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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 2018

CHARACTERISTICS OF THE 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.

*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 2018, together with the unaudited comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2018

		Three months ended 30 June	
		2018	2017
	<i>Notes</i>	Unaudited	Unaudited
		HK\$'000	HK\$'000
Revenue	4	6,529	43,294
Cost of sales		<u>(30)</u>	<u>(35,747)</u>
Gross profit		6,499	7,547
Gain on held-for-trading investments		727	896
Other income	4	–	1
Administrative and other operating expenses		(8,210)	(9,648)
Reversal of impairment loss on loan interest receivables		<u>5,528</u>	<u>–</u>
Profit/(loss) before tax	5	4,544	(1,204)
Income tax expense	6	<u>–</u>	<u>(241)</u>
Profit/(loss) for the period		4,544	(1,445)
Other comprehensive income/(expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>(1,963)</u>	<u>840</u>
Total comprehensive income/(expense) for the period		<u>2,581</u>	<u>(605)</u>
Profit/(loss) for the period attributable to:			
— owners of the Company		4,559	(804)
— non-controlling interests		<u>(15)</u>	<u>(641)</u>
		<u>4,544</u>	<u>(1,445)</u>

		Three months ended 30 June	
		2018	2017
		Unaudited	Unaudited
	<i>Notes</i>	HK\$'000	HK\$'000
Total comprehensive income/(expenses)			
for the period attributable to:			
— owners of the Company		2,596	36
— non-controlling interests		(15)	(641)
		<u>2,581</u>	<u>(605)</u>
Earnings/(loss) per share:			
Basic and diluted (<i>HK cents</i>)	8	<u>0.08</u>	<u>(0.01)</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 business.

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 2018 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, being the chief executive officer of the Company, which is the Group's chief operation decision maker for the purpose of allocation resources 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 business.

Information regarding the above segments for the three months ended 30 June 2018 and 2017 are as follows:

(a) Segment revenues and results

For the three months ended 30 June 2018	Anti-aging and stem cell technology businesses Unaudited HK\$'000	Trading business Unaudited HK\$'000	Money lending business Unaudited HK\$'000	Securities investment business Unaudited HK\$'000	Total Unaudited HK\$'000
Revenue from external customers	<u>1,288</u>	<u>–</u>	<u>5,241</u>	<u>–</u>	<u>6,529</u>
Segment results	<u>(2,606)</u>	<u>(797)</u>	<u>4,914</u>	<u>727</u>	<u>2,238</u>
Reversal of impairment loss of loan interest receivables					5,528
Unallocated corporate income					–
Unallocated corporate expenses					<u>(3,222)</u>
Profit before tax					<u><u>4,544</u></u>
For the three months ended 30 June 2017	Anti-aging and stem cell technology businesses Unaudited HK\$'000	Trading business Unaudited HK\$'000	Money lending business Unaudited HK\$'000	Securities investment business Unaudited HK\$'000	Total Unaudited HK\$'000
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) Geographical information

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

	Revenue from external customers for the three months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Hong Kong	5,491	5,745
PRC	1,038	37,549
	6,529	43,294

4. REVENUE AND OTHER INCOME

	Three months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Revenue		
Anti-aging and stem cell technology businesses	1,288	960
Trading business	–	36,589
Money lending business	5,241	5,745
	6,529	43,294
Other income		
Interest income	–	1
Sundry income	–	–
	–	1

5. PROFIT/(LOSS) BEFORE TAX

The profit/(loss) before tax has been arrived at after charging/(crediting):

	Three months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Staff costs (including Directors' emoluments)		
— salaries and allowance	2,925	2,881
— contributions to defined contributions retirement benefits schemes	61	62
	2,986	2,943
Depreciation of property, plant and equipment	366	1,862
Reversal of impairment loss on loan interest receivables	(5,528)	–
Operating lease rentals in respect of rented premises	2,780	2,707

6. INCOME TAX EXPENSE

	Three months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current tax		
Hong Kong	–	241
PRC enterprise income tax	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>241</u>

Hong Kong profit tax has been provided at the rate of 16.5% (2017: 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 2018 (2017: Nil).

8. EARNINGS/(LOSS) PER SHARE

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

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Earnings/(loss)		
Earnings/(loss) for the period attributable to the owners of the Company	<u>4,559</u>	<u>(804)</u>
Shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>5,688,396,805</u>	<u>5,688,396,805</u>

For the three months ended 30 June 2018 and 2017, the Company did not have any potential ordinary shares. Diluted earnings/(loss) per share was the same as the basic loss per share for the three months ended 30 June 2018 and 2017.

9 CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Special reserve	Translation reserve	Accumulated losses	Sub-total	Non- controlling interests	Total equity
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2017	227,536	675,345	(39,998)	(4,621)	(444,472)	413,790	(45,500)	368,290
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>
At 1 April 2018	<u>227,536</u>	<u>675,345</u>	<u>(39,998)</u>	<u>(721)</u>	<u>(526,672)</u>	<u>335,490</u>	<u>(46,327)</u>	<u>289,163</u>
Profit for the period	-	-	-	-	4,559	4,559	(15)	4,544
Exchange differences arising on translation of foreign operations	-	-	-	(1,963)	-	(1,963)	-	(1,963)
Total comprehensive income for the period	-	-	-	(1,963)	4,559	2,596	(15)	2,581
At 30 June 2018	<u>227,536</u>	<u>675,345</u>	<u>(39,998)</u>	<u>(2,684)</u>	<u>(522,113)</u>	<u>338,086</u>	<u>(46,342)</u>	<u>291,744</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months ended 30 June 2018 (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 business.

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\$1.3 million (2017: HK\$1.0 million) and recorded a segmental loss of approximately HK\$2.6 million (2017: HK\$4.2 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 stem cell technology acquired in 2013. The Group has imposed tight costs control to cope with the changing business environment.

Although we have ongoing efforts in research and developing of new products and services during the past years, the Group is still identifying suitable business plan and reviewing the recent regulatory environment in Hong Kong and the People’s Republic of China (the “**PRC**”). The ability of the Group to generate revenue in future depends on the successful development and commercialisation of the new products and services. The Group will closely monitor the market conditions and make necessary adjustments to our strategies to cope with the challenges that the Group is facing under any circumstances.

Trading Business

During the Period under review, the Group did not record any revenue from the trading business (2017: HK\$36.6 million) and recorded a segmental loss of approximately HK\$0.8 million (2017: HK\$0.1 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.

Money Lending Business

During the Period under review, the Group recorded a revenue from money lending business of approximately HK\$5.2 million (2017: HK\$5.7 million) and recorded a segmental gain before tax of approximately HK\$4.9 million (2017: HK\$5.5 million). The interest rate charged by the Group to customers ranging from 10% to 12% (2017: 10% to 24%) per annum. The Group continued to provide loans to individual and corporate customers. The credit terms of outstanding loans granted by the Group to customers ranged from several months to one year. The management assessed the collectability of loans receivables from time to time individually with reference to borrowers' past collection history and current creditworthiness. During the Period, the reversal of impairment loss on loan interest receivables were approximately HK\$5.5 million and no impairment allowance is necessary in respect of the loan receivables and loan interest receivables as there has not been a significant deterioration in the credit risk and the balances are still considered to be fully recoverable. 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 steady returns.

Securities Investment Business

During the Period under review, the Group recorded the loss from disposal of Hong Kong listed securities of approximately HK\$0.7 million (2017: Nil) and the fair value change on held-for-trading investments was approximately HK\$1.4 million (2017: HK\$0.9 million). No dividend was received from the securities investment during the Period (2017: 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 decreased by 84.9% to approximately HK\$6.5 million (2017: HK\$43.3 million) as compared to last period. The significant decrease in revenue was mainly derived from the trading business. The administrative and other operating expenses for the Period were approximately HK\$8.2 million (2017: HK\$9.6 million).

The profit for the Period was approximately HK\$4.5 million (2017: loss of HK\$1.4 million). The profit for the Period attributable to owners of the Company was approximately HK\$4.6 million (2017: loss of HK\$0.8 million) and the earnings per share was 0.08 HK cents (2017: loss per share of 0.1 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.

OTHER INFORMATION

Directors' and Chief Executive's Interests

As at 30 June 2018, 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) (“**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	1,054,330,333	18.53

Save as disclosed above, as at 30 June 2018, 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 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 6.94% issued Shares as at 30 June 2018. 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 2018, 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:

Name of Shareholders	Capacity	Number of Shares held	Percentage of Shares in issue (Approximate)
Mr. Lau Ngai Cheung (<i>note i</i>)	Beneficial owner and interest of controlled corporation	752,850,000	13.23
Pacific Fortune Global Limited (<i>Note i</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
A Plus Capital Management Limited (<i>note ii</i>)	Investment manager	320,800,000	5.64
Tiger Capital Fund SPC — Tiger Global SP (<i>note ii</i>)	Beneficial owner	320,800,000	5.64
Full House Asset Management Company Limited	Investment manager	340,600,000	5.99

Notes:

- i. 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.
- ii. A Plus Capital Management Limited is the beneficial owner of Tiger Capital Fund SPC — Tiger Global SP.

Save as disclosed above, as at 30 June 2018, 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 2018, 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 2018.

Competing Interests

As at 30 June 2018, 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 comprises 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 2018

As at the date of this announcement, the Board comprises (i) five executive Directors, namely, Mr. David Lin Kao Kun, Mr. Lu Zhiqiang, Mr. Chui Kwong Kau, 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>.