



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 2022

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 2022, together with the comparative figures for the year ended 31 December 2021, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gross proceeds	4	1,851,601	623,761
Revenue	4	1,851,532	623,761
Cost of sales		(750,575)	(265,741)
Gross profit		1,100,957	358,020
Net gain on financial assets at fair value through profit or loss		2,707	489
Other income, gains/(losses)	5	4,639	225
Allowance for impairment loss on financial assets, net		(1,714)	(251)
Selling and distribution expenses		(13,726)	(11,724)
Administrative expenses		(241,156)	(157,081)
Profit from operations		851,707	189,678
Finance costs	7	(3,495)	(6,543)
Gain on fair value change of contingent consideration	14	23,658	2,141
Loss on extension and redemption of convertible bonds		(3,707)	(2,687)
Loss on fair value change of derivative financial instrument	13	(1,137)	(1,921)
Share of loss of a joint venture		(4,180)	–
Impairment loss on goodwill		(1,716)	–
Gain on disposal of subsidiaries		1,696	–
Profit before tax		862,826	180,668
Income tax expense	8	(157,258)	(48,096)
Profit for the year	9	705,568	132,572
Profit for the year attributable to:			
Owners of the Company		258,087	19,385
Non-controlling interests		447,481	113,187
		705,568	132,572

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

FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Profit for the year		<u>705,568</u>	<u>132,572</u>
Other comprehensive (loss)/income after tax:			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value change of financial assets at fair value through other comprehensive income (“ FVTOCI ”)		(38,028)	27,763
Loss on disposal of financial assets at FVTOCI		<u>–</u>	<u>(507)</u>
		<u>(38,028)</u>	<u>27,256</u>
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(12,550)	4,310
Release of exchange difference upon disposal of associates		<u>(740)</u>	<u>–</u>
		<u>(13,290)</u>	<u>4,310</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(51,318)</u>	<u>31,566</u>
Total comprehensive income for the year		<u><u>654,250</u></u>	<u><u>164,138</u></u>
Total comprehensive income for the year attributable to:			
Owners of the Company		211,489	47,962
Non-controlling interests		<u>442,761</u>	<u>116,176</u>
		<u><u>654,250</u></u>	<u><u>164,138</u></u>
Earnings per share	<i>11</i>		
Basic and diluted (cents)		<u><u>26.8</u></u>	<u><u>2.0</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		96,073	94,710
Right-of-use assets		32,782	10,784
Goodwill		110,083	120,554
Intangible assets		67,313	80,939
Investment in an associate		–	–
Investment in a joint venture		16,220	–
Financial assets at FVTOCI		82,942	122,021
Prepayment	<i>12</i>	51,765	–
Pledged bank deposits		128,556	–
		<hr/> 585,734 <hr/>	<hr/> 429,008 <hr/>
Current assets			
Inventories		18,725	4,738
Trade and other receivables	<i>12</i>	765,547	105,939
Loan and interest receivables		7,632	13,257
Held for trading securities		–	1,759
Derivative financial assets	<i>13</i>	–	1,527
Income tax recoverable		83	–
Bank and cash balances		92,770	150,554
		<hr/> 884,757 <hr/>	<hr/> 277,774 <hr/>
Total current assets		<hr/> 884,757 <hr/>	<hr/> 277,774 <hr/>
TOTAL ASSETS		<hr/> 1,470,491 <hr/> <hr/>	<hr/> 706,782 <hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		96,323	96,323
Other reserves		506,352	299,075
		<hr/>	<hr/>
		602,675	395,398
Non-controlling interests		223,845	70,497
		<hr/>	<hr/>
Total equity		826,520	465,895
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Convertible bonds	<i>13</i>	55,796	–
Derivative financial liabilities	<i>13</i>	22,252	–
Lease liabilities		9,367	3,556
Deferred tax liabilities		7,892	9,936
		<hr/>	<hr/>
		95,307	13,492
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>15</i>	290,045	54,927
Convertible bonds	<i>13</i>	–	38,651
Lease liabilities		10,980	7,576
Contingent consideration	<i>14</i>	–	23,658
Borrowings		5,641	17,387
Current tax liabilities		241,998	85,196
		<hr/>	<hr/>
Total current liabilities		548,664	227,395
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		1,470,491	706,782
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Share repurchase for cancellation 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 2021	96,685	495,840	(1,200)	25,629	212,948	-	3,312	938	2,783	(493,604)	343,331	168,774	512,105
Total comprehensive income for the year	-	-	-	-	-	-	-	26,635	1,942	19,385	47,962	116,176	164,138
Release of financial assets at FVTOCI upon disposal	-	-	-	-	-	-	-	15,337	-	(15,337)	-	-	-
Repurchase and/or cancellation of shares	(362)	(5,148)	1,200	-	-	-	-	-	-	-	(4,310)	-	(4,310)
Share-based payments	-	-	-	5,245	-	-	-	-	-	-	5,245	-	5,245
Lapse of share options	-	-	-	(14,423)	-	-	-	-	-	14,423	-	-	-
Changes in ownership interests in subsidiaries without loss of control	-	-	-	-	-	-	3,170	-	-	-	3,170	1,057	4,227
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	490	490
Dividend paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(216,000)	(216,000)
Changes in equity for the year	(362)	(5,148)	1,200	(9,178)	-	-	3,170	41,972	1,942	18,471	52,067	(98,277)	(46,210)
At 31 December 2021	96,323	490,692	-	16,451	212,948	-	6,482	42,910	4,725	(475,133)	395,398	70,497	465,895

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Share repurchase for cancellation 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)
Changes 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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). Significant accounting policies adopted by the Group are disclosed below.

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 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 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the above mentioned amended standards or annual improvements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	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 HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 - Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 - Lease Liability in a Sales and Leaseback	1 January 2024
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
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

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

	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Provision of medical laboratory testing services and health check services	1,619,568	607,776
Sale and distribution of health related and pharmaceutical products	217,179	107
Provision of insurance brokerage services	6,933	7,922
Money lending business	35	1,244
Provision of logistic services	7,817	6,712
	<u>1,851,532</u>	<u>623,761</u>
Gross proceeds from trading of securities (note)	<u>69</u>	<u>–</u>
Gross proceeds	<u><u>1,851,601</u></u>	<u><u>623,761</u></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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	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	1,619,568	607,776	216,978	107	6,933	7,922	35	1,244	7,817	6,712	1,851,331	623,761
– The PRC except Hong Kong	–	–	201	–	–	–	–	–	–	–	201	–
Segment revenue	<u>1,619,568</u>	<u>607,776</u>	<u>217,179</u>	<u>107</u>	<u>6,933</u>	<u>7,922</u>	<u>35</u>	<u>1,244</u>	<u>7,817</u>	<u>6,712</u>	<u>1,851,532</u>	<u>623,761</u>
Timing of revenue recognition												
Products and services transferred at a point in time	1,619,568	607,776	217,179	107	6,933	7,922	35	1,244	–	–	1,843,715	617,049
Products and services transferred over time	–	–	–	–	–	–	–	–	7,817	6,712	7,817	6,712
Total	<u>1,619,568</u>	<u>607,776</u>	<u>217,179</u>	<u>107</u>	<u>6,933</u>	<u>7,922</u>	<u>35</u>	<u>1,244</u>	<u>7,817</u>	<u>6,712</u>	<u>1,851,532</u>	<u>623,761</u>

5. OTHER INCOME, GAINS/(LOSSES)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income	153	12
Government grants (<i>note</i>)	3,361	–
Gain on disposal of property, plant and equipment	1,082	–
Loss on written-off property, plant and equipment	(4)	–
Net foreign exchange loss	(869)	(525)
COVID-19 related rent concessions	195	156
Gain on early termination of lease	–	11
Others	721	571
	<u>4,639</u>	<u>225</u>

Note:

During the year ended 31 December 2022, the Group recognised government grants of HK\$3,361,000 (2021: HK\$Nil) in respect of COVID-19 related subsidies, of which HK\$3,228,000 (2021: HK\$Nil) related to the Employment Support Scheme provided by the Hong Kong government.

6. SEGMENT INFORMATION

The Group has six 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 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, gains/(losses), unallocated administrative expenses, gain on fair value change of contingent consideration, loss on extension and redemption of convertible bonds, loss on fair value change of derivative financial instrument, share of loss of a joint venture, gain on disposal of subsidiaries, finance costs and income tax expense. Segment assets do not include the unallocated pledged bank deposits, bank and cash balances, interests in associates, investment in a joint venture, current and deferred tax assets, financial assets at FVTOCI and derivative financial assets. 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.

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 2022								
Revenue from external customers	<u>1,619,568</u>	<u>-</u>	<u>217,179</u>	<u>-</u>	<u>6,933</u>	<u>-</u>	<u>7,852</u>	<u>1,851,532</u>
Intersegment revenue	<u>2,843</u>	<u>-</u>	<u>64,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,669</u>	<u>72,544</u>
Segment profit/(loss)	<u>861,298</u>	<u>(40,008)</u>	<u>75,468</u>	<u>1,958</u>	<u>(3,258)</u>	<u>(2,779)</u>	<u>2,181</u>	<u>894,860</u>
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								<u>(49,508)</u>
Profit before tax								862,826
Income tax expense								<u>(157,258)</u>
Profit for the year								<u><u>705,568</u></u>
As at 31 December 2022								
Segment assets	<u>891,833</u>	<u>163,934</u>	<u>417</u>	<u>-</u>	<u>9,172</u>	<u>70,858</u>	<u>6,816</u>	<u>1,143,030</u>
Unallocated corporate assets								<u>327,461</u>
Total assets								<u><u>1,470,491</u></u>
Segment liabilities	<u>518,987</u>	<u>8,397</u>	<u>3,740</u>	<u>-</u>	<u>422</u>	<u>196</u>	<u>2,578</u>	<u>534,320</u>
Unallocated corporate liabilities								<u>109,651</u>
Total liabilities								<u><u>643,971</u></u>

	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 2021								
Revenue from external customers	607,776	–	107	–	7,922	–	7,956	623,761
Segment profit/(loss)	266,305	(42,393)	(1,088)	(3,163)	(66)	–	1,257	220,852
Other income, gain/(losses)								225
Finance costs								(6,543)
Gain on fair value change of contingent consideration								2,141
Loss on redemption of convertible bonds								(2,687)
Loss on fair value change of derivative financial instruments								(1,921)
Unallocated corporate expenses								(31,399)
Profit before tax								180,668
Income tax expense								(48,096)
Profit for the year								132,572
As at 31 December 2021								
Segment assets	211,823	184,589	8	4,442	12,005	–	13,485	426,352
Unallocated corporate assets								280,430
Total assets								706,782
Segment liabilities	132,641	10,606	58	365	838	–	316	144,824
Unallocated corporate liabilities								96,063
Total liabilities								240,887

Other segment information

Other segment information for the year ended 31 December 2022:

	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
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

Other segment information for the year ended 31 December 2021:

	Medical and health related services HK\$'000	Immunotherapy HK\$'000	Pharmaceutical products HK\$'000	Securities HK\$'000	Insurance brokerage HK\$'000	BCNT HK\$'000	Others HK\$'000	Total HK\$'000
Capital expenditures	12,072	120	-	-	-	-	24	12,216
Amortisation of intangible assets	-	8,994	-	-	-	-	-	8,994
Depreciation of property, plant and equipment	44,720	1,178	-	16	61	-	447	46,422
Depreciation of right-of-use assets	7,710	343	48	-	292	-	4,303	12,696
Provision/(reversal) of allowance for impairment loss on financial assets, net	426	-	90	-	-	-	(265)	251
Write-down of inventories	2,630	-	569	-	-	-	-	3,199

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	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	1,851,331	623,761	126,168	125,241
The PRC except Hong Kong	201	–	231,848	181,746
	<u>1,851,532</u>	<u>623,761</u>	<u>358,016</u>	<u>306,987</u>

Revenue from major customers:

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Provision of medical and health related services segment		
Customer A	900,235	127,817
Customer B	524,324	310,226
	<u>900,235</u>	<u>310,226</u>
Sale and distribution of health related and pharmaceutical products segment		
Customer A	206,858	–
Customer B	3,816	–
	<u>206,858</u>	<u>–</u>
Provision of logistic services segment		
Customer B	7,782	–
	<u>7,782</u>	<u>–</u>

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	751	697
Interest on borrowings	–	504
Effective interest on convertible bonds	<u>2,744</u>	<u>5,342</u>
	<u>3,495</u>	<u>6,543</u>

8. INCOME TAX EXPENSE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	158,353	49,465
Under/(over)-provision in prior years	<u>208</u>	<u>(20)</u>
	<u>158,561</u>	<u>49,445</u>
Deferred tax	<u>(1,303)</u>	<u>(1,349)</u>
	<u>157,258</u>	<u>48,096</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% (2021: 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% (2021: 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. PROFIT FOR THE YEAR

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amortisation of intangible assets	8,689	8,994
Depreciation of property, plant and equipment	47,034	46,422
Depreciation of right-of-use assets	10,678	12,696
Gain on disposal of property, plant and equipment	(1,082)	–
Loss on written-off property, plant and equipment	4	–
Loss on fair value change of derivative financial instruments	1,137	1,921
Operating lease charges		
– Office premises and warehouses	2,785	1,278
Staff costs including directors' remuneration		
– Salaries, bonuses and allowances	161,883	94,784
– Equity-settled share-based payments	1,581	2,481
– Retirement benefits scheme contributions	3,271	2,089
	<u>166,735</u>	<u>99,354</u>
Research and development cost	27,760	28,677
Auditor's remuneration		
– Audit services	1,200	1,100
– Non-audit services	2,150	–
	<u>3,350</u>	<u>1,100</u>
Cost of inventories sold	351,487	56,712
Write-down on inventories (included in cost of sales)	–	3,199
Allowance for impairment loss on financial assets, net	1,714	251
	<u><u>166,735</u></u>	<u><u>99,354</u></u>

10. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend for the year ended 31 December 2022 of HK\$0.01 per ordinary share of HK\$0.10 each in the share capital of the Company, in an aggregate amount of approximately HK\$9,632,000, has been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting of the Company.

The directors of the Company did not recommend payment of any final dividend for the year ended 31 December 2021.

11. EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Earnings for the year for the purpose of calculating basic/diluted earnings per share	<u>258,087</u>	<u>19,385</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic/diluted earnings per share	<u>963,231</u>	<u>964,714</u>

The weighted average number of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same.

The computation of the diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market prices of the shares for the years ended 31 December 2022 and 2021 respectively.

The computation of the diluted earnings per share did not assume the conversion of the Company's convertible bonds since its exercise would have an anti-dilutive effect that would result in an increase in earnings per share for the years ended 31 December 2022 and 2021 respectively.

12. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	756,443	93,223
Allowance for impairment loss	<u>(4,544)</u>	<u>(1,093)</u>
	<u>751,899</u>	<u>92,130</u>
Rental and other deposits	7,142	5,851
Other receivables	1,753	4,399
Allowance for impairment loss of other receivables	–	(1,423)
Prepayments	56,515	1,570
Sales proceeds on disposal of associates	–	1,268
Cash held in securities trading accounts with stock brokers	<u>3</u>	<u>2,144</u>
	<u>65,413</u>	<u>13,809</u>
Total trade and other receivables	<u><u>817,312</u></u>	<u><u>105,939</u></u>
Analysed as:		
Current assets	765,547	105,939
Non-current asset	<u>51,765</u>	<u>–</u>
	<u><u>817,312</u></u>	<u><u>105,939</u></u>

The Group generally allows an average credit period of 90 days (2021: 90 days) for its pharmaceutical products customers, laboratory testing and health check services customers and logistic service customers and 30 days (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 90 days	549,256	80,062
91 to 180 days	200,680	10,490
181 to 365 days	1,771	1,325
Over 365 days	<u>192</u>	<u>253</u>
	<u><u>751,899</u></u>	<u><u>92,130</u></u>

As at 31 December 2022, an aggregate allowance was made for estimated irrecoverable trade receivables of approximately HK\$4,544,000 (2021: HK\$1,093,000).

As of 31 December 2022, trade receivables of approximately HK\$202,643,000 (2021: HK\$12,068,000) 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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 90 days	200,680	10,490
91 to 275 days	1,771	1,325
Over 275 days	192	253
	202,643	12,068

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 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, and on this basis 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 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 has 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 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 2021	76,292
Partial redemption of 2020 Convertible Bonds	(39,689)
Interest expenses	5,342
Interest paid	(3,294)
	<hr/>
Liability component at 31 December 2021 and 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	55,796
	<hr/> <hr/>

	(Assets) HK\$'000	Liabilities HK\$'000	Total HK\$'000
Derivative component at 1 January 2021	(14,234)	8,597	(5,637)
Partial redemption	6,442	(4,253)	2,189
Fair value loss/(gain) for the year	4,230	(2,309)	1,921
Derivative component at 31 December 2021 and 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
Derivative component at 31 December 2022	–	22,252	22,252

The interest charged for the year is calculated by applying an effective interest rate of 5.42% (2021: 10.19%) to the liability component for the period since issuance date of 30 December 2022 (2021: 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 2022 to be approximately HK\$83,240,000 (2021: HK\$40,545,000). 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 2022	31 December 2021
Weighted average share price (HK\$)	1.15	1.38
Weighted average exercise price (HK\$)	1.45	1.75
Expected volatility	77.82%	60.84%
Expected life	2	0.36
Risk free rate	4.02%	0.14%
Expected dividend yield	Nil	Nil

14. CONTINGENT CONSIDERATION

	Shanghai Longyao <i>HK\$'000</i> <i>(Note a)</i>	Fortstone <i>HK\$'000</i> <i>(Note b)</i>	Total <i>HK\$'000</i>
At 1 January 2021	22,698	3,101	25,799
Gain on fair value change	<u>(612)</u>	<u>(1,529)</u>	<u>(2,141)</u>
At 31 December 2021 and 1 January 2022	22,086	1,572	23,658
Gain on fair value change	<u>(22,086)</u>	<u>(1,572)</u>	<u>(23,658)</u>
At 31 December 2022	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>
Classified as:			
Current liabilities			
– 2022	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>
Current liabilities			
– 2021	<u><u>22,086</u></u>	<u><u>1,572</u></u>	<u><u>23,658</u></u>

As of 31 December 2022, the fair value of the contingent consideration liability was remeasured, and a gain of HK\$23,658,000 (2021: HK\$2,141,000) resulted from the change in fair value of the contingent consideration liability was recognised in other income and gains in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

Note a:

Contingent consideration is payable, which is subject to fulfillment of certain performance targets (“**First Target Achievement**”) by Shanghai Longyao Biotech Company Limited (上海隆耀生物科技有限公司) (“**Shanghai Longyao**”). The Company shall allot and issue a total of 29,100,000 new shares of the Company at an issue price of HK\$2.00 (the “**Issue Price**”) if the First Target Achievement is fulfilled. In the event that Shanghai Longyao meets certain other performance targets (“**Second Target Achievement**”) after meeting the First Target Achievement, the Company shall allot and issue another 29,100,000 new shares of the Company in aggregate at the Issue Price. In the event that Shanghai Longyao meets the Second Target Achievement without achieving the First Target Achievement, the Company shall allot and issue a total of 58,200,000 new shares of the Company to Mr. Ye Shenqin, Beike International (HK) Limited, Mr. Yang Xuanming and Mr. Wang Xin at the Issue Price.

The initial amount recognised was HK\$34,149,000. The fair value which was determined using management’s best estimate and was within level 3 fair value measurement, which were reference to the valuation performed by an independent professional qualified valuer.

Note b:

Contingent consideration is payable in cash to the vendors of Fortstone International (Hong Kong) Limited (富石國際(香港)有限公司) (“**Fortstone**”) in the amount of HK\$6,120,000 (“**Tranche Consideration**”), which is subject to the accumulated net profit after tax of Fortstone for (a) the period from 31 October 2019 to 31 December 2019, (b) the two financial years ended 31 December 2020 and 2021 and (c) the period from 1 January 2022 to 31 October 2022 collectively (the “**Actual Accumulated Profit**”) being not less than HK\$9,000,000. In the event that the Actual Accumulated Profit is a positive figure but less than HK\$9,000,000 upon the third anniversary of the completion date, the Tranche Consideration shall be adjusted to the figure calculated according to the formula below:

Actual Accumulated Profit multiplied by HK\$6,120,000 and divided by HK\$9,000,000.

If the Actual Accumulated Profit is a negative figure, the contingent consideration shall be zero.

The initial amount recognised was HK\$5,182,000. The fair value was determined using management’s best estimate and was within level 3 fair value measurement with reference to the valuation performed by an independent professional qualified valuer.

15. TRADE AND OTHER PAYABLES

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Trade payables	206,441	16,149
Accruals	77,161	28,189
Receipt in advance	377	281
Other payables	6,066	10,308
	<u>290,045</u>	<u>54,927</u>

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

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
0 to 90 days	143,915	16,147
91 to 180 days	27,234	–
181 to 365 days	35,292	2
	<u>206,441</u>	<u>16,149</u>

The carrying amounts of the Group’s trade payables are denominated in HK\$ amount of approximately HK\$206,441,000 (2021: HK\$16,149,000).

16. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Lustrous Pearl Group

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

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

	<i>HK\$'000</i>
Property, plant and equipment	8
Held for trading securities	4,398
Other receivables	720
Bank and cash balances	1,037
Other payables	(353)
	<hr/>
Net assets disposed of	5,810
Gain on disposal of the Lustrous Pearl Group	590
	<hr/>
Total consideration satisfied by cash	6,400
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration received	6,400
Cash and cash equivalents disposed of	(1,037)
	<hr/>
	5,363
	<hr/> <hr/>

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

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

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

	<i>HK\$'000</i>
Other receivables	7
Bank and cash balances	39
Other payables	<u>(362)</u>
Net liabilities disposed of	(316)
Release of exchange difference	(740)
Gain on disposal of the Dynasty Well Group	<u>1,106</u>
Total consideration satisfied by cash	<u>50</u>
Net cash inflow arising on disposal:	
Cash consideration received	50
Cash and cash equivalents disposed of	<u>(39)</u>
	<u>11</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 December 2022 (“**2022 Year**”), the principal activities of the Group were (i) provision of medical laboratory testing services and health check services in Hong Kong; (ii) provision of tumor immune cell therapy and health management services in the PRC; (iii) sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; and (iv) provision of insurance brokerage.

During the 2022 Year, the Group recorded a turnover of approximately HK\$1,851,532,000, representing an increase of approximately 1.97 times as compared with that of approximately HK\$623,761,000 for the year ended 31 December 2021 (the “**2021 Year**”). As the prevalence of coronavirus disease 2019 (“**COVID-19**”) continued with outbreak of new waves of pandemic caused by mutated variants from time to time, the demand for medical laboratory testing services and health check services including nucleic acid tests (“**NAT**”) for COVID-19 remained high. The introduction of compulsory testing for high risk or high exposure groups of persons under regulation (in particular, pursuant to the Prevention and Control of Disease (Compulsory Testing for Certain Persons) Regulation (Chapter 599J of the Laws of Hong Kong)) supported the demand for NAT services. In addition, the Group was one of the appointed service providers to provide passengers’ rapid NAT for COVID-19 prior to departure from Hong Kong to the Mainland China or Macau at the Shenzhen Bay Port and at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port under the arrangement enacted by the government of Hong Kong in March 2022. In October 2022, the Group became one of the contractors to provide COVID-19 testing services at the community testing centres or stations at various locations in Hong Kong. Further, (i) the robust demand for rapid antigen test kits and COVID-19 test services; and (ii) the increase in demand for COVID-19 testing services from cross-border or overseas passengers due to the easing of border restrictions led to a significant increase in revenue during the 2022 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. The services of this segment were being delivered through four medical laboratories and three health check centres established in Hong Kong. The turnover of this segment increased from approximately HK\$607,776,000 for the 2021 Year to approximately HK\$1,619,568,000 for the 2022 Year. It marked an increase of 1.66 times as compared with the 2021 Year. During the fifth wave of COVID-19 pandemic which broke out in December 2021, the Group continued to provide NAT for COVID-19 for clients from private clinics, corporates, government offices and individuals to capture the soaring demand for the services. Also, the Group was one of the pivot service providers to provide rapid NAT for COVID-19 to passengers prior to departure from Hong Kong to the Mainland China or Macau at the Shenzhen Bay Port and at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port under the arrangement enacted by the government of Hong Kong in March 2022 and provide COVID-19 testing services at the community testing centres or stations since October 2022. The increase of segmental turnover was mainly brought by increase in demand of COVID-19 related laboratory testing services.

Provision of tumor immune cell therapy services

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

Sale and distribution of health related and pharmaceutical products

Sale and distribution of health related and pharmaceutical products segment recorded a robust increase in turnover during the 2022 Year. The turnover of this segment increased significantly from approximately HK\$107,000 for the 2021 Year to HK\$217,179,000 for the 2022 Year. It represented an increase of 2,028.71 times as compared with that of the 2021 Year. This significant uplift was driven by the robust demand for rapid antigen test kits due to the raging fifth wave of COVID-19 pandemic during the 2022 Year.

Provision of insurance brokerage services

Provision of insurance brokerage services segment recorded a decrease in turnover during the 2022 Year. The turnover of this segment decreased from approximately HK\$7,922,000 during the 2021 Year to approximately HK\$6,933,000 for the 2022 Year, representing a decrease of 12.48% as compared with the 2021 Year. The decrease was mainly due to the impact of stringent travel restrictions imposed on Mainland Chinese customers from visiting Hong Kong during the fifth wave of COVID-19 pandemic.

Provision of logistics services

The Group has been providing testing materials and specimens logistics services for local clinics and other corporate clients. The turnover of logistics services increased from approximately HK\$6,712,000 for the 2021 Year to approximately HK\$7,817,000 for the 2022 Year. It represented an increase of 16.46% as compared with the 2021 Year mainly due to increase in demand on testing materials and specimens 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). With the increasing market demands of the micro-financing business in Hong Kong, the Group utilised HK\$7.98 million for the money lending business as at 31 December 2022. The Group's loan portfolio comprises unsecured loans granted to individual customers. The loan receivables carry an interest rate at 8% to 10% per annum and are repayable within one year. The money lending business recorded an interest income of approximately HK\$35,000 for the 2022 Year (2021 Year: HK\$1,244,000).

Trading of financial assets at fair value through profit or loss

The Group's investment portfolio comprises investments in listed securities in Hong Kong. This business segment recorded a net gain on financial assets at fair value through profit or loss of approximately HK\$2,707,000 for the 2022 Year (2021 Year: net gain of HK\$489,000) due to the disposal of some marketable shares and a fair value change of the investment portfolio.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$1,100,957,000 for the 2022 Year, representing an increase of approximately HK\$742,937,000 when compared with that of approximately HK\$358,020,000 in the 2021 Year. Also, the gross profit margin for the 2022 Year was approximately 59.46%, representing a slight increase of approximately 2.06 percentage points when compared with the gross profit margin of approximately 57.40% for the 2021 Year. The Group maintained a stable level of gross profit margin.

Selling and distribution expenses

Selling and distribution expenses for the 2022 Year were approximately HK\$13,726,000 (2021 Year: HK\$11,724,000), representing an increase of approximately HK\$2,002,000 or 17.08% when compared with such expenses for the 2021 Year. The increase was primarily due to more aggressive strategic marketing and promotion campaign adopted for promoting the sales of health related products during the 2022 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 2022 Year were approximately HK\$241,156,000, representing an increase of approximately HK\$84,075,000 or 53.52%, as compared with that of approximately HK\$157,081,000 for the 2021 Year. The increase in administrative expenses was mainly attributable to (i) increase in staff costs by approximately HK\$67,381,000 due to expansion of medical laboratory testing services and health check services segment; and (ii) increase in legal and professional fee by approximately HK\$2,700,000 and listing expenses incurred of approximately HK\$8,734,000 due to corporate activities.

Finance costs

During the 2022 Year, the Group's interest expenses amounted to approximately HK\$3,495,000 (2021 Year: HK\$6,543,000). The decrease in the finance costs was mainly attributable to the lower finance costs arising from convertible bonds subsequent to the partial redemption of convertible bonds on 11 May 2021.

Profit for the year

The Group recorded a net profit attributable to the owners of the Company of approximately HK\$258,087,000 for the 2022 Year (2021 Year: HK\$19,385,000). The increase in net profit for the 2022 Year was mainly attributable to (i) the robust demand for rapid antigen test kits for COVID-19 and COVID-19 testing services due to the fifth wave of COVID-19 pandemic in Hong Kong; and (ii) the increase in demand for COVID-19 testing services from cross-border or overseas passengers due to the easing of border restrictions.

NON-FULFILLMENT OF TARGET/PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF SHANGHAI LONGYAO AND FORTSTONE

Acquisition of Shanghai Longyao

As disclosed in the announcements of the Company dated 22 July 2018, 8 August 2018, 31 October 2018, 31 January 2019 and 29 March 2019 in relation to, among other matters, the acquisition of 67% equity interest in Shanghai Longyao, up to 58.2 million new shares may be issued by the Company as total incentive shares to the vendors (“**Vendors**”) and two core members (“**Members**”) of Shanghai Longyao (the “**Total Incentive Shares**”), subject to a first target achievement and a second target achievement being fulfilled on or before 31 December 2022. One of the target achievements was that the annual audited revenue of Shanghai Longyao shall be not less than RMB150 million and its annual audited net profit (subject to adjustments) shall be no less than RMB30 million. According to the audited reports of Shanghai Longyao prepared in accordance with accounting principles generally accepted in the PRC, Shanghai Longyao recorded audited revenue of RMB1.8 million, RMB0.9 million, RMB0.5 million and nil; and net loss of RMB6.2 million, RMB22.1 million, RMB29.0 million and RMB33.1 million, for the years ended 31 December 2019, 2020, 2021 and 2022, respectively. Accordingly, the relevant shortfall of revenue and net profit would be RMB150 million and RMB30 million respectively, and both the first target achievement and the second target achievement have not been fulfilled on or before 31 December 2022. Hence, the rights to receive the Total Incentive Shares had lapsed and no new shares will be issued as Total Incentive Shares to the Vendors nor the Members. Details were disclosed in the announcement of the Company dated 28 February 2023.

Acquisition of Fortstone

As disclosed in the announcement and the circular of the Company dated 3 June 2019 and 30 August 2019, respectively, the consideration for the Group’s acquisition of 51% equity interest in Fortstone International (Hong Kong) Limited (富石國際(香港)有限公司) (“**Fortstone**”) shall be an aggregate sum of HK\$12,240,000, of which HK\$6,120,000 shall be paid as second tranche consideration (the “**Second Tranche Consideration**”). In this connection, the actual accumulated profit of Fortstone for the (a) period from 31 October 2019 to 31 December 2019; (b) two financial years ended 31 December 2020 and 2021; and (c) period from 1 January 2022 to 31 October 2022 collectively (the “**Actual Accumulated Profit**”) shall be no less than HK\$9,000,000. In the event that the Actual Accumulated Profit is a positive figure but less than HK\$9,000,000 upon the third anniversary of the completion date of the acquisition, the Second Tranche Consideration shall be adjusted to the figure calculated according to the formula below:

Actual Accumulated Profit multiplied by HK\$6,120,000 and divided by HK\$9,000,000.

If the Actual Accumulated Profit is a negative figure, the Second Tranche Consideration shall be zero.

The actual audited financial statements of Fortstone revealed (a) a net profit (after tax) of HK\$451,000 for the period from 31 October 2019 to 31 December 2019; (b) a net loss (after tax) of HK\$169,000 and HK\$77,000 for the two financial years ended 31 December 2020 and 2021 respectively; and (c) a net loss (after tax) of HK\$1,197,000 for the period from 1 January 2022 to 31 October 2022. As a result, the Actual Accumulated Profit is a negative figure, and the Second Tranche Consideration shall be zero.

Disclosure pursuant to Rule 19.36B of the GEM Listing Rules

With reference to the above paragraphs, the Board is of the opinion that in respect of (i) the acquisition of Shanghai Longyao; and (ii) the acquisition of Fortstone (collectively, the “**Acquisitions**”), the target/profit guarantee obligations have not been fulfilled.

The Company does not have any options or other rights referred in Rule 19.36B(2)(c) of the GEM Listing Rules in respect of the non-fulfillment of the target/profit guarantee obligations in relation to the Acquisitions.

BUSINESS REVIEW

Equity investment term sheet entered into between a subsidiary and an industry investor

On 26 January 2022, Shanghai Longyao entered into a non-legally binding term sheet (the “**Term Sheet**”) with 前海德潤資本管理(深圳)有限公司 (in English, for identification purpose only, Qianhai Devin Capital Management (Shenzhen) Company Limited) (the “**Investor**”) in relation to the Investor’s proposed investment of RMB20,000,000 in Shanghai Longyao. No legally binding formal agreement has been entered into by both parties as at the date of this announcement. Details were disclosed in the announcement of the Company dated 26 January 2022.

Revision of annual cap for continuing connected transaction in relation to the master supply agreement

On 15 February 2022, Sunrise Diagnostic Centre Limited (“**SDCL**”), an indirect non-wholly-owned subsidiary of the Company, and BGI Health (HK) Company Limited (“**BGI**”), a company incorporated in Hong Kong with limited liability and the holder of 40% of the issued share capital of SDCL, entered into a supplemental master supply agreement to increase the annual cap for continuing connected transaction between the signing parties from HK\$80,000,000 to HK\$400,000,000 for the year ended 31 December 2022 with explicit specification that supply of COVID-19 rapid antigen test kits would be covered. Details were disclosed in the announcement of the Company dated 15 February 2022.

Entering into a site admission and investment agreement in relation to the Boao Pilot Zone for a BNCT cancer treatment project

On 28 February 2022, CBSH Flourish (Hong Kong) BNCT Medical Centre Limited, an indirect wholly-owned subsidiary of the Company and 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 with the Hainan Boao Lecheng International Medical Tourism Pilot Zone Administration in relation to the investment in and construction of a Boron Neutron Capture Therapy (“**BNCT**”) cancer treatment centre (“**BNCT centre**”) in Hainan Boao Lecheng International Medical Tourism Pilot Zone (the “**Boao Pilot Zone**”). Details were disclosed in the announcement of the Company dated 28 February 2022.

Formation of a joint venture between a subsidiary of the Company and a leading healthcare group in Hong Kong

On 11 March 2022, SDCL entered into a joint venture agreement (“**JV Agreement**”) with Sure Metro Limited (“**SML**”), a wholly-owned subsidiary of Town Health International Medical Group Limited, a company with its shares (stock code: 3886) listed on the Main Board of the Stock Exchange. Under the JV Agreement, SDCL and SML shall, respectively, subscribe for 51 and 48 shares of Hong Kong Medical Test Centre Limited (the “**JV Company**”), a wholly-owned subsidiary of SML immediately before the signing of the JV Agreement. Upon completion of the JV Agreement, SDCL and SML hold 51% and 49% shareholding of the JV Company respectively. The completion took place on 27 May 2022. The JV Company is engaged in the operation of a medical laboratory in Hong Kong. Details were disclosed in the announcement of the Company dated 11 March 2022.

Letter of intent of strategic cooperation signed with a leading pharmaceutical group

On 23 March 2022, the Company and CSPC Pharmaceutical Group Limited (“**CSPC Group**”), a company listed on the Main Board of the Stock Exchange (stock code: 1093), entered into a non-legally binding letter of intent in relation to seeking strategic cooperation in one or more of the equity-based investments or projects initiated by the Company, among which CSPC Group intended to make a direct equity investment of 10% to 20% shareholding of the Company. The letter of intent expired on 22 March 2023. No legally binding agreement has been entered into by both parties as at the date of this announcement. Details were disclosed in the announcement of the Company dated 23 March 2022.

Extension of maturity date of convertible bonds and issuance of convertible bonds under general mandate with existing convertible bonds being surrendered and cancelled and use of proceeds

On 10 May 2022, the Company and Guoyuan Securities Investment (Hong Kong) Limited (the “**Subscriber**”), being the subscriber of the convertible bonds issued by the Company on 11 May 2020 (the “**2020 Convertible Bonds**”) entered into an amendment agreement for the purpose of extending the maturity date of the 2020 Convertible Bonds, with a total outstanding principal amount of US\$5,000,000, for two years from 10 May 2022 to 10 May 2024 (the “**Proposed Amendments**”). The Proposed Amendments have taken effect on 24 June 2022. Details were disclosed in the announcements of the Company dated 10 May 2022 and 24 June 2022.

On 20 December 2022, the Company entered into a subscription agreement with the Subscriber, pursuant to which the Subscriber subscribed for convertible bonds in the aggregate principal amount of US\$10,000,000 (equivalent to approximately HK\$77,800,000) (the “**2022 Convertible Bonds**”). Based on 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) 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 2022 Convertible Bonds in full assuming there is no adjustment to the conversion price, which represent approximately 5.62% of the existing issued share capital of the Company and approximately 5.32% of the issued share capital of the Company as enlarged by the issue of the conversion shares. Half of the total subscription amount of the 2022 Convertible Bonds, being US\$5,000,000, was satisfied by the Subscriber by surrendering the 2020 Convertible Bonds with a total outstanding principal amount of US\$5,000,000 to the Company for cancellation, and the remaining subscription amount of US\$5,000,000 (after deduction of expenses to be borne by the Company) was paid by the Subscriber in cash. Accordingly, the gross and net proceeds from the subscription (after deducting related expenses) were approximately US\$5,000,000 (equivalent to approximately HK\$38,900,000) and US\$4,944,000 (equivalent to approximately HK\$38,464,000) respectively. The Company intended to use the net proceeds as to (i) US\$3,000,000 (equivalent to approximately HK\$23,340,000) for the investment in BNCT project; and (ii) the remaining balance of US\$1,944,000 (equivalent to approximately HK\$15,124,000) for funding research and development costs and general working capital of the Group. Completion of subscription of the 2022 Convertible Bonds took place on 30 December 2022. Details were disclosed in the announcements of the Company dated 20 October 2022 and 30 December 2022.

Continuing connected transactions in relation to the 2022 master services agreement and the 2022 referral services agreement and revision of annual cap of the 2022 master referral services agreement

On 27 May 2022, SDCL and BGI entered into a master services agreement in respect to the provision of COVID-19 testing services through RT-PCR method by BGI to SDCL and a referral services agreement (“**2022 Referral Services Agreement**”) in respect of which SDCL will refer customers who require COVID-19 testing services to BGI and provide several services from 27 May 2022 to 31 December 2022. On 13 October 2022, SDCL entered into a supplemental agreement to increase the annual cap for the continuing connected transactions under the 2022 Referral Services Agreement from HK\$400,000,000 to HK\$550,000,000 for the year ended 31 December 2022. Details were disclosed in the announcements of the Company dated 27 May 2022, 24 August 2022 and 13 October 2022.

Land use rights of a piece of state-owned construction land in Boao Pilot Zone

On 27 May 2022, Pengbo (Hainan) entered into a confirmation letter (掛牌出讓成交確認書) with the Public Resource Trading Centre of Qionghai City Land Reserve Sorting Out and Exchange Centre (瓊海市土地儲備整理交易中心), confirming that Pengbo (Hainan) successfully won a bid for the right to use of a piece of state-owned construction land located in Boao Pilot Zone with an area of 6,171.03 square metres (Land Lot No.: LC07-18-01-03) for a term of 50 years for the construction and operation of the BNCT Centre. Details were disclosed in the announcement of the Company dated 27 May 2022.

Major transaction in relation to the acquisition of BNCT equipment, the provision of technical advisory service and the acquisition of BNCT parts

On 23 June 2022, the Company (as guarantor) and Pengbo (Hainan) entered into the sales contract, memorandum of understanding (“**MOU**”) and the service contract with Sumitomo Heavy Industries, Ltd. (“**Sumitomo**”) pursuant to which Pengbo (Hainan) will purchase BNCT equipment and BNCT parts from Sumitomo (“**Proposed Supply**”), and receive technical advisory service from Sumitomo for the installation and tuning of the BNCT equipment (“**Proposed Provision**”), respectively.

On 28 December 2022, the Company, Pengbo (Hainan) and Sumitomo entered in the addendum (“**Addendum**”) to the MOU to extend the term of the MOU, from the date of the Addendum and remain in effective until either (i) 31 January 2023; or (ii) the conclusion and execution of definitive contracts for both Proposed Supply and Proposed Provision, whichever comes first.

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 announcements of the Company dated 23 June 2022, 28 December 2022 and 17 January 2023 and the circular of the Company dated 22 August 2022.

Disposal of subsidiaries

(a) Disposal of Lustrous Pearl Group

Having taken into consideration that the performance of the Lustrous Pearl International Limited and its subsidiaries (collectively, the “**Lustrous Pearl Group**”), which was principally engaged in investment holding, for the past financial years was not satisfactory, the Directors determined that the disposal of the Lustrous Pearl Group would enable the Company to free up the resources devoted to this business and 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 the Lustrous Pearl Group took place on 4 April 2022. For details, please refer to the disclosure made in note 16(a) to the audited consolidated financial statements.

(b) Disposal of Dynasty Well Group

Having taken into consideration that Dynasty Well Limited and its subsidiaries (collectively, the “**Dynasty Well Group**”) had been inactive in recent years, the Directors considered that the disposal of the Dynasty Well Group would enable the Company to save administrative costs. The completion of the disposal of the Dynasty Well Group took place on 31 May 2022. For details, please refer to the disclosure made in note 16(b) to the audited consolidated financial statements.

Possible transfer of listing

On 1 September 2022, the Company announced that it has appointed professional parties to evaluate the possibility of transferring the listing of the securities in the Company from GEM to the Main Board of the Stock Exchange. Details were disclosed in the announcement of the Company dated 1 September 2022.

Share award scheme

During the 2022 Year, the trustee of the Company purchased an aggregate of 2,325,000 ordinary shares of nominal value of HK\$0.10 each in the share capital of the Company (“**Shares**”) with consideration of approximately HK\$2,985,000 on the Stock Exchange for the purpose of the share award scheme adopted by the Company in accordance with the scheme rules on 17 August 2021 (the “**Share Award Scheme**”). No award shares have been granted to any selected participants pursuant to the Share Award Scheme up to the date of this announcement.

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 under its share option scheme adopted on 29 May 2014, representing approximately 0.52% of the total number of Shares 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.

OUTLOOK

Throughout the COVID-19 pandemic in the past three years, our laboratory staff in Hong Kong have been fully engaged in the COVID-19 testing business. We have provided more than 20 million NAT to the Hong Kong government, communities, residents, and travelers. Additionally, we have strongly supported the Hong Kong government's Universal Community Testing Programme, including the provision of NAT services to passengers at the Hong Kong International airport and boundary control points. With the help of the Hong Kong government in defeating the epidemic, resulting in the lifting of quarantine measures, the social life and economy of the Hong Kong have entered the stage of comprehensive recovery.

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

Due to the rising awareness and health concerns of the general public post COVID-19, the growing trend of aging population, larger demand for private medical services and increasing number of life insurance policies, it is expected that demand for health check and related medical services in Hong Kong will continue to grow. To seize this opportunity, we have been aggressively seeking cooperations with different medical platforms, insurance companies and corporate entities to promote our healthcare services and expand our reach into the Greater Bay Area. At the same time, we have continued to strengthen and broaden our scope of services to cope with the expected demand. For instance, we have introduced several new tests, such as HPV (human papillomavirus, a type of virus that can cause abnormal tissue growth (for example, warts) and other changes to cells) DNA test, colorectal cancer DNA test and cPass™ test (neutralizing antibodies screening) etc. On the other hand, we will seek cooperation with the Hong Kong government, medical specialists, non-profit organisations and other institutes to achieve rapid entry into the early screening of colorectal cancer and HPV DNA test market.

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

To further strengthen our sale of health related and pharmaceutical product segment and to expand our product portfolio, we have become a distributor of a Japanese-made nicotinamide mononucleotide (“NMN”) powder. NMN is an inherent molecule in the human body, which has been found suppressive to age-associated weight gain and enhance energy metabolism and physical activity. As part of our distribution strategy, we have appointed a sub-distributor to help expand our reach into different markets. In addition, we have become a distributor of a Japanese health product “Chisei” (智精), which is an anti-aging product we intend to distribute through e-channels. The said arrangements are in line with our mission to provide high-quality health supplements and health related products to the Hong Kong and PRC community.

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

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

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

Moving forward, we will continue to enrich our diagnostic and health checkup business with customized 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 internally generated resources and other borrowings.

Liquidity and Financial Resources

As at 31 December 2022, the Group held cash and bank balances of approximately HK\$92,770,000 (2021: HK\$150,554,000), all were principally denominated in Renminbi and Hong Kong dollars. The decrease in cash and bank balances of approximately HK\$57,784,000 is mainly due to outlays used for dividend payment made to the non-controlling shareholders of a subsidiary during the 2022 Year and prepayment paid for acquisition of BNCT equipment.

As at 31 December 2022, the Group had outstanding convertible bonds in principal amount of US\$10,000,000 with carrying amount of approximately US\$7,108,000 (equivalent to approximately HK\$55,796,000) (31 December 2021: US\$5,000,000 with carrying amount of US\$4,987,000 (equivalent to approximately HK\$38,651,000)) which carried a fixed interest rate of 8.25% (2021: 8.5%) per annum and is repayable on 30 December 2024 (2021: 11 May 2022).

As at 31 December 2022, the Group had unsecured other borrowings of approximately HK\$5,641,000 (equivalent to approximately RMB5,000,000) (31 December 2021: unsecured other borrowing of approximately HK\$17,387,000 (equivalent to approximately RMB14,200,000)), which carried a fixed interest rate at 10% (31 December 2021: 8% to 10%) per annum and is repayable within one year.

The increase in the other borrowings were mainly due to issue of convertible bonds during the 2022 Year.

As at 31 December 2022, total assets of the Group were approximately HK\$1,470,491,000 (31 December 2021: HK\$706,782,000), whereas total liabilities were approximately HK\$643,971,000 (31 December 2021: HK\$240,887,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 43.79% (31 December 2021: 34.08%). Current ratio (defined as total current assets divided by total current liabilities) was 1.61 times (31 December 2021: 1.22 times).

Fortstone, an indirect non-wholly-owned subsidiary of the Company, is a holder of insurance broker company licence under the Insurance Ordinance (Chapter 41, Laws of Hong Kong). 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 2022, Fortstone has complied with the capital and net assets requirement during the 2022 Year.

Capital Structure

As at 31 December 2022, the total issued share capital of the Company was HK\$96,323,115 (2021: HK\$96,323,115) divided into 963,231,150 (2021: 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 2022 <i>HK\$'000</i>	Remaining balance as at 31 December 2022 <i>HK\$'000</i>
Investment in BNCT project	23,340 (equivalent to approximately US\$3.000 million)	Nil	23,340 (equivalent to approximately US\$3.000 million)
Research and development costs and general working capital	15,124 (equivalent to approximately US\$1.944 million)	Nil	15,124 (equivalent to approximately US\$1.944 million)

SIGNIFICANT INVESTMENT HELD AND PERFORMANCE

As at 31 December 2022, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK\$82,942,000 (31 December 2021: HK\$122,021,000) including one (31 December 2021: one) investment in unlisted equity securities and one (31 December 2021: one) investment in listed equity securities. It mainly consisted an investment of approximately HK\$69,270,000 in Pillar Biosciences, Inc. ("**Pillar**") (which represented 4.71% of the total asset of the Group as at 31 December 2022) and an investment of HK\$13,672,000 in Broncus Holding Corporation ("**Broncus**") (a company whose shares are listed on the Main Board of the Stock Exchange with stock code: 2216) (which represented 0.93% of the total asset of the Group as at 31 December 2022). 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 2022, the Group held approximately 3.11% (2021: 3.48%) of equity interest of Pillar or 1,638,216 series B preferred stock in Pillar with fair value of HK\$69,270,000 (equivalent to US\$8,881,000) (2021: HK\$67,940,000 (equivalent to US\$8,714,000)) 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 2022, it recorded an unaudited consolidated loss of approximately US\$31.2 million. A fair value gain on the Group's investment in Pillar of approximately HK\$1,330,000 (2021 Year: fair value gain of approximately HK\$20,934,000) has been recognised in other comprehensive income for the 2022 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 since July 2022. 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 2022, the Group held approximately 1.13% (2021: 1.25%) or 5,970,160 shares in Broncus with fair value of approximately HK\$13,672,000 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 2022, it recorded an unaudited consolidated loss of approximately US\$16.06 million. A fair value loss on the Group's investment in Broncus of approximately HK\$39,358,000 (2021: fair value gain of HK\$6,829,000) has been recognised in other comprehensive income for the 2022 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 2022.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the formation of a joint venture and the disposal 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 2022 Year.

OPERATING LEASE COMMITMENTS

As at 31 December 2022, the Group had operating lease commitments relating to short-term leases for office which amounted to approximately HK\$1,192,000 (2021: HK\$400,000).

CAPITAL COMMITMENTS

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

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Capital contribution to:			
BNCT equipment	<i>(a)</i>	148,875	–
BNCT centre construction	<i>(b)</i>	88,666	–
		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 2023 and 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.

- (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 RMB83,327,000 (equivalent to approximately HK\$94,006,000), out of which RMB4,733,000 (equivalent to approximately HK\$5,340,000) has been made to suppliers and the remaining is expected to be settled in 2023 in accordance with the construction progress.

PLEDGED ASSETS

As at 31 December 2022, the Group had pledged bank deposits of approximately HK\$128,556,000 (2021: HK\$Nil).

The restricted bank deposits denominated in RMB amounting to approximately 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\$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.

CONTINGENT LIABILITIES

As at 31 December 2022 and 2021 the Group has no material contingent liabilities.

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 2022 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 2022, the Group had a total of 253 (2021: 211) full time employees which were located in Mainland China and Hong Kong. Total staff costs for the 2022 Year was approximately HK\$166,735,000 (2021 Year: HK\$99,354,000).

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 their parties), participation in 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 2022 Year were approximately HK\$3,271,000 (2021 Year: HK\$2,089,000).

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period up to the date 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 2022 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 15 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 2022 Year and there are no incidents of non-compliance.

Audit Committee

The audit committee of the Board (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 2022 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 2022 Year, the Audit Committee has five meetings and has performed the above mentioned principal duties and reviewed the Company's quarterly results, interim results, annual results, annual report, interim report and quarterly reports and to advise and comment 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 2022, consolidated statement of financial position at 31 December 2022, consolidated statement of changes in equity for the year ended 31 December 2022 and the related notes for the year ended 31 December 2022 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 2022. 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 2022 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 2,325,000 shares of the Company at a total consideration of approximately HK\$2,985,000, 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 2022 Year are as follows:

Month	Number of shares purchased by the Trustee	Purchase price per share		Approximate total consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
July	655,000	1.52	1.50	994,900
August	785,000	1.31	1.20	993,700
September	885,000	1.20	1.00	996,150
	<u>2,325,000</u>			<u>2,984,750</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, 24 March 2023

As at the date of this announcement, the board of Directors comprises four executive Directors, namely, Mr. Liu Xiaolin (Chairman), Mr. He Xun, Mr. Huang Song and Ms. Chui Hoi Yam; and three independent non-executive Directors, namely, Mr. Yan Guoxiang, Dr. Ho Ivan Chun Kit and Mr. Qian Hongji.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.cbshhk.com.