聯康集團
Uni-Bio Science

UNI-BIO SCIENCE GROUP LIMITED

聯康生物科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0690)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2018

- The Group completed a series of non-core asset disposal and asset structure optimization, including the divestiture of non-core R&D projects and joint management of fixed assets, thereby improving management efficiency, revitalizing asset portfolios, streaming business operations, and focusing on core business

- During the Year, the Company has entered into a strategic cooperation with Beijing Baiao Pharmaceutical Co., Ltd. to co-explore the market potentials and promote the adoption of Acarbose tablet products

- In 2018, the Group made significant progress in the field of endocrinology, particularly in diabetes treatment. The Group has completed the BE study of Acarbose tablet (submitted its ANDA) and is in the view that BE results are robust. Also, recombinant Exendin-4 Injection, has been accepted by the CDE of NMPA for Phase III clinical trial during the Year

- Uni-PTH, namely its powder formulation, the only anabolic agent effective in improving bone density, is marching towards its official launch. The Group has been taking proactive actions to proceed with the launch timetable of Uni-PTH and actively preparing for its NMPA's on-site inspection

* *For identification purposes only*

- During the Year, Pinup® successfully tapped into the Guizhou, Xinjiang, Shaanxi and Hainan market and expanded its coverage to 26 provinces. To gain a larger market share, the Group also entered into a cooperation agreement for Pinup® National Promotion Project with Shanghai Loymed Pharma Technology Co., Ltd

- The Group's newly launched product Bokangtai (Mitiglinide tablet) added ten more provinces into its distribution network and contributed HK$2.2 million to the overall revenue, representing a major increase of 124.8%

- To fully harness asset values, the Group set up two state-of-the-art aseptic production lines to support the development of the 2nd Generation Uni-PTH and Uni-E4 products, and currently the production lines are also put into operation of Contract Manufacturing Organization ("**CMO**") services

- During the Year, the Group's biologic drugs, notably GeneTime® and GeneSoft®, have begun to bear fruit. Revenue generated from GeneTime® and GeneSoft® totaled at HK$72.5 million and HK$31.3 million, representing an increase of 9.2% and 49.4% respectively

The board (the "**Board**") of directors (the "**Directors**") of the Uni-Bio Science Group Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2018 as follows:

KEY FINANCIAL HIGHLIGHTS

For the year ended 31 December

	2018	2017
Revenue *(HK$'000)*	**135,258**	156,477
Adjusted LBITDA *(HK$'000)*	**(98,431)**	(45,396)
Gross profit margin *(%)*	**86.9%**	85.4%
R&D costs to revenue *(%)*	**32.7%**	27.2%
As at 31 December		
Current ratio *(times)*	**2.64**	4.51
Debt-to-equity ratio *(%)*	**20.2%**	13.7%
Total assets turnover *(%)*	**55.8%**	40.1%

FINANCIAL FIGURES BASED ON REPORTABLE SEGMENT FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2018

	Year ended 31 December		
	2018	2017	Change
	HK$'000	*HK$'000*	
Revenue from sales of in-house pharmaceutical products	**135,258**	156,477	**-13.6%**
Cost of sales	**(17,657)**	(22,849)	**-22.7%**
Gross profit	**117,601**	133,628	**-12.0%**
Other gains and losses	**(1,703)**	(2,330)	**-26.9%**
Selling and distribution expenses	**(115,989)**	(76,446)	**51.7%**
General and administrative and other expenses	**(22,976)**	(23,540)	**-2.4%**
Operating income from marketed biological and chemical pharmaceutical products	**(23,067)**	31,312	**-173.7%**
Other income & other loss	**8,470**	5,057	**67.5%**
Expenses incurred for pipeline products and future projects	**(65,124)**	(68,218)	**-4.5%**
Other administration expenses	**(30,873)**	(40,454)	**-23.7%**
Finance costs	**(247)**	(177)	**39.5%**
Equity-settled share based payment expenses	**(8,550)**	(6,864)	**24.6%**
Loss before impairment losses and others	**(119,391)**	(79,344)	**50.5%**
Change in fair value of investment properties	**(1,042)**	2,707	**-138.5%**
Impairment losses on intangible assets	**(14,400)**	(167,705)	**-91.4%**
Impairment losses on property, plant and equipment	**(3,600)**	(33,955)	**-89.4%**
Loss before taxation	**(138,433)**	(278,297)	**-50.3%**

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Looking back to China's healthcare sector in 2018, a series of government regulations have come into force and exerted substantial impacts on various market players, especially pharmaceutical companies that manufacture generic drugs and have research and development ("**R&D**") input on innovative drugs. Specifically, reforms such as institutional restructuring and stringent quality control have added downward pressure to pricing, tendering and bioequivalence ("**BE**") study, while also encouraging other new drug applications ("**NDA**"). The Two-invoice System, meanwhile, continued to reshape the market at different levels of medical institutions, resulting in a short-term price decline among pharmaceutical companies such as Uni-Bio, as sales channels became increasingly transparent and efficient. In April 2018, Opinions of the General Office of the State Council on Reforming and Improving Policies on the Guaranteed Supply and Use of Generic Drugs ("**the Opinions**") was published, with the aim of accelerating quality advancement and therapeutic effect consistency assessment of generic drugs. And in late December 2019, there was also the announcement on relaxing timeline for enterprises to obtain the BE approval for manufacturing and selling generic drugs in the China market. The aforementioned policies have greatly benefited the Group's generic drugs which were under BE study, including Pinup®, Bokangtai, and Acarbose.

With regards to innovative drugs, since the reform of China's drug review and approval system, a communication mechanism between applicants and review agencies was established in order to accelerate the R&D process and reduce the time to market. In 2018, Center for Drug Evaluation ("**CDE**") of National Medical Products Administration ("**NMPA**", previously named "**CFDA**") received a total of 7,395 applications for new drugs registration, showing a notable increase of 53.7% on a year-on-year ("**YoY**") basis. Supported by the favourable policies and efficient application procedure, the original drugs market has enjoyed a boom, thus bringing tremendous opportunities and momentum to the Group's product pipeline, for example, Uni-PTH and Uni-E4. Furthermore, as the 2018 edition of National Essential Drugs List included more drugs targeting chronic diseases, the Group's diabetes-oriented Bokangtai, Acarbose and Uni-E4 were drawing growing attention from the market, and would be viewed as the Group's significant growth drivers in the future.

BUSINESS REVIEW

Uni-Bio Science – A Fully Integrated Biopharmaceutical Company

Uni-Bio is a biopharmaceutical company focusing on diabetes and related metabolic disorders, dermatology and ophthalmology. From R&D, production, manufacturing, to sales and distribution of biopharmaceutical and chemical drugs, the Group has established a fully integrated business platform serving the entire value chain. As of 31 December 2018, the Group has launched 4 products into the market, namely GeneTime®, GeneSoft®, Pinup® and Bokangtai.

KEY ACCOMPLISHMENTS IN 2018

For the twelve months ended 31 December 2018 (the "**Year**"), the Group continued with its development strategy of investing more resources into R&D and restructuring, while expanding the sales capacity for its biologic drugs, notably GeneTime® and GeneSoft®. These investments have begun to bear fruit during the Year, as sales order received per hospital has a substantial increase, the extended coverage into tier-3 hospitals, primary healthcare centres, and community hospitals has greatly fueled the revenue growth of the Group.

In addition, since the strategic cooperation with China Resources Zizhu Pharmaceutical Co., Ltd. ("**CR Zizhu**"), who solely represents the Group for the distribution of GeneSoft®, revenue generated from the product has increased significantly over the Year, as the Group was able to benefit from the introduction of GeneSoft® to CR Zizhu's existing domestic hospital network. The Group believes that the cooperation will continue to expand GeneSoft®'s market presence, which in return, should be able to generate a healthy, recurring cash flow in the future.

Disposal of all the economic rights relating to the land parcel located in Shenzhen and Dongguan R&D Platform to Streamline Business Operations

During the Year, the Group strategically entered into an agreement for disposal of all the economic rights relating to the land parcel located in Shenzhen, the PRC registered under the name of ShenZhen Watsin Genetech Limited* ("**WTGL**"), an indirect wholly-owned subsidiary of the Company. The transaction had subsequently been approved at an extraordinary general meeting of the Company held on 25 February 2019.

In addition, during the Year, the Group strategically offloaded its chemistry, manufacturing, and controls ("**CMC**") platform and related facilities in Dongguan and transformed it to an independently operating entity, so as to optimise asset allocation and focus more on the clinical trials of pipeline products. Upon the completion of its sold-off, the Group is delighted to see positive results and milestones' reaching of 2018 R&D progressing so far.

As the Group has been moving to become an expert in endocrinology along with advancing its ophthalmology and dermatology capabilities, it is of the view of the Group that such disposal will enable the Group to streamline its business operations, rationalise its asset composition and to focus on its core business, which are developing manufacturing and distribution of Innovative biological pharmaceutical products. The Group believes that such strategic move will enhance the scope of focus and allow more room for developing our strengths.

Collaboration with Beijing Baiao to Focus on Advancing the Endocrinology Business

With a heavy focus on endocrinology, the Group is actively pursuing opportunities in diabetes treatment. Acarbose, effective for the treatment of Type 2 diabetes and is eligible for healthcare reimbursement as it has been included in the National Reimbursement Drug List ("**NRDL**") Class A, has provided the Group with the perfect vehicle to tap into the market.

With an estimated market value of as high as US$3.2 billion, the Group is pleased that during the Year, Beijing Genetech Pharmaceutical Co., Limited ("**Beijing Genetech Pharm**"), a wholly-owned subsidiary of the Company, has entered into a strategic cooperation with Beijing Baiao Pharmaceutical Co., Ltd. ("**Beijing Baiao Pharmaceutical**") to co-explore the market potentials and promote the adoption of Acarbose tablet products. According to the agreement, Beijing Baiao Pharmaceutical will invest in order to acquire the interests in the products, and be entitled to future marketing revenue. This paved a solid foundation for the future development of Acarbose, as the two parties will leverage their respective R&D capabilities in the biopharmaceutical field and push for its success.

At current status, the Group has completed the BE study of Acarbose tablet and is in the view that BE results are robust. The abbreviated new drug application together with related BE study results were submitted and accepted by the NMPA in December 2018. The Group is confident that it will obtain the manufacturing licence and officially launch Acarbose tablet to the market within the year of 2019.

On the other hand, the Group's self-developed biologic drug, Recombinant Exendin-4 Injection ("**2nd Generation Uni-E4**"), has been accepted by the CDE of NMPA for Phase III clinical trial during the Year. As a class of anti-diabetic treatments called GLP-1 agonists, and a non-insulin treatment candidate that stimulates the incretin pathway, Uni-E4 has been shown to be effective and well-accepted in treatment of Type 2 diabetes, and is one of the only classes causing weight loss, lower risk of hypoglycaemia and increasing β-cell regeneration. It is also effective in controlling postprandial glucose on the premise of non-occurrence of pre-meal hypoglycaemia, suitable for Asian patients who prefer lower dosage and are subject to postprandial glucose elevation.

The Group aims to become an expert in the biopharmaceutical industry with a strong product pipeline in endocrinology, particularly in diabetes treatment. To achieve that, the Group has continued to make progress during the Year, through collaborations with various parties and by actively pursuing human bioequivalence for Acarbose tablets and Mitiglinide tablets. By taking advantage of the Group's strong commercial platforms and distribution channels, it is believed that the three diabetes drugs will rapidly enter the hospital network considering their competitive efficacy and reasonable pricing.

Uni-PTH Marching towards Official Launch

Effective in treating osteoporosis and bone pain, increasing bone density, and reducing the risk of bone fracture, Uni-PTH (parathyroid hormone 1-34 analogue) belongs to the Class VII prescription new biologic drug. As it is currently the only anabolic agent effective in improving bone density and reducing chances of vertebral and extra vertebrae fractures, it has substantial market potential with an estimated market value of approximately RMB15.5 billion. Given that the aging population continues to expand, together with the improving knowledge in bone health, the Group is taking proactive actions in order to capture the needs from the ever-expanding potential patients, by progressing on the launch timetable of the powder formulation of Uni-PTH and actively preparing for its NMPA's on-site inspection. The Group strives to become the second company to launch such product in China.

The Chinese market is facing a rapidly expanding base of aging population. According to *Xinhua Net – Population Estimation: Population of China will reach 1.45 billion by 2030*, it is estimated that over 25% of China's population will be over the age of 60 in 2030. To capture the vast opportunities presented, the Group is delighted to see progress in our product – rhPTH (recombinant parathyroid hormone 1-34). Moreover, the Group has planned a development package including its 2nd generation of injection and oral dosage Form as the 3rd generation product, which will be driving force in long run to the group's Biological pipeline.

Harness Complementary Strengths with Loymed Pharma for Pinup® Channel Expansion

During the Year, Pinup® (commonly known as voriconazole tablets) successfully tapped into the Guizhou, Xinjiang, Shaanxi and Hainan market and expanded its coverage to 26 provinces. Adding to such achievement, the Group also entered into a cooperation agreement for Pinup® National Promotion Project (the "**Agreement**") with Shanghai Loymed Pharma Technology Co., Ltd. (上海信忠醫藥科技有限公司) ("**Loymed Pharma**"). Under the Agreement, Loymed Pharma was granted the exclusive agency right to market, promote, distribute and sell the contract product in the PRC. Upon signing the Agreement, Loymed Pharma will pay the Group by instalments in the manner of Milestone Payments as the consideration for the transactions. Leveraging Loymed Pharma's self-operated sales teams that currently targeting over 500 2A or above hospitals in China, which has enjoyed an over 30% sales growth for many consecutive years, along with its strong expert network. The Group believes that partnering with Loymed Pharma, which is equipped with experience sales teams in hematologic tumor and oncology medicines, strong experts network, satisfactory operating basis and powerful sales channels. it will continue to expand the market coverage of Pinup® in order to fully realize its market potential. At the same time, the cooperation benefits the Group by reducing the selling and distribution expenses, thus allowing the Group to focus on its core competencies, namely endocrinology, ophthalmology and dermatology.

Commencement of 3-in-1 CMO Services to Fully Harness Asset Values

In June 2016, the Marketing Authorization Holder ("**MAH**") Trial Scheme promulgated by the State Council of the PRC confirmed the separation of launching and manufacturing authorization for drugs. After the revision, pharmaceutical institutions with R&D capacities, or even individuals, could apply for authorization and collaborate with pharmaceutical companies for production, thus encouraging companies to focus on R&D and innovation.

To take full advantage of the Scheme, the Group intended to fully utilize its production capacities in order to realize its asset values. At the year end of 2018, the Group set up two state-of-the-art aseptic production lines for injection-form drugs, namely the lyophilized powder injection line and cartridge/pre-filled syringe line to support the development of the 2nd Generation Uni-PTH and Uni-E4 products, and currently the production lines are also put into operation of Contract Manufacturing Organization ("**CMO**") services aside from its original use. In addition to the above two new production lines and the existing oral tablets production line, the Group has launched the 3-in-1 CMO customizing services solution, which could collaborate strategically with client base on the distinctiveness of R&D of new drugs and the respective production process, hence to offer quality and efficient CMO production services. Through such move, the Group intends to unleash the existing asset values to expand revenue sources, and to fully utilize its production capabilities and further enhance overall competitiveness.

R&D and Pipeline Progress

During the Year, the Group continued to invest on the research and development of the innovative and proprietary products with high potential to deliver significant commercial value to its business. It has identified three therapeutic areas to focus on for enriching product portfolio, namely, endocrinology, ophthalmology and dermatology. As a result, the Group was progressing smoothly on below new patent drugs:

Products/ Components	Indication	Pre-clinical	Phase 1	Phase 2	Phase 3	Pre-registration	Marketed
Metabolic							
Uni-PTH (powder)	Osteoporosis	✓	✓	✓	✓	✓	
Uni-PTH (liquid)	Osteoporosis	✓	CTE	CTE	CTE		
Uni-E4 (powder)	Type 2 Diabetes	✓	✓	✓	✓		
Uni-E4 (liquid)	Type 2 Diabetes	✓	CTE	CTE	CTE		

* CTE, abbreviated form of clinical trial exemption, refers to the authorization to administer an investigational agent to patients or volunteer subjects under specified conditions of a particular research study in a clinical setting. Upon approval, new drug can be exempted from Phase I/II/III clinical trial.

Product	Indication	Status	Remarks
Endocrinology			
Acarbose	Type 2 Diabetes	Acarbose has finished bioequivalence study and submitted new drug application	Co-developed with Beijing Baiao Pharmaceutical
Mitiglinide	Type 2 Diabetes	Mitiglinide is currently undergoing bioequivalence study	Co-developed with Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
Infectious Disease			
Pinup®	Fungal infection	Pinup® is currently undergoing efficiency and quality consistency assessment/bioequivalence study	

Uni-PTH

Uni-PTH is an injection form of recombinant human parathyroid hormone, a biosimilar of Forteo (Teriparatide), which is used to treat osteoporosis. It is more effective in managing pain in bones when compared with peers and is the only class of anabolic agent to actively increases bone mass density at present. The PRC is ranked as the fifth largest market in the world with an estimated market size reaching approximately RMB15.5 billion. With the increasing aging population and enhancing awareness on bone health, it is expected that the market size will continue to grow. At current stage, Uni-PTH has been accepted for review by NMPA approval and the Group is optimistic about the official launch of the product within the year of 2019, aiming to be the 2nd of such products to launch in the PRC.

Meanwhile, through constructive communication with CDE, both sides came to a conclusion that the clinical trial of the liquid form of Uni-PTH is to be exempted, thus, it will proceed into BE study in the near term.

Uni-E4

Uni-E4, an innovative biologic drug self-developed by the Group, is a class of anti-diabetic treatments called GLP-1 agonists, and a non-insulin treatment candidate that stimulates the incretin pathway. It is the world's first biological GLP-1 preparation. The Group released the positive phase III results of 1st generation Uni-E4 on 3 August 2015. The new liquid formulation was the 2nd generation Uni-E4 developed since early 2017. As a new liquid formulation, its active ingredient is Exendin-4 biologic molecule which is compatible with safe and efficient injection pens for multiple uses without reconstitution. The Uni-E4 liquid formulation is intended for patients to self-administer on a twice-daily injection basis. It is effective in controlling postprandial glucose on the premise of non-occurrence of pre-meal hypoglycemia, suitable for Asian patients who prefer lower dosage and are subject to postprandial glucose elevation.

In November 2018, the application for Phase III clinical trial of 2nd Generation Uni-E4 was accepted by CDE, NMPA. If the review is successful and the clinical trial proceeds, Uni-E4 is expected to launch into the market as early as 2022.

Acarbose tablet

Acarbose tablet (under the product name of 博舒泰® Boshutai) is an oral anti-diabetic drug. It is used to treat Type 2 diabetes and is reimbursed under the National Reimbursement Drug List. It targets patients with pre-diabetes condition who need to be treated early, and those with post prandial hyperglycemia under control. Suitable for Asians' carbohydrate-rich diet, Acarbose is targeted to incredibly large market of USD3.2 billion. At present, Acarbose tablet has limited competitors in the PRC and the main manufacturers are Bayer, Huadong Pharmaceutical Co., Ltd and Luye Pharma Group.

For now, the Group completed the BE study of Acarbose tablet and is in the view that BE results are robust. The Group is taking the lead on the research progress among other ongoing projects of the same category and it is expected that the Group could be in the first batch of manufacturers to obtain the manufacturing approvals. The application for new drug registration and related BE study results were submitted and accepted by the NMPA in December 2018. Therefore, the development of Acarbose is 3 months ahead of original schedule, with the expected official launch time within the year of 2019.

BE study of Pinup®

Pinup® is a major drug for the treatment of severe fungal infections. As the first-tier treatment recommended by clinical guidelines, it is widely used for immunocompromised patients subject to oncology, hematology, Respiratory, ICUs, etc. According to IMS statistics, the market size for China's anti-fungal medicine in 2017 amounted to RMB4.9 billion, of which Voriconazole accounted for the biggest share of approximately 50%. The oral form of Voriconazole accounted for 35% of the Voriconazole sale, with a CAGR as high as 20% between 2012 and 2017. The market size of the orally-administered drug has been increasing markedly as policies on the use of injection form Voriconazole and a ceiling on the percentage of drug sales in hospitals implemented.

Currently, Pinup® is in the midst of conducting the BE study and is expected to be approved by 2020. Together with the cooperation with Loymed Pharma, the Group is fully prepared to take advantages of the immense market potential and seize the opportunities to level up sales in the coming future by securing this approval.

BE study of Bokangtai

Currently, the Group is collaborating with Jiangsu Hansoh Pharmaceutical Group Co., Ltd. to jointly conduct the BE study on Bokangtai. The preparation work was commenced and the BE online registration will be submitted in the second half of 2019. Approval is expected to be obtained in 2020, which will further enhance the competitiveness of Bokangtai in the Mitiglinide market.

RESULTS OVERVIEW

For the Year under Review, the Group recorded a turnover of HK$135.3 million, representing a decrease of 13.6% year-on-year. The decrease was mainly attributable to a weaker sales situation for one of the Group's marketed drugs, namely Pinup®. The product faced keener price competitions across the marketplace where other market players lowered the product price, hence the sales was temporarily affected. However, sales of Pinup® had begun to pick up towards the end of the Year, thanks to its increased coverage to Guizhou, Xinjiang, Shaanxi and Hainan provinces and making the total provincial coverage to 26. The Group believes that Pinup® will enjoy a much better leverage after obtaining the BE approval, which was anticipated in 2020. Given that the Group's major competitors who are engaged with price war in the market have not conducted BE study, obtaining the approval will allow the Group to enjoy numerous policy benefits during tendering and purchasing, thus it will further enhance the brand image and market advantage of the product. Also, the cooperation with Loymed Pharma will open up new sales channels and give rise to the revenue growth generated from Pinup®.

Cost of sales for the Year also decreased by 22.7% from HK$22.8 million in 2017 to HK$17.7 million in 2018. During the Year, gross profit was at HK$117.6 million, representing a decrease of approximately 12.0% from HK$133.6 million in 2017, mainly driven by the reduction in revenue. On the contrary, gross profit margin improved slightly from 85.4% in 2017 to 86.9% in 2018, led mainly by the increase of overall unit sales price of GeneTime®. Alongside our efforts for restructuring and re-organizing our sales team in order to achieve greater efficiency, the Group also expanded the number of sales team members. Hence the sales and distribution cost recorded an increase over the Year.

In 2018, the Group recorded a loss of HK$138.6 million with a basic loss per share of HK$2.24 cents for the Year.

Marketed drugs sales

Among the marketed drugs, the Group is delighted to see an increased revenue contribution from our biologic drugs, namely GeneTime® and GeneSoft®. These two products have seen growth both in their average selling price and sales volume during the Year, reflecting the products have begun to capture market demand and proved that the Group has executed appropriate strategies to market the products, whether by way of deepening our robust R&D or collaborating with renowned distributors in the PRC. The following sets forth the performance of the Group's four marketed drugs over the Year.

GeneTime®

GeneTime®, one of the Group's core products, is a prescription biological drug for wound healing. Its effect in healing ranges from mere burns and dermatology to obstetrics and plastic surgery. During the Year, revenue generated from GeneTime® totaled at HK$72.5 million, representing an increase of 9.2% from approximately HK$66.4 million in 2017, mainly due to the increase in the number of orders from existing hospital network. In which, our 15ml GeneTime® was particularly favored by the market and its unit selling price enjoyed a solid uptick during the Year.

In addition, in February 2018, the General Administration of Sport of China ("**GASC**") issued the "Announcement of List of Stimulants for 2018", which adversely affected the sales of GeneTime®. Hospitals and clients in many provinces uphold its order placing of our product, exerting a negative impact on our revenue. Through concerted effort and communication with multiple government bodies, it was proved that GeneTime® is free from any stimulant as listed in the announcement and such rectification has been endorsed by relevant government departments later in June. GeneTime® has since recorded rebound in sales.

GeneSoft®

GeneSoft®, mainly used for the treatment of corneal ulcer in the field of ophthalmology, has recorded a gratifying revenue increase from approximately HK$20.9 million to HK$31.3 million, representing a surging 49.4%. The growth was mainly attributable to our strategic cooperation with CR Zizhu, who has the sole distribution and promotion rights of GeneSoft® to market and introduce GeneSoft® into its existing domestic hospital network. Leveraging on the vast network of CR Zizhu, revenue from this product witnessed a considerable uptick, meaning that such strategic move has come to fruition and reflected on the Group's revenue in over the Year.

Pinup®

Tailored to treat severe fungal infection, the Group's self-developed proprietary chemical pharmaceutical product Pinup® (Voriconazole tablets) has recorded a decrease in revenue during the Year. Revenue weakened 57% from approximately HK$68.2 million to approximately HK$29.3 million in 2018. The decrease was mainly attributable to keener competition landscape where other market player executed price cut to obtain market share. However, Pinup® is a product with good economic potential, we are optimistic for the approval of BE study expected in 2020, which would significantly increase the competitiveness and brand recognition of the product, hence driving up the sales in the future. With the great efforts made by our self-owned team, the Group has expanded coverage of such product to Guizhou province in the first half of 2018, and further from that the Group welcomed another successful bids from Xinjiang, Shaanxi and Hainan provinces, laying a solid foundation to capture growth in the future.

Moreover, the Group entered into a Cooperation Agreement for Pinup® National Promotion Project with Loymed Pharma during the Year. As the holder of the registration certificate of the contract product Pinup®, the Group granted Loymed Pharma the exclusive agency right, which permits Loymed Pharma to exclusively market, promote, distribute and sell the contract product in the PRC.

Bokangtai

The Group's newly launched product Bokangtai (Mitiglinide tablets) concentrates on the treatment of Type 2 diabetes. Bokangtai has entered its second year since launch and the Group has been investing more resources to expand its sales channels, aiming to increase its market penetration for managing chronic diabetes. As a result, this product has received welcoming feedback since launch, the revenue for the Year was approximately HK$2.2 million, representing a major increase of 124.8% from HK$1.0 million in 2017. During the Year, Bokangtai added ten more provinces into its distribution network, namely Shandong, Guangxi, Xinjiang, Qinghai, Ningxia, Hainan, Sichuan, Guizhou, Yunnan and Guangdong. At present, the provincial coverage of Bokangtai is totaled to 16 . The Group believes that revenue contribution from the product will continue to grow.

FINANCIAL PERFORMANCE REVIEW

Revenue

Sales Developments

The Group secured a relatively stable sales development as RMB exchange rate against Hong Kong Dollar maintained relatively stable during the Year. For the Year ended 31 December 2018, the Group recorded a turnover of approximately HK$135.3 million, representing a decrease of approximately 13.6% YoY.

Proprietary Biological Pharmaceutical Products

The Group's proprietary biological pharmaceutical products include GeneTime® (EGF spray indicated for wound healing) and GeneSoft® (EGF-derivative eye drop indicated for corneal damage and post-operative healing). During the Year, proprietary biological pharmaceutical products achieved HK$103.7 million of sales, representing a significant uptick of approximately 18.9% compared to last year. Proprietary biological pharmaceutical products represented approximately 76.7% of total sales for the Year.

Proprietary Chemical Pharmaceutical Products

The Group's proprietary chemical pharmaceutical product includes Pinup® (voriconazole tablet to treat severe fungal infections) and Bokangtai (Mitiglinide tablets that launched last year pinpointing Type 2 diabetes treatment). The segment achieved a turnover of HK$31.5 million in 2018, in which the sales generated from Bokangtai showed dramatic growth as market maturing. During the year of 2018, Bokangtai contributed HK$2.2 million to the Group's total revenue, representing a substantial increase of approximately 124.8%. Since Pinup® is still undergoing the consistency evaluation and the evaluation is expected to finish by 2020, we expect sales to rebound after obtaining NMPA approval.

Gross Profit and Gross Profit Margin

Gross Profit for the Year was approximately HK$117.6 million, representing a decrease of 12.0% as compared with approximately HK$133.6 million for 2017. Gross profit margin increased from 85.4% in 2017 by 1.5% to 86.9%. The increment in gross profit margin was mainly led by the increase of overall unit sales price of GeneTime® 15ml. In addition, the Group is converting some of its sales channels to direct sales, and by selling through the Group's in-house team, products can be marketed at a higher average selling price, which also contributed to the increase in gross profit margin.

Selling and Distribution Expenses

Selling and distribution expenses have witnesses a major increase during the Year, from approximately HK$76.4 million in 2017 to approximately HK$116.0 million in 2018. During the Year, the Group has continued to expand its sales team by increasing direct sales personnel and through restructuring and re-organization. The Group's goal is to further enlarge its direct sales channel, build solid rapport with more hospitals and adapt to the "two-invoice" system. Thus, the expansion of sales force incurred a proportionate increase in staff salary. In addition, significant marketing expenses were invested on the promotion and advertising of Bokangtai, the new product that launched in 2017. The result is favourable with Bokangtai successfully entered into ten new provinces. Although the selling and distribution expenses saw significant surge in the Year, the Group believes that all the marketing and sales channel restructuring efforts would yield fruitful results over ramp-up period and laying a solid distribution foundation for the Group to prosper.

R&D Costs

Research and development costs for 2018 was approximately HK$44.2 million, representing a small uptick of 3.9% from HK$42.5 million for 2017. R&D costs proportionate to revenue increase from 27.2% for 2017 to 32.7% for the Year. We have initiated and carried on with multiple R&D projects during the Year, including the NDA of Uni-E4 and Uni-PTH, and the BE study of Acarbose and Pinup®. This year the Group maintained a healthy level of R&D expenses, partly because Beijing Baiao Pharmaceutical shared the increased R&D input with the Group on Acarbose. Riding on last year's development of liquid formulations in an effort to increase the competitive advantages of our products, we continued to invest resources into these areas this year. R&D expenses may experience fluctuations if calculated on a year-on-year basis as drugs development, research and development enter different phases at different time, but the Group always exercise stringent cost control to make sure resources are invested appropriately and adequately. The Group will stick to build on its strategy to focus on endocrinology in the future.

General and Administrative Expenses

Against the backdrop of sales channel restructuring and sales platform building, General and Administrative ("**G&A**") expenses still saw a decrease during the Year. G&A decreased from HK$89.7 million in 2017 to HK$74.8 million in 2018, representing a decline of 16.6%. Such decrease was mainly attributable to the decrease in legal and professional fees as well as Stringent cost control with effective operational streamlining (i.e. new IT communication tools which reduce the frequency of travelling and bring green strategies into the workplace to create a healthy and sustainable environmentally friendly office. For example discourage unnecessary printing, "paperless" document filling system, adjust lighting and cooling system.

Other Income

Other income for the Year was approximately HK$7.4 million, representing an increase of 46.9% compared to HK$5.1 million for last year. Other income represents income from non-core businesses, such as leasing and interest received from bank deposit, and a one-off government grant for developing our product. During the Year, the Group received government funding and tax exemptions to support the R&D and commercialization of the Group's projects amounted to HK$3.3 million (2017: HK$1.3 million). These supports represent an important recognition from the government on the research and innovation capability of the Group.

Total Loss

Total loss (exclude impairment losses on intangible assets and property, plant and equipment) widen by 55.3% from approximately HK$77.6 million last year to approximately HK$120.6 million for the Year. The increase in loss was mainly caused by two reasons. Firstly, we have seen mounting pressure on the pricing of Pinup®, hence the Group has been optimizing its salesforce since last year in an effort to achieve maximum sales efficiency. The sales team has been expanding rapidly, and the distribution channels have also expanded significantly leading to a higher cost in the short term. By the time the Group secure the threshold of drug consistency evaluation, which should be by 2020, more resources will be deployed on marketing and distributing Pinup®. This should bring promising revenue in the near future. Furthermore, given that the Group has been restructuring the salesforce, enlarging direct sales channels, expanding and increasing sales and marketing expenses on the promotion and advertising of Bokangtai, therefore, selling and distribution expenses saw substantial increment. The Group is confident that the investment into building a sales platform should begin to payoff with more hospitals are secured. We have also seen repercussions resulting from an isolated incident.

PROSPECT

Outlook

For healthcare and medical companies, 2018 has been truly a year of two halves. The stable macro-economic momentum and strong market sentiment from 2017 was carried forwarded towards early 2018, but the market dynamics has drastically changed in the second half of 2018. Due to the Centralized Drug Procurement in "4+7 Cities", overall sentiment for the healthcare sector deteriorated as the issue of drug tendering price has re-entered into the discussion. However, the Group believes that the trial region of the Centralized Drug Procurement remains small, and it will take time for the policy to be implemented nationwide. In addition, a large part of the drug price cut will be focused on generic drugs under the government's guidance, so we foresee that even our Group's chemical drugs are affected, the impact will be small considering our revenue mix.

Despite the fact that the key marketed drugs of the Group are not included in the drug list of Centralized Drug Procurement, the Group will continue to closely monitor any changes in regulation in order to navigate the ever-changing political and commercial landscape.

Looking forward to 2019, in the face of rising pressure on tendering price cut, as well as the escalating trade tension between the United States and China, the Group remains in the view that innovation, business diversification and efficient resource allocation could promise stability despite regulatory pressure and political risks. The expanding aging population, along with the increasing health awareness of people, should also lay a foundation for pharmaceutical companies with expertise in specific diseases to thrive.

Diabetes has become increasingly prevailing during the past decade. According to the International Diabetes Federation, there was a total of 425 million adults with diabetes worldwide last year. It is predicted that the population of diabetes patients will grow further in the next 30 years. By 2045, the number of diabetic patients is expected to reach 629 million worldwide, within which PRC is expected to be accounted for approximately 48% of the population. Under such favourable factors, the Group is of the belief that market sentiment over healthcare sector will recover in the near future, and hence creating to a stable development environment for the Group.

A Rising Innovation Star

Leverage the promising diabetes market in the PRC, the Group, as a fully integrated biopharmaceutical company focusing on diabetes and related metabolic disorders, dermatological regeneration and ophthalmological healing, will continue to follow the corporate culture of "Leading Genuine Innovation" and "心創造，新醫藥" by pursuing ground-breaking innovations that provides patients with better curing options.

Due to the great potential of GLP-1 agonist and alpha-glucosidase inhibitors, a number of Chinese pharmaceutical companies have proactively commenced R&D on relating projects. Among them, the Group remains as the rising star.

On 20 November 2018, the application for Phase III clinical trial of 2nd Generation Uni-E4 submitted by the Group has been accepted by NMPA. Subject to a successful review and clinical trial, Uni-E4 is expected to be launched into the market by as early as 2022, which will become the world's first marketed biological GLP-1 preparation.

In addition, on 4 January 2019, the BE study on Acarbose tablets jointly developed by the Group and Beijing Baiao Pharmaceutical Co., Ltd. has been formally accepted by the NMPA with the reference numbers of CYHS1900008 国 and CYHS1900007 国, corresponding to the oral tablets under two specifications of 50mg and 100mg for this submission respectively. The management is optimistic about an official launch of the product in 2019. Meanwhile, the Group is also looking towards forming strategic partnerships with regards to API production for Acarbose and other generic products to optimize cost structure.

Stepping into CMO Business

In the PRC, the development of a new biotherapeutic is very capital-intensive and the establishment of GMP grade manufacturing facilities requires tremendous investment in terms of time, capital and technology. These resources are what early-stage biologics developers lack, which in return, creating the demand for contract manufacturing services. In light of this market development, the Group has proactively invested into the CMO business, capturing new business opportunities along the value chain.

The Group has been planning to introduce two state-of-the-art aseptic production lines for injection-form drugs, namely the lyophilized powder injection line and cartridge/pre-filled syringe line. The Group is in the view that the new CMO business will be able to generate stable cash flow and a satisfactory profit margin. The Group will plan its pricing strategy accordingly, in order to maximize the return from the investments on these high quality assets.

Looking ahead, the Group will continue to monitor the progress of our applications closely. With the aim to compete with other industry players, the Group will adopt the external innovation model through R&D partnerships and in-licensing projects to maximize its innovation capabilities. The Group will also continue to optimize its commercial platform through distribution channel expansion, as well as recruiting additional experienced sales and marketing employees. In the meantime, the Group will keep a keen eye on business opportunities in the CMO sector in order to expand revenue stream so as to deliver a fruitful return to its shareholders.

Discloseable and Connected Transactions

During the year ended 31 December 2018, the Group has entered into the following non-exempt connected transaction which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

On 16 November 2018, certain members of the Group entered into, among other things, the following agreements: (1) Uni-Bio Science Healthcare Limited ("**Vendor A**"), an indirect wholly-owned subsidiary of the Company, as vendor and Greater Bay (R&D) Capital Limited ("**Purchaser A**"), a company incorporated in BVI with limited liability, as purchaser entered into a sale and purchase agreement ("**Figures Up SP Agreement**") in relation to the disposal of all the issued shares of Figures Up Trading Limited ("**Figures Up**"), a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company, at a consideration of RMB40,000,000 (equivalent to approximately HK$45,024,000) ("**Figures Up Disposal**"); and (2) Zethanel Properties Limited ("**Vendor B**"), an indirect wholly-owned subsidiary of the Company, as vendor and Greater Bay Capital Limited ("**Purchaser B**"), a company incorporated in BVI with limited liability, as purchaser entered into a sale and purchase agreement ("**WTGL SP Agreement**") in relation to the disposal of (a) all the economic rights relating to the land use rights of a land parcel ("**WTGL Land**") located at Nanshan district, Shenzhen, the PRC registered under the name of 深圳市華生元基因工程發展有限公司 (Shenzhen Watsin Genetech Limited*) ("**WTGL**"), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company, and property rights of the buildings constructed on the WTGL Land (together, the "**WTGL Land and Property Rights**"); and (b) all the equity interest in a company ("**WTGL B**") to be established and separated from WTGL pursuant to a proposed split-off (分

立) to be undertaken by WTGL whereby the assets and liabilities will be taken up by two entities, namely, the surviving WTGL and WTGL B separately and thereafter the titles of the land use rights of the WTGL Land and property rights of the buildings constructed on the WTGL Land will be transferred to WTGL B, at an aggregate consideration of RMB60,000,000 (equivalent to approximately HK$67,536,000), and various transactions contemplated under the Figures Up SP Agreement and the WTGL SP Agreement ("**Transactions Arrangements**"). For further details of the Transaction Arrangements please refer to the announcement of the Company dated 16 November 2018 and the circular of the Company dated 8 February 2019. Each of Purchaser A and Purchaser B, each a company incorporated in BVI with limited liability, is owned by the same group of shareholders in identical shareholdings, in which: (1) the mother of Mr. Kingsley Leung, an executive Director and chairman of the Board, is an indirect 60% shareholder of each of Purchaser A and Purchaser B; (2) Mr. Chen Dawei, an executive Director, is an indirect 10% shareholder of each of Purchaser A and Purchaser B; (3) Vital Vigour Limited, a substantial shareholder of the Company, is an associate of an indirect 15% shareholder of each of Purchaser A and Purchaser B; and (4) each of Mr. Kingsley Leung, Mr. Chen Dawei, the mother of Mr. Kingsley Leung and a brother of Mr. Kingsley Leung is a director of each of Purchaser A and Purchaser B. Accordingly, each of Purchaser A and Purchaser B is an associate of Mr. Kingsley Leung and each of Purchaser A and Purchaser B is a connected person of the Company under the Listing Rules and that the Transaction Arrangements and the transactions contemplated thereunder constitute a connected transaction under Chapter 14A of the Listing Rules.

At an extraordinary general meeting of the Company held on 25 February 2019, the resolution to approve the Transaction Arrangements and the transactions contemplated thereunder was passed by the independent shareholders of the Company by way of a poll. Completion of each of the Figures Up Disposal and the disposal of the WTGL Land and Property Rights under the WTGL SP Agreement took place on 25 March 2019.

Liquidity and Financial Resources

As at 31 December 2018, the Group's bank deposits, bank balances and cash amounted to approximately HK$38,786,000. The Group had total assets of approximately HK$258,916,000 (as at 31 December 2017: HK$390,189,000), and current assets of approximately HK$102,531,000 (as at 31 December 2017: HK$205,822,000), while current liabilities were at HK$39,479,000 as at 31 December 2018 (as at 31 December 2017: HK$45,628,000). The total liabilities to total assets ratio is 15.7% (as at 31 December 2017: 12.1%). The Group's major interest and operations are in the PRC. The Group also contracts with suppliers for goods and services that are denominated in Renminbi ("**RMB**"). The Group does not hedge its foreign currency risks as the rate of exchange between Hong Kong dollar and RMB is managed within a narrow range.

The gearing ratio (calculated as total debt (total bank borrowings) divided by total equity) was 6.7% as at 31 December 2018 (as at 31 December 2017: Nil).

As disclosed in the 2017 annual report, the Company had completed the issue and allotment of subscription of 1,027,480,000 ordinary shares on 20 September 2017 which generated net proceeds of approximately HK$141.5 million. The net proceeds were intended to be was mainly used for in-licensing new products for the PRC market, R&D activities for pipeline products and general working capital for existing business.

As at 31 December 2018, the Company has utilized approximately HK$102.7 million of such net proceeds as intended, and the net proceeds which remained unutilized amounted to approximately HK$38.8 million. After careful consideration and detailed evaluation of the Group's recent business operations and in order to cope with requirements and project development schedule of the Group's pipeline products, the Board had resolved to reallocate the use of all of the remaining balance of the net proceeds for R&D expenses over the Group's pipeline products. The Board considers that the change in the use of such net proceeds would meet the needs of the Group more efficiently and enhance the flexibility of the Group and is in the interests of the Company and its shareholders as a whole.

Pledge of Assets and Contingent Liabilities

As of 31 December 2018, the Group secured its bank loans through a charge over leasehold buildings with net book value of HK$5.4 million (31 December 2017: Nil).

Employment and Remuneration Policy

As of 31 December 2018, the Group employed 366 staff, including 90 staff in the PRC R&D department, 97 staff in the PRC production department, 125 staff in the PRC commercial office and 12 staff in the Hong Kong headquarters. In addition to the full-time employees in the PRC sales offices, the Group has 167 regional distributors. The Group has adopted a competitive remuneration package for its employees to attract and retain top talent. Promotion and salary increments are assessed based on performance. Share options may also be granted to staff with reference to the individual's performance.

CONTINGENT LIABILITIES

At 31 December 2018, the Group had no material contingent liabilities.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2018 (For the year ended 31 December 2017: Nil).

AUDIT COMMITTEE

The audit committee currently comprises the three independent non-executive Directors, namely Mr. Zhao Zhi Gang, Mr. Chow Kai Ming and Mr. Ren Qimin. The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2018.

The Company's auditor has reported on the financial statements of the Group for the current and prior year. The auditor's reports were unqualified, and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports.

COMPLIANCE WITH THE CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year ended 31 December 2018, except the following deviation.

Code Provision A.2.1

Under the code provision A.2.1 there is a segregation of duties between the Chairman's responsibility for leadership and management of the Board and the Group's strategies, and the responsibility of the Chief Executive Officer is to develop business objectives and budgets and to implement the Group's strategies. Such division of responsibilities helps to reinforce their accountability and independence. Upon the resignation of Mr. LIU Guoyao as an executive Director and the Chief Executive Officer on 28 February 2014, the duties of the Chief Executive Officer have been temporarily shared by another executive Director and key executives, except the Chairman, until a suitable successor is appointed. The Board considers that the vesting of the roles of Chief Executive Officer to the other executive Director and key executives in the aforementioned arrangement will not impair the balance of power and authority within the Board as all major decisions are made in consultation with members of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Specific enquiry has been made of all the directors of the Company and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this announcement, the Company has maintained sufficient public float as required under the Listing Rules during the year under review and up to the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of any subsidiaries and associated companies for the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

NEW SHARES ISSUED

As at 31 December 2018, the total number of issued shares of the Company was 6,179,968,147. A total of 15,000,000 new shares were issued during the year, pursuant to the service agreement of Mr. CHEN Dawei free from payment. Details of which were disclosed in the circular of the Company dated 8 June 2017.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

A copy of this announcement will be found on the Company's website (http://www.uni-bioscience.com) and the Stock Exchange's website (http://www.hkex.com.hk). The Annual Report 2018 of the Company will be made available on the respective websites of the Company and the Stock Exchange in due course.

By order of the board of directors of
Uni-Bio Science Group Limited
Kingsley Leung
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, the Board comprises two executive directors, namely, Mr. Kingsley Leung (Chairman) and Mr. Chen Dawei (Vice-chairman); one non-executive director, Ms. Lau Chau In and three independent non-executive directors, namely, Mr. Zhao Zhi Gang, Mr. Chow Kai Ming and Mr. Ren Qimin.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Revenue	3	**135,258**	156,477
Cost of sales		**(17,657)**	(22,849)
Gross profit		**117,601**	133,628
Other income	3	**7,428**	5,057
Other gains and losses		**(1,703)**	377
Selling and distribution costs		**(115,989)**	(76,446)
General and administrative expenses		**(74,799)**	(89,693)
Research and development costs		**(44,174)**	(42,519)
Equity-settled share-based payment expenses		**(8,550)**	(6,864)
Impairment losses on intangible assets		**(14,400)**	(167,705)
Impairment losses on property, plant and equipment		**(3,600)**	(33,955)
Finance costs		**(247)**	(177)
Loss before taxation	4	**(138,433)**	(278,297)
Income tax expense	5	**(134)**	(1,012)
Loss for the year		**(138,567)**	(279,309)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profits or loss:			
Exchange differences arising on translation on foreign operations		**(11,386)**	27,402
Other comprehensive (expenses) income for the year		**(11,386)**	27,402
Total comprehensive expenses for the year		**(149,953)**	(251,907)
Loss per share (HK cents)	6		
Basic		**(2.24)**	(5.15)
Diluted		**(2.24)**	(5.15)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**54,620**	60,257
Investment properties		**24,350**	26,605
Prepaid lease payments		**10,062**	11,398
Intangible assets	9	**39,971**	63,313
Deposits paid for the acquisition of property, plant and equipment		**3,331**	17,855
Deposits paid for the acquisition of intangible assets	11	**6,050**	4,939
		138,384	184,367
Current assets			
Inventories		**18,517**	13,548
Trade and other receivables	12	**45,967**	70,159
Prepaid lease payments		**794**	834
Time deposits		**7,000**	87,104
Structured deposit		**–**	11,412
Bank balances and cash		**31,786**	22,765
		104,064	205,822
Current liabilities			
Trade and other payables	13	**11,386**	43,206
Contract liabilities		**12,434**	–
Income tax payable		**2,213**	2,422
Bank borrowings		**13,447**	–
		39,480	45,628
Net current assets		**64,584**	160,194
Total assets less current liabilities		**202,968**	344,561
Non-current liability			
Deferred tax liability		**1,218**	1,408
Net assets		**201,750**	343,153
Capital and reserves			
Share capital		**61,800**	61,650
Reserves		**139,950**	281,503
Total equity		**201,750**	343,153

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(138,433)**	(278,297)
Adjustments for:			
Amortisation of intangible assets		**6,245**	4,837
Amortisation of prepaid lease payments		**835**	808
Change in fair value of investment properties		**1,042**	(2,707)
Depreciation of property, plant and equipment		**14,675**	25,419
Equity-settled share-based payment expenses		**8,550**	6,864
Impairment losses on intangible assets	10	**14,400**	167,705
Impairment losses on property, plant and equipment	10	**3,600**	33,955
Interest income		**(1,078)**	(744)
Interest expense		**247**	177
Loss on disposal of property, plant and equipment		**1,579**	100
(Reversal of) impairment losses recognised on trade receivables		**(935)**	2,545
Operating cash flows before movements in working capital		**(89,273)**	(39,338)
Increase in inventories		**(4,969)**	(431)
Decrease (increase) in trade and other receivables		**25,127**	(32,454)
(Decrease) increase in trade and other payables		**(17,738)**	7,238
Decrease in contract liabilities		**(1,648)**	–
Cash used in operations		**(88,501)**	(64,985)
Income tax paid		**(499)**	(3,620)
NET CASH USED IN OPERATING ACTIVITIES		**(89,000)**	(68,605)

	Notes	**2018**	2017
		HK$'000	*HK$'000*
INVESTING ACTIVITIES			
Funds withdrawal of (placed on) time deposits		**80,104**	(56,331)
Funds withdrawal of (placed on) structured deposit		**11,412**	(11,412)
Purchase of property, plant and equipment		**(1,647)**	(24,575)
Proceeds from disposal of property, plant and equipment		**–**	44
Deposits paid for acquisition of intangible assets		**(1,111)**	(1,503)
Interest received		**1,078**	744
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**89,836**	(93,033)
FINANCING ACTIVITIES			
Proceed from a bank borrowing		**13,447**	–
Proceeds from private placement		**–**	141,792
Repayment of a bank borrowing		**–**	(11,990)
Interest paid		**(247)**	(117)
NET CASH FROM FINANCING ACTIVITIES		**13,200**	129,685
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**14,036**	(31,953)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**22,765**	47,344
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(5,015)**	7,374
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**31,786**	22,765

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The functional currency of the Company is Hong Kong dollars ("**HK$**") and the functional currency of the PRC subsidiaries is Renminbi ("**RMB**"). The consolidated financial statements are presented in HK$ for the conveniences of the financial statements users as the Company is listed in Hong Kong.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendment to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the sales of pharmaceutical products which arise from contracts with customers, sales of pharmaceutical products is the sole revenue of the Group.

Summary of effects arising from initial application of HKFRS 15

Upon the adoption of HKFRS 15, advance and deposits from customers included in trade and other payables of HK$14,082,000 as at 31 December 2017 were reclassified to contract liabilities on the consolidated statement of financial position on 1 January 2018.

As at 31 December 2018, contract liabilities of HK$12,434,000, representing as advance and deposits from customers, would have been included in trade and other payables without application of HKFRS 15.

The decrease in contract liabilities of HK$1,648,000 for the year ended 31 December 2018 disclosed on the consolidated statement of cash flow statement would have been included in decrease in trade and other payables without application of HKFRS 15.

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in these consolidated financial statements.

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Summary of effects arising from initial application of HKFRS 9

At the date of initial application of HKFRS 9, the Group's structured deposit of HK$11,412,000 was reclassified from loans and receivables to financial assets at fair value through profit or loss as the cash flows from it were not solely payments of principal and interest on the principal amount outstanding and did not meet the definition of financial assets at amortised cost or financial assets at fair value through other comprehensive income under HKFRS 9. There was no impact on the amount recognised in relation to this asset from the application of HKFRS 9.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit-impaired under HKAS 39, trade receivables with outstanding significant balances have been assessed individually, and the remaining balances are grouped based on common credit risk characteristics and past due analysis.

Except for those which had been determined as credit-impaired under HKFRS 9, ECL for other financial assets at amortised cost, including bank balances and cash, time deposits, bill receivables and other receivables, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No additional credit loss allowance has been recognised against accumulated losses as the amount involved is insignificant.

Except as described above, the application of HKFRS 9 has had no material impact on the amounts reported set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs, will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$9,455,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$1,229,000 and refundable rental deposits received of HK$24,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The directors of the Company assess that such changes would significantly increase the consolidated assets and consolidated liabilities of the Group but would not result in a significant impact on the financial performance of the Group upon adoption of HKFRS 16.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. REVENUE AND OTHER INCOME

Revenue is arising from sale of chemical and biological pharmaceutical products and is recognised at point in time when control of the goods has been transferred and the goods have been delivered to the customers' specific locations. Following delivery, the customers bear the risks of obsolescence and loss in relation to the goods without refund policy. The normal credit term is 90 days (2017:120 days) upon delivery.

Advance and deposits received from the customers are recognised as a contract liabilities until the goods have been delivered to the customers.

The sales contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

An analysis of the Group's income for the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Sales of pharmaceutical products	**135,258**	156,477
Other income		
Interest on bank deposits	**1,078**	744
Rental income	**2,652**	2,625
Government grants *(Note (i))*	**3,375**	1,304
Sundry income	**323**	384
	7,428	5,057
Total income	**142,686**	161,534

Note:

(i) During the year ended 31 December 2018, the Group received government grants amounted to RMB2,865,000 (approximately HK$3,375,000) as a subsidy of research and development expenditures already incurred and the conditions have been fulfilled upon the grant (2017: RMB1,130,000) (approximately HK$1,304,000).

4. LOSS BEFORE TAXATION

	2018	2017
	HK$'000	*HK$'000*
Loss before taxation is arrived at after charging:		
Staff costs (including directors' emoluments)		
Salaries, wages and other benefit	**54,097**	35,690
Retirement benefit scheme contribution	**11,131**	7,147
Equity-settled share based payments	**8,324**	6,714
	73,552	49,551
Equity-settled share based payments to consultants	**226**	150
Amortisation of intangible assets	**6,245**	4,837
Amortisation of prepaid lease payments	**835**	808
Auditor's remuneration	**1,950**	1,877
Cost of inventories recognised as an expense	**17,657**	22,849
Operating lease rentals in respect of offices	**3,852**	3,587
Depreciation	**14,675**	25,419
Less: Depreciation included in research and development costs	**(5,079)**	(6,390)
	9,596	19,029
Research and development costs	**44,174**	42,519
After crediting:		
Property rental income less outgoing	**2,210**	2,625

5. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
PRC Enterprise Income Tax ("**EIT**")		
– Current year	**–**	555
– Under-provision in prior years	**290**	51
	290	606
Deferred taxation		
– Current year	**(156)**	406
	134	1,012

No provision for Hong Kong profits tax has been made since the entities operating in Hong Kong had no assessable profit for the both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Beijing Genetech Pharmaceutical Co., Limited and Shenzhen Watsin Genetech Pharmaceutical Co., Limited, wholly owned subsidiaries of the Company, were approved as "high-new technology enterprise" and were eligible to enjoy a preferential enterprise income tax rate of 15% (2017: 15%) for the years ended 31 December 2017 and 2018.

6. LOSS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(138,567)**	(279,309)

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**6,175,911**	5,426,650

No adjustment has been made to basic loss per share amounts presented for the years ended 31 December 2018 and 31 December 2017 in respect of a dilution as the impact of the share options and warrants outstanding would decrease basic loss per share.

7. SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision makers ("**CODM**"), for the purpose of allocating resources to segments and assessing their performance are organised on the basis of the revenue streams. The Group's operating and reporting segments are (a) manufacture and sale of chemical pharmaceutical products, (b) manufacture and sale of biological pharmaceutical products and (c) industrialisation of pipeline pharmaceutical products. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2018

	Chemical pharmaceutical products *HK$'000*	**Biological pharmaceutical products** *HK$'000*	**Pipeline products** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue				
External sales	**31,513**	**103,745**	**–**	**135,258**
Result				
Segment (loss) profit	**(26,889)**	**3,217**	**(77,087)**	**(100,759)**
Other income				**7,428**
Change in fair value of investment properties				**(1,042)**
Equity-settled share based payment expenses				**(8,550)**
Unallocated administration expenses				**(35,263)**
Finance costs				**(247)**
Loss before taxation				**(138,433)**

For the year ended 31 December 2017

	Chemical pharmaceutical products *HK$'000*	Biological pharmaceutical products *HK$'000*	Pipeline products *HK$'000*	Consolidated *HK$'000*
Segment revenue				
External sales	69,191	87,286	–	156,477
Result				
Segment profit (loss)	18,568	13,377	(261,569)	(229,624)
Other income				5,057
Change in fair value of investment properties				2,707
Equity-settled share based payment expenses				(6,864)
Unallocated administration expenses				(49,396)
Finance costs				(177)
Loss before taxation				(278,297)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the results of each segment without allocation of other income, change in fair value of investment properties, equity-settled share based payment expenses, unallocated administration expenses and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than investment properties, certain bank balances and cash and some unallocated corporate assets. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual operating segments; and

- all liabilities are allocated to operating segments other than income tax payable, deferred tax liabilities, bank borrowing and some unallocated corporate liabilities. Liabilities for which operating segments are jointly liable are allocated in proportion to segment assets.

As at 31 December 2018

	Chemical pharmaceutical products *HK$'000*	**Biological pharmaceutical products** *HK$'000*	**Pipeline products** *HK$'000*	**Consolidated** *HK$'000*
Segment assets	**48,429**	**62,764**	**61,366**	**172,559**
Unallocated assets				**69,889**
Total assets				**242,448**
Segment liabilities	**4,856**	**27,429**	**1,831**	**34,116**
Unallocated liabilities				**6,582**
Total liabilities				**40,698**

As at 31 December 2017

	Chemical pharmaceutical products *HK$'000*	Biological pharmaceutical products *HK$'000*	Pipeline products *HK$'000*	Consolidated *HK$'000*
Segment assets	94,811	65,332	74,958	235,101
Unallocated assets				155,088
Total assets				390,189
Segment liabilities	16,911	24,464	3,187	44,562
Unallocated liabilities				2,474
Total liabilities				47,036

(c) Other segment information

For the year ended 31 December 2018

	Chemical pharmaceutical products *HK$'000*	Biological pharmaceutical products *HK$'000*	Pipeline products *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets					
Additions to property, plant and equipment	**–**	**1,233**	**10,885**	**4,053**	**16,171**
Amortisation of intangible assets	**–**	**–**	**6,245**	**–**	**6,245**
Amortisation of prepaid lease payments	**300**	**535**	**–**	**–**	**835**
Depreciation of property, plant and equipment	**5,564**	**6,738**	**363**	**2,010**	**14,675**
Loss on disposal of property, plant and equipment	**1,345**	**–**	**–**	**234**	**1,579**
Research and development cost	**–**	**5,663**	**38,511**	**–**	**44,174**
Impairment losses on intangible assets	**–**	**–**	**14,400**	**–**	**14,400**
Impairment losses on property, plant and equipment	**–**	**–**	**3,600**	**–**	**3,600**
(Reversal of) impairment losses on trade receivables, net	**(1,810)**	**875**	**–**	**–**	**(935)**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets					
Interest on bank deposits	**(165)**	**(256)**	**(441)**	**(216)**	**(1,078)**

For the year ended 31 December 2017

	Chemical pharmaceutical products *HK$'000*	Biological pharmaceutical products *HK$'000*	Pipeline products *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets					
Additions to property, plant and equipment	1,850	1,212	3,725	3,420	10,207
Amortisation of intangible assets	–	–	4,837	–	4,837
Amortisation of prepaid lease payments	291	517	–	–	808
Depreciation of property, plant and equipment	3,604	8,170	12,192	1,453	25,419
Loss on disposal of property, plant and equipment	100	–	–	–	100
Research and development cost	–	6,683	35,836	–	42,519
Impairment losses on intangible assets	–	–	167,705	–	167,705
Impairment losses on property, plant and equipment	–	–	33,955	–	33,955
Impairment losses on trade receivables	2,545	–	–	–	2,545
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets					
Interest on bank deposits	–	(262)	(366)	(116)	(744)

(d) Geographical information

Information about the Group's sales to external customers presented based on the locations of customers, and information about the Group's non-current assets presented based on the geographical location of the non-current assets are summarised below.

	Sales to external customers		Non-current assets	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**4,135**	5,933
People's Republic of China ("**PRC**")	**135,258**	156,477	**134,249**	178,434
	135,258	156,477	**138,384**	184,367

(e) Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	2018	2017
	HK$'000	*HK$'000*
	(Note b)	
Customer A *(Note a)*	**N/A**	18,240

Note a: Revenue generated from in-house chemical pharmaceutical products.

Note b: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. DIVIDEND

No dividend was paid, declared or proposed during 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

9. INTANGIBLE ASSETS

	Trademarks and certificates *HK$'000* *(Note a)*	Technical know-how *HK$'000* *(Note b)*	Capitalised development costs *HK$'000* *(Note c)*	Total *HK$'000*
COST				
At 1 January 2017	234,890	117,734	185,372	537,996
Exchange realignment	16,552	8,296	13,064	37,912
At 31 December 2017	251,442	126,030	198,436	575,908
Exchange realignment	(11,947)	(5,988)	(9,428)	(27,363)
At 31 December 2018	239,495	120,042	189,008	548,545
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 January 2017	234,890	81,860	775	317,525
Exchange realignment	16,552	5,921	55	22,528
Provided for the year	–	4,837	–	4,837
Impairment losses recognised in the year *(Note e)*	–	–	167,705	167,705
At 31 December 2017	251,442	92,618	168,535	512,595
Exchange realignment	(11,947)	(4,711)	(8,008)	(24,666)
Provided for the year	–	6,245	–	6,245
Impairment losses recognised in the year *(Note e)*	–	–	14,400	14,400
At 31 December 2018	239,495	94,152	174,927	508,574
CARRYING VALUES				
At 31 December 2018	–	25,890	14,081	39,971
At 31 December 2017	–	33,412	29,901	63,313

All intangible assets are amortised on a straight-line basis over the following periods:

Trademarks and certificates	10 to 15 years
Technology know-how	10 years

Notes:

(a) Trademarks and certificates represent costs in obtaining trademarks and registration certificates for medicines.

(b) Technical know-how mainly represents techniques and formulas acquired separately for the development of products and production technology.

(c) Capitalised development costs mainly represent costs generated internally for the development of products and product technology.

(d) Except for the capitalised development costs, the respective intangible assets have finite lives and are subsequently amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Capitalised development costs are not amortised as the development of products and the technology is in the registration or clinical trial process stage and are assessed for impairment annually.

(e) The directors of the Company conducted impairment review of the Group's intangible assets annually. During the year ended 31 December 2018, impairment losses of HK$14,400,000 (2017: HK$167,705,000) were recognised in profit or loss. Details of such impairment testing are set out in Note 10.

10. IMPAIRMENT TESTING ON INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT RELATED TO PIPELINE PHARMACEUTICAL PRODUCTS

For the purpose of impairment testing, intangible assets and property, plant and equipment related to pipeline pharmaceutical products have been allocated to three individual cash generating units (CGUs). The carrying amounts of intangible assets (net of accumulated amortisation and impairment losses) and property, plant and equipment (net of accumulated depreciation and impairment losses) allocated to these units are as follows:

	Property, plant and equipment		**Intangible assets**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
CGUs				
Drug 1	**15,643**	7,212	**17,896**	23,376
Drug 2	**4,838**	3,890	**22,075**	39,937
Drug 3	**914**	1,356	**–**	–
	21,395	12,458	**39,971**	63,313

Drug 1:

During the year ended 31 December 2017, due to changes in the competitive landscape of this drug, including the successful introduction of a number of new players into the market, the Group has therefore made adjustments to the development plan of this drug. Instead of submitting new drug application for this drug at original formulation, the directors of the Company has decided to direct all the existing resources to develop an advanced formulation of this drug for new drug application. The directors of the Company consider that the drug can be launched in 2023 and sales forecast has been updated accordingly. The changes result in a significant decline in the recoverable amount of the CGU. Impairment losses of HK$102,764,000 and HK$31,707,000 on intangible assets and property, plant and equipment are recognized for the year ended 31 December 2017.

During the year ended 31 December 2018, the Company was advised by the officials of China Food and Drug Administration (the "**CFDA**") that Phase I, Phase II and certain Phase III clinical trial for the development of the advanced formulation of this drug are not required due to the work already conducted for the original formulation and the application for Phase III clinical trial of the advanced formulation of this drug submitted by the Company has been accepted by the CFDA on 20 November 2018. No impairment loss is recognized for the year ended 31 December 2018.

Drug 2:

The Group filed formal new drug application of this drug to the CFDA in 2015. During the year ended 31 December 2017, due to the changes in the regulations of the pharmaceutical industry in the PRC, the Group had to conduct an evaluation to all clinical studies and submitted supplementary filing. It resulted in postponement of expected launch date results in a decline in the recoverable amount of the CGU and impairment losses of HK$23,091,000 and HK$2,248,000 on intangible assets and property, plant and equipment were recognized in 2017.

During the year ended 31 December 2018, the application has been transferred to CFDA for technical review and additional research and development works need to be conducted by the Company as advised by the officials of CFDA to get the final approval. It results in an increase in budget for research and development costs and a decline in the recoverable amount of the CGU. Impairment losses of HK$14,400,000 and HK$3,600,000 on intangible assets and property, plant and equipment are recognized for the year ended 31 December 2018. The directors of the Company consider that the application will be approved in late 2019 or early 2020 and the drug can be commercially launched in 2020.

Drug 3:

During the year ended 31 December 2017, it was in the opinion of the management that the Group might not have the required technical, financial and other resources to complete the development of Drug 3 taking into accounts 1) the adjustment of strategy on Drug 1, which required significant resources and times for its development in coming few years; 2) the prolonged delay on the new drug application of Drug 2 due to the tightened regulatory environment of the pharmaceutical industry in the PRC, which had an impact on the Group's cash inflow, 3) the current progress on developing Drug 3. As a result, an impairment loss of HK$41,850,000 on intangible assets of Drug 3 was made for the year ended 31 December 2017. No impairment has been made for the year ended 31 December 2018 as the assets and liabilities of CGU was disposed of at consideration higher than their carrying amounts subsequent to the year end.

11. DEPOSITS PAID FOR THE ACQUISITION OF INTANGIBLE ASSETS

The deposits paid for the acquisition of intangible assets represent deposits paid for (1) an acquisition of manufacturing technology and exclusive rights to distribute an antidiabetic drug and the corresponding consulting fee. The transfer is subject to a series of conditions and is expected to be completed in 2020; and (2) a co-development project to develop high quality tablets for treatment of diabetes with independent third parties. The clinical data as contained in the bioequivalence study on these tablets has been formally accepted by the CFDA in January 2019 and the directors of the Company considered that the production will be approved in 2019. The remaining unpaid consideration is disclosed as capital commitment.

Acquisition of intangible assets	Deposits paid for the acquisition	Contract sum
As at 31 December 2018		
Antidiabetic drug from an independent third party	RMB3,298,498 (equivalent to approximately HK$3,696,000) including consultancy fee of RMB827,000 (equivalent to approximately HK$927,000)	RMB16,826,800 (equivalent to approximately HK$18,856,000)
Co-development project with an independent third party	RMB2,100,000 (equivalent to approximately HK$2,354,000)	RMB6,500,000 (equivalent to approximately HK$7,284,000)

Acquisition of intangible assets	Deposits paid for the acquisition	Contract sum
As at 31 December 2017		
Antidiabetic drug from an independent third party	RMB3,298,498 (equivalent to approximately HK$3,881,000) including consultancy fee of RMB827,000 (equivalent to approximately HK$973,000)	RMB16,826,800 (equivalent to approximately HK$19,796,000)
Co-development project with an independent third party	RMB900,000 (equivalent to approximately HK$1,058,000)	RMB6,500,000 (equivalent to approximately HK$7,647,000)

12. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**37,618**	66,119
Less: Allowance for credit losses	**(2,697)**	(3,813)
	34,921	62,306
Bill receivables	**4,974**	1,600
Rental deposits	**1,229**	1,291
Advance to staff	**1,005**	906
Prepayments	**1,488**	1,539
Other	**2,350**	2,517
	45,967	70,159

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$34,921,000 and HK$62,306,000, respectively.

An aged analysis of trade receivables, net of allowance of credit losses, presented based on invoice date which approximated the respective revenue recognition dates, is as follows:

	2018	2017
	HK$'000	*HK$'000*
0–90 days	**17,831**	42,466
91–120 days	**1,647**	13,094
121–180 days	**8,655**	3,896
181–360 days	**4,796**	1,850
Over 360 days	**1,992**	1,000
	34,921	62,306

As at 31 December 2018, included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK$17,090,000 which are past due at the end of the reporting period. Out of the past due balances, HK$6,788,000 has been past due 90 days or more and is not considered as in default as 1) The balances are mainly arisen from large and reputable listed companies with long term relationship; 2) No significant change in credit quality and these debtors are classified as low risk under the internal credit scoring system used by the Group.

As at 31 December 2017, trade receivables of HK$55,560,000 that are neither past due nor impaired are considered as recoverable as there have been no significant change in credit quality and most of the debtors are with long term business relationship without recent history of default.

As at 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$6,746,000 which are past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered fully recoverable. The Group does not hold any collateral over these balances.

Aging analysis of trade receivables which are past due but not impaired:

	2017 *HK$'000*
121 to 180 days	3,896
181–360 days	1,850
Over 360 days	1,000
Total	6,746

Apart from these debtors that are past due to but not impaired, as at 31 December 2017, the Group has provided fully for all receivables aged for over 365 days but not yet settled before the report date of annual report 2017, because the directors of the Company considered that these balances are not recoverable.

Movements in the impairment losses recognised in respect of trade receivables are as follows:

	2017 *HK$'000*
At the beginning of the year	1,109
Exchange realignment	159
Recognised during the year	2,545
At the end of the year	3,813

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$3,813,000. The Group makes full provision on trade receivables aged over 1 year and overdue balances from distributors with unsatisfactory repayment history. The Group does not hold any collateral over these balances.

Bill receivables represent bills on hand. All bills receivables of the Group are with a maturity period of less than 180 days (2017: less than 180 days) and not yet due at the end of the reporting period, and the management considers the default rate is low based on historical information and experience, after taking relevant forward-looking information into account.

13. TRADE AND OTHER PAYABLES

	Notes	2018 HK$'000	2017 HK$'000
Trade payables	(i) & (ii)	**86**	9,002
Accrued expenses and other payables:			
Advance and deposits from customers	(iii)	**–**	14,082
Payables for acquisition of equipment		**1,072**	918
Payables for research and development expense		**2,139**	3,319
Other tax payables		**906**	1,628
Accrued audit fee		**1,833**	1,787
Accrued payroll		**5,350**	4,462
Accrued selling expenses		**–**	7,107
Others		**–**	901
		11,386	43,206

Notes:

(i) The average credit period on purchases of goods is 120 days (2017: 120 days). The Group has in place financial risk management policies to ensure that all payables are settled within the credit time frame.

(ii) An aged analysis of the trade payables at the end of the reporting period based on transaction date is as follows:

	2018 HK$'000	2017 HK$'000
0–30 days	**46**	7,648
31–60 days	**40**	1,043
61–90 days	**–**	61
Over 90 days	**–**	250
	86	9,002

(iii) Upon the adoption of HKFRS 15, advance payments from customers are classified as contract liabilities at 1 January 2018 and 31 December 2018.