	18,355	588,842	200,712	1,275,820

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/(LOSSES)

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest income	703	7	2,344	23
Dividend income	–	–	23	–
Sundry income	206	73	510	710
Government grants (<i>note</i>)	12	1,061	48	1,661
Gain/(loss) on disposal of property, plant and equipment	322	(2,028)	322	1,103
Loss on written-off of property, plant and equipment	(69)	–	(1,530)	(4)
Exchange losses, net	(4,715)	(3,909)	(15,609)	(4,417)
	<u>(3,541)</u>	<u>(4,796)</u>	<u>(13,892)</u>	<u>(924)</u>

Note:

During the nine months ended 30 September 2023, the Group recognised government grants of approximately HK\$48,000 in related to employment support provided by the PRC government.

During the nine months ended 30 September 2022, the Group recognised government grants of approximately HK\$1,661,000 in respect of COVID-19 related subsidies, related to the Employment Support Scheme provided by the Hong Kong government.

5. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest expenses:				
– Other borrowings	–	276	–	530
– Effective interest expenses on convertible bonds	1,088	469	3,297	2,260
– Lease liabilities	181	204	639	469
	<u>1,269</u>	<u>949</u>	<u>3,936</u>	<u>3,259</u>

6. INCOME TAX (CREDIT)/EXPENSE

	For the three months ended 30 September		For the nine months ended 30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The amount comprises:				
Current tax expense:				
– Hong Kong Profits Tax	<u>(133)</u>	<u>59,629</u>	<u>3,544</u>	<u>107,700</u>
Deferred tax:				
– Current period	<u>(302)</u>	<u>(321)</u>	<u>(935)</u>	<u>(996)</u>
	<u><u>(435)</u></u>	<u><u>59,308</u></u>	<u><u>2,609</u></u>	<u><u>106,704</u></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 Profit Tax rate regime will continue to be taxed at a rate of 16.5% (nine months ended 30 September 2022: 16.5%) during the nine months ended 30 September 2023.

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 nine months ended 30 September 2023 (nine months ended 30 September 2022: 15%).

The PRC Enterprise Income Tax has been provided at a rate of 25% for the nine months ended 30 September 2023 (nine months ended 30 September 2022: 25%).

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 nine months ended 30 September 2023 (nine months ended 30 September 2022: HK\$Nil).

A final dividend of HK\$0.01 per ordinary share of the Company in respect of the previous financial year was approved by the shareholders at the annual general meeting held on 16 May 2023. The total amount of approximately HK\$9,632,000 was paid as final dividend for the financial year ended 31 December 2022 during the nine months ended 30 September 2023 (nine months ended 30 September 2022: HK\$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 and nine months ended 30 September 2023 and 2022.

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 '000 (Unaudited)	2022 '000 (Unaudited)	2023 '000 (Unaudited)	2022 '000 (Unaudited)
Number of ordinary shares				
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	<u>963,231</u>	<u>963,231</u>	<u>963,231</u>	<u>963,231</u>
	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
(Loss)/profit for the period attributable to owners of the Company (HK\$'000)	<u>(35,492)</u>	<u>91,296</u>	<u>(65,976)</u>	<u>159,516</u>
Basic and diluted (loss)/earnings per share (HK\$)	<u>(0.037)</u>	<u>0.095</u>	<u>(0.068)</u>	<u>0.166</u>

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 and nine months ended 30 September 2023 and 2022.

The computation of the diluted (loss)/earnings per share did not assume the exercise of the Company's outstanding share options as the respective exercise price of those share options was higher than the average market prices of the share for the three months and nine months ended 30 September 2023 and 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 and nine months ended 30 September 2023 and 2022 respectively.

9. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Lustrous Pearl Group

On 4 April 2022, the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to disposal of the entire equity interest in Lustrous Pearl International Limited and its subsidiaries (the “**Lustrous Pearl Group**”) at a cash consideration of HK\$6,400,000. The completion of the disposal of Lustrous Pearl Group took place on the same date.

An analysis of the net assets of the Lustrous Pearl Group at the date on which the Group lost control (i.e. 4 April 2022), was as follows:

	<i>HK\$'000</i> (Unaudited)
Property, plant and equipment	8
Held for trading securities	4,398
Other receivables	720
Cash and cash equivalents	<u>1,037</u>
Total assets	<u>6,163</u>
Other payables	<u>353</u>
Total liability	<u>353</u>
Net assets disposal of	<u><u>5,810</u></u>
	For the nine months ended 30 September 2022 <i>HK\$'000</i> (Unaudited)
Gain on disposal of the Lustrous Pearl Group:	
Consideration	6,400
Less: Net assets disposal of	<u>(5,810)</u>
	<u><u>590</u></u>
Net cash inflow arising on disposal:	
Consideration received on cash	6,400
Cash and cash equivalents disposal of	<u>(1,037)</u>
	<u><u>5,363</u></u>

(b) **Disposal of Dynasty Well Group**

On 31 May 2022, the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to disposal of the entire equity interest in Dynasty Well Limited and its subsidiaries (the “**Dynasty Well Group**”) at a cash consideration of HK\$50,000. The completion of the disposal of Dynasty Well Group took place on the same date.

An analysis of the net liabilities of the Dynasty Well Group at the date on which the Group lost control (i.e. 31 May 2022), was as follows:

	<i>HK\$'000</i> (Unaudited)
Other receivables	7
Cash and cash equivalents	<u>39</u>
Total assets	<u>46</u>
Other payables	<u>362</u>
Total liability	<u>362</u>
Net liabilities disposal of	<u><u>(316)</u></u>
	For the nine months ended 30 September 2022 <i>HK\$'000</i> (Unaudited)
Gain on disposal of the Dynasty Well Group:	
Consideration	50
Release of exchange difference	740
Less: Net liabilities disposal of	<u>(316)</u>
	<u><u>1,106</u></u>
Net cash inflow arising on disposal:	
Consideration received on cash	50
Cash and cash equivalents disposal of	<u>(39)</u>
	<u><u>11</u></u>

FINANCIAL REVIEW

During the nine months ended 30 September 2023 (the “**2023 Q3 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 Q3 Period, the Group recorded a turnover of approximately HK\$200,712,000, representing a significantly decrease of approximately 84.27% as compared with that of approximately HK\$1,275,751,000 for the nine months ended 30 September 2022 (the “**2022 Q3 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 and the subsequent removal 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 test (“**NAT**”) services. The fade away of COVID-19 threat also affected the sales of rapid antigen test kits in the 2023 Q3 Period.

Battered also by the lackluster recovery of local consumption in the post-pandemic time, the overall demand for medical laboratory testing services and health check services was weaker than expected throughout the 2023 Q3 Period. The provision of insurance brokerage services was the segment demonstrated the strongest rebound in turnover during the 2023 Q3 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\$1,044,983,000 for the 2022 Q3 Period to approximately HK\$185,559,000 for the 2023 Q3 Period. It recorded a decrease of 82.24% as compared with the 2022 Q3 Period. During the 2022 Q3 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 services for passengers in or out of the ports decreased significantly during the 2023 Q3 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 Q3 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 phase 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 expressed 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 (“**B-NHL**”). 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 Province Hospital). The first subject enrolled in the Trial was taken up by the Ruijin Hospital on 1 March 2022 and the same subject had successfully received CAR-T cell infusion on 7 April 2022. As at the date of this announcement, the screening of qualified subject patients in the low, medium, and high dose groups has been completed. Currently, a total of nine (9) individuals with B-NHL have successfully undergone reinfusion of LY007 Injection. Among them, seven (7) cases have completed both LY007 Injection reinfusion and dose-limiting toxicity (“**DLT**”) observation, two (2) cases are still under observation for DLT. It is expected that full enrollment of the Trial with twelve (12) subject patients will be completed by the end of first quarter of 2024. Preparation for a pivotal Phase II clinical trial will be conducted in the second quarter of 2024. No turnover from this segment was generated during the 2023 Q3 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 Q3 Period. The turnover of this segment substantially decreased from approximately HK\$216,557,000 for the 2022 Q3 Period to approximately HK\$473,000 for the 2023 Q3 Period. It represented a decrease of approximately 99.78% as compared with that of the 2022 Q3 Period. This significant decrease was attributable to 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 Q3 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 pharmaceutical company that manufactures and supplies 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.

Construction of boron neutron capture therapy (“BNCT”) cancer treatment centre

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)**”), an indirect wholly-owned subsidiary of the Company, entered into a site admission and investment agreement (the “**Site Admission Agreement**”) with the Hainan Boao Lecheng International Medical Tourism Pilot Zone Administration (the “**Administration**”) on 28 February 2022. Pursuant to the Site Admission Agreement, Pengbo (Hainan) has committed to building and to operating a cancer treatment centre (the “**BNCT Centre**”) by adoption of the accelerator-based BNCT system (the “**BNCT System**”) covering the cyclotron accelerator, dose calculation program and related medical device for BNCT treatment to be procured and supplied by Sumitomo Heavy Industries, Ltd. (“**Sumitomo**”). The BNCT Centre is going to be set up in Hainan Boao Lecheng International Medical Tourism Pilot Zone of Hainan Free Trade Port (the “**Boao Pilot Zone**”).

In June 2022, Pengbo (Hainan) signed a bundle of sales contract, service contract and a memorandum of understanding with Sumitomo in respect of the supply of the BNCT System together with the initial spare parts and the provision of the operation and maintenance services required for commencement of the operation of the BNCT Centre. The construction works of the BNCT Centre began in November 2022.

In December 2022, the BNCT Centre was granted with a 醫療機構執業許可證 (in English, for identification purpose only, the Practice License of Medical Institution) by the Administration for a term of five years until December 2027.

During the 2023 Q3 Period, the construction works of the BNCT Centre had been progressing under planned schedule. Structural construction of the facility is targeted to be completed by the end of 2023. Installation of the BNCT System will start subsequently. The BNCT Centre is targeted to commence operation in late 2024 or early 2025. No turnover from this segment was generated during the 2023 Q3 Period.

Provision of insurance brokerage services

Provision of insurance brokerage services segment recorded a significantly increase in turnover during the 2023 Q3 Period. The turnover of this segment increased from approximately HK\$6,360,000 during the 2022 Q3 Period to approximately HK\$14,661,000 for the 2023 Q3 Period. It represented an increase by 1.31 times as compared with the 2022 Q3 Period. The increase was mainly due to the removal of travel restrictions imposed on Mainland Chinese customers from visiting Hong Kong during the 2023 Q3 Period.

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\$7,816,000 for the 2022 Q3 Period to approximately HK\$19,000 for the 2023 Q3 Period. It represented a decrease by 99.76% as compared with the 2022 Q3 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 which are repayable within one year. No additional loan was granted by the Group for the 2023 Q3 Period. During the 2023 Q3 Period, no interest income is recorded from the money lending business (2022 Q3 Period: HK\$35,000).

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$49,923,000 for the 2023 Q3 Period, representing a decrease of approximately HK\$686,390,000 when compared with that of approximately HK\$736,313,000 in the 2022 Q3 Period. Also, the gross profit margin for the 2023 Q3 Period was approximately 24.87%, representing a decrease of approximately 32.85 percentage points when compared with the gross profit margin of approximately 57.72% for the 2022 Q3 Period. The decrease in gross profit margin was 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 Q3 Period were approximately HK\$10,611,000 (2022 Q3 Period: HK\$10,194,000), representing an increase of approximately HK\$417,000 or 4.09% compared with such expenses for the 2022 Q3 Period. The slightly increase was due to increase in staff costs during the 2023 Q3 Period.

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 Q3 Period were approximately HK\$108,728,000, representing a decrease of approximately HK\$48,827,000 or 30.99%, as compared with that of approximately HK\$157,555,000 for the 2022 Q3 Period. The decrease in administrative expenses was mainly attributable to decrease in staff costs and recruitment expenses by approximately HK\$36,730,000 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 Q3 Period, the Group's interest expenses amounted to approximately HK\$3,936,000 (2022 Q3 Period: HK\$3,259,000). The increase in the finance costs was mainly attributable to the finance costs arising from the 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\$65,976,000 for the 2023 Q3 Period (2022 Q3 Period: net profit attributable to the owners of the Company of HK\$159,516,000). The turning from net profit to net loss was mainly attributable to the decline in the demand for the Group's COVID-19 NAT services as well as the drop of sales related to the rapid antigen test kits following the relaxation and the subsequent removal 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, Pengbo (Hainan), and Sumitomo entered into the sales contract and maintenance service contract, pursuant to which Pengbo (Hainan) agreed to acquire the 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.

Share award scheme

During the 2023 Q3 Period, the trustee of the Company purchased an aggregate of 5,295,000 ordinary shares of nominal value of HK\$0.10 each in the share capital of the Company (“**Shares**”) with consideration of approximately HK\$4,185,000 on the Stock Exchange for the purpose of the Share Award Scheme (the “**Share Award Scheme**”) adopted by the Company in accordance with the scheme rules on 18 August 2021. 582,000 award shares have been granted to selected participants pursuant to the Share Award Scheme during the 2023 Q3 Period. Details were disclosed in the announcement of the Company dated 15 September 2023.

FUTURE PROSPECT

The relaxation of threats from COVID-19 pandemic had significantly slackened the demand for NAT services and rapid antigen test kits that formed the core parts of business incomes of the Group in the past two financial years. In 2023, the local economy has ushered in a new post-pandemic era and the Group has set itself at good position to extend its conventional medical laboratory testing services and health check services to high throughput public health screening services for the Hong Kong community.

Our Group has been persistently stepping up efforts to collaborate 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. As at the date of this announcement, we have entered into nine services agreements with the relevant operators of DHCs. To beef up the Primary Healthcare Blueprint, the Health Bureau of the Government of Hong Kong further announced on 25 September 2023 that they are going to launch the Chronic Disease Co-Care Pilot Scheme (“**CDCC Pilot Scheme**”). Under the CDCC Pilot Scheme, eligible persons aged 45 or above will be subsidized to undergo screening by a family doctor of their own choice. Those who are diagnosed with prediabetes, diabetes mellitus (DM) or hypertension (HT) will be taken care by their family doctor with long-term management including medical consultations, drug prescription and laboratory investigations as clinically indicated. The CDCC Pilot Scheme is set to be launched on 13 November 2023.

Though the rebound on demand for medical laboratory testing and health check services had been slightly slower than expected in the 2023 Q3 Period, we are seeing warm-up signs in the market starting from late autumn of 2023 as seasonal flu and other respiratory virus infection cases are on the rise, while COVID-19 remains threat. Due to the rising awareness and health concerns of the general public fostered in pandemic time, 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 three testing groups of nine 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 first quarter of 2024. On 18 October 2023, the Company entered into a strategic cooperation framework agreement with 阿斯利康投資(中國)有限公司 (in English, for identification purpose only, AstraZeneca Investment (China) Co., Ltd.) (“**AstraZeneca (China)**”), pursuant to which the parties have agreed to cooperate with respect to the development of (i) enhancement, commercialisation and licensing of immune cell therapy; (ii) design, planning and ecological construction of the R&D and production base; and (iii) cooperation models with innovative platforms.

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.

In addition, the Group has entered into cooperation partnership with several hospitals in the PRC, including but not limited to Huashan Hospital affiliated to Fudan University, Shanghai (上海復旦大學附屬華山醫院), for the provision of treatment services for cancer patients referred by them at the BNCT Centre in Hainan to be opened in 2024 and for cooperation in tumour treatment. Apart from offering BNCT treatment services for cancer patients, the Group will generate revenue in the future through the distribution of BNCT equipment, medicines and its related services, including consultancy services in relation to the design and construction of BNCT Centre, maintenance services for BNCT equipment and the provision of professional training services for medical staff.

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 Q3 Period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2023, the Group had a total of 180 (30 September 2022: 295) full time employees which were located in the PRC and Hong Kong. Total staff costs for the 2023 Q3 Period was approximately HK\$72,193,000 (2022 Q3 Period: HK\$104,363,000).

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 (including internal training on the Group's policies and procedures, and paid external training organised by third parties), participation in the 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 per employee. The employees in the PRC are members of respective state-managed defined contribution retirement benefits scheme operated by the local government. The employer and the employees are obliged to make contributions at a certain percentage of the basic payroll under rules of the schemes. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The total contributions payable to the above schemes by the Group and charged to the condensed consolidated statement of profit or loss and other comprehensive income for the 2023 Q3 Period were approximately HK\$2,653,000 (2022 Q3 Period: HK\$2,095,000).

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

As at 30 September 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 <i>(Note a)</i>
Mr. Liu Xiaolin (“ Mr. Liu ”)	Interest of a controlled corporation	529,500,546 <i>(Note b)</i>	54.97%
	Beneficial owner	792,000	0.08%
		530,292,546	55.05%

Notes:

- (a) As at 30 September 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 of 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. He Xun	Beneficial owner	2 September 2020	2 September 2023 to 1 September 2024	HK\$2.00	3,220,000	0.33%
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>8,220,000</u>	<u>0.85%</u>

Note:

- (a) As at 30 September 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 30 September 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 30 September 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	Number 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 30 September 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 30 September 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 Q3 Period are set out as follows:

Category/ Name of Grantees	Date of grant	Exercise price per share (HK\$)	Number of shares over which options are exercisable					Balance as at 30 September 2023	Exercise period
			Balance as at 1 January 2023	Granted during the 2023 Q3 Period	Exercised during the 2023 Q3 Period	Lapsed during the 2023 Q3 Period	Cancelled during the 2023 Q3 Period		
Directors									
Mr. Liu	20 August 2019	1.68	320,000	-	-	320,000	-	-	Note 1
Mr. He Xun	2 September 2020	2.00	6,440,000	-	-	3,220,000	-	3,220,000	Note 2
Ms. Chui Hoi Yam	6 January 2023	1.45	-	5,000,000	-	-	-	5,000,000	Note 4
Sub-total			6,760,000	5,000,000	-	3,540,000	-	8,220,000	
Related Entities									
Participants									
Mr. Wu Ting Yuk Anthony	20 August 2019	1.68	3,240,000	-	-	3,240,000	-	-	Note 1
Service Providers									
Consultant									
Dr. Zhai Pu	26 November 2020	2.00 to 2.20	3,335,000	-	-	-	-	3,335,000	Note 3
Sub-total			6,575,000	-	-	3,240,000	-	3,335,000	
Employees	20 August 2019	1.68	1,180,000	-	-	1,180,000	-	-	Note 1
Sub-total			1,180,000	-	-	1,180,000	-	-	
Total			14,515,000	5,000,000	-	7,960,000	-	11,555,000	

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.

5. No service provider sublimit was set under the Share Option Scheme.

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. No service provider sublimit was set under the Share Award Scheme. The principal terms of the Share Award Scheme are disclosed in the Company’s 2022 annual report.

During the 2023 Q3 Period, the trustee purchased a total number of 5,295,000 shares on the market at a total consideration of approximately HK\$4,185,000, details of the monthly breakdown of such purchases of share made during the 2023 Q3 Period is included in the paragraph headed “Purchase, Sale or Redemption of Listed Securities”.

582,000 award shares have been granted to selected participants pursuant to the Share Award Scheme during the 2023 Q3 Period. As at 30 September 2023, 7,038,000 shares of the Company 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.

582,000 shares of the Company were awarded by the Company under the Share Award Scheme since its adoption. The number of awarded shares remain available for grant under the Share Award Scheme is 95,741,115 shares, representing 9.94% of the total issued shares of the Company 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 Q3 Period or at the end of the 2023 Q3 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. 292,000 shares of the Company were awarded to one Director under the Share Award Scheme on 15 September 2023.

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

During the 2023 Q3 Period, except that the trustee of the Share Award Scheme (the "Trustee"), pursuant to the terms of the scheme rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 5,295,000 shares of the Company at a total consideration of approximately HK\$4,185,000, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities. All the shares of the Company purchased by the Trustee are held by the Trustee on trust for the purpose of the Share Award Scheme.

Particulars of the shares purchased by the Trustee on the Stock Exchange during the 2023 Q3 Period are as follows:

Month	Number of shares purchased by the Trustee	Purchase price per share		Approximate total consideration (before expenses) (HK\$'000)
		Highest (HK\$)	Lowest (HK\$)	
June	1,975,000	1.00	0.93	1,934
August	1,050,000	0.70	0.59	676
September	<u>2,270,000</u>	0.79	0.58	<u>1,575</u>
	<u><u>5,295,000</u></u>			<u><u>4,185</u></u>

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the required standard of dealings and its code of conduct concerning securities transactions by the Directors during the 2023 Q3 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 Q3 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 Q3 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 quarterly results of the Group for the 2023 Q3 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, we would like to take this opportunity to express our sincere gratitude to all the stakeholders for your support to the Company.

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

Hong Kong, 13 November 2023

As at the date of this announcement, the board of Directors comprises three executive Directors, namely, Mr. Liu Xiaolin (Chairman), Mr. He Xun, and Mr. Huang Song; one non-executive Director, namely, 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.