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 2019

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2019

- The company has achieved the recorded profit after tax of HK$2.5 million compared with last year loss of HK$138.5 million, this is the first year for company to turn to profit, this is due to company core product revenue surge, significant reduction in G&A cost due to company restructuring, and the disposal of property owned by subsidiary company WGLT and disposal of subsidiary company Figure up.

- As compared with the negative EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) of approximately HK$107.9 million for the year ended 31 December 2018, the Group recorded a positive EBITDA of approximately HK$28.4 million as at 31 December 2019.

- A significant increase in turnover of GeneTime® products. As of 31 December 2019, sales of GeneTime® reached approximately HK$128 million, representing a significant increase of 103.2% YoY, GeneTime® is a core product of the Group and will continue to explore further market opportunities of the products.

- Pinup® is the Group's chemical pharmaceutical product, revenue surged by 58.2% to approximately HK$46.5 million in 2019. The Group expects to obtain the consistency assessment certification in the second half of 2020. By completing the consistency assessment, the Group will be in a better position to enter into the supplier list for the centralised drug procurement, competing with a limited number of competitor products that have also passed the consistency assessment.

* *For identification purposes only*

- Formed a long-term cooperation relationship with Hong Kong strategic investor with state-owned background. The Group had successfully completed a private placement of HK$30 million of new shares to a new strategic investor – CHMT Peaceful Development Fund Management Limited, which is a multi-strategy fund with worldwide investments in both private and public markets with an asset under management (AUM) of more than USD 5 billion.

- Uni-PTH (a recombinant human parathyroid hormone 1-34 analogue), a proprietary product that is under R&D of the Group, Uni-PTH is also one of the few fully-biological expressed parathyroid hormone analogue in the world, which has very limited competition in the PRC market. The group submit the supplementary drug information to NMPA in December 2019, and expected to be launched in the second half of 2020 after obtaining the drug registration approval.

- Boshutai® (Acarbose tablet) is an oral anti-diabetic drug targeting patients with pre-diabetes condition who need to be treated early, or those with poorly-controlled post prandial hyperglycemia. A notification letter for supplementary information was issued by CDE in October 2019. The Group is now preparing the submission of the supplementary information, and expects to obtain the drug registration approval number in the second half of 2020.

- 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. Our Uni-E4 product is the first fully biologically expressed GLP-1 agent in the world. Currently, the project is under development as scheduled. The CDE has accepted the Group's application for bridging trial of the new Uni-E4 pen injection formulation in December 2019. The Group expects the bridging clinical research of the Uni-E4 injection to begin in 2020, and the drug will be launched after the completion of registration with the NMPA as soon as 2022.

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 2019 as follows:

KEY FINANCIAL HIGHLIGHTS
For the year ended 31 December

	2019	2018
Revenue *(HK$'000)*	**209,449**	135,258
Adjusted EBITDA *(HK$'000)*	**28,443**	(98,431)
Gross profit margin *(%)*	**86.7%**	86.9%
R&D costs to revenue *(%)*	**20.4%**	32.7%
As at 31 December		
Current ratio *(times)*	**3.52**	2.64
Gearing ratio *(%)*	**0.0%**	6.7%
Total assets turnover *(%)*	**70.7%**	55.8%

FINANCIAL FIGURES BASED ON REPORTABLE SEGMENT FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2019

	Year ended 31 December		
	2019	2018	Change
	HK\$'000	*HK\$'000*	
Revenue from sales of in-house pharmaceutical products	**209,449**	135,258	**54.9%**
Cost of sales	**(27,932)**	(17,657)	**58.2%**
Gross profit	**181,517**	117,601	**54.3%**
Other gains and losses	**(1,248)**	(1,703)	**-26.7%**
Selling and distribution expenses	**(149,338)**	(115,989)	**28.8%**
General and administrative and other expenses	**(15,729)**	(22,976)	**-31.5%**
Operating income from marketed biological and chemical pharmaceutical products	**15,202**	(23,067)	**–**
Other income & other loss	**20,193**	8,470	**138.4%**
Expenses incurred for pipeline products and future projects	**(42,702)**	(44,174)	**-3.3%**
Other administration expenses	**(43,664)**	(51,823)	**-15.7%**
Finance costs	**(749)**	(247)	**203.2%**
Equity-settled share based payment expenses	**(8,344)**	(8,550)	**-2.4%**
Loss before impairment losses and others	**(60,064)**	(119,391)	**-49.7%**
Change in fair value of investment properties	**–**	(1,042)	
Impairment losses on intangible assets	**–**	(14,400)	
Impairment losses on property, plant and equipment	**–**	(3,600)	
Gains on disposal of subsidiaries	**18,777**	–	
Gains on disposal of investment property and, right of use and property, plant and equipment	**46,427**	–	
Profit before taxation	**5,140**	(138,433)	
Income tax expense	**(2,681)**	(134)	
Profit (loss) for the year	**2,459**	(138,567)	

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2018, China's pharmaceutical market has reached US$127.9 billion, growing 2.4% on a year-on-year ("**YoY**") basis. The market is expected to maintain the growth momentum with an average annual growth rate of 5% in the coming five years, and is now embracing a growing emphasis on innovation upgrades of local pharmaceutical companies in order to reduce the reliance on imports. In recent years, the Central Government has introduced a series of policies to match its intention. This included developing multinational clinical centers, sharing clinical data globally, accelerating the approval process of innovative medicine, and enhancing the protection of clinical data. Industry data showed that, after the acceleration of innovative drug access, the drug approval speed has since increased by 62%. The same can be said for biologicals, as newly approved biologicals in 2018 has also surged by 450% YoY. The process from material submission to final approval now only takes as fast as six months.

In order to extract maximum value from the state-organized, centralized procurement reform ("**4+7 pilot programme**"), the State Council had a new arrangement in September last year that, it would expand the pilot area for the centralized procurement and use of generic drugs to almost the entire mainland, covering 11 major cities including Shanghai and Beijing. Simultaneously, the State Council held an executive meeting, proposing that the scope of centralized procurement and use of drug varieties should be expanded, and priority should be given to those i) with a large price difference between original research drugs and the corresponding generic drugs, and ii) the basic drugs that passed the consistency evaluation of the quality and efficacy of generic drugs. Bulk procurement with fixed quantity has thus promoted a substantial reduction in drug prices, particularly on generic drugs with the highest sales volume (and subsequently uses most reimbursement money) in China. It is expected that in the next 3 years, 80% of the top oral selling drugs will be included in the 4+7 pilot programme.

In the case of the Group, its product Acarbose is already included in the list, and the recent price negotiation has set the product at a very competitive price. Within the next 3 years, Pinup®, another product of the Group, may also be entering the list. Despite the perceived price pressure, the Group will continue to optimize its cost structure in order to fit into the new low pricing policy, and at the same time, focusing more on the innovation and development of best-in-class biologics and niche generic products, which have a smaller chance to be included in 4+7 programme. Sales of the Group's self-developed products, including GeneTime®, GeneSoft®, Uni-PTH and Uni-E4, however, is not expected to be affected by this policy.

BUSINESS REVIEW

Uni-Bio Science – A Fully Integrated Biopharmaceutical Company

Uni-Bio Group is a biopharmaceutical company focusing on diabetes and related metabolic disorders, dermatology and ophthalmology. From research and development ("**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 2019, the group has launched 4 products into the market, namely GeneTime®, GeneSoft®, Pinup® and Bokangtai.

KEY ACCOMPLISHMENTS IN 2019

A significant increase in turnover of GeneTime® products

The Group continued to promote its proprietary product GeneTime® (EGF spray indicated for wound healing), which has been well received by the market as a dermatological drug for healing burns and assisting wound healing. As of 31 December 2019, sales of GeneTime® reached approximately HK$128 million, representing a significant increase of 103.2% YoY. In fact, the sales of GeneTime® and GeneSoft® (EGF-derivative eye drop indicated for corneal damage and postoperative healing), both of which are the Group's proprietary products, recorded a significant increase during the Year. Being the proprietary products of the Group, the Group will continue to explore further market opportunities of the products.

Signed a letter of intent to co-construct healthcare facilities used for chronic disease management in the Greater Bay Area

In June 2019, the Group signed a letter of intent for strategic cooperation framework with Kai Ping Shi Jian Bao Zhen Tourism Development Company Limited, regarding the cooperation of the construction and operation of a chronic illness rehabilitation base and related healthcare facilities, along with the provision of chronic disease management services. The agreement is expected to directly benefit the long-term sales of the Group's chronic disease products, especially the soon-to-be-launched rExendin-4 ("**Uni-E4**") and rhPTH (1-34) ("**Uni-PTH**") used in the treatment of diabetes and osteoporosis, respectively.

Uni-PTH (Teriparatide) high-precision industrialization project approved by Zhongguancun Science Park Management Committee

According to "The Announcement on High-precision Industry Cultivation Projects in Zhongguancun Demonstration Zone Park" issued by the Committee in May 2018, the selected units may receive financial support with a total amount of not more than RMB30 million annually for up to three years consecutively. Upon the approval of the project, the Group has since received the first installment of government support funds in April 2019, and is intended to utilize the funding to support the optimization and upgrades of the product's production line, the protection of independent intellectual property rights and major core technologies, as well as market promotion in order to prepare for its official launch and realize its social value in time. The approval and the respective financial support all point to the fact that the industrialization project has important clinical significance and commercial potential.

Formed a long-term cooperation relationship with Hong Kong strategic investor with state-owned background

During the Year, the Group had successfully completed a private placement of HK$30 million of new shares to a new strategic investor – CHMT Peaceful Development Fund Management Limited, which is a multi-strategy fund with worldwide investments in both private and public markets with an asset under management (AUM) of more than USD5 billion. After a comprehensive review of the Group's R&D and innovation capability, business operation, corporate governance and positive stock price performance in the past year, the fund decided to subscribe to a total of 215,800,000 shares, accounting for 3.37% of the Company's issued equity with a one-year lockup period. The proceeds from the placement will be used as the initial capital to progress three new corporate development projects towards the next stage, with hopes to further strengthen the Group's portfolio coverage.

Products being included in the latest National Medical Insurance Catalogue for 2019 for the second time

According to the Catalogue of Drugs for National Basic Medical Insurance, Work Injury Insurance and Maternity Insurance (2019 Version) published by the National Healthcare Security Administration and the Ministry of Human Resources and Social Security on 20 August 2019, Triazole, recombinant human epidermal growth factor, along with glinides class products of the Group, were once again being included in the latest National Medical Insurance Catalogue, which has come into effect on 1 January 2020. The market potential of the major products sold by the Group, namely GeneTime® (a patented biopharmaceutical recombinant human epidermal growth factor external solution (I)), Pinup® (Voriconazole Tablet, a patented chemical) and Bokangtai (Mitiglinide calcium tablets), are expected to have significant and sustainable growth in the near future.

R&D and Pipeline Progress

During the Year, the Group continued to invest in the R&D of innovative and proprietary products with high potential in order to deliver significant commercial value to its business. It has identified three therapeutic areas to focus on, namely endocrinology, ophthalmology and dermatology. The Group was progressing well on the newly-patented drugs below:

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 (liquid)	Type 2 Diabetes	✔	CTE	CTE	CTE		

Note: CTE, the 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, the new drug can be exempted from Phase I/II/III clinical trial.

Product	Indication	Status	Remark
Endocrinology			
Acarbose	Type 2 Diabetes	The Group is currently preparing for the submission of additional supplementary documents, and expects to obtain the drug registration approval number in the second half of 2020	Co-developed with Beijing Baiao Pharmaceutical Co., Ltd.
Bokangtai	Type 2 Diabetes	Bokangtai is currently undergoing BE study	Co-developed with Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
Infectious Disease			
Pinup®	Fungal infection	All the consistency assessment have been completed, and the materials were submitted to the National Medical Products Administration ("**NMPA**") in August 2019. Expects to obtain the consistency assessment certification in the second half of 2020	

Uni-PTH

Uni-PTH (a recombinant human parathyroid hormone 1-34 analogue), a proprietary product that is under R&D of the Group, is effective in treating osteoporosis and bone pain, increasing bone density and reducing the risk of bone fracture. Currently, the drug is the only class of anabolic agent which can actively increase bone density and reduce the chance of vertebral and hip fractures by stimulating osteoblasts activity. Uni-PTH is also one of the few fully-biological expressed parathyroid hormone analogue in the world, which has very limited competition in the PRC market.

In April 2019, the Group received a notification letter from the Center for Drug Evaluation ("**CDE**") of National Medical Products Administration, requesting the submission of supplementary drug information of the Uni-PTH powder injection (the "**Supplementary Notification**") which was being submitted in December 2019. According to the latest schedule, the Group expects the Uni-PTH lyophilised powder injection to be launched in the second half of 2020 after obtaining the drug registration approval.

Pinup®

Pinup® (Voriconazole oral tablet) is a major drug for the treatment of severe fungal infections. As the first-line treatment recommended by clinical guidelines, it is widely used for immunocompromised patients with indications such as oncology, haematology, respiratory disease and ICUs, etc. According to IMS statistics, the market size for China's anti-fungal medicine in 2017 was amounted to RMB4.9 billion, of which Voriconazole was accounting for the biggest market share of 50%, while the oral form of Voriconazole was accounting for 35% of the Voriconazole total sales.

In order to meet the national requirements for improving the quality of generic drugs, the Group launched the quality advancement and therapeutic effect consistency assessment experiment in 2018. At present, the Group has completed all the consistency assessment experiments, and has submitted the materials to the National Medical Products Administration ("**NMPA**") in August 2019. The Group expects to obtain the consistency assessment certification in the second half of 2020. By completing the consistency assessment, the Group will be in a better position to enter into the supplier list for the centralised drug procurement, competing with a limited number of competitor products that have also passed the consistency assessment. The Group aims to achieve a larger market share by providing products with the same therapeutic effect and quality at a more affordable price.

Boshutai®

Boshutai® (Acarbose tablet) is an oral anti-diabetic drug targeting patients with pre-diabetes condition who need to be treated early, or those with poorly-controlled post prandial hyperglycemia. Acarbose tablet is especially suitable for Asians' carbohydrate-rich diet. The NMPA has officially accepted the Group's application for registering Boshutai® as a Category IV chemical drugs in January 2019, and a notification letter for supplementary information was issued by CDE in October 2019. The Group is now preparing the submission of the supplementary information, and expects to obtain the drug registration approval number in the second half of 2020. To make it stand out among the competing drugs within the centralized drug procurement programme, the Group will look to further optimize its cost structure through internal control and external partnership, as the leaner cost structure should in turn offer the Group competitive advantage in market penetration with limited marketing input, effectively boosting market share.

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. Its active ingredient is recombinant Exendin-4 (rExendin-4). In 2016, GLP-1 receptor stimulating agents recorded a global sales of US$6.9 billion, accounting for 10% of the anti-diabetic drug market. Yet, GLP-1 currently accounts for only 1% of the domestic market due to the lagging market introduction as a result of its relatively late entry into the PRC market, representing huge growth potential in the future.

Our Uni-E4 product is the first fully biologically expressed GLP-1 agent in the world. Although the biological expression of Uni-E4 has the same primary structure sequence as the chemically synthesized Exenatide, it is more similar to natural GLP-1 existing in living body in terms of secondary structure, with a more complete and stable biologically spatial structure, leading to potentially better efficacy and safety. Due to its higher technical requirement, it will not be easily copied, enjoying greater advantages in separate pricing, price support (as it will not be included in the procurement for chemical drugs with specific volume) and market entry as compared with other chemically synthesized Exenatide. It also enjoys the benefits from stable supply and costs as no externally purchased active pharmaceutical ingredients are required. With its unique biological expression manufacturing process along with its advantages in costs and price, Uni-E4 has the potential of becoming a leading competitor of the GLP-1 drugs in the blue ocean market of China. In addition, the liquid formulation developed by the Group is compatible with safe and efficient injection pens for multiple uses without reconstitution, offering greater convenience as compared with the powder formulation.

Currently, the project is under development as scheduled. The CDE has accepted the Group's application for bridging trial of the new Uni-E4 pen injection formulation in December 2019. The Group expects the bridging clinical research of the Uni-E4 injection to begin in 2020, and the drug will be launched after the completion of registration with the NMPA as soon as 2022.

RESULTS OVERVIEW

For the Year under review, the Group recorded a turnover of HK$ 209.4 million, representing a surge of approximately 54.9% YoY (2018: HK$135.3 million). The increase in turnover was mainly attributable to the significant sales growth of GeneTime® and the rebound in sales of Pinup®.

Cost of sales for the Year increased proportionally by 58.2% from HK$17.7 million in 2018 to HK$27.9 million in 2019. Gross profit was at HK$181.5 million, representing an increase of 54.30% as compared with approximately HK$117.6 million for 2018, mainly driven by the increase in revenue. On the contrary, gross profit margin remained stable at 86.7% (2018: 86.9%). Alongside our efforts on restructuring and reorganizing our direct sales team in order to achieve greater efficiency, the Group has appointed an increasing number of market agencies over the Year, leading to the increase in sales and distribution cost by 28.8% to HK$149.3 million (2018: HK$116.0 million).

The Group recorded a profit of HK$2.5 million with a basic earnings per share of HK0.04 cents, marking a turnaround from a loss of HK$138.6 million or a basic loss per share of HK2.24 cents in 2018.

Marketed drugs sales

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® reached HK$128 million, representing an increase of 103.2% from approximately HK$63.0 million in 2018, mainly due to the effective adjustment in marketing strategy. Specifically, the Group's 15ml GeneTime® was particularly favored by the market, with its sales volume showing a significant increase during the Year. The Group has since initiated two new research projects in November 2019 on this drug line, which are expected to expand the application of GeneTime® to new patient groups, further solidifying its market competitiveness.

GeneSoft®

GeneSoft®, mainly used for the treatment of corneal ulcer in the field of ophthalmology, has recorded a stable growth in revenue from approximately HK$27.1 million to HK$30 million, representing an increase of 10.7% for the Year. 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® to its existing domestic hospital network. Leveraging the vast network of CR Zizhu, revenue from this product witnessed a considerable growth, meaning that such strategic move has come to fruition and has since reflected on the Group's revenue.

Pinup®

Tailored to treat severe fungal infection, the Group's self-developed chemical pharmaceutical product Pinup® (Voriconazole tablets) has recorded a significant increase in revenue during the Year, as revenue surged by 58.2% from approximately HK$29.4 million to approximately HK$46.5 million in 2019. The increase was mainly attributable to a new strategy introduced by our partner, as well as the positive reaction from the market regarding the good progress of the BE study, significantly driving sales volume and offsetting the negative price impact from last year. The Group remains optimistic for obtaining the consistency assessment certification for the product in the second half of 2020. Since the consensus evaluation and BE study on Pinup® is about to be completed, it is expected that there will be stronger growth from this product when comparing with other similar products that are not involved in the BE clinical testing process.

Bokangtai

The Group's newly-launched product Bokangtai (Mitiglinide tablets) is a new diabetes drug for oral administration, focusing on the treatment of Type 2 diabetes. Being included in the National Reimbursement Drug List in 2017, Bokangtai enjoys enormous market potential, and the Group has been investing more resources to expand its sales channels in order to secure additional market share. During the Year, revenue from Bokangtai increased slightly by 4.5% from HK$4.3 million to approximately HK$4.5 million, with three more provinces being added to its distribution network, namely Guangxi, Guizhou and Xinjiang provinces. Since its inclusion in the Medical Insurance Catalogue by the Group in 2017, Bokangtai was able to enter into a total of 16 provincial and municipal medical insurance catalogues. The Group believes that revenue contribution from the product will continue to grow after the production process qualifications are transferred to the Group in 2021, and the profit of this product is expected to increase substantially.

FINANCIAL PERFORMANCE REVIEW

Revenue

Sales Developments

For the year ended 31 December 2019, as sales of GeneTime® reported a more-than-double growth, the Group recorded a total turnover of approximately HK$209.4 million, representing a surge of approximately 54.9% 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$158 million in sales, representing a significant uptick of approximately 54.6% when compared to last year and accounted for 76.5% of total sales for the Year.

Proprietary Chemical Pharmaceutical Products

The Group's chemical pharmaceutical products include Pinup® (Voriconazole tablets which is tailored to treat severe fungal infection) and Bokangtai (Mitiglinide tablets, which was launched by Uni-Bio Group in 2017 to treat Type 2 diabetes). During the Year, the segment achieved a turnover of HK$51.0 million, with Pinup® and Bokangtai contributing a sales of HK$46.5 million and HK$4.5 million respectively. Specifically, Pinup® has completed all the consistency assessment experiments during the Year, and is anticipated to officially pass the consistency assessment by second half of 2020. The Group expects to achieve larger market share after completing the relevant consistency assessment.

Gross Profit and Gross Profit Margin

During the Year, gross profit was approximately HK$181.5 million, representing an increase of 54.3% as compared with approximately HK$117.6 million for 2018. The significant increase in gross profit was mainly led by the increase of revenue generated from our major products. Gross margin remains stable at 86.7% (2018: 86.9%).

Selling and Distribution Expenses

During the Year, selling and distribution expenses recorded an increase from approximately HK$116.0 million in 2018 to approximately HK$149.3 million in 2019; if by percentages, it has significantly shrank from 85.8% of total revenue in 2018, to 71.3% of total revenue in 2019. The decrease was mainly attributable to the structural adjustment made by the Group to its sales team and distribution strategies, in which the Group focused more on expanding its direct sales channels, establishing close relationship with more hospitals, and forming strategic partnerships, such as that with Lyomed signed in January 2019. The Group found its strategy run well and has since reflected on the noticeable increase in sales revenue. With the solid distribution network, the Group expects the sales of various products will grow exponentially, and as a result, the percentage of selling expenses to revenue will continue to drop to an increasingly reasonable level.

Research and Development Expenses

R&D expense in 2019 was approximately HK$42.7 million, representing a slight decrease of 3.3% from HK$44.2 million in 2018. In terms of percentage to revenue, R&D expenses decreased from 32.7% in 2018 to 20.4% in 2019. The Group continued to conduct several R&D projects in 2019, including Uni-E4 and Uni-PTH, and the BE study of Acarbose and Pinup®. Seeing the vast potential in GeneTime® and GeneSoft®, the Group will invest more R&D resources on the two products. The Group will also stick to its strategic focus on metabolic and 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 also saw a decrease during the Year, decreasing from HK$74.8 million in 2018 to HK$59.4 million in 2019, representing a decline of 20.6%. Specifically, the Group has undergone a management reorganization earlier in 2019, in which the Group's organization structure has changed from a divisional organization structure to a functional organization structure with specific business units. This has led to additional savings and efficiencies by combining supporting functions, such as finance, human resource, administration, and IT, into one. The Group also had a significant change in its IT infrastructure, as all severs and IT support have been relocated from Hong Kong to Beijing, leading to further savings.

Gain on disposal of property, plant and equipment

During the Year, the Group has recorded a gain on disposal of property, plant and equipment of RMB46.4 million, as a result of WTGL Disposal of RMB60 million which shall be settled in three phases. As at 25 March 2019, the Company received RMB36 million after the completion of the first phase. Another RMB12 million was received as at 31 December 2019, save for WTGL having completed the WTGL Split-off and the WTGL Land and Property Rights Completion having taken place, the other remaining conditions precedent to the WTGL Sale Shares Completion have yet been fulfilled. In particular, the transfer of the titles and land use rights of the WTGL Land and property rights of the buildings constructed on the WTGL Land has taken more time than the parties have originally expected.

Other Income

Other income for the Year was approximately HK$20.2 million, indicating an increase of 173% when compared with the HK$7.4 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 product development. During the Year, the Group received government funding and tax exemptions to support the R&D and commercialization of the Group's projects, amounting to a total of HK$12.5 million (2018: HK$3.3 million). The financial support continues to be an important recognition from the government over the Group's research and innovation capability.

EBITDA and Profit for the Year

As compared with the negative EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) of approximately HK$107.9 million for the year ended 31 December 2018, the Group recorded a positive EBITDA of approximately HK$28.4 million as at 31 December 2019. As compared with the net loss of approximately HK$138.6 million for the year ended 31 December 2018, the Group recorded a profit of approximately HK$2.5 million as at 31 December 2019. The turnaround was attributable to a number of factors, including: i) the Group's continuous effort in sales team, direct sales channel and marketing strategy optimization, as sales performance of major products have recorded a double-digit increase as compared to last year, ii) a variety of the Group's R&D projects have received government support, totaling HK$12.5 million for the Year, iii) significant reduction in G&A cost due to company restructuring, and iv) a one-time gains of HK$65.1 million arose from the transaction in relation to disposal of subsidiaries of the Group, and land and property rights, which was set out in the announcement dated 25 March 2019.

PROSPECT

Outlook

China's pharmaceutical market has been constantly growing in recent years, and is estimated to reach $161.8 billion in size by 2023, or 30% of the global market. A recent report from Equal Ocean also showed that, in 2018, China's medical startups has attracted a total investment of $2.7 billion, taking up 7.1% of global investment. The figure then doubled to $4.5 billion, or 11.6% in 2019, all pointing to a vibrant and growing market in the future.

Over the past five years, China's pharmaceutical industry has slowly shifted its focus from generic drugs, to the development of original and innovative treatment. Aiming to become a leader in original treatment, the Group has been investing lots of R&D resources in metabolic long-term diseases such as diabetes and osteoporosis, as well as epidermal growth factors. The development strategy is also supported by a series of favourable policies, including the reform of registration and classification of chemical drugs, the pilot system of Marketing Authorization Holder, the priority review arrangement of innovative drugs, patent compensation, and protection of drug test data etc.

Capture opportunities from the increasing prevalence of chronic diseases

According to the National Health Commission of the People's Republic of China, as of the end of 2018, there were 250 million of elderly people aged over 60 years with far-from-ideal health status. The proportion of elderly people suffering from more than one chronic disease in China is as high as 75%, demonstrating the urgent needs of suitable and sufficient healthcare. To capture such opportunity, the Group had entered into a non-legally binding letter of intention for an exclusive cooperation framework agreement with Kai Ping Shi Jian Bao Zhen Tourism Development Company Limited. The Project is a nature wellness tourism project that integrates regimen, elderly care, and leisure tourism facilities. Pursuant to the letter, the Group will provide healthcare-related services for patients diagnosed with chronic diseases, and may set up and operate hospitals/clinics within the project area especially in the fields of diabetes and osteoporosis, in order to support the phase I and phase IV clinical trials of the Group's future research. Through such exercise, the Group is expected to gain specific technical knowhow in these therapeutic areas, leading to the capability of developing better, and more profitable products in the future. The development of the Group's Uni-E4 and Uni-PTH are also expected to benefit from this project.

Actively source and solidify relationship with strategic partners

There is an increasing number of secondary market investors who are interested in pre-revenue biotech companies after the approval of the chapter 18A listing rule of the HKEX last year. Since then, the Group had successfully completed a private placement with CHMT on 6 August 2019. The Group will look to closely collaborate with CHMT in order to realize any potential synergies, while setting an example in welcoming future strategic partners.

To counter the effect of the 4+7 pilot programme, the Group is also looking for strategic partners particularly on generic products in order to optimize manufacturing cost. The Group believes that by leveraging the expertise of strategic partners, the Group will be able to streamline and lower manufacturing cost, in turn, yielding a higher competitive advantage for products such Acarbose. In particular, the global Acarbose market is valued at approximately USD131.1 million in 2020, and is expected to enjoy a CAGR growth of 2.8%, reaching approximately USD159.4 million by the end of 2026. This paints an optimistic outlook for the product which the Group looks to capture.

On product development, the Group will continue to monitor the progress of its applications closely. With the support from its strategic partners, the Group is expected to start next phase of R&D of Uni-E4, Uni-PTH, GeneTime®, GeneSoft® and Boshutai®, further strengthening the Group's competitive advantage and creating long-term value for our shareholders. The Group will also look to further optimize its sales team in order to maximize efficiency and reduce costs through partnering with high quality third parties.

Liquidity and Financial Resources

As at 31 December 2019, the Group's bank deposits, bank balances and cash amounted to approximately HK$87.2 million. The Group had total assets of approximately HK$296,453,000 (as at 31 December 2018: HK$258,916,000), and current assets of approximately HK$192,469,000 (as at 31 December 2018: HK$102,531,000), while current liabilities were at HK$51,440,000 as at 31 December 2019 (as at 31 December 2018: HK$39,479,000). The total current liabilities to total assets ratio is 18.4% (as at 31 December 2018: 15.7%). 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 Nil as at 31 December 2019 (as at 31 December 2018: 6.7%).

On 22 July 2019, arrangements were made for a private placement to an independent private investor of 215,800,000 ordinary shares of HK$0.01 each, at a price of HK$0.139 per ordinary share, representing a proportion of approximately 3.37% of the total of the Company's ordinary share on 22 July 2019. The proceeds were used to provide additional working capital for the Company. Company has strong cash reserve to maintain the operation.

Employment and Remuneration Policy

As of 31 December 2019, the Group employed 288 staff in both mainland and HK, 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.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (For the year ended 31 December 2018: Nil).

AUDIT COMMITTEE

The audit committee currently comprises the three independent non-executive Directors, namely Mr. Chow Kai Ming, Mr. Ren Qimin and Mr. Ma Qinshan. The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019.

The Company's auditor Deloitte Touche Tohmatsu 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 2019.

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 2019.

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

On 25 March, 2019, the Group discontinued one of its research and development operations at the time of disposal of its subsidiaries, Figures Up Trading Ltd and its subsidiaries. Details of which were disclosed in the circular of the Company dated 21 September 2018

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

During the year ended 31 December 2019, 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 2019, the total number of issued shares of the Company was 6,410,768,147. 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. On 22 July 2019, arrangements were made for a private placement to an independent private investor of 215,800,000 ordinary shares of HK$0.01 each, at a price of HK$0.139 per ordinary share, representing a proportion of approximately 3.37% of the total of the Company's ordinary share on 22 July 2019. The proceeds were used to provide additional working capital for the Company.

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 2019 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, 31 March 2020

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Kingsley Leung (Chairman), Mr. Chen Dawei (Vice-Chairman) and Mr. Zhao Zhi Gang; one non-executive Director, Mr. Yau Kwok Wing Tony; and three independent non-executive Directors, namely, Mr. Chow Kai Ming, Mr. Ren Qimin and Mr. Ma Qingshan.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	3	**209,449**	135,258
Cost of sales		**(27,932)**	(17,657)
Gross profit		**181,517**	117,601
Other income	5	**20,193**	7,428
Other gains and losses		**(1,248)**	(1,703)
Selling and distribution costs		**(149,338)**	(115,989)
General and administrative expenses		**(59,393)**	(74,799)
Research and development costs		**(42,702)**	(44,174)
Equity-settled share-based payment expenses		**(8,344)**	(8,550)
Impairment losses on intangible assets		**–**	(14,400)
Impairment losses on property, plant and equipment		**–**	(3,600)
Gains on disposal of subsidiaries	12	**18,777**	–
Gains on derecognition of investment properties, right-of-use assets and property plant, and equipment	13	**46,427**	–
Finance costs		**(749)**	(247)
Profit (loss) before taxation	6	**5,140**	(138,433)
Income tax expense	7	**(2,681)**	(134)
Profit (loss) for the year		**2,459**	(138,567)
Other comprehensive expense			
Item that may be reclassified subsequently to profits or loss:			
Exchange differences arising on translation on foreign operations		**(1,101)**	(11,386)
Other comprehensive expenses for the year		**(1,101)**	(11,386)
Total comprehensive income (expenses) for the year		**1,358**	(149,953)
Earnings (loss) per share *(HK cents)*			
Basic	8	**0.04**	(2.24)
Diluted	8	**0.04**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	**2019** **HK$'000**	2018 HK$'000
Non-current assets			
Property, plant and equipment		**42,320**	54,620
Investment properties		**9,300**	24,350
Right-of-use assets		**9,333**	–
Prepaid lease payments		**–**	10,062
Intangible assets		**33,900**	39,971
Deposits paid for the acquisition of property, plant and equipment		**1,926**	3,331
Deposits paid for the acquisition of intangible assets		**7,205**	6,050
		103,984	138,384
Current assets			
Inventories		**13,338**	18,517
Trade and other receivables	10	**78,536**	45,967
Amount due from a related party		**13,397**	–
Prepaid lease payments		**–**	794
Time deposits		**21,000**	7,000
Bank balances and cash		**66,198**	31,786
		192,469	104,064
Current liabilities			
Trade and other payables	11	**30,515**	11,386
Contract liabilities		**19,650**	12,434
Income tax payable		**3,317**	2,213
Lease liabilities		**1,117**	2,213
Bank borrowings		**–**	13,447
		54,599	39,480
Net current assets		**137,870**	64,584
Total assets less current liabilities		**241,854**	202,968
Non-current liability			
Deferred tax liability		**404**	1,218
Net assets		**241,450**	201,750
Capital and reserves			
Share capital		**64,108**	61,800
Reserves		**177,342**	139,950
Total equity		**241,450**	201,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- Relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.655%.

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	9,455
Lease liabilities discounted at relevant incremental borrowing rates	8,372
Lease liabilities as at 1 January 2019	8,372
Analysed as	
Current	1,436
Non-current	6,936
	8,372

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	8,372
Reclassified from prepaid lease payments *(Note)*	10,856
	19,228

Note: Upfront payments for leasehold lands in PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$794,000 and HK$10,062,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should reflect the discounting effect at transition. No adjustment was made on refundable rental deposits paid as the discounting effect on refundable rental deposits paid at transition is minimal. Therefore, there is no material impact of applying HKFRS 16 as a lessor on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement of profit and loss and other comprehensive income and cash flow for the year ended 31 December 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustment	**Carrying amounts under HKFRS 16 at 1 January 2019**
	HK$'000	*HK$'000*	***HK$'000***
Non-current Assets			
Prepaid lease payments	10,062	(10,062)	**–**
Right-of-use assets	–	19,228	**19,228**
Current Assets			
Prepaid lease payments	794	(794)	**–**
Current Liabilities			
Lease Liabilities	–	1,436	**1,436**
Non-current Liabilities			
Lease Liabilities	–	6,936	**6,936**

There is no impact of transition to HKFRS 16 on a accumulated losses at 1 January 2019.

New and amendments to HKFRSs in issue but not yet effective

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material4
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after 1 January 2021

[2] 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

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be 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.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Groups' annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the consolidated financial position and performance of the Groups but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "**New Framework**") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;

- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Groups' annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the consolidated financial position and performance of the Groups but may affect the presentation and disclosures in the consolidated financial statements.

3. REVENUE

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 (2018: 90 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.

4. 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.

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 2019

	Chemical pharmaceutical products *HK$'000*	Biological pharmaceutical products *HK$'000*	Pipeline products *HK$'000*	Consolidated *HK$'000*
Segment revenue				
External sales	**51,071**	**158,378**	**–**	**209,449**
Result				
Segment (loss) profit	**(20,109)**	**15,152**	**(39,165)**	**(44,122)**
Other income (excluding royalty income)				**16,981**
Equity-settled share based payment expenses				**(8,344)**
Unallocated administration expenses				**(23,830)**
Finance costs				**(749)**
Gains on disposal of subsidiaries				**18,777**
Gains on derecognition of investment property and right-of-use assets and property, plant and equipment				**46,427**
Profit before taxation				**5,140**

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)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. 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.

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Interest on bank deposits	**813**	1,078
Rental income	**1,674**	2,652
Royalty income	**3,212**	–
Government grants *(note)*	**12,546**	3,375
Service income	**1,269**	–
Sundry income	**679**	323
	20,193	7,428

Note: During the year ended 31 December 2019, the Group received government grants amounted to RMB 11,054,000 (approximately HK$12,546,000) as subsidies for research and development expenditures already incurred and the conditions have been fulfilled upon the grant. (2018: RMB2,865,000 (approximately HK$3,375,000));

6. PROFIT(LOSS) BEFORE TAXATION

	2019	2018
	HK$'000	*HK$'000*
Profit (loss) before taxation is arrived at after charging:		
Staff costs (including directors' emoluments)		
Salaries, wages and other benefit	**45,230**	54,097
Retirement benefit scheme contribution	**7,400**	11,131
Equity-settled share-based payments	**8,093**	8,324
	60,723	73,552
Equity-settled share-based payments to consultants	**251**	226
Amortisation of intangible assets	**6,016**	6,245
Depreciation of property, plant and equipment	**12,609**	14,675
Depreciation of right-of-use assets	**2,862**	–
Less: Depreciation included in research and development costs	**(6,303)**	(5,079)
	15,184	15,841
Amortisation of prepaid lease payments	**–**	835
Auditor's remuneration	**2,619**	1,950
Cost of inventories recognised as an expense	**27,932**	17,657
Operating lease rentals in respect of offices	**–**	3,852
Research and development costs	**42,702**	44,174
After crediting:		
Property rental income less outgoing	**1,674**	2,210

7. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
PRC Enterprise Income Tax ("**EIT**")		
– Current year	**3,467**	–
– Under-provision in prior years	**36**	290
	3,503	290
Deferred taxation		
– Current year	**(822)**	(156)
	2,681	134

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% (2018: 15%) for the years ended 31 December 2018 and 2019.

8. EARNING (LOSS) PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Earnings (Loss)		
Profit/(Loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	**2,459**	(138,567)

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**6,278,443**	6,175,911
Effect of diluted potential ordinary shares:		
Options	**845**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**6,279,288**	6,175,911

9. DIVIDEND

No dividend was paid, declared or proposed during 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**52,929**	37,618
Less: Allowance for credit losses	**(2,937)**	(2,697)
	49,992	34,921
Bill receivables	**21,088**	4,974
Rental deposits	**1,132**	1,229
Advance to staff	**799**	1,005
Prepayments	**3,536**	1,488
Other	**1,989**	2,350
	78,536	45,967

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:

	2019	2018
	HK$'000	*HK$'000*
0 – 90 days	**34,272**	17,831
91 – 120 days	**6,859**	1,647
121 – 180 days	**5,088**	8,655
181 – 360 days	**2,303**	4,796
Over 360 days	**1,470**	1,992
	49,992	34,921

11. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**1,802**	86
Accrued expenses and other payables:		
Payables for acquisition of equipment	**41**	1,072
Payables for research and development expense	**1,970**	2,139
Other tax payables	**2,989**	906
Accrued audit fee	**1,704**	1,833
Accrued payroll	**7,832**	5,350
Accrued selling expenses	**9,867**	–
Amount due to a related party	**1,712**	–
Professional fee accruals	**609**	–
Others	**1,989**	–
	30,515	11,386

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

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**1,098**	46
31 – 60 days	**80**	40
61 – 90 days	**65**	–
Over 90 days	**559**	–
	1,802	86

12. DISPOSAL OF SUBSIDIARIES

On 25 March 2019, the Group disposed of an indirect wholly owned subsidiary, Figure Up Trading Limited, and its subsidiary at a consideration of RMB40,000,000 (equivalent to HK$46,806,000) to Greater Bay (R&D) Capital Limited ("**Greater Bay R&D**"), which resulted a gain on disposal of subsidiaries of approximately HK$18,777,000. Figure Up Trading Limited is an investment holding company and its major subsidiary, Dongguan Taili Biotech Co., Limited, is one of the research and development platforms of the Group responsible for the development of certain drug pipeline. The directors of the Company have significant influence on Greater Bay (R&D).

The net assets of Figures Up Trading Ltd. and its subsidiaries at the date of disposal were as follows:

	HK$'000
Consideration received:	
Cash received	46,806

	25/03/2019
	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	612
Right-of-use assets	2,533
Trade and other receivables	459
Bank balances and cash	28,018
Trade and other payables	(1,060)
Lease liabilities	(2,533)
Net assets disposed of	28,029
Gain on disposal of subsidiaries:	
Consideration received	46,806
Gain on disposal	18,777
Net cash inflow arising on disposal:	
Cash consideration	46,806
Less: bank balances and cash disposed of	28,018
	18,788

13. DERECOGNITION OF INVESTMENT PROPERTY, RIGHT-OF-USE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

On 16 November 2017, The Group entered into an agreement with Greater Bay Capital Limited ("**Greater Bay Capital**") to transfer all the economic rights relating to the land use rights of and property rights of the buildings constructed thereon a land in Shenzhen (the "**Shenzhen Land and Property**") that is currently held by Shenzhen Watsin Genetech Limited ("**Shenzhen Watsin**"), an indirect wholly owned subsidiary of the Company at a consideration of RMB60,000,000 (equivalent to HK$68,100,000), subject to a series of completion conditions (the "**GBC agreement**"). The directors of the Company have significant influence on Greater Bay Capital.

On 25 March 2019, all of the conditions precedent under the GBC Agreement had been satisfied and Group ceased to have control over the Shenzhen land and property, which includes investment property, right-of use assets and property, plant and equipment amounting HK$15,208,000, HK$2,418,000 and HK$4,753,000 respectively. These assets were derecognised and a gain of HK$46,427,000 was recorded. The land and building are currently used for manufacture and sale of biological pharmaceutical products as at 31 December 2019.

	25/03/2019 *HK$'000*
Analysis of assets over which control was lost:	
Investment property	15,208
Right-of-use assets	2,418
Property, plant and equipment	4,753
Assets derecognised	22,379
Gain on derecogntion of investment property, right-of-use assets and property, plant and equipment:	
Fair value consideration received and receivable	68,100
Less: assets derecognised	(22,379)
Add: right-of-use assets retained	706
	46,427