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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of the Uni-Bio Science Group Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**” or “**Uni-Bio**”) is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020 (the “**1H2020**” or the “**Period**”) as follows:

HIGHLIGHTS FOR THE PERIOD ENDED 30 JUNE 2020

- Despite the decrease in revenue due to the COVID-19 outbreak in January to April, encouraging sales rebound was recorded in May and June 2020, underpinning the advantages and sustainable demand of the Group’s marketed products.
- General and administrative (“**G&A**”) as percentage of revenue decreased from 31% in 1H2019 to 29% in 1H2020. Selling and distribution expenses as percentage of revenue decreased by 12 percentage points from 75% to 63% in 1H2020.
- Net loss was substantially narrowed from HK\$21.0 million from the same period last year to HK\$11.5 million in 1H2020 when excluding the one-off gains of HK\$65.9 million from the disposal of subsidiary and material assets in 1H2019.
- Introduced three strategic partners, namely Sinopharm Weiqida, Yposmed and Medlinker to enhance our competitive advantages in production costs, product innovation and to accelerate online sales channel expansion.
- New product Boshutai® (“**Acarbose**”) is expected to launch to the market in 2H2020 or early 2021.
- Pinup® (voriconazole) had completed all the Bioequivalence (“**BE**”) experiments and BE certification is expected to obtain in 2H2020. Pinup is expected to become the second BE approved voriconazole in China.

* For identification purposes only

- 1st and 2nd generation Uni-PTH and Uni-GLP products met important development milestones over the period. The Group is exploring opportunities in antibody drug products in endocrine, dermatology and ophthalmology disciplines.
- Capacity expansion in Beijing is in plan to cope with the increasing demand for GeneTime® and GeneSoft®. The new production site is expected to launch production in 2023.

Key Financial Highlights

For the six months ended 30 June (Unaudited)

	2020	2019
Revenue (<i>HK\$'000</i>)	67,433	97,313
Gross profit (<i>HK\$'000</i>)	57,314	80,835
R&D expenses (including capitalised portion) (<i>HK\$'000</i>)	15,323	21,269
(Loss)/profit before taxation	(11,053)	45,982
 L/EBITA (<i>HK\$'000</i>)	 (1,101)	 58,041
 Gross profit margin (%)	 85.0%	 83.1%
R&D costs (including capitalised portion) to revenue (%)	22.7%	21.9%

As at 30 June/31 December

Cash ratio (<i>times</i>)	1.54	1.60
Current ratio (<i>times</i>)	5.29	3.53
Trade payable turnover days (<i>days</i>)	40	11
Trade receivables turnover days (<i>days</i>)	120	65
Inventory turnover days (<i>days</i>)	272	208
Debt-to-equity ratio (%)	13.2%	22.8%
Total assets turnover (%)	26.4%	70.7%

Unaudited financial figures based on reportable segment for the six months ended 30 June 2019 and 2020

	Period ended 30 June		
	2020	2019	Change
	HK\$'000	HK\$'000	
Revenue from sales of marketed pharmaceutical products	67,433	97,313	-30.7%
Cost of sales	(10,119)	(16,478)	-38.6%
Gross profit	57,314	80,835	-29.1%
Other net loss	(429)	(470)	-8.7%
Selling and distribution expenses	(42,549)	(72,891)	-41.6%
General and administrative and other expenses	(12,649)	(13,822)	-8.5%
Operating profit/(loss) from marketed biological and chemical pharmaceutical products	1,687	(6,348)	126.6%
Other income & other loss	5,583	21,685	-74.3%
Research and development costs	(8,075)	(17,784)	-54.6%
Other administration expenses	(6,925)	(11,264)	-38.5%
Finance costs	(271)	(595)	-54.5%
Equity-settled share based payment expenses	(3,052)	(6,222)	-50.9%
Loss from recurring business	(11,053)	(20,528)	-46.2%
Gains from disposal of a subsidiary	–	18,777	-100%
Gains from disposal of material assets	–	47,138	-100%
(Loss)/profit before taxation	(11,053)	45,387	-124.4%

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the beginning of 2020, in the face of the spread of COVID-19 epidemic, prevention measures were adopted throughout China, such as city lockdown, strict traffic control, delay in the resumption of work, suspension in hospitals and clinics. The National Health Commission data shows that there was a 40% decline in hospital visits across China (excluded Hubei province) in February. Third-class hospitals had the biggest hit with a more than 50% decline in patient volume. The Group's products including GeneTime[®], GeneSoft[®] and Pinup[®] were no exception. Turnover of the products was impacted by patient volume decrease in hospitals and dropped significantly in February, March and April 2020. Towards the end of April, hospitals started resuming normal services as the lockdown lifted and the sales of GeneTime[®], GeneSoft[®] and Pinup[®] started to pick up in May and June. Bokangtai[®], on the other hand, was affected in a positive way, as hospitals were encouraged to offer extra prescription medications to chronic disease patients during the outbreak to avoid medication disruption. Turnover of Bokangtai[®] recorded a strong growth during the Period.

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 30 June 2020, the group has launched 4 products into the market, namely GeneTime[®], GeneSoft[®], Pinup[®] and Bokangtai[®].

KEY ACCOMPLISHMENTS IN THE FIRST HALF OF 2020

GLP-1 Injection Clinical Trial Application was Successfully Approved by the National Medical Products Administration

The application for clinical trial of Recombinant GLP-1 Injection (“Uni-GLP”) had been approved by the National Medical Products Administration (“NMPA”) on 14 July 2020. As compared with the synthetic insulin secretagogue, the advanced structure of the recombinant insulin secretagogue expressed by such product is more similar to the human endogenous GLP-1, and has stronger ability to bind with the glucagon-like peptide-1 receptor (“GLP-1R”). The effectiveness of the drug in treatment of Type 2 diabetes has been well proven and recognized and it is the sole drug that can reduce weight, lower risk of hypoglycemia and increase β -cell regeneration. The Group is optimistic about the commercial value of the second-generation Uni-GLP and will carry out two clinical trials within the next 18 months, expecting to launch Uni-GLP in the market as early as 2023.

Built Strategic Partnership on Acarbose Industry Value Chain

In April 2020, the Group's wholly-owned subsidiary, Beijing Genetech Pharmaceutical Company Limited ("**Beijing BKJ**"), formed a strategic partnership with Sinopharm Weiqida Pharmaceutical Company Limited ("**Sinopharm Weiqida**") and Suzhou Yingli Medical Technology Company Limited ("**Suzhou Yingli**") to lower the production cost, increase manufacturing efficiency and streamline the overall supply chain of the Acarbose product (also known as "**Boshutai®**"). Suzhou Yingli is responsible for the early development of Acarbose active ingredient (API), Sinopharm Weiqida is responsible for Acarbose API industrialization development, manufacturing and supply, and as a result, Beijing BKJ will have at least 10 years of stable supply of Acarbose API for product commercialization. This collaboration facilitates Boshutai® to become a future winner of the national drug volume-based procurement with its stable and quality manufacturing capability as well as significant cost advantages in raw material supply.

Co-developed Second-Generation Diabetes and Osteoporosis Products with a Swiss Company

In May 2020, the Group's wholly-owned subsidiary, Beijing Genetech Pharmaceutical Company Limited ("**Beijing BKJ**") started a partnership with Swiss company Ypsomed to co-develop an innovative pre-filled injection pen for the Group's pipeline products, namely Uni-GLP and parathyroid hormone (PTH) analogue ("**Uni-PTH**"). YpsoPen® is a Chinese NMPA approved product, and is widely used to facilitate insulin delivering and other multidose therapies. The collaborating with YpsoPen® provides an innovative delivering method for GLP-1 and PTH. Such convenient and efficient way for patients to receive treatments anywhere, anytime is a strong advantage in the modern day busy life. The Group is expected to be the first company in the PRC to launch GLP-1 and PTH product with YpsoPen®.

Expanded Value Chain Towards Pharmaceutical E-commerce

The Group's wholly-owned subsidiary Shenzhen Watsin Genetech Limited ("**Watsin**") partnered with Chengdu Medlinker Technology Company Limited ("**Medlink**") to co-develop digital marketing and pharmaceutical e-commerce platform for the Group's products on 14 May 2020. GeneTime® is the first product of the Group to be introduced to this new channel. On top of traditional e-commerce, the collaboration with Medlink encompasses multiple disciplines including smart healthcare, disease management, patient and clinical practitioner education, academic marketing, healthcare big data, and drug tracing system, to create an integrated healthcare service platform. The social distancing and travel limitations brought by the COVID-19 outbreak have greatly changed the behavior of patients and consumers. The demands for online medical consultation and pharmacies have increased since then and the Group has taken proactive steps to pioneer new business models. The Group believes that the collaboration will become a strong future driver of GeneTime® sales as well as other products in the future.

R&D and Pipeline Progress

During the Period, the Group continued to invest in the R&D of proprietary products. Our key focuses are therapeutic products in endocrinology, ophthalmology and dermatology. Currently, the Group focuses on developing new patented biopharmaceutical products and certain high-value generic products to create a balanced portfolio catering the demands in the China market.

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-GLP (liquid)	Type 2 Diabetes	✓	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.

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.

The Group's powder form Uni-PTH product is on track for product launch. In April 2019, the Group received a notification letter from the Center for Drug Evaluation (“CDE”) of NMPA, requesting the submission of supplementary drug information of the Uni-PTH powder injection (the “**Supplementary Notification**”). With supplementary information submitted in December 2019, the Group expects the registration approval of Uni-PTH lyophilised powder injection shall soon be obtained and the product is expected to launch in the first half of 2021. In addition, the development of liquid form Uni-PTH is also progressing smoothly. Application of clinical trial exemption was submitted in April 2020 to accelerate the registration of the product.

Uni-GLP

The Group's GLP-1 product is the first biologically expressed GLP-1 agent in the world. Although the biological expression of GLP-1 has the same primary structure sequence as the chemically synthesized Exenatide, it is more similar to the 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, the product will not be easily copied, enjoying greater advantages in pricing, price support (as it will not be included in the national volume-based procurement for chemical drugs) and entry barrier as compared with chemically synthesized Exenatide. The product also enjoys the benefits from stable active pharmaceutical ingredients supply and costs as no external procurement is required. With its clinical advantages and its advantages in costs and pricing, GLP-1 has the potential of becoming a leading product 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.

NMPA approved the clinical trial application of Uni-GLP on 14 July 2020. The Group is going to carry out bridging clinical research and phase III clinical trials directly in 2H2020, expecting a launch to market as early as 2023.

High Value Generic Products and Bioequivalence Studies

Product	Indication	Status	Remark
Endocrinology			
Acarbose	Type 2 Diabetes	All the consistency assessments have been completed, and the materials were submitted to the NMPA in Jan 2019, expecting market approval in the second half of 2020	Co-developed with Beijing Baiao Pharmaceutical Co., Ltd.
Bokangtai®	Type 2 Diabetes	Bokangtai® is currently undergoing bioequivalence ("BE") study	Co-developed with Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
Infectious Disease			
Pinup®	Fungal infection	All the consistency assessments have been completed, and the materials were submitted to the NMPA in August 2019, expecting the BE certification in the second half of 2020	

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 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 Center for Drug Evaluation (“CDE”) in October 2019. Production site audit was completed in July 2020 and Boshutai® is scheduled to be launched within 3–6 months after the completion. To compete with competitors in the national volume-based procurement program, the Group partnered with Sinopharm Weiqida and Suzhou Yingli to lower its manufacturing cost and optimize its cost structure. The management believes that cost leadership is the key for generic drugs to succeed in the PRC market.

Bokangtai®

Bokangtai® (Mitiglinide) is a new, potentially best-in-class oral anti-diabetic agent which belongs to the glinides class of blood glucose lowering compounds. It has been shown to improve postprandial hyperglycemia in patients with Type 2 diabetes and has received New Drug Approval as a first and/or second line of treatment for the disease from the NMPA.

Currently, BE experiments are being conducted in collaboration with Jiangsu Hansoh Pharmaceutical Group. The Group expects to submit the results to the NMPA at the end of 2020 and obtain the BE certification in the second half of 2021. If Bokangtai® passes the BE, it will further enhance its competitiveness, and become the first Mitiglinide to be BE certified in the market, therefore enjoying enormous market potential.

Pinup®

Pinup® (voriconazole) takes action through blocking the growth of the cell wall. The fungus will consequently die thereafter. Pinup® is administered twice daily and is mainly used in immune compromised patients after chemotherapy or organ transplants. Pinup® has a strong competitive profile and was recently reformulated to further improve its shelf-life stability to three years.

In order to meet the national requirements for improving the quality of generic drugs, the Group launched the quality advancement and therapeutic effect BE experiment in 2018. The Group had completed all the BE experiments, and had submitted the results to the NMPA in August 2019. The Group expects to obtain the BE certification in the second half of 2020. The Group also completed clinical audit, production audit, and is waiting for the official approval. If Pinup® passes the BE, it will most likely protect its price due to limited number of competitors currently in the market. The Group aims to achieve a larger market share by providing products with the same therapeutic effect and quality at a more affordable price.

RESULTS OVERVIEW

During the Period, the Group recorded a turnover of HK\$67.4 million, representing a plunge of approximately 30.7% year-on-year (first half of 2019: HK\$97.3 million). The decrease in turnover is mainly attributable to substantial decrease in sales recorded from February to April due to the limited hospital services and decrease patient flow during the Covid-19 pandemic. The decrease was partly offset by the sales rebound in May and June, which exceeded the monthly performance of the same period of last year.

Sale Performance (HK\$ million)

	For the six months ended 30 June		
	2020	2019	Change
January	7.70	10.90	–29.4%
February	5.10	18.10	–71.8%
March	7.30	18.90	–61.4%
April	12.40	17.20	–27.9%
May	16.20	15.50	4.5%
June	18.70	16.70	12.0%
Total	<u>67.40</u>	<u>97.30</u>	<u>–30.7%</u>

Cost of sales for the Period also decreased by 38.6% from HK\$16.5 million for the first half of 2019 to HK\$10.1 million in 2020. Gross profit was at HK\$57.3 million, representing a decrease of 29.1% as compared with approximately HK\$80.8 million for the first half 2019, mainly driven by the decrease in turnover. Gross profit margin remained relatively stable at around 85% (first half of 2019: 83.1%). Alongside our efforts for restructuring and reorganizing our direct sales team in order to achieve greater efficiency since the end of 2018, the Group carried out a series of cost controls during the Period. The results were significant, with general and administrative expenses (“G&A”) decreased by HK\$10.6 million, or a 35.2% year-on-year drop for the first half of 2020. G&A accounted for 29% of turnover as compared with 31% for the same period last year. Together with reduced frequency of travels during the pandemic, the Group’s selling and distribution expenses for the Period also decreased to 63% of turnover from 75% that of the same period last year. R&D expenses decreased by 36% to HK\$8.1 million as a certain amount of development costs was being capitalized for products ready for commercialization.

Operating profit (loss) from marketed pharmaceutical products for the Period was HK\$1.7 million (first half of 2019: loss of HK\$6.3 million), despite the very difficult market situation due to the outbreak of Covid-19.

A loss of HK\$11.5 million (first half of 2019: profit of HK\$44.9 million) with basic loss per share of HK0.18 cents (first half of 2019: earnings per share of HK0.73 cents) was recorded for the first half of 2020. Loss was narrowed substantially. When excluding the one-off gains of HK\$65.9 million from the disposals of a subsidiary and material assets in the first half of 2019, there was a year-on-year improvement of HK\$9.5 million for the Period, from a loss of HK\$21 million in first half of 2019 to a loss of HK\$11.5 million in the first half of 2020.

Marketed drugs sales

GeneTime®

During the Period, turnover generated from GeneTime® totaled at HK\$38 million, representing a decrease of 31.5% from approximately HK\$55.5 million in first half of 2019. It was mainly due to the limited hospital services and decrease patient flow from February to April 2020 due to the Covid-19 pandemic. Hospitals started resuming operation in late April and turnover of GeneTime® rebounded in May and June. With the extra efforts of the Group's own sales team, GeneTime®'s monthly turnover in May and June substantially outperformed the same period of last year, showing a V-curve market recovery.

GeneSoft®

GeneSoft® recorded a decrease in turnover from approximately HK\$16.6 million to HK\$11.8 million, representing a decrease of 28.9%. The decrease was mainly attributable to the temporary close down of hospitals from February to April 2020, and was partially offset by the rebound in May and June. Our strategic cooperation with CR Zizhu, who has the sole distribution and promotion rights of GeneSoft® to market, will continue the penetration of GeneSoft® into the domestic hospital network.

Pinup®

Pinup® (Voriconazole tablets) has recorded a decrease of 34.6% in turnover from approximately HK\$24 million to approximately HK\$15.7 million during the Period. With its cost advantage, Pinup® was able to maintain a competitive pricing in the market. The management expects that a greater market will be opened for Pinup® when its BE certification is obtained in the second half of 2020, which will facilitate its hospital tenders and listings without lowering product price.

Bokangtai®

Turnover from Bokangtai® surged by 58.8% from HK\$1.2 million to approximately HK\$1.9 million in the first of 2020. The increase was mainly attributable to the special arrangement during the pandemic outbreak to dispense prescription medications to chronic patients months ahead.

FINANCIAL PERFORMANCE REVIEW

Turnover

Sales Developments

For the six months ended 30 June 2020, the Group recorded a turnover of approximately HK\$67.4 million, representing a decrease of approximately 30.7% 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 Period, proprietary biological pharmaceutical products achieved HK\$49.8 million of sales, representing a decrease of approximately 30.9% compared with the same period of last year. Proprietary biological pharmaceutical products represented approximately 73.9% 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 Period, the segment achieved a turnover of HK\$17.6 million, with Pinup® and Bokangtai® contributing sales of HK\$15.7 million and HK\$1.9 million respectively.

Gross Profit and Gross Profit Margin

During the Period, gross profit was approximately HK\$57.3 million, representing a decrease of 29.1% as compared with approximately HK\$80.8 million for the first half of 2019. The decline in gross profit was mainly led by the decrease of turnover generated from its major products. Gross profit margin remained stable at 85% (first half of 2019: 83.1%) as pricing of drugs were kept relatively stable due to the market access advantages of the products and stringent management of pricing during provincial tendering by the commercial team.

Selling and Distribution Expenses

During the Period, selling and distribution expenses recorded an decrease from approximately HK\$72.9 million in the first half of 2019 to approximately HK\$42.5 million in first half of 2020, while the percentage of selling expenses over turnover decreased to 63% in the first half of 2020 from 74.9% in the same period of last year. The decrease was mainly attributable to the continuous structural adjustments made by the Group to its sales team structure and distribution strategies.

Research and Development Expenses

Research and development expenses in the first half of 2020 was approximately HK\$8.1 million, representing a decrease of 36% from HK\$12.6 million for the same period of 2019. In terms of percentage to turnover, R&D expenses decreased from 13% for the first half of 2019 to 12% for the Period . This was mainly attributable to the completion of several clinical tests, of which the development expenses have been capitalized.

General and Administrative Expenses

Thanks to its organizational restructuring and stringent cost control , the Group's general and administrative ("G&A") expenses saw a decrease during the Period. G&A expenses decreased from HK\$30.2 million in the first half of 2019 to HK\$19.6 million in the first half of 2020, representing a decline of 35.2%. The decrease in G&A expenses demonstrated the effectiveness of the Group's restructuring plan and sustainable cost-saving strategies, including management's salary adjustment and reduction of travel expenses.

Other Income

Other income for the Period was approximately HK\$5.6 million, representing a decrease of 74.3% when compared with HK\$21.7 million for the same period of last year. Excluding the government grant of HK\$13 million received in 2019 for the commercialization of Uni-PTH, the Group has recorded a relatively stable income from its non-core businesses, such as leasing and interest received from bank deposit.

Operating Profit for Marketed Products and Profit for the Period

Despite the drastic decrease in turnover due to the outbreak of Covid-19, the group operation of marketed pharmaceutical products still turn loss to profit , Operating profit from marketed pharmaceutical products for the Period was HK\$1.7 million (first half of 2019: loss of HK\$6.3 million). The Group narrowed its net loss to approximately HK\$11.5 million (first half of 2019: profit of HK\$44.9 million) for the Period, with its effective business restructuring and rigorous cost control measures. Excluding the one-off gains from the disposals of a subsidiary and material assets in the first half of 2019, there was a year-on-year improvement of HK\$9.5 million for the Period, from a loss of HK\$21 million in first half of 2019 to a loss of HK\$11.5 million in the first half of 2020.

PROSPECTS

Outlook

With a huge aging population, increases in chronic diseases and a growing middle class, China is the fastest-emerging market for pharmaceuticals. According to recent market research, China is the second-largest pharmaceutical R&D and manufacturing industry in the world with over 4,000 pharmaceutical players. Its pharmaceutical market is expected to reach US\$161.8 billion by 2023, accounting over 30% share of the global market. As a generic drug focused market, pharmaceutical companies in China is emerging from making low-cost copies of brand-name drugs to develop cutting-edge drugs with world-class science and technologies. Regulatory reforms and supporting policies have added up to create a more friendly environment for pharmaceutical innovation companies. The National Reimbursed Drug List (“NRDL”) started to include innovative drugs and CFDA expedites the approval track for innovative drugs. These are accelerators for innovation-driven pharmaceutical companies, such as the Group to pursue greater growth in the future.

Accelerating Channel Expansion Towards Lower Tier Cities and Online

In the second half of 2020, the Group is expecting considerable sales recovery brought by the resumption of regular hospital services and patient inflow. As social distance may still be a concern in over-crowded top tier hospitals, the Group has been investing marketing resources since earlier this year to expand networks to lower-tier hospitals and cities. This is evident as sales recovery from broad market team (focus on lower tier cities) outpace that of core market team (focus on 1st tier cities). This will be essential for the Group to capture demands from smaller cities as well as the hierarchical medical treatment system. In addition, by carrying out various online seminars and virtual academic promotion in the first half of the year, the Group has successfully enhanced the awareness of our brands and the understanding of our launched products. Such online promotions were welcomed by medical professionals and has proven to be an effective substitute for physical marketing activities. More and more of online marketing and sales will be launched in the second half of the year to promote our products in untapped markets. This includes the Group’s recently formed collaboration with Medlink, another significant move to access substantially larger group of patients. These online marketing and online channel expansion measures are important for the Group to generate more sales leads in years to come.

Launching Acarbose Tablet in 2H2020

The reminder of 2020 will be important to the Group as a preparation period for new product launch to the market. Following the completion of BE experiments, Acarbose has completed its production evaluation in July 2020. It is expected that Acarbose will be launched to the market three to six months after the production evaluation is completed. Acarbose 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. It is especially suitable for Asians’ carbohydrate-rich diet.

Focusing on Innovation

The Group is performing feasibility study to develop the third-generation, oral PTH and GLP-1 products as well as to expand the application of GLP-1 to new indications, such as obesity. In addition to diet control, exercising and behavior therapy, many scholars suggest that drug therapy should be considered in the routine treatment of obesity. Clinical evidence suggest that functional deficits of GLP-1 is a contributor to obesity, therefore, taking GLP-1 and GLP-1 analogs can achieve weight loss as well as prevent complications in obese patients. The Group is currently in discussion with several potential partners to co-research and co-develop GLP-1 products for obesity treatment, as well as other indications with large value in the PRC.

Antibody drug market has been growing in recent years. According to market research, the global antibody drug market amounted to over USD140 billion in 2019. It is believed that the antibody drug market will increase to over RMB30 billion in China in 2025, representing a higher growth as compare to the global average. Leverage on our research and development capabilities as well as our experiences in the industry, the Group is investigating opportunities of antibody drug products in endocrine, dermatology and ophthalmology disciplines. By collaborating with strategic partners, the Group will bridge in various resources and pharmaceutical professionals to co-develop antibody drugs in the above fields.

Building Value in EGF Products

Looking ahead, the Group will continue to strengthen our product development capacity and accelerate the progress of product commercialization. The Group's signature products, GeneTime® and GeneSoft®, have been well received by the markets. To accommodate the increasing demands, the Group is planning to expand the production capacity by establishing a new product site in Beijing. New technologies will be integrated to this new plant to further increase efficiency and decrease production costs. With a planned annual capacity of over 10 million bottle GeneTime® and 5 million bottle GeneSoft® respectively, the new site is expected to launch production in 2023. As most of the Group's self-developed products are entering the track of fast growth, we are expecting fruitful returns for our shareholders in foreseeable future.

Liquidity and Financial Resources

As at 30 June 2020, the Group's bank deposits, bank balances and cash amounted to approximately HK\$45,157,000. The Group had total assets of approximately HK\$255,872,000 (as at 31 December 2019: HK\$296,453,000), and current assets of approximately HK\$155,321,000 (as at 31 December 2019: HK\$192,469,000), while current liabilities were at HK\$29,359,000 as at 30 June 2020 (as at 31 December 2019: HK\$54,599,000). The total liabilities to total assets ratio is 11.6% (as at 31 December 2019: 18.6%).

Pledge of Assets and Contingent Liabilities

As of 30 June 2020, the Group did not have any assets pledged for any loan facilities granted to the Group and any material contingent liabilities.

Employment and Remuneration Policy

As of 30 June 2020, the Group employed 287 staff, including 22 staff in the PRC R&D department, 137 staff in the PRC production department, 74 staff in the PRC commercial office and 5 staff in the Hong Kong headquarters. 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.

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 six months ended 30 June 2020.

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 six months ended 30 June 2020.

Purchase, Sale or Redemption of the Company's Listed Shares

During the six months ended 30 June 2020, the company has repurchased a total of 18,640,000 shares on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at an aggregate cash consideration of HK \$2,982,883 since 3 April 2020 and up till 11 May 2020.

Save as disclose above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2020.

Events after the Reporting Period

There are no significant subsequent events after the Reporting Period.

Interim Dividend

The Board does not recommend any interim dividend for the six months ended 30 June 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Unaudited	
		Six months ended 30 June	
		2020	2019
	Notes	HK\$'000	HK\$'000
Revenue	3	67,433	97,313
Cost of sales		<u>(10,119)</u>	<u>(16,478)</u>
Gross profit		57,314	80,835
Other income		5,583	21,685
Other gains and losses		(429)	46,635
Gains from disposal of a subsidiary		–	18,777
Selling and distribution costs		(42,549)	(72,891)
General and administrative expenses		(19,574)	(30,214)
Research and development costs		(8,075)	(12,623)
Equity-settled share based payment expenses		<u>(3,052)</u>	<u>(6,222)</u>
(Loss)/profit from operation		(10,782)	45,982
Finance costs		<u>(271)</u>	<u>(595)</u>
(Loss)/profit before taxation	4	(11,053)	45,387
Income tax expense	6	<u>(405)</u>	<u>(492)</u>
(Loss)/profit for the period		<u>(11,458)</u>	<u>44,895</u>
Other comprehensive (expense)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation on foreign operations		<u>(3,928)</u>	<u>2,747</u>
Other comprehensive income for the period		<u>(3,928)</u>	<u>2,747</u>
Total comprehensive (expense)/income for the period		<u>(15,386)</u>	<u>47,642</u>
(Loss)/profit per share (HK cents)			
– Basic and diluted	7	<u>-0.18</u>	<u>0.73</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	8	36,563	42,320
Right-of-use assets		7,947	9,333
Investment properties		9,138	9,300
Intangible assets	9	38,252	33,900
Deposits paid for the acquisition of property, plant and equipment		–	1,926
Deposits paid for the acquisition of intangible assets		8,651	7,205
		<u>100,551</u>	<u>103,984</u>
Current assets			
Inventories		17,284	13,338
Trade and other receivables	10	52,293	78,536
Amount due from a related party		13,163	13,397
Time deposit		–	21,000
Finance assets measured at fair value through P&L		27,424	–
Bank balances and cash		45,157	66,198
		<u>155,321</u>	<u>192,469</u>
Current liabilities			
Trade and other payables	11	26,603	30,515
Contract liabilities		–	19,650
Income tax payable		2,569	3,317
Lease liabilities		187	1,117
		<u>29,359</u>	<u>54,599</u>
Net current assets		<u>125,962</u>	<u>137,870</u>
Total assets less current liabilities		<u>226,513</u>	<u>241,854</u>
Non-current liability			
Deferred tax liability		397	404
		<u>397</u>	<u>404</u>
NET ASSETS		<u>226, 116</u>	<u>241,450</u>
Capital and reserves			
Share capital	12	64,258	64,108
Reserves		161,858	177,342
TOTAL EQUITY		<u>226,116</u>	<u>241,450</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2020*

	Unaudited	
	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	<u>9,107</u>	<u>(16,057)</u>
Net cash generated from investing activities	<u>(29,390)</u>	<u>42,536</u>
Net cash used in financing activities	<u>(22)</u>	<u>(595)</u>
Net (decrease)/increase in cash and cash equivalents	(20,305)	25,884
Cash and cash equivalents at the beginning of the period	66,198	31,786
Net effect of foreign exchange rate changes	<u>(736)</u>	<u>2,042</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u><u>45,157</u></u>	<u><u>59,712</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Treasury stock HK\$'000	Share-based payment reserve HK\$'000	Distributable reserve (Note a) HK\$'000	Exchange reserve (Note b) HK\$'000	Accumulated losses HK\$'000	
At 1 January 2019 (audited)	61,800	727,429	–	24,474	1,291,798	37,467	(1,941,218)	201,750
Other comprehensive expense for the period	–	–	–	–	–	2,747	–	2,747
Profit for the period	–	–	–	–	–	–	44,895	44,895
Total comprehensive income for the period	–	–	–	–	–	2,747	44,895	47,642
Issue of ordinary shares in relation to award of new shares	150	2,280	–	(2,430)	–	–	–	–
Recognition of equity-settled share based payments	–	–	–	6,222	–	–	–	6,222
At 30 June 2019 (unaudited)	61,950	729,709	–	28,266	1,291,798	40,214	(1,896,323)	255,614
At 1 January 2020 (audited)	64,108	757,369	–	30,568	1,291,798	36,366	(1,938,759)	241,450
Other comprehensive expense for the period	–	–	–	–	–	(3,928)	–	(3,928)
Profit for the period	–	–	–	–	–	–	(11,458)	(11,458)
Total comprehensive income for the period	–	–	–	–	–	(3,928)	(11,458)	(15,386)
Issue of ordinary shares in relation to award of new shares	150	2100	–	(2,250)	–	–	–	–
Recognition of equity-settled share based payments	–	–	–	3,052	–	–	–	3,052
Repurchase of shares	–	–	(3,000)	–	–	–	–	(3,000)
At 30 June 2020 (unaudited)	64,258	759,469	(3,000)	31,370	1,291,798	32,438	(1,950,217)	226,116

Note a: The distributable reserve represents credit arising from Capital Reorganisation effected by the Company during the year ended 31 March 2010. Under the Company Law (revised) of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital accounts.

Note b: Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the exchange translation reserve. Such exchange differences accumulated in the exchange translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

NOTES TO CONDENSED ACCOUNTS

1. ORGANISATION

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 its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is located at Unit 502, 5/F, No. 20 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

The Group is principally engaged in bioscience related business with focus on the research, development and commercialization of biopharmaceutical products through recombinant DNA and other technologies.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on Stock Exchange (the “**Listing Rules**”) and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The condensed consolidated financial statements are unaudited but have been reviewed by the Audit Committee of the Company.

The accounting policies adopted and the basis of preparation used in the preparation of the condensed consolidated financial statement of the Group are consistent with those followed in the preparation of the Group’s annual financial statements for the six months ended 30 June 2020.

In the Period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and Interpretations issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

Conceptual Framework for Financial Reporting

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group’s accounting policies.

Amendments to HKFRS 3: Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a “substantive process”.

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of “outputs” and a “business” to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 7, HKFRS 9 and HKAS 39: Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKAS 1 and HKAS 8: Definition of Material

The amendments clarify the definition and explanation of “material”, aligning the definition across all HKFRSs and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 16: Covid-19-Related Rent Concessions

Effective 1 June 2020, HKFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in HKFRS 16 in accounting for the concession.

The Group has not to apply rent concessions from 1 January 2020 to 30 June 2020.

The revised Framework is not a Standard nor an Accounting Guideline. It does not override any Standard, any requirement in a Standard or Accounting Guideline. The revised Framework includes: new chapters on measurement and reporting financial performance; new guidance on derecognition of assets and liabilities; updated definitions of asset and liability; and clarifications in the roles of stewardship, prudence and measurement uncertainty in financial reporting.

3. 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. During the six months ended 30 June 2020, 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) industrialization of pipeline products. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The information of the reportable segment results are as follows:

For the six months ended 30 June 2020 (unaudited)

	Chemical pharmaceutical products HK\$'000	Biological pharmaceutical products HK\$'000	Pipeline products HK\$'000	Consolidated HK\$'000
Segment revenue				
External sales	17,570	49,863	–	67,433
Result				
Segment (loss)/profit	(480)	2,167	(8,075)	(6,388)
Other income				5,583
Finance costs				(271)
Equity-settled share based payment expense				(3,052)
Unallocated administration expenses				(6,925)
Loss before taxation				(11,053)

For the six months ended 30 June 2019 (unaudited)

	Chemical pharmaceutical products HK\$'000	Biological pharmaceutical products HK\$'000	Pipeline products HK\$'000	Consolidated HK\$'000
Segment revenue				
External sales	25,213	72,100	–	97,313
Result				
Segment (loss)/profit	(9,841)	3,493	(17,784)	(24,132)
Other income				21,685
Finance costs				(595)
Equity-settled share based payment expense				(6,222)
Unallocated administration expenses				(11,264)
Unallocated gains from disposal of a subsidiary				18,777
Unallocated gains from disposal of land and property rights				47,138
Profit before taxation				45,387

4. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Amortisation of intangible assets	2,207	3,316
Cost of inventories recognised as an expenses	10,119	16,478
Depreciation of property, plant and equipment	6,644	8,454
Depreciation of right-of-use assets	1,011	862
Less: Depreciation included in research and development costs	(2,655)	(1,938)
	5,000	7,378
Research and development costs	15,323	21,269
Less: Capitalisation on intangible assets	(7,248)	(8,646)
	8,075	12,623

5. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Salaries, wages and other benefit	33,168	26,473
Retirement benefit scheme contribution	1,047	4,052
Equity-settled share based payments	3,052	6,222
	37,267	36,747

6. INCOME TAX EXPENSE

The amount of taxation charged to the condensed consolidated statement of comprehensive income represents:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
The PRC Enterprise Income Tax ("EIT")	405	492
Deferred taxation	—	—
	405	492

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

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% for the six months ended 30 June 2019 and 2020.

7. (LOSS)/PROFIT PER SHARE

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

	Unaudited Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit		
(Loss)/profit for the period attributable to owners of the Company		
for the purpose of basic and diluted loss per share	(11,458)	44,895
	Unaudited Six months ended 30 June	
	2020	2019
	'000	'000
Number of shares		
Weighted average number of ordinary shares for basic and diluted		
(loss)/profit per share calculation	6,437,835	6,186,349

No adjustment has been made to basic loss per share amounts presented for the six months ended 30 June 2019 and 2020 in respect of a dilution as the impact of the share options and warrants outstanding would decrease basic loss per share.

8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(a) Acquisitions and disposals

During the six months ended 30 June 2020, the Group acquired items of plant and machinery with a cost of HK\$1,965,000 (six months ended 30 June 2019: HK\$4,940,000). Items of plant and machinery with a net book value of HK\$25,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$44,598,000), resulting in a gain on disposal of HK\$1,200 (six months ended 30 June 2019: HK\$47,138,000).

(b) Impairment losses

During the six months ended 30 June 2020, no impairment loss of Property, Plant and Equipment and Investment properties were recognized by the Group.

9. INTANGIBLE ASSETS

Carrying amount

	Trademarks and certificates <i>(Note a)</i> <i>HK\$'000</i>	Technical know-how <i>(Note b)</i> <i>HK\$'000</i>	Capitalised development costs <i>(Note c)</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2020 (unaudited)	–	17,665	20,587	38,252
At 31 December 2019 (audited)	–	19,872	14,028	33,900

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 an impairment review of the Group's intangible assets annually. During the six months ended 30 June 2019 and 2020, no impairment loss on technical know-how and capitalised development costs were recognised to profit or loss.

10. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Trade receivables	38,107	52,929
Less: allowance for doubtful debts	(2,040)	(2,937)
	36,067	49,992
Bill receivables	9,345	21,088
Rental deposit	937	1,132
Advance to staff	2,410	799
Prepayments	3,203	3,536
Other	331	1,989
	52,293	78,536

Note: As at 31 December 2019 and 30 June 2020, trade receivables from contracts with customers amounted to HK\$49,992,000 and HK\$36,067,000 respectively.

An ageing analysis of trade receivables, net of impairment loss recognised, presented based on invoice date which approximated the respective revenue recognition dates, is as follows:

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
0–90 days	27,108	34,272
91–120 days	3,092	6,859
121–180 days	1,079	5,088
181–360 days	4,134	2,303
Over 360 days	654	1,470
	36,067	49,992

As at 30 June 2020, included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$3,021,000 (31 December 2019: HK\$17,090,000) which are past due at the end of the reporting period. Out of the past due balances, HK\$33,046,000 (31 December 2019: 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.

11. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Trade payables	2,702	1,802
Accrued expenses	4,075	4,136
Other payables	19,826	24,577
	<u>26,603</u>	<u>30,515</u>

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

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
0–30 days	1,134	1,098
31–60 days	232	80
61–90 days	329	65
Over 90 days	1,007	559
	<u>2,702</u>	<u>1,802</u>

The average credit period on purchases of goods is 120 days (31 December 2019: 120 days). The Group has in place financial risk management policies to ensure that all payables are settled within the credit time frame.

12. SHARE CAPITAL

Ordinary share of HK\$0.01 each

	Number of shares	Amount HK\$'000
Authorised:		
At 31 December 2019 and 30 June 2020	500,000,000,000	5,000,000
Issued and fully paid:		
At 1 January 2020	6,410,768,147	64,108
Issue of ordinary shares in relation to award of new shares	15,000,000	150
At 30 June 2020	<u>6,425,768,147</u>	<u>64,258</u>

13. SHARE OPTIONS

On 26 September 2016, a New Share Option Scheme was adopted by the Company (“**2016 Scheme**”) and replaced the share option scheme approved on 22 September 2006.

Under the 2016 Scheme, which is valid for a period of ten years, the board of directors of the Company may, at its discretion grant options to subscribe for shares in the Company to eligible participants (“**Eligible Participants**”) who contribute to the development and growth of the Group. Eligible Participants include (i) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity (“**Invested Entity**”) in which the Group holds an equity interest; (ii) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the New Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

At 30 June 2020, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 503,995,000 (At 31 December 2019: 433,215,000), representing 7.84% (At 31 December 2019: 7.17%) of the ordinary shares in issue at that date.

Details of the share option movements during the six months ended 30 June 2019 and 2020 are as follow:

Share options grant date	Outstanding at 1.1.2020 '000	Granted during the period '000	Exercised during the period '000	Lapsed during the period '000	Cancelled during the period '000	Outstanding at 30.06.2020 '000
12 September 2014 Directors	8,560	–	–	–	–	8,560
12 September 2014 Others	360	–	–	–	–	360
23 January 2015 Employees	10,880	–	–	–	–	10,880
23 January 2015 Others	33,100	–	–	–	–	33,100
10 July 2015 Directors	7,260	–	–	–	–	7,260
17 August 2015 Others	120,000	–	–	–	–	120,000
27 January 2016 Employees	20,700	–	–	–	–	20,700
27 January 2016 Others	1,300	–	–	–	–	1,300
7 October 2016 Directors	10,880	–	–	–	–	10,880
3 April 2017 Employees	34,950	–	–	–	–	34,950
3 April 2017 Others	2,010	–	–	–	–	2,010
16 November 2017 Directors	16,073	–	–	–	–	16,073
9 April 2018 Senior Management	11,990	–	–	–	–	11,990
9 April 2018 Employees	20,224	–	–	–	–	20,224
5 July 2018 Others	3,000	–	–	–	–	3,000
9 April 2019 Directors	66,179	–	–	–	–	66,179
9 April 2019 Employees	62,449	–	–	–	–	62,449
9 April 2019 Others	3,300	–	–	–	–	3,300
2 April 2020 Employees	–	35,780	–	–	–	35,780
2 April 2020 Others	–	35,000	–	–	–	35,000
	433,215	70,780	–	–	–	503,995
Exercisable at the end of the period						410,877
Weighted average exercise price	HK\$0.19	HK\$0.15	–	–	–	HK\$0.18

Share options grant date	Outstanding at 1.1.2019 '000	Granted during the period '000	Exercised during the period '000	Lapsed during the period '000	Cancelled during the period '000	Outstanding at 30.06.2019 '000
12 September 2014 Directors	8,560	–	–	–	–	8,560
12 September 2014 Others	360	–	–	–	–	360
23 January 2015 Employees	10,880	–	–	–	–	10,880
23 January 2015 Others	33,100	–	–	–	–	33,100
10 July 2015 Directors	7,260	–	–	–	–	7,260
17 August 2015 Others	120,000	–	–	–	–	120,000
27 January 2016 Employees	20,700	–	–	–	–	20,700
27 January 2016 Others	1,300	–	–	–	–	1,300
7 October 2016 Directors	10,880	–	–	–	–	10,880
3 April 2017 Employees	34,950	–	–	–	–	34,950
3 April 2017 Others	2,010	–	–	–	–	2,010
16 November 2017 Directors	16,620	–	–	–	–	16,620
9 April 2018 Senior Management	11,990	–	–	–	–	11,990
9 April 2018 Employees	24,820	–	–	–	–	24,820
5 July 2018 Others	3,000	–	–	–	–	3,000
9 April 2019 Directors	–	66,179	–	–	–	66,179
9 April 2019 Senior Management	–	45,840	–	–	–	45,840
9 April 2019 Employees	–	21,160	–	–	–	21,160
9 April 2019 Others	–	3,300	–	–	–	3,300
	<u>306,430</u>	<u>136,479</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>442,909</u>
Exercisable at the end of the period						<u>337,146</u>
Weighted average exercise price	<u>HK\$0.21</u>	<u>HK\$0.16</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>HK\$0.19</u>

14 OPERATING LEASE

The Group as lessor

Property rental income earned during the six months ended 30 June 2020 was approximately HK\$1,683,000 (six months ended 30 June 2019: HK\$1,249,000). The investment properties held have committed tenants for the next one year (2019: one year). At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Within one year	<u>331</u>	<u>992</u>

The Group as lessee

As at 30 June 2020, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due are as follows:

	Unaudited 30 June 2020 <i>HK\$'000</i>
Within one year	528
In the second to fifth years inclusive	—
	<u>528</u>

15. CAPITAL COMMITMENT

	Unaudited 30 June 2020 <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– purchase of property, plant and equipment	681	690
– purchase of intangible asset	16,486	17,978
– research and development activities	1,992	335
	<u>19,159</u>	<u>19,003</u>

16. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

17. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

By Order of the Board
Uni-Bio Science Group Limited
Kingsley Leung
Chairman

Hong Kong, 28 August 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.