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CHINA BIOTECH SERVICES HOLDINGS LIMITED

中國生物科技服務控股有限公司

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

(Stock code: 8037)

DISCLOSEABLE TRANSACTION

CAPITAL INJECTIONS INTO SHANGHAI LONGYAO BIOTECH COMPANY LIMITED AND GRANT OF PUT OPTION

THE CAPITAL INJECTION AGREEMENT

On 8 December 2023, the Company, Shanghai Longyao (an indirect non-wholly owned subsidiary of the Company) and the Investor entered into the Capital Injection Agreement, pursuant to which (i) the Investor agreed to make a capital injection in the amount of RMB48,000,000, of which RMB992,670 shall be used to subscribe for 5.35% equity interest of the enlarged registered capital of Shanghai Longyao and RMB47,007,330 shall be credited as the capital reserves of Shanghai Longyao, (ii) the Company agreed, through a wholly-owned subsidiary to be established in the PRC, to make a capital injection in the amount of RMB49,960,000, of which RMB1,033,204 shall be used to subscribe for 5.57% equity interest of the enlarged registered capital of Shanghai Longyao and RMB48,926,796 shall be credited as the capital reserves of Shanghai Longyao, (iii) the Put Option has been granted to the Investor whereby, upon the occurrence of any Redemption Event, the Investor shall be entitled to require Shanghai Longyao to repurchase, or (if Shanghai Longyao fails to repurchase) to require the Company to purchase, all or part of the Investor's shareholding in Shanghai Longyao at the Put Price, and (iv) the Call Option, exercisable at the discretion of the Company on or before 31 December 2024, has been granted to the Company, pursuant to which the Company may buy all or part of the Investor's shareholding in Shanghai Longyao.

On 8 December 2023, Mr. Liu and the Investor entered into the Side Letter under which Mr. Liu has undertaken to the Investor that if Shanghai Longyao fails to repurchase or the Company fails to purchase all of the Investor's shareholding in Shanghai Longyao at the Put Price upon the exercise of the Put Option by the Investor, Mr. Liu shall purchase such equity interest in accordance with the terms of the Capital Injection Agreement.

Upon completion of the Capital Injections, the Group's immediate effective equity interest in Shanghai Longyao will decrease from approximately 68.13% to 66.26%, representing a decrease of approximately 1.87%. Shanghai Longyao will remain a subsidiary of the Company, and its results, assets and liabilities will continue to be consolidated into the consolidated financial statements of the Company.

GEM LISTING RULES IMPLICATIONS

The Capital Injections constitute a deemed disposal of the Group's equity interest in Shanghai Longyao. As the exercise of the Put Option is not at the discretion of Shanghai Longyao or the Company, under Rule 19.74(1) of the GEM Listing Rules, the grant of the Put Option is classified as a transaction for the Company under Chapter 19 of the GEM Listing Rules as if the Put Option had been exercised.

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of each of the Capital Injections and the grant of Put Option exceeds 5% but all of them are less than 25%, the transactions contemplated under the Capital Injection Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

THE CAPITAL INJECTION AGREEMENT

Set out below are the principal terms of the Capital Injection Agreement:

Date: 8 December 2023

Parties: (1) the Investor;
(2) Shanghai Longyao; and
(3) the Company.

Subject Matters

1. The Capital Injections

Pursuant to the Capital Injection Agreement:

- (a) the Investor agreed to make a capital injection in the amount of RMB48,000,000, of which RMB992,670 shall be used to subscribe for 5.35% equity interest of the enlarged registered capital of Shanghai Longyao and RMB47,007,330 shall be credited as the capital reserves of Shanghai Longyao; and
- (b) the Company agreed, through a wholly-owned subsidiary to be established in the PRC, to make a capital injection in the amount of RMB49,960,000, of which RMB1,033,204 shall be used to subscribe for 5.57% equity interest of the enlarged registered capital of Shanghai Longyao and RMB48,926,796 shall be credited as the capital reserves of Shanghai Longyao.

Upon completion of the Capital Injections, Shanghai Longyao's total registered capital will be increased to RMB18,556,159 and its equity interest will be owned as to approximately 66.26% by the Company directly and indirectly, 21.15% by Shenzhen Beichen Biotech Company Limited* (深圳市北辰生物技术有限公司), 5.35% by the Investor, and an aggregate of approximately 7.24% by senior management of Shanghai Longyao and other individuals, each of them holding not more than 5%.

The amount of the Capital Injections was determined after arm's length negotiations among the parties with reference to, among other matters, the business, product pipeline and growth potential of Shanghai Longyao, the financial performance of Shanghai Longyao and the valuation of comparable companies based on available information.

2. The Put Option

Pursuant to the Put Option granted to the Investor under the Capital Injection Agreement, if any of the following events (the "**Redemption Events**") occurs, other than due to reasons of force majeure and/or the Investor, the Investor shall be entitled to require Shanghai Longyao to repurchase, or (if Shanghai Longyao fails to repurchase) to require the Company to purchase, all or part of the Investor's equity interest in Shanghai Longyao at the Put Price:

- (i) Shanghai Longyao or its affiliate not having completed a qualified initial public offering on a stock exchange on or before 31 December 2027; or
- (ii) Shanghai Longyao or its affiliate not having been entirely acquired by a listed company (and such merger and acquisition arrangement shall be approved by the Investor in writing in advance) on or before 31 December 2027.

The Put Price shall be equal to the principal amount injected by the Investor in Shanghai Longyao for the equity interest, plus an amount of return thereon calculated at a simple interest rate of 6% per annum, less all bonuses, dividends and other cash proceeds (if any) received by the Investor from Shanghai Longyao prior to the date of payment of the Put Price.

The Put Price was arrived at after arm's length negotiations between the Investor, Shanghai Longyao and the Company on normal commercial terms with reference to, among other matters, the interest rates offered by commercial banks for loans.

If the Investor exercises the Put Option, Shanghai Longyao (or the Company, as the case may be) shall, within 15 days upon the issuance of the redemption notification letter (the "**Notification Letter**") by the Investor, sign the relevant legal documents, and within six (6) months of the issuance of the Notification Letter (the "**Redemption Period**"), Shanghai Longyao (or the Company, as the case may be) shall make a one-time payment of the Put Price in full to the bank account designated by the Investor.

If Shanghai Longyao and the Company fail to pay the Put Price in full within the Redemption Period, the Investor shall have the right to charge a default fee of 0.05% of the unfulfilled Put Price per day starting from the first day after the expiry of the Redemption Period, until the date on which the Put Price is settled in full.

3. *The Call Option*

Pursuant to the Capital Injection Agreement, the Company is granted the Call Option by the Investor which is exercisable at the Company's discretion on or before 31 December 2024. Upon exercise of the Call Option, the Company shall have the right to buy part or all of the Investor's shareholding in Shanghai Longyao at the Call Price.

The Call Price shall be equal to the principal amount injected by the Investor in Shanghai Longyao for the equity interest, plus an amount of return thereon calculated at a simple interest rate of 6% per annum, less all bonuses, dividends and other cash proceeds (if any) received by the Investor from Shanghai Longyao prior to the date of payment of the Call Price.

The Call Price was arrived at after arm's length negotiations between the Investor, Shanghai Longyao and the Company on normal commercial terms with reference to, among other matters, the interest rates offered by commercial banks for loans.

THE SIDE LETTER

On 8 December 2023, Mr. Liu and the Investor entered into the Side Letter under which, among other matters, Mr. Liu has undertaken to the Investor that if Shanghai Longyao fails to repurchase and the Company fails to purchase all of the Investor's shareholding in Shanghai Longyao upon an exercise of the Put Option by the Investor at the Put Price, Mr. Liu shall purchase such equity interest in accordance with the terms of the Capital Injection Agreement.

The Side Letter is effective from the date of the Side Letter to three years after the expiration of the Redemption Period under the Capital Injection Agreement.

COMPLETION

The Investor and the Company (through a wholly-owned subsidiary to be established in the PRC), shall, within one month after the signing of the Capital Injection Agreement, pay the full amount of their respective Capital Injections to Shanghai Longyao by bank transfer.

Upon completion of the Capital Injections, the Group's immediate effective equity interest in Shanghai Longyao will decrease from approximately 68.13% to 66.26%, representing a decrease of approximately 1.87%.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is an investment holding company. The Group is principally engaged in (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.

INFORMATION ON THE INVESTOR

The Investor is a limited partnership established in the PRC. The Investor is principally engaged in equity investment activities financed with its own funds. The general partner of the Investor is Yixing Jieyi Private Equity Fund Management Co., Ltd.* (宜興杰宜私募基金管理有限公司), a company established in the PRC with limited liability and a state-owned enterprise, and the limited partners of the Investor are Yixing Environmental Protection Industry Co., Ltd.* (宜興環保產業有限公司), a company established in the PRC with limited liability ("**Yixing Environmental Protection Industry**") and Wuxi Xinyuan Investment Co., Ltd.* (無錫欣園投資有限公司), a company established in the PRC with limited liability ("**Wuxi Xinyuan**"). Yixing Environmental Protection Industry is ultimately owned as to 51% by China Yixing Environmental Science and Technology Industrial Park Management Committee* (中國宜興環保科技工業園管理委員會), a PRC governmental body ("**Yixing EST Management Committee**"), and 49% by State-owned Assets Supervision and Administration Office of Yixing Municipal People's Government* (宜興市人民政府國有資產監督管理辦公室), a PRC governmental body.

Wuxi Xinyuan is owned as to 95% by Yixing Environmental Protection Equipment Innovation Research Institute* (宜興環保裝備創新研究院) which is controlled by Yixing EST Management Committee, and 5% by China Yixing Environmental Protection Technology Industrial Park Economic Management Service Center* (中國宜興環保科技工業園經濟管理服務中心), a PRC governmental body.

To the best knowledge of the Directors, having made reasonable enquiry, the Investor and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

INFORMATION ON SHANGHAI LONGYAO

Shanghai Longyao is a company established in the PRC on 16 September 2013 with limited liability. It is principally engaged in research and development of CAR-T therapy. The financial information of Shanghai Longyao for the two years ended 31 December 2022 is as follows:

	For the years ended 31 December	
	2021	2022
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	–	–
Loss before taxation	(28,860)	(28,154)
Loss after taxation	(28,860)	(28,154)

The unaudited net liabilities of Shanghai Longyao amounted to approximately RMB53,763,000 as at 30 September 2023.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTIONS AND GRANT OF PUT OPTION AND USE OF PROCEEDS

CAR-T cell therapy is demonstrating clinical efficacy and safety profile in treating certain kinds of cancer. The Company believes that CAR-T cell technology in immunotherapy of Shanghai Longyao has significant potential in clinical cancer therapeutics.

The parties agreed that all of the proceeds from the Capital Injections will be used by Shanghai Longyao for the renovation of the GMP production base and the procurement of instruments and equipment, the clinical study of CD20-CART-OX40, and the research and development use of other product pipelines. The Capital Injections will boost the Company's plan to capture the growth opportunities in CAR-T cell therapy and other principal activities of the Group.

In addition, it is an intention of the existing shareholders of Shanghai Longyao to achieve successful listing of Shanghai Longyao on a stock exchange before 31 December 2027. However, this remains a preliminary plan at present and no concrete proposal or timing in relation to a successful listing has been concluded. The Directors are of the view that the introduction of the Investor will be beneficial to the Group in terms of the provision of equity financing to Shanghai Longyao and its subsidiaries to support their development and facilitate future funding activities. The Put Option also provides a reasonable option for the Investor to divest its interest if the listing of Shanghai Longyao does not take place as planned, and the Directors consider such exit option is a common market practice for pre-listing investments given the absence of an open market for trading in the equity interest of Shanghai Longyao as a private company in the PRC. Having considered the future prospect of Shanghai Longyao, the Directors are of the view that the simple interest rate of return of 6% per annum comprised in the Put Price to be fair and reasonable.

In view of the above, the Directors consider the terms of the Capital Injection Agreement and the transactions contemplated thereunder (including the grant of the Put Option) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE CAPITAL INJECTIONS

Upon completion of the Capital Injections, the Group's equity interest in Shanghai Longyao will be diluted from approximately 68.13% to 66.26%, resulting in a deemed disposal of approximately 1.87% interest in Shanghai Longyao by the Group. Shanghai Longyao will remain a subsidiary of the Company, and its results, assets and liabilities will continue to be consolidated into the consolidated financial statements of the Company. Given the deemed disposal does not result in a change of control, the Company will not recognise any gain or loss for the deemed disposal in the Company's consolidated statement of profit or loss and other comprehensive income.

GEM LISTING RULES IMPLICATION

The Capital Injections constitute a deemed disposal of the Group's equity interest in Shanghai Longyao. As the exercise of the Put Option is not at the discretion of Shanghai Longyao or the Company, under Rule 19.74(1) of the GEM Listing Rules, the grant of the Put Option is classified as a transaction for the Company under Chapter 19 of the GEM Listing Rules as if the Put Option had been exercised.

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of each of the Capital Injections and the grant of Put Option exceeds 5% but all of them are less than 25%, the transactions contemplated under the Capital Injection Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors;
“Call Option”	the option exercisable at the discretion of the Company to require the Investor to sell all or part of the Investor’s equity interest in Shanghai Longyao at the Call Price;
“Call Price”	the amount payable by Shanghai Longyao or the Company (as the case may be) to the Investor upon an exercise of the Call Option;
“Capital Injection Agreement”	the agreement dated 8 December 2023 entered into between the Investor, the Company and Shanghai Longyao in relation to, among other matters, the Capital Injections and the grant of Put Option;
“Capital Injection I”	the capital injection in the total amount of RMB48,000,000 by the Investor to Shanghai Longyao pursuant to the terms and conditions of the Capital Injection Agreement;
“Capital Injection II”	the capital injection in the total amount of RMB49,960,000 by the Company (through a company to be established in the PRC) to Shanghai Longyao pursuant to the terms and conditions of the Capital Injection Agreement;
“Capital Injections”	Capital Injection I and Capital Injection II;
“CAR-T”	the chimeric antigen receptor T;

“Company”	China Biotech Services Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and listed on GEM (stock code: 8037);
“Director(s)”	the director(s) of the Company;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“GMP”	the good manufacturing practice;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Investor”	Yixing Huanke Product Development Equity Investment Enterprise (Limited Partnership)* (宜興環科園產發股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC;
“Mr. Liu”	Mr. Liu Xiaolin (劉小林), chairman of the Company and an executive Director;
“Notification Letter”	as defined under the section headed “THE CAPITAL INJECTION AGREEMENT – 2. The Put Option”;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Put Option”	the option exercisable at the discretion of the Investor to require Shanghai Longyao to repurchase, and if Shanghai Longyao fails to repurchase, to require the Company to purchase all or part of the Investor’s equity interest in Shanghai Longyao at the Put Price;
“Put Price”	the amount payable by Shanghai Longyao or the Company (as the case may be) to the Investor upon an exercise of the Put Option;
“Redemption Events”	as defined under the section headed “THE CAPITAL INJECTION AGREEMENT – 2. The Put Option”;

“Redemption Period”	as defined under the section headed “THE CAPITAL INJECTION AGREEMENT – 2. The Put Option”;
“RMB”	Renminbi, the lawful currency of the PRC;
“Side Letter”	the side letter dated 8 December 2023 entered into between Mr. Liu and the Investor;
“Shanghai Longyao”	Shanghai Longyao Biotech Company Limited* (上海隆耀生物科技有限公司), a company established under the laws of the PRC with limited liability, an indirect non-wholly owned subsidiary of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	percentage.

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

Hong Kong, 8 December 2023

* *The English name of individuals and the PRC entities referred to in this announcement is a translation from its Chinese name and is for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.*

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its publication and on the website of the Company at <http://www.cbshhk.com>.