



CHINA BIOTECH SERVICES HOLDINGS LIMITED

中國生物科技服務控股有限公司

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

(Stock code: 8037)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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.

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

FINAL RESULTS

The board of Directors (“**Board**”) of the Company announces that the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 HK\$'000	2022 HK\$'000
Gross Proceeds	4	211,985	1,851,601
Revenue	4	211,985	1,851,532
Cost of sales		(177,661)	(750,575)
Gross profit		34,324	1,100,957
Net gain on financial assets at fair value through profit or loss		–	2,707
Other income, gains/(losses)	5	(3,989)	4,639
Allowance for impairment loss on financial assets, net		(5,057)	(1,714)
Selling and distribution expenses		(14,610)	(13,726)
Administrative expenses		(138,342)	(241,156)
(Loss)/profit from operations		(127,674)	851,707
Finance costs	7	(5,311)	(3,495)
Gain on fair value change of contingent consideration		–	23,658
Loss on extension and redemption of convertible bonds		–	(3,707)
Gain/(loss) on fair value change of derivative financial instrument		18,336	(1,137)
Share of loss of a joint venture		(7,678)	(4,180)
Impairment loss on goodwill		–	(1,716)
Impairment loss on property, plant and equipment		(16,186)	–
Impairment loss on right-of-use assets		(3,484)	–
Loss on disposal of a joint venture		(2)	–
(Loss)/gain on deregistration/disposal of subsidiaries		(26)	1,696
(Loss)/profit before tax		(142,025)	862,826
Income tax credit/(expense)	8	1,319	(157,258)
(Loss)/profit for the year	9	(140,706)	705,568
(Loss)/profit for the year attributable to:			
Owners of the Company		(95,447)	258,087
Non-controlling interests		(45,259)	447,481
		(140,706)	705,568

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

FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/profit for the year		<u>(140,706)</u>	<u>705,568</u>
Other comprehensive loss after tax:			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value change of financial assets at fair value through other comprehensive income (“FVTOCI”)		<u>(26,022)</u>	<u>(38,028)</u>
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(7,525)	(12,550)
Release of exchange difference upon disposal of associates		<u>–</u>	<u>(740)</u>
		<u>(7,525)</u>	<u>(13,290)</u>
Other comprehensive loss for the year, net of tax		<u>(33,547)</u>	<u>(51,318)</u>
Total comprehensive (loss)/income for the year		<u><u>(174,253)</u></u>	<u><u>654,250</u></u>
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(128,538)	211,489
Non-controlling interests		<u>(45,715)</u>	<u>442,761</u>
		<u><u>(174,253)</u></u>	<u><u>654,250</u></u>
(Loss)/earnings per share	<i>11</i>		
Basic and diluted (cents)		<u><u>(9.9)</u></u>	<u><u>26.8</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		100,535	96,073
Right-of-use assets		23,680	32,782
Goodwill		107,181	110,083
Intangible assets		57,644	67,313
Investment in a joint venture		–	16,220
Financial assets at FVTOCI		56,920	82,942
Prepayment	<i>12</i>	55,236	51,765
Pledged bank deposits		–	128,556
		<hr/> 401,196	<hr/> 585,734
Current assets			
Inventories		9,274	18,725
Trade and other receivables	<i>12</i>	39,636	765,547
Loan and interest receivables		–	7,632
Tax recoverable		5,360	83
Pledged bank deposits		134,809	–
Bank and cash balances		72,087	92,770
		<hr/> 261,166	<hr/> 884,757
Total current assets		<hr/> 261,166	<hr/> 884,757
TOTAL ASSETS		<hr/> 662,362	<hr/> 1,470,491

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		96,323	96,323
Other reserves		366,431	506,352
		<hr/>	<hr/>
		462,754	602,675
Non-controlling interests		27,972	223,845
		<hr/>	<hr/>
Total equity		490,726	826,520
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Convertible bonds	<i>13</i>	–	55,796
Derivative financial liabilities	<i>13</i>	–	22,252
Lease liabilities		5,727	9,367
Deferred tax liabilities		6,442	7,892
		<hr/>	<hr/>
		12,169	95,307
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>14</i>	57,152	290,045
Convertible bonds	<i>13</i>	53,877	–
Derivative financial liabilities	<i>13</i>	3,916	–
Lease liabilities		9,829	10,980
Contingent consideration		–	–
Borrowings		30,963	5,641
Current tax liabilities		3,730	241,998
		<hr/>	<hr/>
Total current liabilities		159,467	548,664
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		662,362	1,470,491
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Share-based payments reserve HK\$'000	Special reserve HK\$'000	Shares held under share award scheme HK\$'000	Other reserves HK\$'000	Financial assets at FVTOCI reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2022	96,323	490,692	16,451	212,948	-	6,482	42,910	4,725	(475,133)	395,398	70,497	465,895
Total comprehensive income for the year	-	-	-	-	-	-	(34,163)	(12,435)	258,087	211,489	442,761	654,250
Release of financial assets at FVTOCI upon disposal	-	-	-	-	-	-	2,520	-	(2,520)	-	-	-
Purchase of shares under share award scheme	-	-	-	-	(2,985)	-	-	-	-	(2,985)	-	(2,985)
Share-based payments	-	-	2,015	-	-	-	-	-	-	2,015	-	2,015
Lapse of share options	-	-	(9,657)	-	-	-	-	-	9,657	-	-	-
Changes in ownership interests in subsidiaries without loss of control	-	-	-	-	-	6	(3,245)	-	(3)	(3,242)	2,191	(1,051)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	8,396	8,396
Dividend paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Change in equity for the year	-	-	(7,642)	-	(2,985)	6	(34,888)	(12,435)	265,221	207,277	153,348	360,625
At 31 December 2022	96,323	490,692	8,809	212,948	(2,985)	6,488	8,022	(7,710)	(209,912)	602,675	223,845	826,520

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Share-based payments reserve HK\$'000	Special reserve HK\$'000	Shares held under share award scheme HK\$'000	Other reserves HK\$'000	Financial assets at FVTOCI reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2023	96,323	490,692	8,809	212,948	(2,985)	6,488	8,022	(7,710)	(209,912)	602,675	223,845	826,520
Total comprehensive loss for the year	-	-	-	-	-	-	(26,022)	(7,069)	(95,447)	(128,538)	(45,715)	(174,253)
Transfer upon deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	(13)	(13)
Purchase of shares under share award scheme	-	-	-	-	(4,185)	-	-	-	-	(4,185)	-	(4,185)
Share granted under share award scheme	-	-	-	-	548	-	-	-	-	548	-	548
Share-based payments	-	-	1,886	-	-	-	-	-	-	1,886	-	1,886
Lapse of share options	-	-	(4,193)	-	-	-	-	-	4,193	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	5,855	5,855
Dividend paid (note 10)	-	-	-	-	-	-	-	-	(9,632)	(9,632)	-	(9,632)
Dividend paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	(156,000)	(156,000)
Changes in equity for the year	-	-	(2,307)	-	(3,637)	-	(26,022)	(7,069)	(100,886)	(139,921)	(195,873)	(335,794)
At 31 December 2023	96,323	490,692	6,502	212,948	(6,622)	6,488	(18,000)	(14,779)	(310,798)	462,754	27,972	490,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

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

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.

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

2. BASIS OF PREPARATION

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

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

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

(a) Application of new and revised HKFRSs

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The Group has adopted Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies” for the first time in the current year. HKAS 1 “Presentation of Financial Statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies to the consolidated financial statements.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “**Abolition**”). The Abolition will officially take effect on 1 May 2025 (the “**Transition Date**”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The application has had no material impact on the Group’s financial positions and performance and on the disclosure set out in these consolidated financial statements.

(b) **Revised HKFRSs in issue but not yet effective**

The Group has not early applied the following amendments to standards and interpretation that have been issued but are not yet effective.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (“ HK Int 5 (Revised) ”)	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Company anticipate that the application of all other amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

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

	2023 HK\$'000	2022 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Provision of medical laboratory testing services and health check services	192,910	1,619,568
Sale and distribution of health related and pharmaceutical products	881	217,179
Provision of insurance brokerage services	18,163	6,933
Money lending business	–	35
Provision of logistic services	31	7,817
	<u>211,985</u>	<u>1,851,532</u>
Gross proceeds from trading of securities (<i>note</i>)	–	69
	<u>211,985</u>	<u>1,851,601</u>

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.

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

For the year ended 31 December	Provision of medical laboratory testing services and health check services		Sale and distribution of health related and pharmaceutical products		Provision of insurance brokerage services		Money lending business		Provision of logistic services		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary geographical markets												
– Hong Kong	192,897	1,619,568	881	216,978	18,163	6,933	–	35	31	7,817	211,972	1,851,331
– The PRC except Hong Kong	13	–	–	201	–	–	–	–	–	–	13	201
Segment revenue	<u>192,910</u>	<u>1,619,568</u>	<u>881</u>	<u>217,179</u>	<u>18,163</u>	<u>6,933</u>	<u>–</u>	<u>35</u>	<u>31</u>	<u>7,817</u>	<u>211,985</u>	<u>1,851,532</u>
Timing of revenue recognition												
Products and services transferred at a point in time	192,910	1,619,568	881	217,179	18,163	6,933	–	35	–	–	211,954	1,843,715
Products and services transferred over time	–	–	–	–	–	–	–	–	31	7,817	31	7,817
Total	<u>192,910</u>	<u>1,619,568</u>	<u>881</u>	<u>217,179</u>	<u>18,163</u>	<u>6,933</u>	<u>–</u>	<u>35</u>	<u>31</u>	<u>7,817</u>	<u>211,985</u>	<u>1,851,532</u>

5. OTHER INCOME, GAINS/(LOSSES)

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income	3,742	153
Dividend income	23	–
Government grants (<i>note</i>)	64	3,361
Gain on disposal of property, plant and equipment	322	1,082
Loss on written-off property, plant and equipment	(1,521)	(4)
Net foreign exchange loss	(7,255)	(869)
COVID-19 related rent concessions	–	195
Others	636	721
	<u> </u>	<u> </u>
	<u>(3,989)</u>	<u>4,639</u>

Note:

During the year ended 31 December 2023, the Group recognised government grants of HK\$64,000 (2022: HK\$3,361,000) in respect of COVID-19 related subsidies, of which none (2022: HK\$3,228,000) related to the Employment Support Scheme provided by the Hong Kong government.

6. SEGMENT INFORMATION

The Group has five operating segments as follows:

Medical and health related services	–	provision of medical laboratory testing services and health check services
Immunotherapy	–	provision of tumor immune cell therapy and health management services
Pharmaceutical products	–	sale and distribution of health related and pharmaceutical products
Securities	–	trading of securities
Insurance brokerage	–	insurance brokerage services
BNCT	–	provision of boron neutron capture therapy treatment services
Others	–	money lending business and provision of logistic services

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

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

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

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

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

	Medical and health related services HK\$'000	Immunotherapy HK\$'000	Pharmaceutical products HK\$'000	Securities HK\$'000	Insurance brokerage HK\$'000	BNCT HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 December 2023								
Revenue from external customers	192,910	-	881	-	18,163	-	31	211,985
Intersegment revenue	164	-	1,692	-	-	-	3,709	5,565
Segment (loss)/profit	(55,468)	(42,167)	(1,328)	-	999	(6,985)	(6,030)	(110,979)
Other income, gain/(losses)								(3,989)
Finance costs								(5,311)
Gain on fair value change of derivative financial instruments								18,336
Share of loss of a joint venture								(7,678)
Loss on disposal of a joint venture								(2)
Loss on deregistration of subsidiaries								(26)
Unallocated corporate expenses								(32,376)
Loss before tax								(142,025)
Income tax credit								1,319
Loss for the year								(140,706)
As at 31 December 2023								
Segment assets	92,553	150,583	1,448	-	9,653	138,240	73	392,550
Unallocated corporate assets								269,812
Total assets								662,362
Segment liabilities	35,615	6,473	3,091	-	996	23,260	172	69,607
Unallocated corporate liabilities								102,029
Total liabilities								171,636

	Medical and health related services HK\$'000	Immunotherapy HK\$'000	Pharmaceutical products HK\$'000	Securities HK\$'000	Insurance brokerage HK\$'000	BNCT HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 December 2022								
Revenue from external customers	1,619,568	-	217,179	-	6,933	-	7,852	1,851,532
Intersegment revenue	2,843	-	64,032	-	-	-	5,669	72,544
Segment profit/(loss)	861,298	(40,008)	75,468	1,958	(3,258)	(2,779)	2,181	894,860
Other income, gain/(losses)								4,639
Finance costs								(3,495)
Gain on fair value change of contingent consideration								23,658
Loss on extension and redemption of convertible bonds								(3,707)
Loss on fair value change of derivative financial instrument								(1,137)
Share of loss of a joint venture								(4,180)
Gain on disposal of subsidiaries								1,696
Unallocated corporate expenses								(49,508)
Profit before tax								862,826
Income tax expense								(157,258)
Profit for the year								705,568
As at 31 December 2022								
Segment assets	891,833	163,934	417	-	9,172	70,858	6,816	1,143,030
Unallocated corporate assets								327,461
Total assets								1,470,491
Segment liabilities	518,987	8,397	3,740	-	422	196	2,578	534,320
Unallocated corporate liabilities								109,651
Total liabilities								643,971

Other segment information

Other segment information for the year ended 31 December 2023:

	Medical and	Pharmaceutical			Insurance	BNCT	Others	Total
	health related	Immunotherapy	products	Securities	brokerage			
	services							
Capital expenditures	806	198	-	-	-	58,404	5	59,413
Amortisation of intangible assets	-	8,248	-	-	-	-	-	8,248
Depreciation of property, plant and equipment	34,998	1,387	5	-	-	-	58	36,448
Depreciation of right-of-use assets	5,689	1,019	303	-	121	252	3,500	10,884
(Reversal)/provision of allowance for impairment loss on financial assets, net	(1,135)	-	-	-	-	-	6,192	5,057
Impairment loss on property, plant and equipment	16,186	-	-	-	-	-	-	16,186
Impairment loss on right-of-use assets	3,484	-	-	-	-	-	-	3,484
Write-down of inventories	11,671	-	-	-	-	-	-	11,671
	<u>806</u>	<u>198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,404</u>	<u>5</u>	<u>59,413</u>

Other segment information for the year ended 31 December 2022:

	Medical and	Pharmaceutical			Insurance	BNCT	Others	Total
	health related	Immunotherapy	products	Securities	brokerage			
	services							
Capital expenditures	48,793	1,436	6	-	-	6,068	101	56,404
Amortisation of intangible assets	-	8,689	-	-	-	-	-	8,689
Depreciation of property, plant and equipment	45,555	1,181	2	3	36	-	257	47,034
Depreciation of right-of-use assets	7,060	35	201	-	236	155	2,991	10,678
Impairment loss recognised on goodwill	-	-	-	-	1,716	-	-	1,716
Provision/(reversal) of allowance for impairment loss on financial assets, net	3,895	-	-	-	-	-	(2,181)	1,714
	<u>48,793</u>	<u>1,436</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>6,068</u>	<u>101</u>	<u>56,404</u>

Geographical information

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

	Revenue		Non-current assets	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	211,972	1,851,331	66,984	126,168
The PRC except Hong Kong	13	201	277,292	231,848
	<u>211,985</u>	<u>1,851,532</u>	<u>344,276</u>	<u>358,016</u>

Revenue from major customers:

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of medical and health related services segment		
Customer A	66,194	900,235
Customer B	N/A*	524,324
Sale and distribution of health related and pharmaceutical products segment		
Customer A	–	206,858
Customer B	–	3,816
Provision of logistic services segment		
Customer B	–	7,782

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. FINANCE COSTS

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on lease liabilities	843	751
Interest on borrowings	73	–
Effective interest on convertible bonds	<u>4,395</u>	<u>2,744</u>
	<u>5,311</u>	<u>3,495</u>

8. INCOME TAX (CREDIT)/EXPENSE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	223	158,353
(Over)/under-provision in prior years	<u>(305)</u>	<u>208</u>
	<u>(82)</u>	<u>158,561</u>
Deferred tax	<u>(1,237)</u>	<u>(1,303)</u>
	<u>(1,319)</u>	<u>157,258</u>

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

PRC Enterprise Income Tax has been provided at a rate of 25% (2022: 25%).

A subsidiary of the Group in the PRC had been certified by the relevant PRC authorities as high technology enterprises pursuant to the Income Tax Law in the PRC, the subsidiary was subjected to EIT rate of 15% (2022: 15%).

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

9. (LOSS)/PROFIT FOR THE YEAR

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Amortisation of intangible assets	8,248	8,689
Depreciation of property, plant and equipment	36,448	47,034
Depreciation of right-of-use assets	10,884	10,678
Gain on disposal of property, plant and equipment	(322)	(1,082)
Loss on written-off property, plant and equipment	1,521	4
(Gain)/loss on fair value change of derivative financial instruments	(18,336)	1,137
Operating lease charges		
– Office premises and warehouses	3,624	2,785
Staff costs including directors' remuneration		
– Salaries, bonuses and allowances	87,903	161,883
– Equity-settled share-based payments	1,708	1,581
– Retirement benefits scheme contributions	2,996	3,271
	92,607	166,735
Research and development cost	29,042	27,760
Auditor's remuneration		
– Audit services	1,200	1,200
– Non-audit services	45	2,150
	1,245	3,350
Cost of inventories sold	37,775	351,487
Write-down on inventories (included in cost of sales)	11,671	–
Allowance for impairment loss on financial assets, net	5,057	1,714
Impairment loss on property, plant and equipment	16,186	–
Impairment loss on right-of-use assets	3,484	–
	<u>3,484</u>	<u>–</u>

10. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
2022 final dividend of HK0.01 each per ordinary share	<u>9,632</u>	<u>–</u>

The directors of the Company did not recommend payment of any final dividend for the year ended 31 December 2023.

11. (LOSS)/EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/earnings		
(Loss)/earnings for the year for the purpose of calculating basic/ diluted (loss)/earnings per share	<u>(95,447)</u>	<u>258,087</u>

	2023 <i>'000</i>	2022 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic/diluted (loss)/earnings per share	<u>963,231</u>	<u>963,231</u>

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

The computation of the diluted (loss)/earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market prices of the shares for the year ended 31 December 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 had anti-dilute effect that would result in a decrease in loss per share for the year ended 31 December 2023 (increase in earnings per share for the year ended 31 December 2022).

12. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	23,173	756,443
Allowance for impairment loss	<u>(3,409)</u>	<u>(4,544)</u>
	<u>19,764</u>	<u>751,899</u>
Rental and other deposits	3,231	7,142
Other receivables	10,798	1,753
Prepayments	61,065	56,515
Cash held in securities trading accounts with stock brokers	<u>14</u>	<u>3</u>
	<u>75,108</u>	<u>65,413</u>
Total trade and other receivables	<u><u>94,872</u></u>	<u><u>817,312</u></u>
Analysed as:		
Current assets	39,636	765,547
Non-current assets	<u>55,236</u>	<u>51,765</u>
	<u><u>94,872</u></u>	<u><u>817,312</u></u>

At 31 December 2023, the carrying amount of other receivables pledged as security for the Group's other borrowings amounted to approximately HK\$1,096,000 (equivalent to RMB1,000,000) (2022: Nil).

The Group generally allows an average credit period of 90 days (2022: 90 days) for its pharmaceutical products customers, laboratory testing and health check services customers and logistic service customers and 30 days (2022: 30 days) for its insurance brokerage services customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 90 days	11,110	549,256
91 to 180 days	4,072	200,680
181 to 365 days	4,492	1,771
Over 365 days	<u>90</u>	<u>192</u>
	<u><u>19,764</u></u>	<u><u>751,899</u></u>

As at 31 December 2023, an aggregate allowance was made for estimated irrecoverable trade receivables of approximately HK\$3,409,000 (2022: HK\$4,544,000).

As of 31 December 2023, trade receivables of approximately HK\$8,654,000 (2022: HK\$202,643,000) were past due but not impaired. These related to a number of independent customers for whom there had no recent history of default. The aging analysis of these trade receivables past due but not impaired is as follows:

	2023	2022
	HK\$'000	HK\$'000
Less than 90 days	4,072	200,680
91 to 275 days	4,492	1,771
Over 275 days	90	192
	<u>8,654</u>	<u>202,643</u>

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

13. CONVERTIBLE BONDS

On 11 May 2020, the Company issued convertible bonds (“**2020 Convertible Bonds**”) at the issue price of US\$10,000,000 (equivalent to approximately HK\$77,500,000) (equal to 100 per cent of the principal amount of the convertible bonds). The bonds were convertible at the option of the bondholders into ordinary shares at the initial conversion price of HK\$1.75 per conversion share (subject to adjustments pursuant to the terms and conditions of the 2020 Convertible Bonds, if any) and at the exchange rate of HK\$7.85 to US\$1.00, a maximum number of 44,857,142 conversion shares of the Company would be allotted and issued upon exercise of the conversion rights attached to the 2020 Convertible Bonds in full assuming there is no adjustment to the conversion price. The 2020 Convertible Bonds carried interest at a rate of 8.5% per annum, which was payable half-yearly in arrears on 20 June and 20 December.

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

The maturity date was two years from issue date. The 2020 Convertible Bonds were secured by 529,500,546 Shares of the Company held by Genius Lead Limited, the controlling shareholder of the Company, and were guaranteed by Mr. Liu Xiaolin, the chairman and executive Director of the Company, and Genius Lead Limited.

On 27 May 2021, the Company redeemed the 2020 Convertible Bonds in part in the principal amount of US\$5,000,000, being 50% of the total principal amount of US\$10,000,000, at the applicable redemption amount of US\$5,186,527.78 (equivalent to approximately HK\$40,187,000) which included principal and interest accrued up to the date of redemption. Following the partial redemption of the 2020 Convertible Bonds, the bondholder executed a deed of partial release for the release of 264,750,273 Shares being half of the charged shares charged by Genius Lead Limited to the bondholder (the “**Partial Release**”). Upon the Partial Release, the number of Shares held by Genius Lead Limited remained subject to the share charge in favor of the bondholder was 264,750,273 Shares. The guarantees given by Mr. Liu Xiaolin and Genius Lead Limited remained in full force and effect to guarantee and secure the payment obligations of the Company in connection with the 2020 Convertible Bonds.

On 10 May 2022, the Company and the bondholder entered into an amendment agreement for the purpose of extending the maturity date of the outstanding 2020 Convertible Bonds for two years from 10 May 2022 to 10 May 2024. The proposed amendment had taken effect on 24 June 2022.

The modification of extending the maturity date to 10 May 2024 was considered to be a substantial modification of the 2020 Convertible Bonds and accordingly the original 2020 Convertible Bonds were derecognised and the revised 2020 Convertible Bonds were recognised. Loss on the extension of convertible bonds of HK\$2,027,000 was recognised during the year ended 31 December 2022.

On 20 December 2022, the Company issued convertible bonds (“**2022 Convertible Bonds**”) at the issue price of US\$10,000,000 (equivalent to approximately HK\$77,800,000) (equal to 100 per cent of the principal amount of the convertible bonds). The bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion price of HK\$1.45 per conversion share (subject to adjustments pursuant to the terms and conditions of the 2022 Convertible Bonds, if any) and at the exchange rate of HK\$7.85 to US\$1.00, and on this basis a maximum number of 54,137,931 conversion shares of the Company will be allotted and issued upon exercise of the conversion rights attached to the 2022 Convertible Bonds in full assuming there is no adjustment to the conversion price. The 2022 Convertible Bonds carry interest at a rate of 8.25% per annum, which is payable half-yearly in arrears on 20 June and 20 December. The maturity date is two years from issue date.

The rate of exchange to be used for any particular date where US dollars are converted to HK dollars or vice versa shall be at the rate of US\$1.00 to HK\$7.85, provided that, if the average exchange of the Telegraphic Transfer Bank Buy and the Telegraphic Transfer Bank Sell as quoted on the website of the Hongkong and Shanghai Banking Corporation Limited on the business day immediately prior to such date is at the rate of US\$1.00 to HK\$7.85001 or more, the rate of exchange to be used for any particular date shall be at the rate of US\$1.00 to HK\$7.85; and provided further that if the subscriber exercises its conversion right attached to the 2022 Convertible Bonds, the exchange rate for the purpose of conversion will be the rate of US\$1.00 to HK\$7.85, and that the Company shall pay the subscriber in cash at the time of conversion in an amount resulting from the difference between such rate and at the rate of US\$1.00 to HK\$7.85.

US\$5,000,000 of the total subscription amount for the 2022 Convertible Bonds was satisfied by the bondholder by surrendering the 2020 Convertible Bonds with a total outstanding principal amount of US\$5,000,000 to the Company upon which the 2020 Convertible Bonds were cancelled and the Company paid all accrued and unpaid interest on the 2020 Convertible Bonds, and the balance of the total subscription amount for the 2022 Convertible Bonds was satisfied by the bondholder paying US\$4,965,000 (being the total subscription amount of the 2022 Convertible Bonds of US\$10,000,000, minus US\$5,000,000, and minus the costs to be borne by the Company) in cash to the Company. In addition, upon cancellation of the 2020 Convertible Bonds on 30 December 2022, the share charge over 264,750,273 shares held by Genius Lead Limited in favour of the bondholder and the guarantees given by Mr. Liu Xiaolin and Genius Lead Limited in respect of the Company's obligations under the 2020 Convertible Bonds were fully released and discharged.

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

	<i>HK\$'000</i>
Liability component at 1 January 2022	38,651
Extension of 2020 Convertible Bonds	3,317
Redemption of 2020 Convertible Bonds	(41,619)
Issuance of 2022 Convertible Bonds	105,492
Deferred losses upon issuance	(26,992)
Transaction cost related to liability component	(466)
Derivative component	(22,252)
Interest expenses	2,744
Interest paid	(3,079)
	<hr/>
Liability component at 31 December 2022 and 1 January 2023	55,796
Interest expenses	4,395
Interest paid	(6,314)
	<hr/>
Liability component at 31 December 2023	<u>53,877</u>

	(Assets)	Liabilities	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Derivative component at 1 January 2022	(3,562)	2,035	(1,527)
Extension and redemption of 2020 Convertible Bonds	(7,618)	8,008	390
Fair value loss/(gain) for the year	11,180	(10,043)	1,137
Derivative component upon issuance of 2022 Convertible Bonds	–	22,252	22,252
	<hr/>	<hr/>	<hr/>
Derivative component at 31 December 2022 and 1 January 2023	–	22,252	22,252
Fair value gain for the year	–	(18,336)	(18,336)
	<hr/>	<hr/>	<hr/>
Derivative component at 31 December 2023	<u>–</u>	<u>3,916</u>	<u>3,916</u>

The interest charged for the year is calculated by applying an effective interest rate of 5.46% (2022: 5.42%) to the liability component for the period since the issuance date of 30 December 2022 (2022: approximately 12 months).

As of the initial recognition of the 2022 Convertible Bonds, the directors of the Company, with the assistance of an external valuer, estimated that the fair value of the 2022 Convertible Bonds as at 31 December 2022 was HK\$105,492,000 by using the discounting cash flow method and binomial option pricing model to measure the liabilities component and derivative component respectively. Since the fair value was not evidenced by a quoted price in an active market for the 2022 Convertible Bonds or based on a valuation technique that used only data from observation markets, the 2022 Convertible Bonds have been measured at its transaction price of HK\$78,500,000 upon the initial recognition and the immediate loss of HK\$26,992,000 has been deferred.

The directors of the Company estimated that the fair value of the liability component of the convertible bonds as at 31 December 2023 to be approximately HK\$80,848,000 (2022: HK\$83,240,000). This fair value has been estimated by discounting the future cash flows at the market interest rate and classified as level 3 fair value measurement.

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

	31 December 2023	31 December 2022
Weighted average share price (HK\$)	0.77	1.15
Weighted average exercise price (HK\$)	1.45	1.45
Expected volatility	67.64%	77.82%
Expected life	1	2
Risk free rate	3.97%	4.02%
Expected dividend yield	Nil	Nil

14. TRADE AND OTHER PAYABLES

	2023	2022
	HK\$'000	HK\$'000
Trade payables	5,787	206,441
Accruals	23,100	77,161
Receipt in advance	432	377
Other payables	27,833	6,066
	57,152	290,045

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

	2023	2022
	HK\$'000	HK\$'000
0 to 90 days	5,187	143,915
91 to 180 days	21	27,234
181 to 365 days	24	35,292
Over 365 days	555	–
	5,787	206,441

The carrying amounts of the Group's trade payables are denominated in HK\$ amount of approximately HK\$5,787,000 (2022: HK\$206,441,000).

15. CONTINGENT LIABILITIES

During the year ended 31 December 2023, an indirectly owned subsidiary of the Company, SDCL has been involved in arbitration proceedings in a potential claim relating to the breach of contract, the related maximum exposure of the claims is approximately HK\$440,389,000.

As at 31 December 2023, the arbitration is still in progress and no final judgement has been issued. After considering the current status of the litigation and the opinion from the legal counsels, the Directors of the Company were of the view that no provision should be recognised for the arbitration claims as at 31 December 2023.

16. EVENTS AFTER THE REPORTING PERIOD

- (a) On 24 January 2024 and 7 February 2024, investor has injected capital aggregate amounting RMB48,000,000 into Shanghai Longyao Biotech Company Limited pursuant to the content of result announcement dated 8 December 2023.
- (b) On 25 March 2024, the Company has entered into a placing agreement with a placing agent in respect of issuance of a convertible bond at the issue price of HK\$88,000,000. The bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion price of HK\$0.55 per conversion share, a maximum number of 160,000,000 conversion shares of the Company will be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full. The bonds carry interest at a rate of 8% per annum, which is payable half-yearly. Details were disclosed in the announcements of the Company dated 25 March 2024 and 27 March 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 December 2023 (the “**2023 Year**”), 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 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.

Turnover

During the 2023 Year, the Group recorded a turnover of approximately HK\$211,985,000, representing a significant decrease of approximately 88.55% as compared with that of approximately HK\$1,851,532,000 for the year ended 31 December 2022 (the “**2022 Year**”). The introduction of new antiviral oral drugs and bivalent vaccines after the outbreak of the fifth wave of COVID-19 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 fading threats of COVID-19 also affected the sales of rapid antigen test kits in the 2023 Year.

Impacted by the slow recovery of local economy post-pandemic, the overall demand for medical laboratory testing services and health check services was lower than expected throughout the 2023 Year. Nevertheless, the segment of insurance brokerage services demonstrated the strongest rebound in terms of turnover during the 2023 Year.

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 in the 2023 Year. 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\$1,619,568,000 for the 2022 Year to approximately HK\$192,910,000 for the 2023 Year. It recorded a decrease of 88.09% as compared with the 2022 Year. During the 2022 Year, the Group was one of the pivot service providers of rapid NAT for COVID-19 to passengers arriving at Hong Kong International Airport and departing 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 and the subsequent removal 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 Year. As a result, the decrease in demand of COVID-19 related laboratory testing services in the 2023 Year brought about the decrease of segmental turnover.

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 successfully received reinfusion of LY007 Injection and completed dose limited toxicity (“**DLT**”) observation. The subjects in the maximum tolerated dose (“**MTD**”) group are undergoing enrollment and cell infusion, and the cell infusion of one subject in the MTD dose group has been completed. It is expected to complete the comprehensive registration of the trial for total thirteen (13) subject patients by April 2024. The preparation work for Phase II clinical trial has been initiated and is currently underway. No turnover from this segment was generated during the 2023 Year.

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 Year. The turnover of this segment substantially decreased from approximately HK\$217,179,000 for the 2022 Year to approximately HK\$881,000 for the 2023 Year. It represented a decrease of approximately 99.59% as compared with that of the 2022 Year. This significant decrease was attributable to the decline in demand for rapid antigen test kits following the relaxation of COVID-19 quarantine requirements by the relevant government authorities during the 2023 Year. To further strengthen the Group’s sale of health related and pharmaceutical product segment and to expand the Group’s product portfolio, in August 2022, the Group 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 under construction 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. On 28 January 2024, the Company obtained the approval by Hainan Provincial Medical Products Administration for the import of two BNCT medical devices.

During the 2023 Year, the construction works of the BNCT Centre had been progressing under planned schedule. Structural construction of the facility was completed in December 2023. Arrival of the BNCT system and its peripheral parts in Hainan has completed in February 2024. Installation of the BNCT System is going to start by May 2024. The BNCT Centre is targeted to commence operation in late 2024 or early 2025. No turnover from this segment was generated during the 2023 Year.

Provision of insurance brokerage services

Provision of insurance brokerage services segment recorded a significantly increase in turnover during the 2023 Year. The turnover of this segment increased from approximately HK\$6,933,000 during the 2022 Year to approximately HK\$18,163,000 for the 2023 Year. It represented an increase by 1.62 times as compared with the 2022 Year. The increase was mainly due to the removal of travel restrictions imposed on Mainland Chinese citizens from visiting Hong Kong during the 2023 Year.

Provision of logistics services

The Group has been providing testing materials and specimens logistics services for local clinics and corporate clients. The turnover of logistics services has decreased from approximately HK\$7,817,000 for the 2022 Year to approximately HK\$31,000 for the 2023 Year. It represented a decrease by 99.60% as compared with the 2022 Year due to keen market competition and decrease in demand for 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 Year. During the 2023 Year, no interest income is recorded from the money lending business (2022 Year: HK\$35,000).

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$34,324,000 for the 2023 Year, representing a decrease of approximately HK\$1,066,633,000 when compared with that of approximately HK\$1,100,957,000 in the 2022 Year. Also, the gross profit margin for the 2023 Year was approximately 16.19%, representing a decrease of approximately 43.27 percentage points when compared with the gross profit margin of approximately 59.46% for the 2022 Year. 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 Year were approximately HK\$14,610,000 (2022 Year: HK\$13,726,000), representing an increase of approximately HK\$884,000 or 6.44% compared with such expenses for the 2022 Year. The slight increase was due to increase in staff costs during the 2023 Year.

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 Year were approximately HK\$138,342,000, representing a decrease of approximately HK\$102,814,000 or 42.63%, as compared with that of approximately HK\$241,156,000 for the 2022 Year. The decrease in administrative expenses was mainly attributable to decrease in staff costs and recruitment expenses by approximately HK\$65,300,000 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 Year, the Group's interest expenses amounted to approximately HK\$5,311,000 (2022 Year: HK\$3,495,000). The increase in the finance costs was mainly attributable to the finance costs arising from the convertible bonds issued on 30 December 2022.

Impairment losses on property, plant and equipment and right-of-use assets

Due to the rapid changes in the COVID-19 epidemic situation and the swift relaxation and subsequent removal of the COVID-19 related quarantine prevention and control measures adopted by the relevant government authorities, the demand of COVID-19 testing services decreased significantly. As impairment indicators existed, namely the decrease in revenue contributed from COVID-19 testing related to medical laboratory testing services and health check services with a decrease in gross profit margin during the 2023 Year.

During the 2023 Year, the Directors appointed an independent professional valuer to perform an impairment assessment and identified the recoverable amounts of property, plant and equipment fell below the carrying amounts. Accordingly, the Group recognised an impairment loss on property, plant and equipment and right-of-use assets of approximately HK\$16,186,000 (2022 Year: Nil) and HK\$3,484,000 (2022 Year: Nil) for the 2023 Year respectively.

All the above-mentioned impairment loss on property, plant and equipment and right-of-use assets were included in the Group's medical laboratory testing services and health check services segment in the reportable and operating segment of the Group.

Loss for the year

The Group recorded a net loss attributable to the owners of the Company of approximately HK\$95,447,000 for the 2023 Year (2022 Year: net profit attributable to the owners of the Company of HK\$258,087,000). 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 (and therefore connected person of the Company at the subsidiary level), 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 ended 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 Year, 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 from the open market 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 had been granted to selected participants pursuant to the Share Award Scheme during the 2023 Year. Details were disclosed in the announcement of the Company dated 15 September 2023.

Disposal of a joint venture

SDCL entered into an agreement with Sure Metro Limited to terminate the joint venture agreement and to dispose 51% shareholding of Hong Kong Medical Test Centre Limited (“**HKMTC**”), a joint venture of SDCL with Sure Metro Limited, at a cash consideration of HK\$8,540,000. Having taken into consideration that the performance of HKMTC for the past financial year was not satisfactory due to change in epidemic situation, the Directors determined that the disposal of HKMTC would enable the Company to free up the resources devoted to this business and to redirect the resources to the Group’s other existing businesses which might have higher growth potential to maximise the benefit of the shareholders of the Company. The completion of the disposal of HKMTC took place on 20 November 2023.

Acquisition of subsidiaries

Capital Injections into Shanghai Longyao and Grant of Put Option

On 8 December 2023, the Company, Shanghai Longyao (an indirect non-wholly owned subsidiary of the Company) and 宜興環科園產發股權投資合夥企業(有限合夥) (in English, for identification purpose only, Yixing Huanke Product Development Equity Investment Enterprise (Limited Partnership) (“**Yixing Huanke**”), a limited partnership established under the laws of the PRC, entered into a capital injection agreement, pursuant to which (i) Yixing Huanke 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) a put option has been granted to Yixing Huanke whereby, upon the occurrence of any redemption event, Yixing Huanke 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 Yixing Huanke’s shareholding in Shanghai Longyao at the Put Price, and (iv) a 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 Yixing Huanke’s shareholding in Shanghai Longyao.

On the same date, Mr. Liu Xiaolin (“**Mr. Liu**”), the chairman and executive director of the Company, and Yixing Huanke entered into the side letter under which Mr. Liu has undertaken to Yixing Huanke that if Shanghai Longyao fails to repurchase or the Company fails to purchase all of Yixing Huanke’s shareholding in Shanghai Longyao at the Put Price upon the exercise of the Put Option by Yixing Huanke, Mr. Liu shall purchase such equity interest in accordance with the terms of the capital injection agreement.

The completion of the capital injections took place on 19 February 2024. Details were disclosed in the announcements of the Company dated 8 December 2023 and 8 January 2024.

OUTLOOK

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 positioned itself well to extend its conventional medical laboratory testing services and health check services to high throughput public health screening services for the Hong Kong community.

Though the rebound in demand for medical laboratory testing and health check services had been slightly slower than expected in the 2023 Year, we are seeing warm-up signs in the market starting from 2024 as seasonal flu and other respiratory virus infection cases are on the rise, while COVID-19 continues to pose a threat. Due to the rising awareness and health concerns of the general public fostered by the pandemic, 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 in Hong Kong 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 human papillomavirus (“**HPV**”), 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 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 continued 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 April 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 treatment services to patients in Mainland China, Hong Kong and Macau with refractory head and neck 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

Liquidity and Financial Resources

As at 31 December 2023, the Group held cash and bank balances of approximately HK\$72,087,000 (2022: HK\$92,770,000), all were principally denominated in Renminbi and Hong Kong dollars. The decrease in cash and bank balances of approximately HK\$20,683,000 is mainly due to uses for operation business of the Group and construction of BNCT Centre.

As at 31 December 2023, the Group had secured bank borrowing of approximately HK\$20,000,000 (2022: Nil), which carried a floating interest rate (i.e. HIBOR plus 1.5%) and is repayable within one year.

As at 31 December 2023, the Group had secured other borrowings of approximately HK\$10,963,000 (equivalent to RMB10,000,000) (2022: Nil), which carried a fixed interest rate at 6% per annum and is repayable within two years.

As at 31 December 2023, the Group had no unsecured other borrowings.

As at 31 December 2022, the Group had unsecured other borrowings of approximately HK\$5,641,000 (equivalent to approximately RMB5,000,000), which carried a fixed interest rate at 10% per annum and is repayable within one year.

The increase in the bank and other borrowings were mainly due to the use of additional bank loan by the Group for general working capital.

As at 31 December 2023, total assets of the Group were approximately HK\$662,362,000 (31 December 2022: HK\$1,470,491,000), whereas total liabilities were approximately HK\$171,636,000 (31 December 2022: HK\$643,971,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 25.91% (31 December 2022: 43.79%). Current ratio (defined as total current assets divided by total current liabilities) was 1.64 times (31 December 2022: 1.61 times).

Fortstone, an indirect non-wholly-owned subsidiary of the Company, is a holder of insurance broker company licence under the Insurance Ordinance. As an insurance brokerage company, Fortstone is subject to capital and net assets requirement under the Insurance Ordinance. Fortstone shall maintain a minimum net assets value and a minimum paid up share capital of HK\$500,000 at all times. Fortstone oversees its compliance with the capital and net assets requirement by monitoring Fortstone's liquid asset and ranking liabilities at all times to ensure they are well above the minimum required level (i.e. HK\$500,000). As at 31 December 2023, Fortstone has complied with the capital and net assets requirement during the 2023 Year.

Capital Structure

As at 31 December 2023, the total issued share capital of the Company was HK\$96,323,115 (2022: HK\$96,323,115) divided into 963,231,150 (2022: 963,231,150) ordinary shares of HK\$0.10 each.

On 20 December 2022, convertible bonds in the total principal amount of US\$10,000,000 were issued by the Company to the subscriber at the issue price of US\$10,000,000 (equivalent to approximately HK\$77,800,000). Based on the initial conversion price of HK\$1.45 per conversion share at the exchange rate of HK\$7.85 to US\$1.00, a maximum number of 54,137,931 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full. The use of net proceeds from the issue of the convertible bonds is as follows:

Intended use	Net proceeds <i>HK\$'000</i>	Utilisation up to 31 December 2023 <i>HK\$'000</i>	Remaining balance as at 31 December 2023 <i>HK\$'000</i>	Expected timeline for utilising the remaining net proceeds
Investment in BNCT project	23,340 (equivalent to approximately US\$3.000 million)	23,340 (equivalent to approximately US\$3.000 million)	Nil	N/A
Research and development costs and general working capital	15,124 (equivalent to approximately US\$1.944 million)	15,124 (equivalent to approximately US\$1.944 million)	Nil	N/A
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

As at the date of this announcement, the net proceeds were used according to the intentions previously disclosed by the Company in its announcements dated 20 December 2022 and 9 August 2023 and the Directors were not aware of any material change to the intended use of the net proceeds set forth above.

SIGNIFICANT INVESTMENT HELD AND PERFORMANCE

As at 31 December 2023, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK\$56,920,000 (31 December 2022: HK\$82,942,000) including one (31 December 2022: one) investment in unlisted equity securities and one (31 December 2022: one) investment in listed equity securities. It mainly consisted an investment of approximately HK\$52,204,000 in Pillar Biosciences, Inc. ("**Pillar**") and an investment of HK\$4,716,000 in Broncus Holding Corporation ("**Broncus**") (a company whose shares are listed on the Main Board of the Stock Exchange with stock code: 2216). It is the Group's investment strategy to hold the investments in Pillar and Broncus as long-term investments for the creation of synergy and long term shareholder value.

(i) Investment in Pillar

As at 31 December 2023, the Group held approximately 3.01% (31 December 2022: 3.11%) of equity interest of Pillar or 1,638,216 series B preferred stock in Pillar with fair value of HK\$52,204,000 (equivalent to US\$6,684,000) (31 December 2022: HK\$69,270,000 (equivalent to US\$8,881,000)) which represented 7.88% of the total asset of the Group as at 31 December 2023 and at an initial investment costs of US\$4,999,999 (equivalent to HK\$39,208,000). Pillar is a precision testing company for cancer based in Boston, Massachusetts, the United States of America with a wholly-owned subsidiary in Shanghai, the PRC. Based on the latest unaudited consolidated financial statements of Pillar for the year ended 31 December 2023, it recorded an unaudited consolidated loss of approximately US\$22.10 million. A fair value loss on the Group's investment in Pillar of approximately HK\$17,066,000 (2022 Year: fair value gain of approximately HK\$1,330,000) has been recognised in other comprehensive income for the 2023 Year. No dividend income was received from Pillar for both years. As part of the strategic cooperation between the Group and Pillar, a company has been set up by the parties in Hong Kong, namely Asia Molecular Diagnostic Laboratory Limited ("**AMD**L"). AMDL has established a high-standard molecular biology laboratory at the Hong Kong Science and Technology Park and has been providing NGS precision cancer diagnostic services in Hong Kong. The Group believes that the investment in Pillar will create synergies with the Group's medical laboratory testing services and health check services.

(ii) Investment in Broncus

As at 31 December 2023, the Group held approximately 1.13% (31 December 2022: 1.13%) or 5,970,160 shares in Broncus with fair value of approximately HK\$4,716,000 (31 December 2022: HK\$13,672,000) which represented 0.71% of the total asset of the Group as at 31 December 2023 and at an initial investment costs of US\$5,000,001.54 (equivalent to HK\$39,282,000). Broncus is a company mainly engaged in research and development, and the manufacture and commercialisation of medical device and consumables. Based on the latest unaudited consolidated financial statements of Broncus for the six months ended 30 June 2023, it recorded an unaudited consolidated loss of approximately US\$14.7 million. A fair value loss on the Group's investment in Broncus of approximately HK\$8,956,000 (2022: HK\$39,358,000) has been recognised in other comprehensive income for the 2023 Year. No dividend income was received from Broncus for both years. The investment in Broncus enables the Group to strategically lay out in precision diagnosis, and to enter into the field of precision treatment. Other than bringing investment return to the Group, the Group will also explore collaborative opportunity with Broncus.

The Group did not hold any other significant investments with a market value that account for more than 5% of the Group's audited total assets as at 31 December 2023.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the disposal of a joint venture and the acquisition of subsidiaries as disclosed in the section headed "BUSINESS REVIEW" above, the Group did not have any other material acquisition or disposal of subsidiaries and affiliated companies for the 2023 Year.

OPERATING LEASE COMMITMENTS

As at 31 December 2023, the Group had operating lease commitments relating to short-term leases for office which amounted to approximately HK\$79,000 (2022: HK\$1,192,000).

CAPITAL COMMITMENTS

Capital commitments authorised but not yet contracted for at the end of the reporting period are as follows:

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Capital contribution to:			
BNCT equipment	(a)	150,616	148,875
BNCT centre construction	(b)	57,679	88,666
		208,295	237,541

- (a) On 23 June 2022, the Company, Pengbo (Hainan) and Sumitomo entered into an agreement for the acquisition of BNCT equipment by Pengbo (Hainan) from Sumitomo at an initial price of JPY3,000,000,000 (equivalent to approximately HK\$176,820,000). The down payment of JPY 900,000,000 (equivalent to approximately HK\$51,765,000) has been made to Sumitomo which represents 30% of the contract price and the remaining contract price of JPY2,100,000,000 (equivalent to approximately HK\$125,055,000) is expected to be settled in 2024 pursuant to the agreement.

On the same day, the Company, Pengbo (Hainan) and Sumitomo entered into an agreement pursuant to which Sumitomo agreed to provide to Pengbo (Hainan) technical advisory services for the installation and tuning of the BNCT equipment at a service fee of JPY400,000,000 (equivalent to approximately HK\$23,820,000), which is expected to be settled by Pengbo (Hainan) in installments based on an agreed schedule for the installation and tuning of the BNCT equipment.

On 17 January 2023, the Company, Pengbo (Hainan) and Sumitomo entered into an agreement for the acquisition of BNCT parts by Pengbo (Hainan) from Sumitomo at an initial price of JPY436,000,000 (equivalent to approximately HK\$24,680,000). The down payment of JPY87,200,000 (equivalent to approximately HK\$4,936,000) has been made to Sumitomo which represents 20% of the contract price and the remaining contract price of JPY348,800,000 (equivalent to approximately HK\$19,744,000) is expected to be settled in 2024 pursuant to the agreement.

- (b) Pengbo (Hainan) commenced BNCT centre construction in November 2022 and entered into agreements pursuant to building design and construction and relative ancillary services with various contractors and suppliers approximately amounting to RMB83,237,000 (equivalent to approximately HK\$94,006,000), out of which RMB42,265,000 (equivalent to approximately HK\$48,619,000) (2022: RMB4,733,000 (equivalent to approximately HK\$5,340,000)) has been made to suppliers and the remaining is expected to be settled in 2024 in accordance with the construction progress.

During the year ended 31 December 2023, Pengbo (Hainan) also entered into agreements pursuant to building design and construction and relative ancillary services with various contractors and suppliers approximately RMB14,137,000 (equivalent to HK\$15,626,000), out of which RMB3,017,000 (equivalent to HK\$3,334,000) has been made to suppliers and the remaining is expected to be settled in 2024 and 2025 in accordance with the construction progress.

PLEDGED ASSETS

As at 31 December 2023, the Group had pledged bank deposits of approximately HK\$134,809,000 (2022: HK\$128,556,000).

The restricted bank deposits denominated in RMB approximately amounting to HK\$ Nil (2022: HK\$4,400,000) represented deposits pledged to banks to secure any liquidated damage arisen from the construction or operation of the BNCT Centre in the Boao Pilot Zone from 25 May 2022 to 24 May 2024. The restricted bank deposits denominated in JPY amounting to approximately HK\$134,809,000, equivalent to JPY2,490,024,000 (2022: HK\$124,156,000, equivalent to JPY2,100,222,000) represented deposits pledged to a bank to secure issuance of an irrevocable letter of credit to the BNCT system supplier, Sumitomo.

As at 31 December 2023, the Group had a secured bank borrowing of approximately HK\$20,000,000 (2022: Nil), which was secured by a legal charge on leasehold land and buildings in Hong Kong with the carrying amounts of approximately HK\$11,478,000 and a corporate guarantee executed by a subsidiary in favour of the bank for the banking facilities of HK\$25,000,000. The banking facilities are subject to the fulfilment of restrictive covenants including certain financial ratios of the Group. As at 31 December 2023, none of the restrictive covenants relating to drawn down facilities had been breached.

As at 31 December 2023, the Group had other borrowings of approximately HK\$10,963,000 (equivalent to approximately RMB10,000,000) (2022: Nil), which was secured by a deposit of approximately HK\$1,096,000 (equivalent to RMB1,000,000) and plant and machinery and intangible assets with the carrying amount of approximately HK\$1,888,000 and HK\$42,946,000 respectively and guaranteed by the Company.

CONTINGENT LIABILITIES

Details of contingent liabilities are stated in note 15 of this announcement.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

During the 2023 Year, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Group is not exposed to significant foreign exchange risk and has not employed any financial instrument for hedging. When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including interest rate swaps and foreign currency forwards contract will be used by the Group in the management of exposure affecting interest rates and foreign exchange rate fluctuations as appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had a total of 162 (2022: 260) full time employees which were located in Mainland China and Hong Kong. Total staff costs for the 2023 Year was approximately HK\$92,607,000 (2022 Year: HK\$166,735,000).

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 consolidated statement of profit or loss and other comprehensive income for the 2023 Year were approximately HK\$2,996,000 (2022 Year: HK\$3,271,000).

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period are set out in note 16 of this announcement.

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 Year, the Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix C1 to the GEM Listing Rules, and has complied with the code provisions in the CG Code.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the 2023 Year and there is no incident of non-compliance.

Audit Committee

The Audit Committee is currently composed of three independent non-executive Directors, namely, Mr. Yan Guoxiang (Chairman of the Audit Committee), and Dr. Ho Ivan Chun Kit and Mr. Qian Hongji as members. The financial results for the 2023 Year have been reviewed by the Audit Committee.

The principal duties of the Audit Committee include, among other matters as listed on the CG Code, the following:

- (a) to review the relationship with the external auditor to (i) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; and (ii) review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (b) to monitor integrity of the Company’s financial statements and annual report and accounts, half-year report and quarterly reports, and review these reports and significant financial reporting judgments contained in them;

- (c) to review the Company's financial controls, risk management and internal control systems, discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, and consider major investigation findings on risk management and internal control matters;
- (d) to consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors; and
- (e) to review arrangements employees of the Company can use, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters, and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the 2023 Year, the Audit Committee has five meetings and has performed the above mentioned principal duties and reviewed the Company's quarterly results, interim results, unaudited consolidated financial statements, annual results, annual report, interim report and quarterly reports and to advise and comments thereon to the Board. The Audit Committee has performed the duties to review the compliance procedures, report on the Company's internal control and risk management, and its other duties under the CG Code. The Audit Committee also met the external auditor twice without the presence of the executive Directors. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

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

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023, consolidated statement of financial position at 31 December 2023, consolidated statement of changes in equity for the year ended 31 December 2023 and the related notes for the year ended 31 December 2023 as set out in the preliminary announcement of results have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by RSM Hong Kong on this preliminary announcement of results.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the 2023 Year, 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 Year 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	2,270,000	0.79	0.58	1,575
	<u>5,295,000</u>			<u>4,185</u>

SUFFICIENCY OF PUBLIC FLOAT

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

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

Hong Kong, 28 March 2024

As at the date of this announcement, the Board 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.