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## **Hong Kong Life Sciences and Technologies Group Limited**

**香港生命科學技術集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8085)**

### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2017**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “**Directors**”) of Hong Kong Life Sciences and Technologies Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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.*

## FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) hereby submits the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 30 June 2017, together with the unaudited comparative figures for the corresponding period in 2016 as follows:

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

*For the three months ended 30 June 2017*

		<b>Three months ended 30 June</b>	
		<b>2017</b>	2016
	<i>Notes</i>	<b>Unaudited</b>	Unaudited
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	4	<b>43,294</b>	20,677
Cost of sales		<u>(35,747)</u>	<u>(13,034)</u>
<b>Gross profit</b>		<b>7,547</b>	7,643
Loss on disposal of held-for-trading investments		–	(1,476)
Fair value change on held-for-trading investments		<b>896</b>	–
Other income	4	<b>1</b>	10
Administrative and other operating expenses		<u>(9,648)</u>	<u>(11,008)</u>
<b>Loss before tax</b>	5	<b>(1,204)</b>	(4,831)
Income tax	6	<u>(241)</u>	<u>–</u>
<b>Loss for the period</b>		<b>(1,445)</b>	(4,831)
<b>Other comprehensive expense:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>840</u>	<u>(997)</u>
<b>Total comprehensive expense for the period</b>		<u><b>(605)</b></u>	<u>(5,828)</u>
<b>Loss for the period attributable to:</b>			
— owners of the Company		<b>(804)</b>	(3,126)
— non-controlling interests		<u>(641)</u>	<u>(1,705)</u>
		<u><b>(1,445)</b></u>	<u>(4,831)</u>
<b>Total comprehensive expenses for the period attributable to:</b>			
— owners of the Company		<b>36</b>	(4,123)
— non-controlling interests		<u>(641)</u>	<u>(1,705)</u>
		<u><b>(605)</b></u>	<u>(5,828)</u>
<b>Loss per share:</b>	8		
Basic and diluted ( <i>HK cents</i> )		<u><b>(0.01)</b></u>	<u>(0.07)</u>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**

### **1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands on 30 October 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands and its shares are listed on GEM of the Stock Exchange since 7 March 2002.

The Company is an investment holding company. During the reporting period, the Group is principally engaged in (i) anti-aging and stem cell technology businesses; (ii) trading business; (iii) money lending business; and (iv) securities investment.

### **2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

The unaudited consolidated financial statements have been prepared in accordance with the disclosure requirements of the GEM Listing Rules.

The principal accounting policies used in the preparation of these unaudited consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 March 2017 except in relation to the new and revised Hong Kong Financial Reporting Standards, ("**HKFRSs**", which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants that are adopted for the first time for the current period's financial information. The adoption of these new and revised HKFRSs has no significant effect on these financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective.

### **3. SEGMENT INFORMATION**

The Group's operating segment information is based on the internal reports that are regularly reviewed by the chief operating decision maker, chief executive officer of the Company, for the purposes of resources allocation to, assessing the performance of the Group's various lines of business and geographical location.

During the period, the Group's operating and reportable segments under HKFRs 8 are as follows:

- (i) anti-aging and stem cell technology businesses;
- (ii) trading business;
- (iii) money lending business; and
- (iv) securities investment.

Information regarding the above segments for the three months ended 30 June 2017 and 2016 are as follows:

(a) Segment revenues and results

<b>For the three months ended 30 June 2017</b>	<b>Anti-aging and stem cell technology businesses Unaudited HK\$'000</b>	<b>Trading business Unaudited HK\$'000</b>	<b>Money lending business Unaudited HK\$'000</b>	<b>Securities investment Unaudited HK\$'000</b>	<b>Total Unaudited HK\$'000</b>
Revenue from external customers	<u>960</u>	<u>36,589</u>	<u>5,745</u>	<u>–</u>	<u>43,294</u>
Segment results	<u>(4,218)</u>	<u>(53)</u>	<u>5,538</u>	<u>896</u>	<u>2,163</u>
Unallocated corporate income					–
Unallocated corporate expenses					<u>(3,367)</u>
Loss before tax					<u><u>(1,204)</u></u>
<b>For the three months ended 30 June 2016</b>	<b>Anti-aging and stem cell technology businesses Unaudited HK\$'000</b>	<b>Trading business Unaudited HK\$'000</b>	<b>Money lending business Unaudited HK\$'000</b>	<b>Securities investment Unaudited HK\$'000</b>	<b>Total Unaudited HK\$'000</b>
Revenue from external customers	<u>868</u>	<u>13,347</u>	<u>6,462</u>	<u>–</u>	<u>20,677</u>
Segment results	<u>(4,269)</u>	<u>(924)</u>	<u>6,311</u>	<u>(1,476)</u>	<u>(358)</u>
Unallocated corporate income					–
Unallocated corporate expenses					<u>(4,473)</u>
Loss before tax					<u><u>(4,831)</u></u>

**(b) Geographical information**

The Group operates in the People's Republic of China (excluding Hong Kong) (the "PRC") and Hong Kong. The following is an analysis of the revenue from external customers by location of operation:

	<b>Revenue from external customers for the three months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>5,745</b>	6,462
PRC	<b>37,549</b>	14,215
	<b>43,294</b>	<b>20,677</b>

**4. REVENUE AND OTHER INCOME**

	<b>Three months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
Anti-aging and stem cell technology businesses	<b>960</b>	868
Trading business	<b>36,589</b>	13,347
Money lending business	<b>5,745</b>	6,462
	<b>43,294</b>	<b>20,677</b>
<b>Other income</b>		
Interest income	<b>1</b>	1
Sundry income	<b>-</b>	9
	<b>1</b>	<b>10</b>

## 5. LOSS BEFORE TAX

The loss before tax has been arrived at after charging:

	Three months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Staff costs (including Directors' emoluments)		
— salaries and allowance	2,881	2,777
— contributions to defined contributions retirement benefits schemes	62	61
	<u>2,943</u>	<u>2,838</u>
Depreciation of property, plant and equipment	1,862	1,685
Operating lease rentals in respect of rented premises	2,707	2,583
	<u><u>2,707</u></u>	<u><u>2,583</u></u>

## 6. INCOME TAX

	Three months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current tax		
— Hong Kong	241	—
— PRC enterprise income tax	—	—
	<u>241</u>	<u>—</u>

Hong Kong profit tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period.

PRC enterprise income tax on the profits arising in the PRC has been provided on the estimated assessable profits at the rates prevailing in the PRC.

No deferred tax has been recognized for the period due to the temporary differences which will result in a liability to be payable in the foreseeable future are immaterial.

## 7. DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2017 (2016: Nil).

## 8. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	<b>Three months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
<b>Loss</b>		
Loss for the period attributable to the owners of the Company	<b>804</b>	3,126
<b>Shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>5,688,396,805</b>	4,740,332,805

For the three months ended 30 June 2017 and 2016, the Company did not have any potential ordinary shares. Diluted loss per share was the same as the basic loss per share as there are no dilutive potential ordinary shares for the three months ended 30 June 2017 and 2016.

## 9. CHANGES IN SHAREHOLDERS' EQUITY

	Share capital Unaudited HK\$'000	Share premium Unaudited HK\$'000	Special reserve Unaudited HK\$'000	Translation reserve Unaudited HK\$'000	Accumulated losses Unaudited HK\$'000	Sub-total Unaudited HK\$'000	Non- controlling interests Unaudited HK\$'000	Total equity Unaudited HK\$'000
At 1 April 2016	189,613	593,160	(39,998)	(2,171)	(379,764)	360,840	(42,245)	318,595
Loss for the period	-	-	-	-	(3,126)	(3,126)	(1,705)	(4,831)
Exchange differences arising on translation of foreign operations	-	-	-	(997)	-	(997)	-	(997)
Total comprehensive expense for the period	-	-	-	(997)	(3,126)	(4,123)	(1,705)	(5,828)
At 30 June 2016	<u>189,613</u>	<u>593,160</u>	<u>(39,998)</u>	<u>(3,168)</u>	<u>(382,890)</u>	<u>356,717</u>	<u>(43,950)</u>	<u>312,767</u>
At 1 April 2017	<b>227,536</b>	<b>675,345</b>	<b>(39,998)</b>	<b>(4,621)</b>	<b>(444,472)</b>	<b>413,790</b>	<b>(45,500)</b>	<b>368,290</b>
Loss for the period	-	-	-	-	(804)	(804)	(641)	(1,445)
Exchange differences arising on translation of foreign operations	-	-	-	840	-	840	-	840
Total comprehensive expense for the period	-	-	-	840	(804)	36	(641)	(605)
At 30 June 2017	<u>227,536</u>	<u>675,345</u>	<u>(39,998)</u>	<u>(3,781)</u>	<u>(445,276)</u>	<u>413,826</u>	<u>(46,141)</u>	<u>367,685</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the three months ended 30 June 2017 (the “**Period**”), the Group was principally engaged in (i) anti-aging and stem cell technology businesses; (ii) trading business; (iii) money lending business; and (iv) securities investment.

#### *Anti-Aging and Stem Cell Technology Businesses*

During the Period under review, the Group recorded a revenue from the anti-aging and stem cell technology businesses of approximately HK\$1.0 million (2016: HK\$0.9 million) and recorded a segmental loss of approximately HK\$4.2 million (2016: HK\$4.3 million). The loss was incurred mainly from the staff and related cost, rental expenses and depreciation. The Group continued to face the keen competition and high operating costs and the revenue was significantly affected by weak demand for the existing stem cell technology service. The Group has imposed tight costs control to cope with the changing business environment.

In March 2016, the Group expanded its scope of the anti-aging and stem cell technology businesses into research and development area by entering into a technology development agreement (the “**Technology Development Agreement**”) with 厚樸生物科技（蘇州）有限公司 (Hope Bio-tech (Suzhou) Co., Ltd.\*) (“**Hope Bio-Tech**”). Hope Bio-Tech is wholly-owned by Mr. David Lin Kao Kun, an executive Director, and his spouse, for the clinical application, technical redevelopment and commercialisation of two patents previously acquired in 2013. Through entering into the Technology Development Agreement, the Group aims to improve the patents and benefit from improving its product mix. The Group intends to concentrate its resources to develop the patent titled “method for constructing pancreatic stem cell line from human insulin and differentiating to insulin secretion cell” and believes that Hope Bio-Tech possesses the expertise and know-how to assist in the development and improvement of the patent.

#### *Trading Business*

During the Period under review, the Group recorded a revenue from the trading business of approximately HK\$36.6 million (2016: HK\$13.3 million) and recorded a segmental loss of approximately HK\$0.1 million (2016: HK\$0.9 million). The loss was incurred mainly from the staff and related cost, rental expenses and depreciation. The Group will continue to attempt to broaden the customer base and diversify its trading products to increase the revenue stream and improve the financial performance.

\* for identification purpose only



### *Money Lending Business*

During the Period under review, the Group recorded a revenue from money lending business of approximately HK\$5.7 million (2016: HK\$6.5 million) and recorded a segmental gain before tax of approximately HK\$5.5 million (2016: HK\$6.3 million). The interest rate charged by the Group to customers ranging from 10% to 24% (2016: 10% to 24%) per annum. The Group continued to provide both secured and unsecured loans to customers, including individuals and corporations. The credit terms of outstanding loans granted by the Group to customers ranged from several months to one year. In view of significant demand in the market, the Group intends to maintain the loan portfolio with a prudent manner in order to generate a healthy cash flow and reasonable returns.

### *Securities Investment*

During the Period under review, the Group did not record the loss of disposal of Hong Kong listed securities (2016: approximately HK\$1.5 million) and the fair value change on held-for-trading investments was approximately HK\$0.9 million (2016: Nil). No dividend was received from the securities investment during the Period (2016: Nil). The Board will continue to monitor the market conditions and its performance.

### **Financial Review**

During the Period under review, the Group's total revenue increased by 109.4% to approximately HK\$43.3 million (2016: HK\$20.7 million) as compared to last period. The significant increase in revenue was mainly derived from the trading business. The administrative and other operating expenses for the Period were approximately HK\$9.6 million (2016: HK\$11.0 million).

The loss for the Period was approximately HK\$1.4 million (2016: HK\$4.8 million). The loss for the Period attributable to owners of the Company was approximately HK\$0.8 million (2016: HK\$3.1 million) and the loss per share was 0.01 HK cents (2016: 0.07 HK cents).

### **Prospects**

The Board continues their optimistic outlook of the anti-aging and stem cell technology businesses and will adjust the Group's development strategy according to the market changes. In this regard, the Board will constantly keep reviewing the Group's strategies and operations with a view to improving its business performance. In view of the growth potential in the PRC market, we intend to further develop our business in the PRC. We will also continue to enhance the existing business and explore other business and investment opportunities to diversify the revenue stream and business portfolios to enhance the interest of the shareholders of the Company (the "**Shareholders**").

## Material Event

### *Acquisition of entire issued share capital of Honorbase International Limited*

On 31 May 2017, Metropolitan Global Trading Limited (the “**Purchaser**”), a direct wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the “**Agreement**”) with, among other parties, Mr. Lam Wai Keung (the “**Vendor**”) and Honorbase International Limited (the “**Target Company**”) pursuant to which the Vendor agreed to sell the sale shares representing the entire issued share capital of the Target Company at the consideration of HK\$43,900,000 (the “**Acquisition**”). The Target Company is an investment holding company and the legal and beneficial owner of the property situated at Lantau Island, Hong Kong (the “**Property**”) and is mainly designated for the development of private residential properties for sale. In view of the potential growth of the property market in Hong Kong, the Group believes that this is a good opportunity to acquire a small property for possible development or resale so as to enable a more diversified income for the Group and return for shareholders. As all the conditions precedent to the Agreement had been fulfilled and Completion took place on 7 June 2017. Based on the valuation report prepared by an independent valuer, the valuation on the Property was not less than HK\$44,000,000. Details of the Acquisition were disclosed in the Company’s announcements dated 31 May 2017 and 7 June 2017.

## OTHER INFORMATION

### Directors’ and Chief Executive’s Interests

As at 30 June 2017, the interests and short positions of the Directors and chief executives of the Company (the “**Chief Executives**”) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “**SFO**”) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

### Long position in the ordinary shares of the Company (“Shares”)

Name of Director	Capacity	Number of Shares Held	Percentage of Shares in issue (Approximate)
Mr. David Lin Kao Kun	Beneficial owner	899,674,333	15.82

Save as disclosed above, as at 30 June 2017, none of the Directors and the Chief Executives had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

### **Directors' Rights to Acquire Shares or Debentures**

Other than the Share Option Scheme, at no time during the reporting period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of share in, or debentures of, the Company or any other body corporate.

### **Share Option Scheme**

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 4 August 2010 and the Stock Exchange granting approval of the listing of, and permission to deal in, the shares to be issued under the share option scheme (the “**Share Option Scheme**”) on 17 November 2010, the Company has adopted the Share Option Scheme to replace the expired share option scheme adopted on 1 February 2002. The principal terms of the Share Option Scheme were set out in the appendix to the circular of the Company dated 20 July 2010.

At the annual general meeting of the Company held on 7 August 2015 (the “**2015 AGM**”), the shareholders of the Company had approved the refreshment of the Share Option Scheme mandate limit in accordance with the Share Option Scheme and the GEM Listing Rules, thereby allowing the Company to grant further options for subscription of up to a total of 395,033,280 Shares, representing 10% Shares in issue as at the date of the 2015 AGM. No share options were granted, lapsed or exercised during the Period.

The purpose of the Share Option Scheme is to enable the Company to provide incentive to participants with the opportunity of participating in the growth of the Company by acquiring shares in the Company and may, in turn, assist in the attraction and retention of talents who have made contributions to the success of the Company.

### **Substantial Shareholders' Interests and Other Persons' Interests**

As at 30 June 2017, so far as is known to the Directors and the Chief Executives, and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interests and short positions of the persons or corporations (other than the Directors and the Chief Executives) in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Number of Shares Held</b>	<b>Percentage of Shares in issue (Approximate)</b>
Mr. Lau Ngai Cheung ( <i>Note</i> )	Beneficial owner and interest of controlled corporation	752,850,000	13.23
Pacific Fortune Global Limited ( <i>Note</i> )	Beneficial owner	474,032,000	8.33
Primeshare Globe (Hong Kong) Inv.Co., Limited	Beneficial owner	721,452,000	12.68
Sheng Yuan Financial Services Group Limited	Beneficial owner	371,286,903	6.53

*Note:*

Mr. Lau Ngai Cheung has a direct 100% interest in Pacific Fortune Global Limited. Under the SFO, Mr. Lau Ngai Cheung is deemed to be interested in 474,032,000 Shares registered in the name of Pacific Fortune Global Limited.

Save as disclosed above, as at 30 June 2017, the Directors were not aware of any other persons or corporations (other than the Directors and the Chief Executives) who had interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO.

### **Purchase, Sale or Redemption of Shares**

During the three months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

## **Securities Transactions by Directors**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all Directors confirmed that they had complied with such code of conduct and the required standard of dealings throughout the three months ended 30 June 2017.

## **Competing Interests**

As at 30 June 2017, none of the Directors and controlling shareholders of the Company nor any of their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group.

## **Audit Committee**

The Audit Committee has four members comprising four independent non-executive Directors, namely, Mr. Hung Yat Ming, Mr. Chan Yun Hing, Mr. Gui Qiangfang and Mr. Zhang James Jian Yuan with written terms of reference in compliance with the GEM Listing Rules. Mr. Hung Yat Ming is the chairman of the Audit Committee. These unaudited consolidated results for the Period have been reviewed by the Audit Committee.

**By order of the Board**  
**Hong Kong Life Sciences and Technologies Group Limited**  
**Lu Zhiqiang**  
*Executive Director and Chief Executive Officer*

Hong Kong, 14 August 2017

*As at the date of this announcement, the Board comprises (i) six executive Directors, namely Mr. David Lin Kao Kun, Mr. Lu Zhiqiang, Mr. Chui Kwong Kau, Mr. Jiang Hongqing, Ms. Li Mei and Dr. Sun Yu; (ii) one non-executive Director, namely Ms. Lam Kuo; and (iii) four independent non-executive Directors, namely Mr. Hung Yat Ming, Mr. Chan Yun Hing, Mr. Gui Qiangfang and Mr. Zhang James Jian Yuan.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for a minimum period of seven days from the date of its publication and on the Company's website at <http://www.hklifesciences.com>.*