



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

2017/18

THIRD QUARTERLY REPORT

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

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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.

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*This report, 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 report 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 report misleading.*

THIRD 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 and nine months ended 31 December 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 and nine months ended 31 December 2017

	Note	Three months ended 31 December		Nine months ended 31 December	
		2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Revenue	4	5,438	43,859	92,398	109,033
Cost of sales		-	(34,887)	(72,427)	(83,556)
Gross profit		5,438	8,972	19,971	25,477
Loss on disposal of held-for-trading investments		-	-	-	(1,476)
Fair value change on held-for-trading investments		336	308	2,996	413
Other income	4	1	2	2	21
Administrative and other operating expenses		(8,110)	(9,940)	(26,846)	(30,218)
Loss before tax	5	(2,335)	(658)	(3,877)	(5,783)
Income tax	6	-	(552)	-	(1,058)
Loss for the period		(2,335)	(1,210)	(3,877)	(6,841)
Other comprehensive income/(expense):					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference arising on translation of foreign operations		575	(1,424)	2,217	(2,707)
Total comprehensive expense for the period		(1,760)	(2,634)	(1,660)	(9,548)

	Note	Three months ended 31 December		Nine months ended 31 December	
		2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
(Loss)/earnings for the period attributable to:					
— owners of the Company		(2,307)	409	(3,059)	(1,903)
— non-controlling interests		(28)	(1,619)	(818)	(4,938)
		(2,335)	(1,210)	(3,877)	(6,841)
Total comprehensive expense for the period attributable to:					
— owners of the Company		(1,732)	(1,015)	(842)	(4,610)
— non-controlling interests		(28)	(1,619)	(818)	(4,938)
		(1,760)	(2,634)	(1,660)	(9,548)
(Loss)/earnings per share:					
Basic and diluted (HK cents)	8	(0.04)	0.01	(0.05)	(0.04)

NOTES TO THE UNAUDITED 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 as described below:

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Adoption of new or revised Hong Kong Financial Reporting Standards (the "HKFRSs")

In the current period, The Group has applied all of the amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective 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 purpose of allocating resources to, assessing the performance of, of the Group's various lines of business and geographical locations.

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 nine months ended 31 December 2017 and 2016 are as follows:

(a) Segment revenues and results

For the nine months ended 31 December 2017	Anti-aging and stem cell technology businesses Unaudited HK\$'000	Trading business Unaudited HK\$'000	Money lending business Unaudited HK\$'000	Securities investment Unaudited HK\$'000	Total Unaudited HK\$'000
Revenue from external customers	1,823	74,167	16,408	-	92,398
Segments results	(11,861)	(1,159)	15,453	2,996	5,429
Unallocated corporate income					1
Unallocated corporate expenses					(9,307)
Loss before tax					(3,877)

For the nine months ended 31 December 2016	Anti-aging and stem cell technology businesses Unaudited HK\$'000	Trading business Unaudited HK\$'000	Money lending business Unaudited HK\$'000	Securities investment Unaudited HK\$'000	Total Unaudited HK\$'000
Revenue from external customers	2,713	85,556	20,764	-	109,033
Segments results	(12,062)	(1,141)	19,875	(1,063)	5,609
Unallocated corporate income					-
Unallocated corporate expenses					(11,392)
Loss before tax					(5,783)

(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 by geographical markets for the nine months ended 31 December	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Hong Kong	16,408	20,764
PRC	75,990	88,269
	92,398	109,033

4. REVENUE AND OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Revenue				
Anti-aging and stem cell technology businesses	76	915	1,823	2,713
Trading business	–	35,719	74,167	85,556
Money lending business	5,362	7,225	16,408	20,764
	5,438	43,859	92,398	109,033
Other income				
Interest income	1	–	2	1
Sundry income	–	2	–	20
	1	2	2	21

5. LOSS BEFORE TAX

The loss before tax has been arrived after charging:

	Three months ended 31 December		Nine months ended 31 December	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Staff costs (including Directors' emoluments)				
— salaries and allowance	2,959	2,892	8,579	8,280
— contributions of defined contributions retirement benefits schemes	90	63	270	183
	3,049	2,955	8,849	8,463
Depreciation of property, plant and equipment	830	1,848	3,893	5,191
Operating lease rentals in respect of rented premises	2,844	2,568	8,275	7,727

6. INCOME TAX

	Three months ended 31 December		Nine months ended 31 December	
	2017	2016	2017	2016
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Current tax				
Hong Kong	–	552	–	1,058
PRC enterprise income tax	–	–	–	–
	–	552	–	1,058

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 nine months ended 31 December 2017 (2016: Nil).

8. (LOSS)/EARNINGS PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/earnings for the period attributable to the owners of the Company	(2,307)	409	(3,059)	(1,903)
Weighted average number of ordinary shares in issue	5,688,396,805	4,740,332,805	5,688,396,805	4,740,332,805

For the nine months ended 31 December 2017 and 2016, the Company did not have any potential ordinary shares. Diluted (loss)/earnings per share was the same as the basic (loss)/earnings per share as there are no dilutive potential ordinary shares for the nine months ended 31 December 2017 and 2016.

9. CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Special reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	Unaudited HK\$'000	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	-	-	-	-	(1,903)	(1,903)	(4,938)	(6,841)
Exchange differences arising on translation of foreign operations	-	-	-	(2,707)	-	(2,707)	-	(2,707)
Total comprehensive expense for the period	-	-	-	(2,707)	(1,903)	(4,610)	(4,938)	(9,548)
At 31 December 2016	189,613	593,160	(39,998)	(4,878)	(381,667)	356,230	(47,183)	309,047
At 1 April 2017	227,536	675,345	(39,998)	(4,621)	(444,472)	413,790	(45,500)	368,290
Loss for the period	-	-	-	-	(3,059)	(3,059)	(818)	(3,877)
Exchange differences arising on translation of foreign operations	-	-	-	2,217	-	2,217	-	2,217
Total comprehensive expense for the period	-	-	-	2,217	(3,059)	(842)	(818)	(1,660)
At 31 December 2017	227,536	675,345	(39,998)	(2,404)	(447,531)	412,948	(46,318)	366,630

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 31 December 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\$1.8 million (2016: HK\$2.7 million) and recorded a segmental loss of approximately HK\$11.9 million (2016: HK\$12.1 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.

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\$74.2 million (2016: HK\$85.6 million) and recorded a segmental loss of approximately HK\$1.2 million (2016: HK\$1.1 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.

* for identification purposes only

Money Lending Business

During the Period under review, the Group recorded a revenue from money lending business of approximately HK\$16.4 million (2016: HK\$20.7 million) and recorded a segmental gain before tax of approximately HK\$15.5 million (2016: HK\$19.9 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 acquire or dispose of any held-for-trading investments and the fair value gain on held-for-trading investments was approximately HK\$3 million (2016: HK\$413,000). During the nine months ended 31 December 2016, the realized loss on disposal of Hong Kong listed securities was approximately HK\$1.5 million. 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 15.3% to approximately HK\$92.4 million (2016: HK\$109.0 million) as compared to last period. The decrease in revenue was mainly derived from the trading business. The administrative and other operating expenses for the Period were approximately HK\$26.9 million (2016: HK\$30.2 million).

The loss for the Period was approximately HK\$3.9 million (2016: HK\$6.8 million). The loss for the Period attributable to owners of the Company was approximately HK\$3.1 million (2016: HK\$1.9 million) and the loss per share was 0.05 HK cents (2016: 0.04 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 its principal assets were parcels of lands in Hong Kong. All the conditions precedent to the Agreement had been fulfilled and Completion took place on 7 June 2017. The transaction was accounted for as an asset acquisition as the Board considered that the assets acquired did not meet the definition of a business. Based on the valuation report dated 7 June 2017 prepared by an independent valuer, the market value of the Property was HK\$44,000,000 as at 31 May 2017. The Board is actively considering different plans for various possibilities on the Property but no conclusion has been reached yet. 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 31 December 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) (“**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	1,027,478,333	18.06

Save as disclosed above, as at 31 December 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 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 the 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 had approved the refreshment of the Share Option Scheme mandate limit in accordance with the Share Option Scheme and the GEM Listing Rules. As at 31 December 2017, the Company had 395,033,280 share options, representing 6.94% of the issued Shares, available for issue under the Share Option Scheme. No share options were granted, lapsed or exercised during the Period and there was no outstanding share option as at 31 March 2017 and 31 December 2017.

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 31 December 2017, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions 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 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 <i>(Approximate)</i>
Mr. Lau Ngai Cheung <i>(Note 1)</i>	Beneficial owner and interest of controlled corporation	752,850,000	13.23
Pacific Fortune Global Limited <i>(Note 1)</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 2)</i>	Investment manager	320,800,000	5.64
Tiger Capital Fund SPC — Tiger Global SP <i>(Note 2)</i>	Beneficial owner	320,800,000	5.64
Full House Asset Management Company Limited	Investment manager	340,600,000	5.99

Notes:

1. 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.
2. A Plus Capital Management Limited is the beneficial owner of Tiger Capital Fund SPC — Tiger Global SP.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions 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 required to be kept by the Company under Section 336 of the SFO.

Purchase, Sale or Redemption of Shares

During the nine months ended 31 December 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 nine months ended 31 December 2017.

Competing Interests

As at 31 December 2017, none of the Directors and controlling shareholders of the Company nor any of their respective close 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, 12 February 2018

As at the date of this report, 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.