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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)

INSIDE INFORMATION

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED INVESTMENT IN A NEW SUBSIDIARY AND THE SETUP OF A RESEARCH AND DEVELOPMENT AND PRODUCTION BASE

AND

RESUMPTION OF TRADING

This announcement is made by China Biotech Services Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**GEM Listing Rules**”) and the Inside Information Provisions (as defined in the GEM Listing Rules).

THE MEMORANDUM OF UNDERSTANDING

The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces that on 13 September 2021 (after trading hours), 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, entered into a non-legally binding cooperation memorandum of understanding (the “**MOU**”) with 江蘇省如東高新技術產業開發區管委會 (in English, for identification purpose only, the Administrative Commission of Rudong New and Hi-Tech Industrial Development Zone of Jiangsu) (the “**Administrative Commission**”) and 深圳前海海潤國際併購基金管理有限公司 (in English, for identification purpose only, China Highrun Capital Limited) (“**Highrun**”, together with the Administrative Commission, the

“Investors”) on the Investors’ proposed investment in a new subsidiary of the Company engaged in the research and development of innovative immune cell therapies to be set up by Shanghai Longyao (the “Subsidiary”) and the set up of a research and development and production base for the Subsidiary at the Rudong New and Hi-Tech Industrial Development Zone (the “Rudong New and Hi-Tech Zone”) in Jiangsu, the People’s Republic of China (the “PRC”) (the “Project”).

1. Cooperation in relation to leasing premises for production, research and development, office and storage use purposes

Site Selection

Two buildings at Building Nos. 13 and 14 of the Life and Health Industrial Park of the Rudong New and Hi-Tech Zone with a total gross floor area of about 12,357 square metres are proposed to be leased to Shanghai Longyao.

Related Policies

The Administrative Commission will offer related policy support to Shanghai Longyao including rent concession (rent-free period of 5 years with an exclusive option to renew the tenancy), renovation subsidy, equipment subsidy (for research and development, testing, production, support and other equipment), research and development funding support, tax subsidy, talent incentives and other announced policies.

Investment by the Investors

An Administrative Commission-led industrial fund proposes to invest RMB50 million in the Subsidiary, comprising RMB30 million of debt investment (the “Debt Portion”) and RMB20 million of equity investment. The Debt Portion may be converted into shares of the Subsidiary in future by Highrun as the introducer of the Project based on the then valuation or be redeemed by Shanghai Longyao within 2 years on or before the maturity of the Debt Portion. The cost of funds of the Debt Portion will be based on the prevailing Loan Prime Rate (LPR) of the national banks. The Debt Portion will be guaranteed by either the Company or its associated companies. The pre-money valuation of this round of investment is tentatively set at RMB1.2 billion, to be confirmed by the Investors after due diligence and negotiation with Shanghai Longyao.

Highrun also proposes to invest RMB50 million in the Subsidiary as equity investment.

The investee entity will be the Subsidiary, which will be engaged in the research and development of innovative immune cell therapies in the Rudong New and Hi-Tech Zone under licenses to be granted by Shanghai Longyao.

2. Cooperation in relation to newly acquired site for biomedical production and research and development transformation base

Shanghai Longyao may consider acquiring a site for the Project located at the Life and Health Industrial Park of the Rudong New and Hi-Tech Zone with a total land area of 50 mus. If the site acquisition plan is adopted, construction is expected to begin after the listing of Shanghai Longyao or such other time as the Administrative Commission and Shanghai Longyao consider appropriate after negotiation. The Project will enjoy related policy support including land price concession policy and industrial support policy.

Non-legally binding nature

The MOU is non-legally binding. The parties to the MOU agreed to sign a formal cooperation agreement upon further exchange and negotiation within 7 business days after the signing of the MOU.

REASONS FOR AND BENEFITS OF THE PROJECT

Shanghai Longyao is engaged in tumor immune cell therapy, immune cell storage and health management services in the PRC.

According to the implementation plan of the Project, the factory building, office and support areas of the research and development and production base will be located in the same buildings, tentatively in Building Nos. 13 and 14 of the Life and Health Industrial Park of the Rudong New and Hi-Tech Zone, with a total gross floor area of about 12,357 square metres, comprising 7 zones including research and development, production of plasmids, production of lentivirus, cell culture, quality control, office areas and warehouse/cell bank.

Shanghai Longyao will benefit from the related policy support offered by the Administrative Commission including but not limited to rent concession, renovation subsidy, equipment subsidy, research and development funding support, tax subsidy, talent incentives and other policies as outlined above and also from the equity and debt investments by the Investors amounting to RMB100 million based on a tentative pre-money valuation of the Subsidiary agreed at RMB1.2 billion.

In consideration of the above, the Directors are of the view that the terms of the MOU are fair and reasonable and the Project is in the interests of the Company and its shareholders as a whole.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) was suspended with effect from 9:00 a.m. on Tuesday, 14 September 2021 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on Wednesday, 15 September 2021.

WARNING

Shareholders and potential investors of the Company should note that the Project is subject to the entering into of a definitive and legally binding agreement. There is no assurance that the Project will materialize. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 14 September 2021

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 Mr. Wang Zheng; and three independent non-executive Directors, namely, Mr. Yan Guoxiang, Dr. Ho Ivan Chun Kit and Mr. Qian Hongji.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

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.