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LEADING GENUINE INNOVATION

Uni-GLP

ANNUAL REPORT 2020

聯康集團

Uni-Bio Science

Uni-Bio Science Group Ltd.

聯康生物科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 0690)

A G I L E

ACCELERATED GROWTH INTERNATIONAL EXECUTION

We put in place a 5 year plan called Operation AGILE. AGILE stands for Accelerated Growth, International Execution. In Chinese it would be「促進增長，國際視野」.

BUILDING ON A STRONG FOUNDATION

Operational excellence is the key theme at Uni-Bio. We will continue to strive to improve and build on top of the Company's existing infrastructure. With a strong foundation, strong growth prospects are sure to follow.

OUR MISSION

Uni-Bio Science Group is dedicated to delivering innovative, high quality healthcare solutions for patients throughout China, operating responsibly and generating increasing value for our shareholders.

OUR VISION

Uni-Bio Science Group aspires to be a world leading biopharmaceutical company, focused on addressing the needs of the Chinese healthcare market through innovation and strategic partnerships.

To be recognised as the leading partner for global pharmaceutical companies to bring novel treatments to patients in China.

CONTENT

WE ARE DEDICATED TO

IMPROVING THE QUALITY OF LIFE OF PATIENTS

THROUGH INNOVATIVE TREATMENTS

Our Commitment of Quality

Uni-Bio Science Group Limited (the "**Company**") is a company listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 0690).

The core business of the Company and its subsidiaries (collectively referred to as "**Uni-Bio**" or the "**Group**") is the research, development, manufacturing and sales of innovative biologic products that treat human diseases.

Uni-Bio is headquartered in Hong Kong and its main operations are in mainland China. The Group is strongly focused on research and development ("**R&D**") and has a highly qualified team in Guangdong Province. The Group also has two GMP ("**Good Manufacturing Practices**") – certified manufacturing plants in Beijing and Shenzhen, manufacturing our marketed products – Voriconazole and EGF respectively.

Currently, the Group has two new prescription drugs that have completed all clinical trials – rExendin-4 ("**Uni-E4**") and rhPTH 1-34 ("**Uni-PTH**").

- *Uni-E4 is targeted at the Type 2 diabetic patient population, especially those who are overweight.*
- *Uni-PTH is a treatment for osteoporosis in postmenopausal women (submitted and accepted for review by the CFDA in April 2015).*

The Group's corporate philosophy is to achieve better human health by bringing high quality science and treatments to patients. To this end, the Group is deeply dedicated to serve patients better through partnering. We aspire to be the "Partner of Choice" in China, bringing cost-effective and important treatments into China.

Key Financial Highlights

	Notes	Year ended 31 December	
		2020	2019
Revenue (HK$'000)		**208,776**	209,449
Gross profit (HK$'000)		**181,094**	181,517
R&D costs (HK$'000)		**40,728**	(42,702)
Profit (loss) before taxation (excluding the impairment of assets)		**34,471**	5,140
Adjusted (LBITDA) EBITDA (HK$'000)	*1*	**(21,703)**	27,376
Gross profit margin (%)		**86.7%**	86.7%
R&D costs to revenue (%)		**19.5%**	20.4%

	Notes	As at 31 December	
		2020	2019
Cash ratio (times)	*2*	**0.4**	1.60
Current ratio (times)	*3*	**3.01**	3.53
Trade payables turnover days (days)	*4*	**37**	11
Trade receivables turnover days (days)	*5*	**93**	79
Inventory turnover days (days)	*6*	**197**	208
Debt-to-equity ratio (%)	*7*	**33.4%**	22.8%
Total assets turnover (%)	*8*	**82.6%**	70.7%

R&D COSTS TO REVENUE 19.5%

GROSS PROFIT MARGIN 86.7%

REVENUE 208,776 (HK$'000)

Notes for key ratios:

1. Adjusted EBITDA (LBITDA):
   Earnings (loss) before taxation minus interest expense, impairment loss, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of intangible assets and prepaid lease payments

2. Cash ratio:
   Bank balances and cash/current liabilities

3. Current ratio:
   Current assets/current liabilities

4. Trade payables turnover days:
   Average of opening and closing balances on trade payables (exclude VAT)/cost of sales and multiplied by 365 days

5. Trade receivables turnover days:
   Average of opening and closing balances on trade receivables(exclude VAT)/turnover and multiplied by 365 days

6. Inventory turnover days:
   Average of opening and closing balances on inventory/cost of sales and multiplied by 365 days

7. Debt-to-equity ratio:
   Total liabilities/total equity

8. Total assets turnover:
   Total revenue/total assets

LEADING GENUINE INNOVATION

CHAIRMAN'S STATEMENT

Chairman's Statement

Dear esteemed shareholders, employees and key stakeholders,

On behalf of Uni-Bio Science Group Limited, I am pleased to present the annual results for the year ended 31 December 2020 (the "**Year**").

The outbreak of COVID-19 has not only brought unprecedented challenges to industries and businesses across the globe, but it has also changed people's living habits. Various measures were imposed to prevent the spread of the pandemic in China, including limited hospital services and regional lockdowns that adversely affected our business in the first half of 2020. While the daily lives in China gradually resumed normal in the second half, we witnessed the extended impacts on the pharmaceutical landscape where the outbreak has accelerated the digitalization of the industry. In this 2020, a year full of new challenges, I am proud to report several milestones we achieved in the Year, demonstrating our resilience and determination in becoming a world-class biopharmaceutical company.

KINGSLEY LEUNG
(Chairman)

Chairman's Statement

1. Pinup® (Voriconazole Tablets) received Bioequivalence ("**BE**") from the National Medical Products Administration ("**NMPA**");

2. Boshutai® (Acarbose Tablets) was granted approval for marketing in China by the NMPA and passed the Good Manufacturing Practice inspection;

3. Uni-PTH liquid injection received Investigational New Drug (IND) approval by the NMPA, which allowed the Group to begin conducting bridging clinical trials, accelerating the expected launch of 2nd Generation Uni-PTH; and

4. GLP-1 Injection clinical trial application was successfully approved by the NMPA, and Uni-GLP has development potential in treatment of COVID-19 and other indications.

On top of product development, we expanded value chain towards pharmaceutical e-commerce. Our collaboration with Medlink to develop digital platforms have shown great success. Sales volume of GeneTime®, the first drug of the Group that was promoted on the platforms, outperformed even in the pandemic outbreak. This has reaffirmed our decision to advance and expand our digital marketing channels.

Since 2018, we have been streamlining our business structures in order to lower operating costs and enhance efficiency. We have placed tremendous efforts in forming closer relationships with hospitals, establishing strategic partnerships with sector specific distributors as well as restructuring our direct sales team. Our efforts have come in fruition that our general and administrative expenses had been decreasing for three consecutive years and our operating loss (excluding the impact of write-off of intangible assets and impairment loss on deposit paid for the acquisition of intangible assets in 2020 together with one off gains from disposal of property and subsidiary in 2019) had been further narrowed to HK$34.8 million for 2020.

I am optimistic that 2021 will be a new dawn. Bridge Research's report shows that the market size of biopharmaceuticals in China is expected to grow at a CAGR of 17.5% from 2019 to 2025 and reach RMB833.2 billion in 2025. The industry will be recovering from the impact of COVID-19, which also opened up new opportunities. On the research and development ("**R&D**") side, our product innovations are on right track and we are expecting that our products can be launched as scheduled in or before 2022. I am confident that we will soon enter the harvest period.

Being competitive in the biotechnology industry requires innovation across multiple verticals. We want to combine different protein engineering and formulation technologies together to create unique products with a competitive edge in the clinic. I am excited that we have formed a partnership with DotBio to co-develop next generation, best-in-class therapeutics for patients with retinal diseases in the first quarter of 2021. I believe that this collaboration will open a new chapter for Uni-Bio, allowing us to dive further into the ophthalmology space with expanding and improving products and services.

Moving forward, we will advance ourselves by building a leading pharmaceutical platform for drug commercialization in China with our established network and resources. On one hand, the Group will never stop looking for collaborations with innovative research and technology companies that are equipped with pharmaceutical development capabilities to enrich our product pipeline. We are also expanding our online and offline coverage to further enhance our drug distribution capability and efficiency as well as upgrading our services to doctors and patients to provide greater convenience and value. This will form an ecosystem for innovative drug development and commercialization in China, facilitating the discovery of revolutionary drugs for patents, thus creating sustainable returns for shareholders in the long run.

Finally, I would like to extend my thanks to our employees for their dedication and commitment during the Year. Without their support, we would not be able to achieve all the milestones that we have celebrated, especially under the challenging market environment. I would also like to extend my deepest appreciation to the Group's stakeholders, partners, customers and suppliers for their continuous support. We will work harder and achieve a greater success in 2021.

Kingsley Leung
Chairman

29 March 2021

ACCELERATE
GROWTH
INTERNATIONAL
EXECUTION

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

MARKET REVIEW

In the first half of 2020, a large scale of preventive and control measures in curbing the COVID-19 outbreak were implemented throughout China. As hospital visits were highly restricted in the first four months of 2020, sales of the Group's products were duly affected. Along with efforts from all sectors of the society, the pandemic was largely under control by April 2020, with business and traffic starting to resume normal nationwide. And the sales of GeneTime®, GeneSoft®, Pinup® and Bokangtai® recovered significantly since then, offsetting the drastic drop in sales at the beginning of the year.

During the period of COVID-19, there has been an increasing demand for online hospitals and online pharmacies. Pharmaceutical e-commerce and internet medical services become the obvious up-and-coming markets in China, with the number of newly-established digital health and wellness companies reaching 11,000 in the first quarter of 2020, and the total number of online hospitals also grew by 317.6% from 119 in December 2018 to 497 in April 2020, as stated in a Frost & Sullivan Report. The Ministry of Commerce's statistics shows that, China's pharmaceutical e-commerce market reached RMB97.8 billion in 2018, with a year-on-year increase of 32.7%. Frost & Sullivan also predicts the market will reach RMB456 billion and RMB1.2 trillion by 2024 and 2030, respectively. The upward trend of the online consultation and pharmaceutical e-commerce market is expected to sustain, driven by the advancement of technology and the shift to online shopping.

The Group has taken proactive steps to invest in its digital business channels, and its expansion into online healthcare will certainly deliver much better products and services for patients and clinical practitioners, thus driving the Group's products sales and enhancing its brand awareness for the years to come.

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 2020, the Group has launched 5 products into the market, namely GeneTime®, GeneSoft®, Pinup®, Bokangtai® and Boshutai®.

KEY ACCOMPLISHMENTS IN 2020

Pinup® Received BE Certification from the National Medical Products Administration

In December 2020, the Group's Pinup® (Voriconazole Tablets) had been successfully approved by the National Medical Products Administration ("**NMPA**") for Bioequivalence ("**BE**") certification. The approval would facilitate its hospital tenders and listings, especially in national procurement, to achieve a larger market share in the anti-fungal infection drug market. This approval was timely that Voriconazole had been included in the national procurement tender on 8 December 2020.

Public hospital is the major sales channel for Voriconazole Tablets. If the Group's Voriconazole Tablets wins the volume-based procurement, public hospitals would consider Pinup® with priority when additional procurement is needed. Pinup® also has advantages in winning orders from non-contracted hospitals due to its competitive pricing.

Uni-PTH Liquid Injection Received IND Approval by the NMPA

In September 2020, the Group's Uni-PTH (pre-filled injection pen) or 2nd Generation Uni-PTH was successfully approved by NMPA for clinical trial. The approval allowed the Group to begin conducting bridging clinical trials, which accelerated the expected launch of 2nd Generation Uni-PTH.

In May 2020, Beijing BKJ started a partnership with Swiss self-care giant Ypsomed to co-develop 2nd Generation Uni-PTH alongside YpsoPen®, a state-of-the-art pen injector with unparalleled dosing accuracy which minimized injection pain. Together with YpsoPen®, 2nd Generation Uni-PTH is designed to provide a safer and long-term self-care solution for osteoporosis and ostealgia patients. Compared with the chemical synthesis form drugs introduced by other brands, Uni-PTH is one of the few wholly biological expression preparations which has very limited competition in China market, therefore enjoying enormous market potential.

The NMPA Granted Marketing Approval for Boshutai® (Acarbose Tablets) in China

The Group's Boshutai® (Acarbose Tablets) was approved for marketing in China by NMPA on 10 November 2020. The Group has also passed GMP manufacturing inspection and was approved to begin manufacturing of Boshutai® on 10 December 2020. The approvals represented that the Group was qualified to produce and launch Boshutai® as a newly approved generic drug, which marks another milestone for the Group in the metabolic industry. The Group has started the production of Boshutai® in the first quarter of 2021, and is expecting product sales and meaningful contribution to the Group in the remainder of the year.

As manufacturing cost advantage is essential for the success of Acarbose Tablets, the Group has established a strategic partnership to ensure Boshutai® would be manufactured at the most competitive cost. 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. Suzhou Yingli is responsible for the early development of Acarbose active ingredient (API), and Sinopharm Weiqida is responsible for the industrialization development, manufacturing and supply of Acarbose API. As a result, Beijing BKJ will have at least 10 years of stable supply of Acarbose API. This collaboration facilitates Boshutai® to become a future winner of the national drug volume-based procurement, due to its stable and quality manufacturing capability as well as significant cost advantages in raw material supply.

Management Discussion and Analysis

GLP-1 Injection Clinical Trial Application was Successfully Approved by the NMPA and Uni-GLP has Developmental Potential in Treatment of COVID-19 and Other Indications

The application for clinical trial of Recombinant GLP-1 Injection ("**Uni-GLP**") has been approved by NMPA on 14 July 2020. Currently, the Group's professional and technical teams are making great efforts in preparing for clinical trial-related work. Based on new data presented, GLP-1 RAs can be a potential treatment for a wide range of high value indications such as obesity, cardiovascular disease ("**CVD**"), nonalcoholic fatty liver disease ("**NAFLD**") and nonalcoholic steatohepatitis ("**NASH**"), Alzheimer's disease ("**AD**"), as well as new coronavirus disease 2019 ("**COVID-19**"; caused by severe acute respiratory syndrome coronavirus 2, "**SARS-CoV-2**"), representing significant unmet medical needs.

The Group is optimistic about Uni-GLP's potential in new therapeutic areas. The Group has already partnered with several universities in China on research programs to conduct pre-clinical research of Uni-GLP in obesity, as well as to formulate a new innovative oral or 3rd generation Uni-GLP. Supported by the recent data of GLP-1 RA in treatment of CVD, NAFLD, NASH, AD and COVID-19, the Group was in talks with NMPA and prospective partners to expand Uni-GLP into these new areas.

Expanded Value Chain Towards Pharmaceutical E-commerce

On 14 May 2020, 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 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, with the aim of creating an integrated healthcare service platform. The expansion into online healthcare is expected to deliver much better service for patients and clinical practitioners, expanding its available marketing channels, and enhancing brand awareness. In addition, the Group is also proactively exploring partners such as Haodaifu (好大夫在線) and other respective platforms to address the unmet needs for online drug sales.

Genetime® is the first product of the Group to be introduced to this new channel and the market reception was encouraging in the second half of 2020. The Group expects the collaboration will continue to be a strong sales driver of GeneTime®, and the successful model can be easily replicated to other products, thus driving greater sales growth for all products of the Group in the future.

R&D and Pipeline Progress

During 2020, the Group continued to focus its R&D efforts on innovative and proprietary products in endocrinology, ophthalmology and dermatology areas. Currently, the Group has several leading patented biopharmaceutical products and certain high-value generic products under various stages of development. The Group's R&D team is working diligently to research and discover newly-patented drugs to fulfill the unmet medical needs of patients.

Patented Biologic Drugs

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

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. Through stimulating new bone formation, Uni-PTH can quickly improve bone quality and increase bone density within 6 months of treatment, therefore reducing fracture incidence and bone pain, which is especially helpful in treating patients with moderate-to-severe osteoporosis and ostealgia. 2nd Generation Uni-PTH improves upon the formulation of 1st Generation Uni-PTH in terms of patient convenience. Uni-PTH is also one of the few fully-biological expressed parathyroid hormone analogue in the world, which has very limited competition in China market.

While the launch of the Group's powder form Uni-PTH product has been delayed, its Uni-PTH (pre-filled injection pen) or 2nd Generation liquid form Uni-PTH has been successfully approved by the NMPA for clinical trial in September 2020. The delay was due to the outbreak of COVID-19 and the fast changing of registration requirements. The Group is currently in consideration to adjust its strategy and accelerate the development of 2nd Generation liquid form Uni-PTH directly. The Group has begun conducting bridging clinical trials, which will accelerate the launch of 2nd Generation liquid form Uni-PTH. The strategic collaboration with Swiss self-care giant Yposmed will develop 2nd Generation Uni-PTH alongside YpsoPen®, a state-of-the-art pen injector with unparalleled dosing accuracy which minimizes injection pain. This product will provide a safer and long-term self-care solution for osteoporosis and ostealgia patients.

Management Discussion and Analysis

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 replicated, thus enjoying greater advantages in pricing, price support (as it is not included in the national volume-based procurement for chemical drugs) and higher entry barrier compared with chemically synthesized Exenatide. The product also enjoys the benefits from stable active pharmaceutical ingredients supply as no external procurement is required. With its clinical, cost and pricing advantages, 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 compared with the powder formulation.

The application for clinical trial of Uni-GLP submitted by the Group has been accepted by the NMPA on 14 July 2020. Currently, the Group's professional and technical personnel are making great efforts to prepare for clinical trial-related works.

High Value Generic Products and Bioequivalence Studies

Product	**Indication**	**Status**	**Remark**
Endocrinology			
Boshutai®	Type 2 Diabetes	Boshutai® (Acarbose Tablets) has been granted approval for marketing in China by the NMPA	Co-developed with Beijing Baiao Pharmaceutical Co., Ltd.
Bokangtai®	Type 2 Diabetes	Bioequivalence ("**BE**") result was not ideal, and progress was stopped due to the increasing pricing pressure from the centralized procurement	Reviewing the current collaboration and profitability of the business model
Infectious Disease			
Pinup®	Fungal infection	Pinup® has been approved by the NMPA for BE certification	

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.

Following the official approval for marketing in China on 10 November 2020 from the NMPA, the Group also passed GMP manufacturing inspection on 10 December 2020, which indicated that the Group is qualified to manufacture Boshutai®. Regarding its next step, the Group will focus on the launch and successful commercialization of Boshutai®. Acarbose tablet is expected to be included in the next national drug volume-based procurement list in 2022. Armed with the stable supply of API and Market Authorization Holder ("**MAH**") strategy, Boshutai® is strongly competitive in winning the upcoming centralized procurement.

Pinup®

Pinup® (Voriconazole tablets) is a major drug for the treatment of severe fungal infections. As the first line treatment recommended by clinical guidelines, Voriconazole takes action by blocking the growth of the fungal cell wall, and is widely used in oncology, hematology, respiratory, and ICUs patients who have compromised immune systems.

According to IMS statistics, the market size for China's anti-fungal medicine in 2017 amounted to RMB4.9 billion, of which Voriconazole accounted for the biggest share of approximately 50%. The market value for anti-fungal medicines between 2014 and 2017 maintained a double-digit growth, a level that surpassed the growth of the Chinese pharmaceutical market of 4% to 9%. The Group is currently in a great position to quickly capture the market due to its safe, effective and affordable offering of Pinup®.

RESULTS OVERVIEW

For the year ended 31 December 2020 (the "**Year**"), the Group recorded a turnover of HK$208.8 million, representing a slight decrease of approximately 0.3% year-on-year (2019: HK$209.4 million). The decrease in turnover is mainly attribute to the significant sales drop in the first quarter of 2020 during the outbreak of COVID-19. The turnover in the second half exceeded expectation, and was able to offset most of the shortfall in the first half of 2020.

Cost of sales for the Year decreased by 0.9% from HK$27.9 million in 2019 to HK$27.7 million in 2020. Gross profit was HK$181.1 million (2019: HK$181.5 million), whereas gross profit margin remained stable at 86.7% (2019: 86.7%). General and Administrative expenses ("**G&A Expenses**") decreased for three consecutive years, thanks to the ongoing internal control and business optimization by digitalization, together with the restructuring of the Group's sales force and the building of its direct sales team since 2018. For the Year, G&A Expenses decreased by 39.7% from HK$59.4 million in 2019 to HK$35.8 million in 2020, accounted for 17.2% of turnover as compared with 28.4% in 2019. The percentage of selling and distribution expense over turnover improved to around 70.0% in 2020 from 71.3% in 2019 because of the Group's cautious salesforce optimization. R&D expenses slightly decreased by 4.6% to HK$40.7 million due to the completion of several clinical tests, of which the development expenses have been capitalized.

Management Discussion and Analysis

Operating loss for the Year was HK$70.9 million due to a write-off of intangible assets from certain old technologies of previous version products (Uni-PTH and Uni-GLP) and an impairment loss on deposit paid for the acquisition of intangible assets for Bokangtai® , whose BE result was unsatisfactory and its BE process was suspended. Excluding the impact of write-off of intangible assets and impairment loss on deposit paid for the acquisition of intangible assets in 2020 together with one off gains from disposal of property and subsidiary in 2019, the normalised operating loss was significantly reduced from HK$62.7 million in 2019 to HK$34.8 million in 2020. For 2020, the Group recorded a loss of HK$71.3 million (2019: profit of HK$2.5 million), with a basic loss per share of HK1.11 cents (2019 basic earnings per share: HK0.04 cents).

Marketed drugs sales

GeneTime®

The Group's star product, GeneTime®, is a prescription biological drug for wound healing. During the Year, turnover generated from GeneTime® reached HK$137.2 million, representing an increase of 9.5% from approximately HK$125.3 million in 2019. The remarkable turnover growth was mainly attributable to the strong recovery from hospital sales due to efforts of the Group's broad market team, as well as the additional turnover from the newly-developed digital marketing and pharmaceutical e-commerce platform since May 2020.

GeneSoft®

GeneSoft® is therapeutic drug for dry eye syndrome, corneal damage and post-operative healing. During the Year, GeneSoft® recorded a decrease in turnover from approximately HK$33 million in 2019 to HK$31.6 million, representing a decrease of 4.2%. The decrease was mainly attributable to the serious reduction in patients' hospital visits since the outbreak of COVID-19, despite there was a gradual recovery in the second half of the Year.

Pinup®

The Group's self-developed chemical pharmaceutical product Pinup® (Voriconazole tablets) recorded a decrease of 21.9% in turnover from approximately HK$48.0 million to approximately HK$37.5 million during the Year. Market competition was keen as Pinup® did not receive its BE Certification from the NMPA until December 2020. The decrease was also attributed to the reduction in patients' hospital visits due to the COVID-19 outbreak.

Bokangtai®

During the Year, turnover of Bokangtai® decreased by 19.4% from HK$3.1 million to approximately HK$2.5 million in 2020. The decrease was mainly attributed to the reduction in patients' hospital visits as the pandemic outbreak in 2020.

FINANCIAL PERFORMANCE REVIEW

Revenue

Sales Developments

For the Year, the Group recorded a flat turnover of approximately HK$208.8 million, representing a slight decrease of approximately 0.3% year-on-year.

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$168.5 million in sales, representing an increase of approximately 6.4% as compared with last year. Proprietary biological pharmaceutical products represented approximately 80.7% 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 recorded a turnover of HK$40.3 million, with Pinup® and Bokangtai® contributing sales of HK$37.5 million and HK$2.8 million respectively.

Gross Profit and Gross Profit Margin

During the Year, gross profit was approximately HK$181.1 million, representing a decrease of 0.2% as compared with approximately HK$181.5 million for 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 86.7% (2019: 86.7%).

Selling and Distribution Expenses

During the Year, selling and distribution expenses recorded a decrease from approximately HK$149.3 million in 2019 to approximately HK$145.5 million in 2020, while the percentage of selling expenses over turnover decreased from 71.3% last year to 70.0% in 2020. The decrease was mainly attributable to the continuous structural optimization to its salesforce and distribution channels.

Research and Development Expenses

Research and development expenses in 2020 was approximately HK$40.7 million, representing a decrease of 4.6% from HK$42.7 million in 2019. In terms of percentage to turnover, research and development expenses decreased from 20.4% in 2019 to 19.5% in 2020. This was mainly attributable to the completion of several clinical tests, of which the development expenses have been capitalized. Including the capitalized amount, the Group's total research and development expenses amounted to HK$49.1 million in 2020.

Management Discussion and Analysis

General and Administrative Expenses

For the Year, G&A Expenses recorded a decrease of 39.7% from HK$59.4 million in 2019 to HK$35.8 million in 2020, attributable to the Group's ongoing effort in implementing its internal control and cost-cutting measures.

Other Income

Other income for the Year was approximately HK$16.3 million, representing a decrease of 19.2% compared with HK$20.2 million in 2019. Excluding the government grant of HK$12.5 million received in 2019 for the commercialization of Uni-PTH, the Group 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 Year

Due to a wirte-off of HK$28.2 million of intangible asset from certain old businesses, operating loss for the Year was HK$70.9 million. Excluding extraordinary items which are activities outside the ordinary and usual course of business in both 2020 and in 2019, such as the impact of write-off of intangible assets and impairment loss on deposit paid for the acquisition of intangible assets in 2020 together with one off gains from disposal of property and subsidiary in 2019, the normalised operating loss was significantly reduced from HK$62.7 million in 2019 to HK$34.8 million in 2020.

For the Year, the Group recorded a loss of HK$71.3 million (2019: profit of HK$2.5 million).

PROSPECT

Outlook

Due to the aging population, there has been a surge in healthcare spending in the past 10 years. The COVID-19 outbreak has further promoted the growth of the global pharmaceutical industry, which is expected to reach USD2,151.1 billion by 2027, representing a compound annual growth rate (CAGR) of 7.0% for the period from 2019 to 2027. The coronavirus pandemic has not only driven the growth of the pharmaceutical industry, but also boosted the online healthcare sector, especially in China. According to a research by Boston Consulting Group, 78% of doctors in China obtained medical information online, with a frequency of eight times a week during COVID-19, and about 620 million people used the online and digital medical services, which were close to 70% of the total mobile internet users in China. Regulatory reforms have been introduced to support the digitalization of the healthcare industry. The National Development and Reform Commission proposed to strengthen infrastructure of online medical services as well as allowing online medical services to be covered by the country's medical insurance system. Internally, the Group has been utilizing information technology system to manage sales and production in order to improve efficiency. The Group believes that the favorable online market environment and government policies would benefit its business operation and promote business growth in the future.

Focusing on the Sales of EGF Products

The Group's signature products, GeneTime® and GeneSoft®, have been well-received by the market. The collaboration with Medlink to develop digital marketing channels has proved to be successful, as GeneTime® recorded a tremendous increase in turnover in the second half of 2020. The Company will continue to utilize the online resources to promote GeneTime®.

In the first half of 2021, the Group will regain its distribution and promotion rights of GeneSoft® from its partners, CR Zizhu. Leveraging its well-established direct sales team to promote GeneSoft®, it will allow the Group to achieve greater sales efficiency with lower selling and distribution expenses, eventually getting a higher profit margin in the future. Meanwhile, the Group will continue to optimize its direct sales team and invest further marketing resources to expand its network among lower-tiers hospitals. By improving the communication with hospitals from different regions, as well as launching related incentive programs, the Group will look to enhance its channel management and drive further sales growth. According to a recent research released by the Business Research Company, the global dermatology drugs market is expected to reach US$62.83 billion by 2025 at a CAGR of 12%, with Asia Pacific being the largest contributing region, accounting for 36% of the market in 2020. The Group will leverage the aforementioned strategies to capture the massive market opportunities.

To accommodate the increasing demand, the Group is planning to expand the production capacity for its EGF products. The Group is evaluating various locations in China by assessing their local supply chain and infrastructure, regional policy incentives and support as well as potential space for future expansion. These factors would ensure that the Group can enjoy lower production and transportation costs which will facilitate the future commercialization of products. New technologies will also be integrated to this new plant to further increase efficiency and decrease production costs. The new site is expected to commence operations in 2023.

Based on a recent research published on the Science Citation Index (SCI), one of the most famous searchable journals in the world today, the combination of vacuum sealing drainage (VSD) with recombinant human epidermal growth factor (rhEGF) can aid in wound healing. Animal testing had been carried out and proven that in vitro, a rhEGF concentration of 10 ng/mg can promote the proliferation and migration of epithelial cells and fibroblasts to the greatest extent. While in vivo, combining VSD with rhEGF and kept in place for 10 min then washed would promote wound healing better than control group. The Group is excited about the potential of EGF in treating acute skin wounds caused by burns and injury. As a participant of this research, the Group formed a closer relationship with the hospitals and clinical KOLs, which will facilitate it in exploring the use of EGF in this new therapeutic area in the future.

Awaiting for Results of Pinup® in National Drug Volume-based Procurement Which Will Help Secure Future Growth

The Group submitted the tender application of Pinup® for the National Drug Volume-based Procurement and has been waiting for the results announcement. Pinup® is a voriconazole tablet that is tailored to treat severe fungal infection, and the Group is one of the only two manufactures that has passed BE certification for the 50mg formulation of voriconazole at the end of 2020. The Group is confident that Pinup® will be included in the procurement and believes that the successful inclusion will help meeting the rising demand of anti-fungal medicine in the both public as well as private hospitals, and will deliver positive impact to the Group's top and bottom line in the future.

Management Discussion and Analysis

Focusing on the Commercialization of Acarbose Tablet

The Group was qualified to produce and launch Boshutai® (Acarbose Tablet) as a newly approved generic drug in 2021, which marks yet another milestone for the Company in the metabolic industry. In 2021, the Group will focus on the commercialization of Boshutai®, and expects immediate sales contribution from the product. By partnering with Sinopharm Weiqida and Suzhou Yingli, the Group is able to secure the stable development, manufacturing and supply of API, and is able to ensure that it is manufactured at the lowest cost possible, offering significant cost advantages to the Group in the national drug volume-based procurement in 2022. Meanwhile, the Group will promote Boshutai® through third-party channels, including online platforms, retail pharmacies, as well as private hospitals, to further expand its distribution coverage at a competitive pricing. Through the expanded channels, the Group will decrease payment pressure of medical insurance, and provide high-quality and affordable therapeutic options, which will better serve China's diabetes patients. This will also generate a meaningful contribution to the Group's turnover in the coming years.

Accelerating the Clinical Research Progress

The Group will focus on the research and development of innovative drugs, including Uni-GLP and Uni-PTH. The clinical trial application of Uni-GLP has been approved by the NMPA on 14 July 2020. Meanwhile, the Group is waiting for the clinical trial approval of liquid form GLP-1 and will begin the clinical studies in 2021. In 2020, research has proven that there is a wide range of uses of GLP-1 RAs in treating various indications, such as obesity and COVID-19. The Group is optimistic about the potential of Uni-GLP in new therapeutic areas, and will continue to collaborate with several universities in China to conduct preclinical research of Uni-GLP in obesity, as well as to formulate a new innovative oral or 3rd generation Uni-GLP. The Group will continue to look for prospective partners to expand Uni-GLP into different new areas.

The Group also obtained clinical trial approval from the NMPA for liquid form Uni-PTH. In 2021, the Group will begin conducting bridging clinical trials, and wishes to submit the New Drug Application within 2021. If the process goes smoothly, it is expected that the powder form Uni-PTH will be launched in 2021 and liquid form Uni-PTH can be launched in as soon as 2022.

Establishing Commercialization Platform to Explore Upstream and Downstream Market Opportunities

The Group aims to establish a leading drug commercialization platform in expanding its business scale in both upstream and downstream markets. In terms of upstream operations, the Group is looking for collaborations with innovative research and technology companies that are equipped with pharmaceutical development capabilities. While the partner company focuses on developing novel drugs, the Group will conduct clinical research and be responsible for commercialization in China by leveraging its extensive distribution network. In March 2021, the Group has formed a partnership with DotBio Pte. Ltd. ("**DotBio**"), a highly innovative biopharmaceutical company in Singapore, to co-develop next generation, best-in-class therapeutics for patients with retinal diseases. According to Frost & Sullivan, the prevalence of wet age-related macular degeneration (AMD), a type of retinal diseases, in China was 3.4 million in 2017 and is expected to reach 4.0 million in 2022 and 4.8 million in 2030. Leveraging on DotBio's unparalleled technology capability in the ophthalmology space, together with the Group's extensive experience in fermentation, purification, quality assurance and quality control of E.coli-expressed proteins, the Group believes that the partnership is able to diversify the Group's pipeline and capture the rising needs of the AMD treatment market.

The Group will also expand its distribution channels by tapping into pharmaceutical e-commerce. Since the outbreak of COVID-19, there has been an increasing demand for online hospitals and pharmacies. The online platforms not only allow patients to access services including online healthcare consultation, e-prescription and drug purchase at any time anywhere, but also expand doctors' coverage and exposure by solving their bottleneck of being in one hospital at a time. The pharmaceutical e-commerce arena would definitely provide doctors and patients with higher degree of convenience and cost-efficiency, and that would in turn, drive more direct sales of the Group's drugs. The collaboration with Medlink was a huge success with GeneTime®. On top of the existing features, the Group is exploring various functions to strengthen the platform, such as leveraging artificial intelligence for product introduction, which could further improve sales efficiency. With the successful promotion of GeneTime®, the Group plans to replicate the model to other products, including the Group's up-and-coming chronic disease product, Uni-PTH, by adding them to the digital marketing channels.

The Group believes that aforementioned strategies will accelerate its product pipeline, enhance its operational efficiency and strengthen its sales network. These would in turn, promote its rapid growth and generate fruitful returns for its shareholders.

Liquidity and Financial Resources

As at 31 December 2020, the Group's bank deposits, bank balances and cash amounted to approximately HK$25.0 million. The Group had total assets of approximately HK$252,717,000 (as at 31 December 2019: HK$296,453,000), and current assets of approximately HK$181,439,000 (as at 31 December 2019: HK$192,469,000), while current liabilities were at HK$60,372,000 as at 31 December 2020 (as at 31 December 2019: HK$54,599,000). The total current liabilities to total assets ratio is 23.9% (as at 31 December 2019: 18.4%). 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.

Employment and Remuneration Policy

As of 31 December 2020, the Group employed 293 staff, including 22 staff in the PRC R&D department, 140 staff in the PRC production department, 75 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.

DISCLOSEABLE TRANSACTION – THE SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCTS

On 17 January 2020, WTGL (the "**Subscriber**"), a direct wholly-owned subsidiary of the Company, entered into the first subscription agreement (the "**First Subscription Agreement**") and the second subscription agreement (the "**Second Subscription Agreement**") with CCB Shenzhen Branch, pursuant to which the Subscriber subscribed for the Wealth Management Products from CCB Shenzhen Branch in the principal amount of RMB5,000,000 and RMB25,000,000 respectively. The term of investment period commenced from 17 January 2020 to 20 April 2020 in the First Subscription Agreement and 17 January 2020 to 13 July 2020 in the Second Subscription Agreement respectively.

On 3 September 2020, the Subscriber entered into a subscription agreement with CCB Shenzhen Branch (together with the "**First Subscription Agreement**" and the "**Second Subscription Agreement**", collectively "**Subscriptions**"), pursuant to which the Subscriber subscribed for the Wealth Management Products from CCB Shenzhen City Branch in the principal amount of RMB30,000,000, commencing from 3 September 2020 to 13 January 2021.

As the highest applicable percentage ratios in respect of the Subscriptions, on an aggregated basis, exceeds 5% but is less than 25%, the Subscriptions constituted a discloseable transaction under Chapter 14 of the Listing Rules and was subject to the reporting and announcement requirements under the Listing Rules.

For details of the above transactions, please refer to the announcements of the Company dated 17 January 2020 and 3 September 2020, respectively.

CONNECTED TRANSACTION

On 16 November 2018, Greater Bay Capital Limited ("**Purchaser B**") and Zethanel Properties Limited ("**Vendor B**") entered into an agreement ("**WTGL SP Agreement**"), pursuant to which Purchaser B conditionally agreed to purchase and Vendor B conditionally agreed to sell: (1) the a land parcel located at Nanshan district with a total site area of 8,129 square metres (the "**WTGL Land**") and its property rights (the "**Property Rights**"), representing all the economic rights relating to the land use rights of and property rights of the buildings constructed thereon the WTGL Land, which is held by Shenzhen Watsin Genetech Limited* ("**WTGL**"), an indirect wholly-owned subsidiary of the Company; and (2) the WTGL sale shares ("**WTGL Sale Shares**", together with disposal of the WTGM Land and Property Rights, collectively "**WTGL Disposal**"), representing all the equity interest in Shenzhen Tongchuang Biological Engineering Co., Ltd.* ("**WTGL B**"), a company to be established and separated from WTGL as a result of the WTGL split-off (the "**WTGL Split-off**"), which will hold the title of the land use rights of the WTGL Land and property rights of the buildings constructed on the WTGL Land.

The WTGL consideration (the "**WTGL Consideration**") for the WTGL Disposal is RMB60,000,000 (equivalent to HK$67,536,000), which shall be settled in the following manner: (1) first phase: as to RMB36,000,000 at the WTGL Land and Property Rights completion; (2) second phase: as to RMB12,000,000 on the 5th business day after the completion of the WTGL Split-off; or on 31 December 2019 (or if such day is not a business day, the immediately preceding business day), whichever date is earlier; and (3) third phase: the remaining RMB12,000,000 at the WTGL Sale Shares completion; or on 31 December 2019 (or if such day is not a Business Day, the immediately preceding business day), whichever date is earlier.

On 31 December 2019, the parties to the WTGL SP Agreement entered into a supplemental agreement (the "**First Supplemental Agreement**") to the WTGL SP Agreement to (1) extend the WTGL Sale Shares completion long stop date to 30 June 2020 (or such other date as Vendor B and Purchaser B may agree in writing); and (2) extend the third phase payment of the WTGL Consideration, the remaining RMB12,000,000, to at the WTGL Sale Shares Completion; or on 30 June 2020 (or if such day is not a business day, the immediately preceding business day), whichever date is earlier.

* For identification purposes only

On 22 June 2020, the parties to the WTGL SP Agreement entered into a second supplemental agreement (the "**Second Supplemental Agreement**") to the WTGL SP Agreement to (1) further extend the WTGL Sale Shares completion long stop date to 31 December 2020 (or such other date as Vendor B and Purchaser B may agree in writing); and (2) further extend the third phase payment of the WTGL Consideration, the remaining RMB12,000,000, to at the WTGL Sale Shares Completion; or on 31 December 2020 (or if such day is not a business day, the immediately preceding business day), whichever date is earlier.

On 11 August 2020, the parties to the WTGL SP Agreement entered into the third supplemental agreement (the "**Third Supplemental Agreement**") in relation to the variation of terms to vary certain terms of the WTGL SP Agreement pursuant to which the parties have agreed to (1) extension of the WTGL Sale Shares completion long stop date to 31 December 2021 (or such other date as Vendor B and Purchaser B may agree in writing); (2) last date of third phase payment of the WTGL Consideration – notwithstanding any provisions in the WTGL SP Agreement and that whether the WTGL Sale Shares completion had taken place or not, the third phase payment of the WTGL Consideration, i.e. RMB12,000,000, shall be paid by Purchaser B to Vendor B at the latest on 31 December 2021 or if earlier, at the WTGL Sale Shares completion; and (3) a definitive period of the rent-free period – under the original WTGL SP Agreement, Purchaser B has undertaken (and where applicable, shall procure WTGL B to comply with such undertaking) to Vendor B and WTGL that they shall be entitled to use, free of charge, the WTGL Land and the property on the WTGL Land for the period ("**Rent-free Period**") commencing from the WTGL Land use and Property Rights completion until the end of the 12 months' period following the completion of the WTGL Split-off and the titles of the land use rights of and property rights on the WTGL Land having been transferred to WTGL B. Pursuant to the Third Supplemental Agreement, such Rent-free Period was set to commence on the date of the WTGL Land and Property Rights completion (i.e. 25 March 2019) and end on 31 December 2020. After such Rent-free Period, if applicable, the parties may enter into a lease agreement for the lease of the WTGL Land in which the rental payable shall not be higher than the prevailing market price (such market price to be determined by an independent property valuer).

Under the Third Supplemental Agreement, Purchaser B and Vendor B have further confirmed that (a) the WTGL Land Use and Property Rights completion, that is, the completion of the disposal of the WTGL Land and Property Rights pursuant to the WTGL SP Agreement, had taken place on 25 March 2019; (b) the WTGL Split-off has been completed whereby WTGL B is the split-off entity of the surviving WTGL; and (c) the first and second phases of the WTGL Consideration, of an aggregate amount of RMB48,000,000, had been paid by Purchase B to Vendor B.

Vendor B is principally engaged in investment holding and an indirect wholly-owned subsidiary of the Company.

Purchaser B is a company incorporated in BVI with limited liability which is principally engaged in investment holding. As the date of Third Supplemental Agreement: (1) the mother of Mr. Kingsley Leung, an executive Director and Chairman of the Board, is an indirect 60% beneficial owner of Purchaser B; (2) Mr. Chen Dawei, an executive Director, is an indirect 10% beneficial owner of Purchaser B; (3) Vital Vigour Limited, a substantial shareholder of the Company, is an associate of an indirect 15% shareholder of Purchaser B; and (4) each of Mr. Chen Dawei, the mother of Mr. Kingsley Leung and a brother of Mr. Leung is a director of Purchaser B. Accordingly, Purchaser B is an associate of Mr. Kingsley Leung and Purchaser B is a connected person of the Company under the Listing Rules.

Management Discussion and Analysis

The WTGL Land and Property Rights completion took place on the same date. Further, the WTGL Split-off was completed on 29 May 2019. Shortly after the completion of the WTGL Split-off, the Group had already started the preparatory work for the transfer the title of the land use rights of the WTGL Land and property rights of the buildings constructed on the WTGL Land in June 2019 by making application to the tax authority for the relevant tax concessions in connection with such disposal. Such tax concessions were obtained in August 2019 and the Group has made the application to the relevant land bureau for the transfer in September 2019. On 31 December 2019, the parties to the WTGL SP Agreement entered into the First Supplemental Agreement to extend the WTGL Sale Shares Completion Long Stop Date to 30 June 2020 (or such other date as Vendor B and Purchaser B may agree in writing), and accordingly, extend the third phase payment of the WTGL Consideration to at the WTGL Sale Shares completion; or on 30 June 2020 (or if such day is not a Business Day, the immediately preceding Business Day). When the First Supplemental Agreement was entered into, it was expected by the parties that the remaining steps under the WTGL Disposal and the WTGL Sale Shares completion could be completed by such then extended date.

Nonetheless, the outbreak of COVID-19 since early 2020 was unprecedented and unexpected. An infectious disease in nature, COVID-19 has spread to various regions and countries and regions and as announced on 11 March 2020, the World Health Organization has made the assessment that COVID-19 can be characterised as a pandemic. The COVID-19 outbreak has affected various provinces and regions in the PRC in which as a result of the lock-down and reallocation of resources by the PRC Government departments and regulatory authorities to tackle with the COVID-19 outbreak, there had been no material progress in the Group's application process on the PRC governmental side for transfer of the title and land use rights of the WTGL Land and property rights of the buildings constructed on the WTGL Land. As the transfer of the title 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, as disclosed in the announcement of the Company dated 22 June 2020, the parties to the WTGL SP Agreement entered into the Second Supplemental Agreement to further extend the WTGL Sale Shares completion long stop date to 31 December 2020 (or such other date as Vendor B and Purchaser B may agree in writing) and further extend the third phase payment of the WTGL Consideration to at the WTGL Sale Shares completion; or on 31 December 2020 (or if such day is not a business day, the immediately preceding business day). Save for the extension of the WTGL Sale Shares completion long stop date and the date of the third phase payment of the WTGL Consideration, all terms and conditions in the original WTGL SP Agreement remain unchanged and in full force and effect.

As the date of the Third Supplemental Agreement, the WTGL split off has been completed but that progress of the transfer the title of the land use rights of the WTGL Land and property rights of the buildings constructed on the WTGL Land has taken much longer than the parties have expected due to the reasons as set out above. Based on the assessment of the management, as it is expected that the transfer of the land titles and property rights may happen within the second half of 2020. The Group has obtained the relevant tax concessions in connection with such transfer from the relevant tax authorities in August 2019 and to ensure that the parties involved could fully benefit from the tax concessions obtained, the equity of WTGL B should not be transferred within 12 months of transfer the title of the land use rights of the WTGL Land and property rights of the buildings constructed on the WTGL Land from the surviving WTGL to WTGL B. As such, the parties to the WTGL SP Agreement had agreed to the Variation of Terms to an extension of the WTGL Sale Shares completion long stop date to allow for the "non-transfer" period as aforementioned related to the tax concession so as to minimise the tax exposure of the parties involved.

In addition, under the original WTGL SP Agreement, the Group was granted by Vendor B the Rent-free Period which will only end upon the expiry of the 12th month following the completion of the WTGL Split-off and the titles of the land use rights of and property rights on the WTGL Land having been transferred to WTGL B. Under the parties' originally projected timeline of the Transaction Arrangements in November 2018, the Rent-free Period was expected to be ended on or around the end of 2019 or early 2020. Due to the reasons above, extensions of the WTGL Sale Shares completion long stop date and the third phase payment of the WTGL Consideration had to be made with the entering into of the First Supplemental Agreement and the Second Supplemental Agreement, and had resulted in an unexpected prolonged time gap between the completion of the WTGL Split-off (which took place on 29 May 2019) and the transfer of the titles of the land use rights of and property rights on the WTGL Land to WTGL B (which is still under process). Henceforth, the parties to the WTGL SP Agreement entered into the Third Supplemental Agreement in relation to the Variation of Terms so as to clarify the period for the Rent-free Period in which such period was set to commence on the date of the WTGL Land and Property Rights completion (i.e. 25 March 2019) and end on 31 December 2020 during where Vendor B and WTGL were entitled to use, free of charge, the WTGL Land and property on the WTGL Land. In addition, for the Group's interest, a definite date for the third phase payment of the WTGL Consideration, i.e. RMB12,000,000, was agreed in the Third Supplemental Agreement to be at the latest on 31 December 2021, regardless whether the WTGL Sale Shares Completion had taken place or not. All other terms, intention and intended objectives of the in Transaction Arrangements have never been changed or modified as a result of the entering into of the Third Supplemental Agreement.

On 24 December 2020, WTGL B as the lessor and WTGL as the lessee entered into the Lease Agreement for the lease of the Lease Properties for a term of two years commencing from 1 January 2021 to 31 December 2022 (both days inclusive).

Saved as disclosed herein, the Group did not make any material acquisitions and disposals of assets, subsidiaries, associated company and joint ventures during the year ended 31 December 2020.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Kingsley LEUNG, aged 34, has been appointed as an executive director since 28 February 2014 and appointed as the chairman ("**Chairman**") of the Board with effect from 13 January 2017. Mr. Leung joined the Company on 8 July 2013 as Business Development Manager. Mr. Leung graduated with honours with a bachelor's degree in Biochemistry from Imperial College London in July 2008 and obtained a master's degree in Pharmacology from the University of Oxford in September 2009. Mr. Leung is currently a Chartered Financial Analyst and a member of The Hong Kong Society of Financial Analysts. He also holds a Professional Diploma in Corporate Governance and Directorship and is an associate member of the Hong Kong Institute of Directors. He is currently admitted to Tsinghua-INSEAD Executive MBA Programme. Mr. Leung has extensive experience in investment banking and business development in the biotechnology industry.

In 2016 and 2017, Mr. Leung has been awarded and affirmed by the industry and media in diversified ways. He was appointed as the vice-president of the Young Innovation and Development Alliance(YIDA, non-profit organization) in Hong Kong, and accepted the Entrepreneur of the Year 2017 issued by Capital Magazine. Moreover, Mr. Leung was presented an award for world outstanding leaders by Yazhou Zhoukan in 2016 and also was the Young Industrialist Awards of Hong Kong 2020.

Mr. CHEN Dawei, aged 51, obtained an Executive Master's Degree in Business Administration (major in China-America Finance) from Peking University and a Master's Degree in Business Administration from the National University of Singapore. Mr. Chen has over 20 years of experience in enterprise management, capital market and merger and acquisition. He had been the chairman, chief executive officer, executive director and vice-chairman of China Everbright Water Limited (formerly known as HanKore Environment Tech Group Limited) from May 2011 to February 2016, the shares of which are listed on the Main Board of the Singapore Exchange Limited and the sole water business platform of China Everbright Group Ltd. He is currently the executive partner of a Chinese equity investment fund and the chairman of a Singapore capital management company.

Mr. ZHAO Zhi Gang, aged 61, has been appointed as an independent non-executive director of the Company with effect from 1 April 2014 and re-designated as an executive director of the Company and chief executive officer of the Company with effect from 8 April 2019. Mr. Zhao holds a bachelor's degree in Economics from the Peking University and a master's degree in Professional Accounting from the University of Hartford, Connecticut, United States of America ("**U.S.**"). Mr. Zhao is a U.S. certified public accountant and a fellow of the American Institute of Certified Public Accounts. Mr. Zhao has over 20 years of experience in corporate finance and audit practice with various publicly listed companies and Pricewaterhouse Coopers in the U.S. and in China.

Mr. Zhao was the CFO of JMU Limited, whose shares are listed on the NASDAQ Stock Exchange ("**NASDAQ**") from 2014 to 2018. Previously, Mr. Zhao was also the CFO of Borqs Beijing Limited from 2012 to 2014, the CFO of Kingmed Center for Clinical Laboratories from 2011 to 2012, the CFO of Simcere Pharmaceutical Group (whose shares was listed on the New York Stock Exchange) from 2006 to 2011. Prior to that, Mr. Zhao was the CFO of Sun New Media Group Limited, a NASDAQ-listed company, from 2005 to 2006. Before that, Mr. Zhao had also held senior financial positions with several publicly listed companies in the U.S. and was an investment consultant with Beijing International Trust and Investment Company.

NON-EXECUTIVE DIRECTOR

Mr. YAU Kwok Wing Tony, aged 46, obtained a Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University with first class honors in November 1996. Mr. Yau is a certified public accountant (CPA) of the Hong Kong Institute of Certified public Accountants.

Mr. Yau has over 20 years of experience in management, capital market and investment banking. Mr. Yau is currently the chief executive officer of Futec International Holdings Limited and HeungKong Financial Group Limited, each an affiliate of Heungkong Securities Limited, a substantial shareholder of the Company. Futec International Holdings Limited and HeungKong Financial Group Limited are members of HeungKong Group, a conglomerate with foothold in the Greater China region with business segments ranging from financial, real estate, healthcare, trade logistics, education, etc.. Prior to that, Mr. Yau was a managing director of Global Investment Banking of Deutsche Bank, a company principally engaged in investment banking, from May 2006 to January 2017. From August 2000 to May 2006, Mr. Yau was the vice president of the investment banking department of BNP Paribas Capital (Asia Pacific) Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOW Kai Ming, aged 55, was appointed as independent non-executive director of the Company with effect from 1 April 2016. Mr. Chow has more than 26 years of experience in financial management, auditing and tax planning in accounting firm. He holds a Master Degree in Business Administration from Heriot-Watt University and he is a fellow member of Hong Kong Institute of Certified Public Accountants – Practising since 1994. He is also a fellow member of the Association of Chartered Certified Accountants since 1997, the Taxation Institute of Hong Kong since 1999 and certified Tax Advisor since 2010.

Mr. REN Qimin, aged 65, was appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 15 November 2017.

Mr. Ren has more than 24 years of management experience. He was the Deputy Secretary General and Executive Director of the board of directors of the China Association for International Friendly Contact for 10 years, primarily responsible for affairs relating to the Chinese Government and arranging meetings for international governmental agencies, political parties, other commercial organization and senior Chinese governmental authorities. He served as a director and a senior management in several companies since 1993 to present. Previously, Mr. Ren was the senior advisor of the Beijing office of CIGNA Corporation, a global health insurance service company from 1997 to 1999 primarily responsible for government relation affairs. Prior to that, Mr. Ren was also the General Manager of 蓋洛普(中國)諮詢有限公司 (unofficial english translation being Gallup (China) Consulting Limited) which mainly provides market research and polling service, and is a joint-venture set up by a Chinese investor and Gallup Inc. a global performance-management consulting company. Mr. Ren was primarily responsible for assisting it to start its operations in China from 1993 to 1996. Currently, he serves as an executive director of Carta Group Limited, a company principally engaged in international public relations and governmental affairs consultancy service. He obtained a Master Degree in Economics from Anhui University in 1990.

Profile of Directors and Senior Management

Mr. MA Qingshan ("**Mr. Ma**"), aged 41, obtained a double Bachelor's Degree in Finance and E-commerce from the Peking University, PRC in July 2002. Mr. Ma is qualified as a Certified Financial Analyst (CFA).

Mr. Ma has over 16 years of extensive experience in management and consultation. He once served as consulting director of KPMG Advisory (China) Limited and Accenture (China) Co., Ltd. and a partner of Beijing Yucheng Hengsheng Management Consultating Co., Ltd.. He has also provided management consulting services for fifteen Fortune 500 companies and a number of listed companies and fast-growing enterprises. He has extensive experience in company strategic planning, business modelling and control modelling, digitalization and internet transformation, post-merger integration, enterprise performance management, enterprise investment management, business process optimization and global business development. Mr. Ma is an independent non-executive director of China Hanking Holdings Limited since March 2016, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 3788).

SENIOR MANAGEMENT

Mr. AN Wen Du (安穩都), aged 39, is the Head of sales department of the company from 1 August 2020. He has over 16 years experience in the pharmaceutical industry. Prior to Uni-Bio Science, Mr. An was responsible for the sales and marketing in Tasly Pharmaceutical Group (600535.SH), a renowned A-share listed company. Mr. An has broad experience in sales channel sourcing, sales forecasting and sales executing, leading the commercialization of several important products, capturing the largest market share in several drug sectors. Mr. An holds a BSc in Science from Henan Agricultural University, an MBA degree from Nankai University.

Dr. WEN Ya Lei, Jacky, aged 60, is the Head of manufacture department of the company. Dr. Wen has more than 30 years of extensive experience in biotechnology and the development of GMP and GLP facilities, as well as developing new drugs and clinical research projects. Dr. Wen graduated from the South China University of Technologies.

Ms. LI Jing, aged 42, is the Head of R&D department of the company. Post-doctoral Fellow, University of Medicine and Dentistry of New Jersey, USA, Ph.D. in Biochemistry and Molecular Biology, State Key Laboratory of Supramolecular Structures and Materials, Jilin University. Senior Engineer, Over 10 years of experience in research and development of new drugs in the field of cancer and endocrinology, rich experience in application for new drugs of CTA and NDA. Former head of the Institute of Biopharmaceuticals of the Yangtze River Pharmaceutical Group, published more than 20 academic articles and patents.

Mr. SHE Shi Bin Richard, aged 36, has been appointed as CFO and Company Secretary of the company with effect from 5 November 2019. He graduated from Hunan Institute of Science and Technology in 2007. He subsequently served as an audit manager in Reanda Certified Public Accountants LLP and Ernst & Young, a deputy chief accountant in Hytera Communications Corporation Limited and a senior financial officer in CGN Power Co., Ltd. Mr. She is a member of the Chinese Institute of Certified Public Accountants, the Institute of Chartered Accountants of England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr. She has over 12 years of experience in audit and financial management of listed companies. He was responsible for numerous domestic and overseas IPO projects and has extensive experience in capital market operation.

Mr. ZHAO HuaNan, aged 41, is the Head of Medicine and Registration department of the company. He graduated from Northeast Forestry University with the master's degree while he also abtained MBA from the Harbin Institute of Technology University, he has won 6 awards of provincial and municipal science and technology. He had worked in Harbin Pharmaceutical Group as a clinical director. Many new drug products were invented by him which had brought the billions of sales for the company. He has 5 years of pharmaceutical R&D experiences and 15 years of clinical R&D experiences in well-known big pharmaceutical companies.

Ms. TIAN Wei, aged 38, is the Head of HR and administration department of the company, graduated from Chengdu University of Technology with a bachelor's degree in industrial design. She has obtained the qualification certificate of director of human resources legal affairs and the qualification certificate of senior manager of human resources issued by the human resources and social security department. She has 14 years of experience in human resources administration and management.

Corporate Governance Report

The Group is committed to maintaining and improving the quality of corporate governance so as to ensure better transparency and protection of shareholders' interest in general. The directors ("**Directors**") of the Company believe that good corporate governance practices are increasingly important for maintaining and promoting investor confidence and for stable growth of the Group.

CORPORATE GOVERNANCE PRACTICES

The Directors are of the opinion that the Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on Stock Exchange ("**Listing Rules**") for the year ended 31 December 2020.

CHAIRMAN AND CHIEF EXECUTIVE

Under the code provision A.2.1 there is a segregation of duties between the Chairman's responsibility for leadership and management of the Board and the Group's strategies, and the responsibility of the Chief Executive Officer is to develop business objectives and budgets and to implement the Group's strategies. Such division of responsibilities helps to reinforce their accountability and independence. During the year ended 31 December 2020, the roles of Chairman and the Chief Executive Officer are separate. Mr. Kingsley Leung is the Chairman while Mr. Zhao Zhi Gang is the Chief Executive Officer.

THE BOARD OF DIRECTORS

The Board currently consists of seven members, including three executive Directors, one being the Chairman, one non-executive Director and three independent non-executive Directors. One of the independent non-executive Directors has the professional and accounting qualifications as required by the Listing Rules. The terms of the non-executive Director and independent non-executive Directors are as follows:

Non-executive Directors

(1) Mr. YAU Kwok Wing Tony was appointed for a term of 3 years commencing from 8 April 2019.

Independent non-executive Directors

(1) Mr. CHOW Kai Ming was appointed for a term of 3 years commencing from 1 April 2019.
(2) Mr. Ren Qimin was appointed for a term of 3 years commencing from 15 November 2020.
(3) Mr. MA Qingshan was appointed for a term of 3 years commencing from 8 April 2019.

The Chairman of the Board is Mr. Kingsley LEUNG. The principal function of the Board is to formulate strategy and to monitor and control operating and financial performance in pursuit of the strategic objectives of the Group. The Board, led by the Chairman, is vested with full responsibility for setting objective and business development plans, overseeing the processes that management has in place to identify business opportunities and risks, considering and determining major acquisition and disposal and assuming responsibility for corporate governance.

THE BOARD OF DIRECTORS (CONTINUED)

The management is responsible for implementing the strategies and plans adopted by the Board. Executive Directors and management executives meet monthly to review the performance of the businesses of the business units and of the Group as a whole, co-ordinate overall resources and make financial and operational decisions.

There is no other financial, business, family or other material/relevant relationship amongst the Directors. With a wide range of expertise and a balance of skills, the independent non-executive Directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The independent non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive Director an annual confirmation of their independence and is satisfied about their independence up to the date of this report. The independent non-executive Directors are explicitly identified in all corporate communications.

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties. When the Board considers any material proposal or transaction in which a substantial shareholder of the Company or a Director has a conflict of interest, a Board meeting is held and only those executive and independent non-executive Directors who have no interest in the transaction can be counted as quorum and entitled to vote at such board meeting. At the meeting, the Director who has interests shall declare his or her interest and abstain from voting.

All Directors have participated in appropriate continuous professional development activities by attending training courses and reading materials relevant to the Company's business or to the Directors' duties and responsibilities. According to the records provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2020 is as follows:

	Type of continuous professional development activities
Kingsley LEUNG	A, B, C
CHEN Dawei	A, B, C
ZHAO Zhi Gang	A, B, C
YAU Kwok Wing Tony	B, C
CHOW Kai Ming	B, C
REN Qimin	B, C
MA Qingshan	B, C

Notes:

A Reading materials, journals and updates relating to the business and industry development
B Reading materials relevant to the latest development of the Listing Rules and other applicable regulatory requirement
C Attending seminars and/or conferences and/or forums

THE BOARD OF DIRECTORS (CONTINUED)

All Directors are committed to devote sufficient time and attention to the affairs of the Group. Directors have also disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organizations and other significant commitments, with the identity of the public companies or organizations. Directors are reminded to notify the Company in a timely manner of any changes of such information.

The Company has arranged for appropriate liability insurance to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

The Board meets regularly throughout the financial period to review the overall strategy and to monitor the operation as well as the financial performance of the Group. The Board is supplied with relevant information by the management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each regular Board meeting. The Chairman is primarily responsible for drawing up and approving the agenda for each Board meeting in consultation with all Directors. Notice of at least 14 days have been given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying materials in respect of regular Board meetings are sent out in full to all Directors within reasonable time before the meeting. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of Board meetings and meetings of the Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to materials and related materials, and are provided with adequate information on a timely manner, which enables the Board to make an informed decision on matters placed before it.

All Board meetings held during the year ended 31 December 2020 involved the active participation, either in person or through other electronic means of communication, of a majority of the Directors.

THE BOARD OF DIRECTORS (CONTINUED)

Set out below is a summary of the attendance of Directors at the board meetings and general meetings during the year ended 31 December 2020.

	Number of attendance	
	General meetings	**Board meetings**
Executive Directors		
Kingsley LEUNG	3/3	8/8
CHEN Dawei	3/3	8/8
ZHAO Zhi Gang	3/3	8/8
Non-Executive Director		
YAU Kwok Wing Tony	3/3	8/8
Independent Non-executive Directors		
CHOW Kai Ming	3/3	8/8
REN Qimin	3/3	8/8
MA Qingshan	3/3	8/8

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by all Directors. A copy of the Model Code is sent to each Director first on his or her appointment and a reminder is sent to each Director to remind him or her about the blackout period during which he or she cannot deal in the securities of the Company at the appropriate time prior to board meetings to approve the Company's financial results.

Having made specific enquiry to all Directors, all Directors confirmed they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2020.

AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") was established in 2001. The Audit Committee comprised three independent non-executive Directors, namely Mr. CHOW Kai Ming, Mr. REN Qimin and Mr. MA Qingshan. As at the date of this report, Mr. CHOW Kai Ming was the chairman of the Audit Committee. Mr. CHOW Kai Ming has the appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.21 of the Listing Rules for the purpose of such appointment.

The Audit Committee has adopted written terms of reference to conform to the provisions of the CG Code.

AUDIT COMMITTEE (CONTINUED)

The meetings of the Audit Committee are held not less than twice a year to review and discuss the interim and annual financial statements respectively. Additional meeting may also be held by the Audit Committee from time to time to discuss special projects or other issues which it considers necessary. The external auditors of the Group may request a meeting of the Audit Committee to be convened if they consider that it is necessary.

The main duties of the Audit Committee are as follows:

- To consider the appointment of the external auditors, the audit fee, and any question of resignation or dismissal
- To discuss with the external auditors the nature and scope of the audit
- To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard
- To develop and implement policy on the engagement of an external auditors to supply non-audit services
- To review the Group's interim and annual financial statements before submission to the Board
- To discuss problems and reservations arising from the interim and final audits and any matters that the external auditors may wish to discuss
- To review the external auditors' management letter and the management's response
- To review the Group's statement on risk management and internal control system prior to endorsement by the Board
- To discuss the risk management and internal control system with management to ensure that management has performed its duty to have effective systems
- To consider the major findings of any internal investigation and the management's response
- To consider other topics, as defined by the Board

The Audit Committee held two meetings during the year ended 31 December 2020. The attendance record of the Audit Committee meetings is as follows:

Members of the Audit Committee	Number of attendance
CHOW Kai Ming *(Chairman)*	2/2
REN Qimin	2/2
MA Qingshan	2/2

Throughout the year under review, the Audit Committee discharged its responsibilities by reviewing and discussing the interim financial results, annual financial results and internal control system of the Group.

REMUNERATION COMMITTEE

The Company established a remuneration committee ("**Remuneration Committee**") on 4 November 2005 with written terms of reference in compliance with the CG Code. The Remuneration Committee comprised one executive Director, namely Mr. Kingsley LEUNG, and three independent non-executive Directors, namely Mr. CHOW Kai Ming, Mr. REN Qimin and Mr. MA Qingshan. As at the date of this report Mr. CHOW Kai Ming was the chairman of the Remuneration Committee. No Directors will be involved in any discussion in connection with his own remuneration.

The main duties of the Remuneration Committee are as follows:

– To determine the remuneration policy of the Group
– To make recommendations to the Board on the remuneration package of individual executive Directors and senior management
– To review and approve all equity based plans
– To review the appropriateness and relevance of the remuneration policy
– To approve the performance related pay schemes operated by the Group
– To review all share incentive plans for approval by the Board
– To review annually and take note of the remuneration trends of the Group and obtain reliable and up-to-date information about remuneration packages of other closely comparable companies

It is the Company's policy that the remuneration package of each Director shall be determined by reference to their experience, qualification and the time expected to be devoted by them on the affairs of the Company.

The Remuneration Committee meets regularly to determine the policy for the remuneration of the Directors, assess performance of the executive Directors and senior management of the Group and approve the terms of the executive Directors' service contracts. During the year ended 31 December 2020, the Remuneration Committee has assessed the performance of the executive Directors, reviewed and discussed the remuneration package of the executive Directors, the remuneration of the non-executive director, independent non-executive Directors and senior management. Two Remuneration Committee meetings were held during the year ended 31 December 2020, The individual attendance of each member is set out below:

Members of the Remuneration Committee	Number of attendance
CHOW Kai Ming *(Chairman)*	2/2
Kingsley LEUNG	2/2
REN Qimin	2/2
MA Qingshan	2/2

REMUNERATION COMMITTEE (CONTINUED)

The remuneration of Directors is determined with reference to their duties and responsibilities in the Company as well as the prevailing market conditions. Details of emoluments of Directors for the year ended 31 December 2020 are set out in note 14 to the financial statements. The number of senior management of the Group whose remuneration for the year ended 31 December 2020 fell within the following band is as follows:

	Number of senior management
Nil to HK$1,000,000	4
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	–
HK$2,000,001 to HK$2,500,000	–
HK$2,500,001 to HK$3,000,000	–
HK$3,000,001 to HK$3,500,000	1

NOMINATION COMMITTEE

The Company established a nomination committee ("**Nomination Committee**") on 4 November 2005. The Nomination Committee has adopted written terms of reference to conform to the CG Code. The Nomination Committee comprised one executive Director, namely Mr. Kingsley LEUNG, and three independent non-executive Directors, namely Mr. CHOW Kai Ming, Mr. REN Qimin and Mr. MA Qingshan. As at the date of this report, Mr. Kingsley LEUNG was the chairman of the Nomination Committee.

The Nomination Committee shall meet before the annual general meeting of the Company, or at other times as required by the chairman of the Nomination Committee.

The main duties of the Nomination Committee are as follows:

– To determine the policy for the nomination of Directors
– To review the structure, size and composition of the Board regularly and to make recommendations to the Board with regard to any changes required
– To evaluate the balance of skills, knowledge and experience of the Board
– To identify and nominate any candidate for the Board's approval
– To make recommendations for the appointment and removal of the Chairman or any Director
– To make recommendations to the Board on the re-appointment of any non-executive Director at the conclusion of his specified term of office
– To report to the Board on its proceedings after each meeting

During the year ended 31 December 2020, the Nomination Committee performed the following work without conducting a formal meeting:

(i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;
(ii) assessed the independence of the independent non-executive Directors; and
(iii) made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

NOMINATION COMMITTEE (CONTINUED)

The Company adopted the board diversity policy in June 2014 and is available on the website of the Company on http://www.uni-bioscience.com. In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the integrity, experience, skills and professional knowledge of the candidate, board diversity aspects and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External independent professionals might be engaged to carry out selection process when necessary.

NOMINATION POLICY

The Board has adopted the nomination policy (the "**Nomination Policy**") on 31 December 2018 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:

(1) identifying potential candidates, including recommendations from the Board members, management, professional recruitment agency and the Shareholders;
(2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;
(3) reviewing the profiles of the shortlisted candidates and interview them; and
(4) making recommendations to the Board on the selected candidates.

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(1) to develop and review the Company's policies and practices on corporate governance and make recommendations;
(2) to review and monitor the training and continuous professional development of directors and senior management;
(3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
(5) to review the Company's compliance with the code and disclosure in the corporate governance report.

AUDITORS' REMUNERATION

The Group was charged HK$1,442,000 for audit services provided by BDO Limited in respect of the year ended 31 December 2020 and no non-audit services were provided.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implement an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. In the opinion of the directors, the size of the Group does not warrant setting up an internal audit department. However, during the year under review, the Board has conducted a review on the effectiveness of the internal control system of the Group, namely, management supervision, compliance with the CG Code, and major areas of the internal control systems and procedures to assure the Board that the system of internal control is functioning as intended. The results of the internal control review were submitted to the Board for their consideration. The Board considers that the Company's internal control systems are adequate and effective.

The process to identify, evaluate and manage risks are carried out on a regular and on-going basis. These processes are summarised as follows:

Risk identification

- Identify risks that may potentially affect the Group's business and operations.

Risk assessment

- Assess the impact and consequence of the identified risks on the business and the likelihood of their occurrence.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Response to findings of risk assessment

- Prioritise the risks by comparing the results of the risk assessment; and
- Determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk monitoring and reporting

- Perform ongoing and regular monitoring of the risk and ensure that appropriate internal control processes are in place;
- Enhance the risk management strategies and internal control processes in case of any significant change of situation; and
- Report the results and effectiveness of risk management and internal control to the Board regularly.

The Board has, through the Audit Committee, conducted annual review of the effectiveness of the risk management and internal control systems of the Group. The review covered the budget of the Group's accounting and financial reporting function, adequacy of resources, staff qualifications and experience and training programmers during the year ended 31 December 2020. The Board considers that the Group's risk management and internal control systems are adequate and effective.

The Company has also established and maintained appropriate procedures for the handling and dissemination of inside information. Disclosure policy was adopted by the Company, providing a general guide to directors, senior management and relevant employees of the Group in the handling and/or monitoring of inside information disclosure pursuant to the relevant rules and regulations.

DIVIDEND POLICY

The Company has adopted a dividend policy and the declaration and recommendation of dividends are subject to the decision of the Board after considering the Company's ability to pay dividends. The Board has complete discretion on whether to declare and pay an interim dividend and/or to recommend a final dividend, subject to Shareholders' approval, where applicable.

The Directors will take into consideration, among other things, the financial results, operations, liquidity and capital requirements of the Group, general business conditions and strategies, future business plans of the Group and legal restrictions when determining whether or not to recommend and declare dividends. The Board will also review and reassess the dividend policy and its effectiveness on a regular basis or as required.

Corporate Governance Report

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2020, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. The external auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the consolidated financial statements of the Company for the year ended 31 December 2020.

COMPANY SECRETARY

Mr. SHE Shibin was appointed as the company secretary of the Company with effect from 5 November 2019. All Directors have access to the advice and services of the company secretary. During the year ended 31 December 2020, Mr. SHE Shibin has taken no less than 15 hours of relevant professional trainings respectively to update his skills and knowledge.

COMMUNICATION WITH SHAREHOLDERS OF THE COMPANY ("SHAREHOLDERS")

The Board recognizes the importance of good communications with all Shareholders. The Company's annual general meeting for the year ended 31 December 2020 ("**AGM**") was a valuable forum for the Board to communicate directly with the Shareholders. The Chairman of the Board and the chairman of each of the Audit, Remuneration and Nomination Committees together with the external auditors were also present at the AGM to answer Shareholders' questions. The Company has also published a Shareholders communication policy on the website of the Company. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong at Unit 502, 5/F, No. 20 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

All Shareholders' circulars set out the relevant information of the proposed resolutions to be passed at general meetings. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors.

Pursuant to Article 58 of the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, stating the objects of the meeting and deposited at the principal place of business of the Company in Hong Kong at Unit 502, 5/F, No. 20 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

COMMUNICATION WITH SHAREHOLDERS OF THE COMPANY ("SHAREHOLDERS") (CONTINUED)

Save as the procedures for Shareholders to convene a general meeting as set out above, there are no other provisions allowing Shareholders to put forward proposals at the general meeting under the articles of association of the Company or under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

A key element of effective communication with Shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced all its inside information, announcement, interim and annual results in a timely manner in compliance with the Listing Rules. The Company also maintains a company website as a channel to let Shareholders know the Company's news and raise questions through emails and telephone.

There have been no changes in the Company's constitutional documents during the year ended 31 December 2020 under review.

BUSINESS ETHICS

The Company is committed to high standard of business ethics and integrity. A long established code of conduct is enforced on all employees of the Group. No personal gifts or other forms of advantages from any person or organization doing business with the Group can be accepted by any employee. Business partners and suppliers are reminded from time to time that our company's policy forbids our employees or agents from accepting any gift from them.

The Group has developed a code of business conduct for its vendors and suppliers. All the vendors and suppliers of the Group are required to maintain a safe and healthy workplace, fair and ethical employment practice and ensure that proper environmental protection measures are in place. The Group also closely monitors that all the relevant codes of conduct stipulated by our major licensors and customers are strictly followed by its vendors and suppliers.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Group (comprising the Company and its subsidiaries) for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES, SEGMENTAL INFORMATION AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of subsidiaries are set out in Note 41 to the consolidated financial statements. Segmental information of the Group is disclosed in Note 6 to the consolidated financial statements.

Further discussion and analysis of these principal activities and a review of the business and performance of the Group for the year under review, including a discussion of the principal risks and uncertainties facing the Group and an indication of the likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 70.

DIVIDEND

The Directors do not recommend the payment for a dividend for the year ended 31 December 2020.

SHARE CAPITAL AND RESERVES

Details of movements in the share capital of the Company during the year under review are set out in Note 31 to the consolidated financial statements.

Movements in reserves of the Company and the Group during the year under review are set out in the consolidated statement of changes in equity on page 73 and Note 32 to the consolidated financial statements.

In accordance with the Companies 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.

At 31 December 2020, the aggregate amount of the Company's reserves available for distribution to shareholders was approximately HK$3,330,000 (31 December 2019: HK$147,793,000).

SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2020 are set out in Note 41 to the consolidated financial statements respectively.

DIRECTORS

The Directors of the Company during the year ended 31 December 2020 and up to the date of this report were:

Executive Directors

Mr. Kingsley LEUNG *(Chairman)*
Mr. CHEN Dawei *(Vice-chairman)*
Mr. ZHAO Zhi Gang *(Chief executive officer)*

Non-executive Director

Mr. YAU Kwok Wing Tony

Independent non-executive Directors

Mr. CHOW Kai Ming
Mr. REN Qimin
Mr. MA Qingshan

In accordance with Articles 87(1) and 87(2) of the Company's articles of association, each of Mr. CHEN Dawei, Mr. YAU Kwok Wing Tony and Mr. CHOW Kai Ming will retire by rotation at the forthcoming annual general meeting of the Company ("**Annual General Meeting**") and being eligible, offer themselves for re-election.

Biographical information of each of the Directors is set out in the section headed "Profile of Directors and Senior Management" in this annual report.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Kingsley LEUNG, an executive Director, has entered into a service agreement with the Company for a fixed term of 3 years from 28 February 2020.

Mr. CHEN Dawei, an executive Director, has entered in a service agreement with the Company for a term:

(1) in the event that the Company has obtained the necessary approval(s) under the Listing Rules (including Shareholders' approval) on or before 4:00 p.m. on 30 June 2017 ("**Long Stop Date**"), a term of 5 years commencing on 13 January 2017; or in the event that Company has not obtained the necessary approval(s) under the Listing Rules (including Shareholders' approval) on or before the Long Stop Date, a term of 3 years commencing on 13 January 2017, and is subject to retirement and re-election in accordance with the articles of association of the Company; and

DIRECTORS' SERVICE CONTRACTS (CONTINUED)

(2) entitled to a monthly salary of HK$50,000 and an annual discretionary bonus to be determined by the Board. In addition, under the terms of the service agreement, for every 12 months in which Mr. CHEN served as an executive Director, the Company will, as additional benefit and free of payment by Mr. CHEN, allot and issue 15,000,000 service shares of the Company ("**Service Shares**") to Mr. CHEN. Mr. CHEN shall not be entitled to any pro rata entitlement of the relevant Service Shares in the event he failed to serve as an executive Director for each such 12 months in full.

The above director's term, service agreement and Service Shares issue (as defined and described in the circular of the Company dated 8 June 2017) had been duly approved, confirm and ratify by the way of poll at the extraordinary general meeting dated 23 June 2017.

Mr. ZHAO Zhi Gang, an executive Director, has entered into a service agreement with the Company for a fixed term of 3 years commencing from 8 April 2019.

Each of the non-executive Director and the independent non-executive Directors has been by way of a letter of appointment appointed for a fixed term of 3 years with effect from their respective dates of appointment and subject to renewal upon expiry of the existing term.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments are set out in Note 14 to the consolidated financial statements. The Directors' remunerations, bonuses and other compensation are determined or recommended by the remuneration committee of the Board with reference to the Directors' duties, responsibilities and the Group's performance and results.

PERMITTED INDEMNITY PROVISION

Under the articles of association of the Company, the Directors for the time being acting in relation to any of the affairs of the Company and every one of them shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

The Company has taken out and maintained directors' liability insurance during the year under review for the Directors.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's listed securities.

REMUNERATION POLICY

The remuneration policy of the Group to reward its employees is based on individual performance, qualifications and competence displayed.

The emoluments of the Directors are reviewed by the Remuneration Committee, having regarded to the Company's operating results, individual performance and comparable market statistics.

The Company has a share option scheme in place, of which share options may be granted to eligible persons. Details of the scheme are set out in the section headed "Share Options" of this Directors' report and Note 36 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares ("**Shares**"), underlying Shares and debentures of the Company or any of the its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity	Number of issued ordinary shares	Number of underlying Shares	Total	Approximate percentage of shareholding (Note 8)
Kingsley LEUNG	Beneficial owner and interest of a controlled corporation (Note 2)	1,846,832,542 (L)	29,199,000 (L)	1,869,611,542 (L)	29.25%
YAU Kwok Wing Tony	Beneficial owner and interest held through a controlled corporation (Note 3)	865,040,000 (L)	6,420,000 (L)	871,460,000 (L)	13.64%
CHEN Dawei	Beneficial owner (Note 4)	155,094,438 (L)	40,480,000 (L)	195,574,438 (L)	3.06%
ZHAO Zhi Gang	Beneficial owner (Note 5)	3,750,000 (L)	86,680,000 (L)	90,430,000 (L)	1.41%
CHOW Kai Ming	Beneficial owner (Note 6)	–	9,840,000 (L)	9,840,000 (L)	0.15%
REN Qimin	Beneficial owner (Note 7)	–	8,060,000 (L)	8,060,000 (L)	0.13%
MA Qingshan	Beneficial owner (Note 8)	–	6,420,000 (L)	6,420,000 (L)	0.10%

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

Notes:

1. The letter "L" denotes the person's long position in the shares and underlying Shares in the Company or its associated corporation(s).

2. These interests consist of: (i) 1,846,832,542 Shares held by Automatic Result Limited ("**Automatic Result**") that is wholly owned by MJKPC Holdings Limited, a family trust of which Mr. Kingsley LEUNG is one of the discretionary objects; and (ii) 29,199,000 underlying shares relating to the share options granted by the Company to Mr. Kingsley LEUNG.

3. The 6,420,000 underlying Shares relating to the share options granted by the Company to Mr. YAU Kwok Wing Tony.

4. These interests consist of (i) 155,094,438 Shares held by Mr. CHEN Dawei; and (ii) 40,480,000 underlying Shares relating to the share options granted by the Company to Mr. CHEN Dawei.

5. These underlying Shares relate to the share options granted by the Company to Mr. ZHAO Zhi Gang on 12 September 2014, 10 July 2015, 7 October 2016, 16 November 2017, 9 April 2019 and 31 August 2020 respectively.

6. These underlying Shares relate to the share options granted by the Company to Mr. CHOW Kai Ming on 7 October 2016, 16 November 2017 and 31 August 2020.

7. These underlying Shares related to the share options granted by the Company to Mr. REN Qimin on 16 November 2017 and 31 August 2020.

8. These underlying Shares relating to the share options granted by the Company to Mr. MA Qingshan.

9. The percentage of shareholding is calculated on the basis of 6,391,008,147 Shares in issue as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executive of the Company, or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

To the best knowledge of the Directors after making reasonable enquiry, as at 31 December 2020, shareholders (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company were as follows:

Name	Capacity	Number of ordinary shares	Number of underlying Shares	Total	Approximate percentage of shareholding (Note 6)
Automatic Result (Note 2)	Beneficial owner	1,846,832,542 (L)	–	1,846,832,542 (L)	28.90%
Overseas Capital Assets Limited (Note 3)	Beneficial owner	657,180,000 (L)	–	657,180,000 (L)	10.28%
Heungkong Securities Limited	Beneficial owner	865,040,000 (L)	–	865,040,000 (L)	13.53%

Notes:

1. The letter "L" denotes the person's long position in the shares and underlying shares in the Company.

2. Automatic Result Limited is wholly owned by MJKPC Holdings Limited, which is a family trust which Mr. Kingsley LEUNG is one of the discretionary objects.

3. Based on the individual substantial shareholder notice of Overseas Capital Assets Limited filed on 19 June 2014, Overseas Capital Assets Limited is wholly-owned by He Rufeng.

4. The percentage of shareholding is calculated on the basis of 6,391,008,147 Shares in issue as at 31 December 2020.

Save as disclosed above, the Directors were not aware of any other persons who had relevant interests or short positions in the shares or underlying shares in the Company as at 31 December 2020 which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in which a Director or was materially interested, either directly or indirectly, had subsisted at the end of the year or at any time during the year ended 31 December 2020.

CONTRACTS OF SIGNIFICANCE

No contracts of significance between the Company or one of its subsidiaries, and a controlling shareholder or any of its subsidiaries had subsisted as at the end of the year or at any time during the year ended 31 December 2020.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year under review.

DIRECTORS' INTERESTS IN COMPETING INTERESTS

During the year under review, none of the Directors had an interest in any business which competes or may compete with the business in which the Group is engaged.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended under review, the top five customers of the Group together accounted for approximately 21.5% (year ended 31 December 2019: 23.6%) of the Group's total sales for the year while the single largest customer accounted for approximately 6.7% (year ended 31 December 2019: 6.7%) of the Group's total sales during the Year under Review.

The top five suppliers of the Group for the year under review together accounted for approximately 48.6% (year ended 31 December 2019: 23.8%) of the Group's total purchases for the year and the single largest supplier accounted for approximately 15.1% (year ended 31 December 2019: 7.1%) of the Group's total purchases.

None of the Directors, their respective associates or any shareholders of the Company who owns more than 5% of the issued share capital of the Company has any interests in the Group's five largest customers and suppliers.

CONTINGENT LIABILITIES

At 31 December 2020, the Group had no material contingent liabilities.

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement benefits schemes of the Group are set out in Note 15 to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

Details of equity-linked agreements were entered into by the Company during the year ended 31 December 2020 or subsisted at the end of the year are set out below:

Convertible Securities, Options, Warrants or Similar Rights

The Company completed the issue of subscription shares and issue of unlisted warrants under specific mandate on 20 September 2017, in accordance with the terms and conditions of the subscription agreements entered with Vital Vigour Limited and Wynhaus Assets Management Pte. Ltd. on 18 July 2017 ("**Subscription Agreements**"). Pursuant to the Subscription Agreements, the Company allotted and issued a total of 1,027,480,000 Subscription Shares to the Subscribers at the issue price of HK$0.138 per Subscription Share.

Pursuant to the terms of each of the Subscription Agreements, the Company was issued warrants to both subscribers, representing an aggregate exercise moneys of up to HK$52,992,281 for warrant shares ("**Warrant Shares**") to be issued by Company upon exercise of the warrant subscription rights at warrant exercise price of HK$0.2063 per Warrant Share (which will entitle the holders thereof to subscribe for up to 256,870,000 Warrant Shares). The warrant subscription rights may be exercised at any time from the date of issue of the warrants (i.e. 20 September 2017) until 21 September 2020 4:00 p.m. (Hong Kong time), subject to earlier termination as provided in the warrant instrument.

As at year ended 31 December 2020, no warrant has been exercised and all warrant has been lapsed.

Save as disclosed above and in the sections headed "Directors' Service Contracts" and "Share Options" of this Directors' report, the Company had no outstanding convertible securities, options, warrants or instruments carrying other similar rights as at 31 December 2020.

SHARE OPTIONS SCHEME

2001 Share Option Scheme

To enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group, the Company adopted a share option scheme (the "**2001 Scheme**"), pursuant to a written resolution passed by the then shareholders of the Company on 22nd October 2001 (the "**Adoption Date**"). The Board may, at its absolute discretion, offer to grant to any full time employee of the Group (including directors of the Company) (the "**Eligible Person**"), options to subscribe for shares of the Company.

Subject to certain other provisions of the 2001 Scheme as disclosed in the Company's IPO Prospectus. The maximum number of shares in respect of which options may be granted (including shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Scheme and under any other share option scheme of the Company must not in aggregate exceed 10% of the shares in issue whereas the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised at any time under the 2001 Scheme and any other share option scheme of the Group shall not exceed 30% of the issued share capital of the Company from time to time.

SHARE OPTIONS SCHEME (CONTINUED)

2001 Share Option Scheme (Continued)

Subject to certain other conditions of the share option scheme as disclosed in the Company's IPO Prospectus, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme (including both exercised or outstanding options) to each Eligible Person in any twelve-month period must not exceed 1% of the issued share capital of the Company for the time being.

Pursuant to the 2001 Scheme, an Option may be exercised in whole or in part in the manner provided in the Scheme by a grantee giving notice in writing to the Company at any time during a period commencing one year after the date of the Options, to be notified by the Board of the Company to the grantee, which shall be not less than 3 years nor more than 10 years from the date an Option is granted.

Upon application or acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

The subscription price of options pursuant to the 2001 Scheme is absolute discretion determined by the Board and will not be less than the highest of the following: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share, provided that for the purpose of determining the subscription price of the shares where the shares have been listed on the Stock Exchange for less than 5 business days preceding the date of grant, the issue price of the shares in connection with such listing shall be deemed to be the closing price of the shares for each business day falling within the period before the listing of the shares on the Stock Exchange.

There are no securities available for issue under the 2001 Scheme. The 2001 Scheme was terminated following the adoption of a new share option scheme on 22 September 2006.

2006 Share Option Scheme

Pursuant to ordinary resolutions passed by the shareholders of the Company on 22 September 2006, the Company terminated the 2001 Scheme and adopted a new share option scheme (the "**2006 Scheme**"). Under the 2006 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 long-term growth and profitability of the Company. Eligible Participants include (i) any employee (whether full-time or parttime including any executive director but excluding any non-executive director) (the "**Eligible Employee**") of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which any member of 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 shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any other group or class of participants who has contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

SHARE OPTIONS SCHEME (CONTINUED)

2006 Share Option Scheme (Continued)

The subscription price for the Company's shares shall be a price at least equal to the highest of the nominal value of the Company's shares, the average of the closing prices of the Company's shares quoted on the Stock Exchange on the 5 trading days immediately preceding the date of an offer of the grant of the options and the closing price of the Company's shares quoted on the Stock Exchange on the date of an offer of the grant of the options. The options must be taken up within 28 days from the date of grant upon payment of HK$1 and are exercisable over a period to be determined and notified by the directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than 10 years from the date of adoption of the 2006 Scheme.

The total number of the Company's shares which may be issued upon exercise of all options to be granted under the 2006 Scheme would be 202,160,000 shares, representing 3.15% of the Company's shares in issue as at the date of adoption of the 2006 Scheme. The limit on the number of the Company's shares which may be issued upon exercise of all outstanding option granted any yet to be exercised under the 2006 Scheme and any other schemes of the Group must not exceed 30% of the Company's shares in issue from time to time. The total number of the Company's shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the 2006 Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

The Directors consider the 2006 Scheme, with its broadened basis of participation, will enable the Group to reward the employees, directors and other selected participants for their contributions to the Group and will also assist the Group in its recruitment and retention of high caliber professionals, executives and employees who are instrumental to the growth and stability of the Group. The share options are vested immediately on the date of grant.

The 2006 Scheme was terminated following the adoption of a new share option scheme on 26 September 2016.

2016 Share Option Scheme

Pursuant to ordinary resolutions passed by the shareholders of the Company on 26 September 2016 (the "**2016 Scheme**"), the Company terminated the 2006 Scheme and adopted the 2016 Scheme. Under the 2016 Scheme, which is valid for a period of ten years, the Board may, at its discretion grant options to subscribe for Shares to eligible participants ("**Eligible Participants**") who contribute to the long-term growth and profitability of the Company. Eligible Participants include (i) any employee (whether full-time or part-time including any executive Director but excluding any non-executive Director) ("**Eligible Employee**") of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which any member of 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 shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any other group or class of participants who has contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

SHARE OPTIONS SCHEME (CONTINUED)

2016 Share Options Scheme (Continued)

The subscription price for the Shares in relation to options to be granted under the 2016 Scheme shall be determined by the Board and shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares. The options are exercisable within 10 years from the offer date. The options must be taken up within 21 days from the date of grant upon payment of HK$1 and are exercisable over a period to be determined and notified by the Directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than 10 years from the date of adoption of the 2016 Scheme. The remaining life of the 2016 Scheme is 5 years.

The total number of the Shares which may be issued upon exercise of all options to be granted under the 2016 Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the 2016 Scheme and any other schemes of the Group) must not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the 2016 Scheme. The total number of securities available for issue under the 2016 Scheme is 337,387,012, representing approximately 5.28% of the issued shares of the Company as at the date of this report. The limit on the number of the Shares which may be issued upon exercise of all outstanding option granted any yet to be exercised under the 2016 Scheme and any other schemes of the Group must not exceed 30% of the Shares in issue from time to time. The total number of the Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the 2016 Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

The Directors consider the 2016 Scheme, with its broadened basis of participation, will enable the Group to reward the employees, Directors and other selected participants for their contributions to the Group and will also assist the Group in its recruitment and retention of high caliber professionals, executives and employees who are instrumental to the growth and stability of the Group. Further details of share options were set out in Note 35 to the consolidated financial statements.

SHARE OPTIONS SCHEME (CONTINUED)

2016 Share Options Scheme (Continued)

The following table discloses movements in the Company's share options of the 2006 Scheme and 2016 Scheme during the year:

	Number of share options								
	At 1 January 2020	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**At 31 December 2020**	**Date of grant of share options**	**Validity period of share options**	**Exercise price of share options** HK$ per share
Directors:									
Kingsley LEUNG	2,940,000	–	–	–	–	2,940,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	3,020,000	–	–	–	–	3,020,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
	4,640,000	–	–	–	–	4,640,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
	6,000,000	–	–	–	–	6,000,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	6,179,000	–	–	–	–	6,179,000	9 April 2019	9 April 2019 to 8 April 2029	0.1600
	–	6,420,000	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126 (Note 1)
ZHAO Zhi Gang	1,560,000	–	–	–	–	1,560,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	1,160,000	–	–	–	–	1,160,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
	1,780,000	–	–	–	–	1,780,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
	1,640,000	–	–	–	–	1,640,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	60,000,000	–	–	–	–	60,000,000	9 April 2019	9 April 2019 to 8 April 2029	0.1600
	–	20,540,000	–	–	–	20,540,000	31 August 2020	31 August 2020 to 30 August 2030	0.126 (Note 1)

SHARE OPTIONS SCHEME (CONTINUED)

2016 Share Options Scheme (Continued)

	Number of share options								
	At 1 January 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2020	Date of grant of share options	Validity period of share options	Exercise price of share options HK$ per share
CHOW Kai Ming	1,780,000	–	–	–	–	1,780,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
	1,640,000	–	–	–	–	1,640,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	–	6,420,000	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126 (Note 1)
CHEN Dawei	4,060,000	–	–	–	–	4,060,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	–	6,420,000	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126 (Note 1)
REN Qimin	1,640,000	–	–	–	–	1,640,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	–	6,420,000	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126 (Note 1)
YAU Kwok Wing Tony	–	6,420,000	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126 (Note 1)
MA Qingshan	–	6,420,000	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126 (Note 1)
Employees	10,880,000	–	–	–	–	10,880,000	23 January 2015	23 January 2015 to 22 January 2025	0.230
	20,700,000	–	–	–	–	20,700,000	27 January 2016	27 January 2016 to 26 January 2026	0.172
	34,950,000	–	–	–	–	34,950,000	3 April 2017	3 April 2017 to 2 April 2027	0.1500
	32,214,000	–	–	–	–	32,214,000	9 April 2018	9 April 2018 to 8 April 2028	0.1500
	62,449,000	–	–	–	–	62,449,000	9 April 2019	9 April 2019 to 8 April 2029	0.1600
	–	35,780,000	–	–	–	35,780,000	2 April 2020	2 April 2020 to 1 April 2030	0.154 (Note 2)

SHARE OPTIONS SCHEME (CONTINUED)

2016 Share Options Scheme (Continued)

	Number of share options								
	At 1 January 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2020	Date of grant of share options	Validity period of share options	Exercise price of share options HK$ per share
Other eligible participants	4,420,000	–	–	–	–	4,420,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	33,100,000	–	–	–	–	33,100,000	23 January 2015	23 January 2015 to 22 January 2025	0.230
	3,080,000	–	–	–	–	3,080,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
	120,000,000	–	–	–	–	120,000,000	17 August 2015	17 August 2015 to 16 August 2025	0.237
	1,300,000	–	–	–	–	1,300,000	27 January 2016	27 January 2016 to 26 January 2026	0.172
	2,680,000	–	–	–	–	2,680,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
	2,010,000	–	–	–	–	2,010,000	3 April 2017	3 April 2017 to 2 April 2027	0.1500
	3,000,000	–	–	–	–	3,000,000	5 July 2018	5 July 2018 to 4 July 2028	0.1050
	3,300,000	–	–	–	–	3,300,000	9 April 2019	9 April 2019 to 8 April 2029	0.1600
	–	35,000,000	–	–	–	35,000,000	2 April 2020	2 April 2020 to 1April 2030	0.154 (Note 2)
	1,093,000	–	–	–	–	1,093,000	16 November 2017	16 November 2017 to 15 November 2020	0.1574
	433,215,000	129,840,000	–	–	–	563,055,000			

Notes:

(1) The closing price of the Shares immediately before the date on which the share options were granted was HK$0.123.

(2) The closing price of the Shares immediately before the date on which the share options were granted was HK$0.158.

Directors' Report

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this Directors' report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

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

As at 31 December 2020, the Company had a total of 6,391,008,147 Shares in issue. The Company repurchased a total of 34,760,000 Shares on the Hong Kong Stock Exchange for a settlement costs of HK$4,751,341.68 during the year ended 31 December 2020. As at 31 December 2020, 34,760,000 of the repurchased Shares has been cancelled.

Details of the repurchases are summarised as follows:

Months of the repurchases	Total number of Shares repurchased	Highest price paid per Share	Lowest price paid per Share	Settlement cost
		HK$	HK$	HK$
April 2020	12,280,000	0.615	0.155	1,998,187.53
May 2020	6,360,000	0.162	0.153	770,450.16
September 2020	16,120,000	0.129	0.116	1,982,703.99

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

EVENTS AFTER REPORTING PERIOD

Events after reporting period are disclosed in note 44 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The Company's corporate governance principles and practices are set out in the section headed "Corporate Governance Report" of this annual report.

AUDIT COMMITTEE

The Company sets up the Audit Committee for the purpose of reviewing and providing supervision over the Company's financial reporting procedures and the internal control system, and maintaining an appropriate relationship with the Company's auditors.

Written terms of reference which govern the authority and duties of the Audit Committee were adopted to comply with the requirements of the code provisions of the CG Code set out in the Listing Rules.

The Audit Committee provides an important linkage between the Board and the Company's auditors in relation to audit, financial reporting and internal control matters. The Audit Committee had reviewed with the auditors and the management of the Company the audited results of the Group for the year ended 31 December 2020, the accounting principles and practices adopted by the Company and certain other matters relating to the internal control and financial reporting procedures of the Company.

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 report, the Company has maintained sufficient public float as required under the Listing Rules during the period under review and up to the date of this report.

DONATIONS

The Group makes regular contributions in terms of financial and other supports to various charitable organizations. Employees are also encouraged to have direct and active involvement in fund raising activities for the needs of the society. The Group did not make any donations during 2020 (2019: donation of HK$10,000 made).

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2020, the Group had entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards but these transactions were either not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. Details of these related party transactions are disclosed in Note 40 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results of the Group for the last five financial years is set out in the section headed "Five-Tear Financial Summary" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises its responsibility to protect the environment while carrying out its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. The Group has adopted green initiatives and measures in its business operations such as recycling of used papers, energy saving measures and water saving practices.

One of the Group's subsidiaries in Shenzhen, Shenzhen Watsin Genetech Limited ("**Shenzhen Watsin**"), utilised safer and more efficient sewage treatments to improve the energy efficiency of its biofilm processes and technologies. Shenzhen Watsin was given an Honorary Clean Production Enterprises award by the Guangdong Provincial government in 2014 and further recognized as the Top Environmentally Friendly Enterprise in 2015.

The Group implemented the "5R" principles which align with our vision of sustainable development and adopting green consumption, and they are:

- Reduce: Reduce unnecessary consumption. Avoid buying unnecessary or excessive goods
- Re-evaluate: Choose products that are natural or made from recycled materials
- Reuse: Consider ways in which to repurpose products
- Recycle: Choose products that can be recycled
- Rescue: Choose reusable designs, reduce usage of disposable products

KEY RELATIONSHIPS

(a) Employees

Human resources are one of the greatest assets of the Group and the Group ensures all staff are reasonably remunerated and also continues to improve and regularly review and update its policies on remuneration, benefits and trainings. The Group is committed to providing its employees with a safe, pleasant and healthy working environment. The Group rewards and recognises employees with competitive remuneration packages and implements a key performance index scheme with appropriate incentives, and promotes career development and progression by providing opportunities for career advancement. During the year under review, recreational activities and team building activities were held to enhance internal communication, reinforce a sense of belonging and promote staff team building.

KEY RELATIONSHIPS (CONTINUED)

(b) Suppliers

Our major suppliers are reliable and had business relationship with the Group for over 5 years on average, which mainly located within Guangdong province, the PRC.

The payables were usually settled within the credit period. The credit terms granted to the Group ranged from 30 to 90 days. The payables were usually settled within the credit period. Details of the trade and bills payables of the Group as at 31 December 2020 are set out in note 27 to the financial statements. Up to the date of this report, approximately 55.8% of the trade and bills payable to the major suppliers has been settled. The Group has developed long-standing relationships with a number of suppliers and taken great care to ensure that they share the Group's commitment to quality and ethics. The Group carefully selects its suppliers and requires them to satisfy certain assessment criteria, including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

(c) Customers

Our major customers include pharmaceutical commercial companies. The years of business relationship with the Group ranged from 3 to 10 years and the credit terms granted to the major customers ranged from 30 to 120 days. Details of the trade and bills receivables of the Group as at 31 December 2020 are set out in note 24 to the financial statements. Up to the date of this report, approximately 65% of the trade and bills receivables from the major customers has been settled.

During the year ended 31 December 2020, the Group has not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. We did not have any material dispute with our customers. The Group is committed to offer good-quality products to its customers, which are mainly hospitals. The Group has stayed connected and maintained a close relationship with its customers by maintaining a customer information database and having ongoing communications with its customers through various channels, such as telephone calls, direct mails, visits, marketing materials and meetings.

Further discussions on the Group's environmental policy and our relationships with various stakeholders are covered by a separate environmental, social and governance report which will be available of the Group's website under the "Corporate Social Responsibility" section and the website of the Stock Exchange on or around mid-July 2020.

Directors' Report

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out in the People's Republic of China ("**PRC**") while the Company itself is listed on the Stock Exchange. The Group's establishment and operations accordingly shall comply with all PRC and Hong Kong laws and applicable laws in the jurisdictions where it has operations, further details of which are discussed in the environmental, social and governance report, the discussion of which forms part of this Directors' report. During the year under review and up to the date of this annual report, the Group has complied with all relevant laws and regulations in the PRC and Hong Kong in all material respects.

AUDITORS

The financial statements for the year ended 31 December 2019 of the Company have been audited by Deloitte Touche Tohmatsu ("**Deloitte**"). Deloitte resigned as the auditor of the Company with effect from 28 August 2020 and BDO Limited was appointed as the auditor of the Company at the Extraordinary General Meeting held on 12 October 2020.

The financial statements for the year ended 31 December 2020 of the Company have been audited by BDO Limited.

On behalf of the Board

Kingsley LEUNG
Chairman

Hong Kong, 29 March 2021

Independent Auditor's Report

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TO THE SHAREHOLDERS OF UNI-BIO SCIENCE GROUP LIMITED
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Uni-Bio Science Group Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 70 to 166, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of intangible assets and property, plant and equipment related to pipeline pharmaceutical products

Refer to note 20 to the consolidated financial statements

We identified the impairment assessment of intangible assets and property, plant and equipment related to pipeline pharmaceutical products as disclosed in note 20 to the consolidated financial statements as a key audit matter due to significant estimates involved in determining the recoverable amount of these assets.

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment of intangible assets and property, plant and equipment related to pipeline pharmaceutical products (Continued)

Refer to note 20 to the consolidated financial statements (Continued)

Determining whether these intangible assets and property, plant and equipment are impaired requires an estimation of the recoverable amount which is the higher of the fair value less costs of disposal, or value in use of the cash generating units ("**CGUs**") to which the intangible assets and property, plant and equipment have been allocated.

The value in use calculation relies on the management's assumptions and estimates of future operating performance of these drugs and the key data and assumptions applied by the management in the impairment review are:

- Discount rates;
- Expected revenue growth rate;
- Estimated gross profit margin; and
- Expected launch dates of these new drugs.

As at 31 December 2020, the carrying amounts of the intangible assets and property, plant and equipment related to pipeline pharmaceutical products are HK$8,692,000 and HK$23,938,000 respectively and no impairment losses on intangible assets and property plant and equipment have been recognised during the year ended 31 December 2020.

Our response:

Our performed audit procedures in relation to impairment assessment of intangible assets and property, plant and equipment related to pipeline pharmaceutical products included:

– Understanding key controls on how the management determine the recoverable amount of these assets;

– Evaluating management's impairment assessment process, including identifying of impairment indicators of the CGUs, valuation model adopted, key assumptions used;

– Discussing with the management to understand and evaluate the appropriateness of their valuation methodology to determine the recoverable amount, which is calculated based on the management's assumptions and estimates of future operating performance of these drugs;

– Checking the management's data and challenging the assumptions used in the valuation information prepared by the management by 1) comparing the inputs with the financial budget approved by the management; 2) assessing the discount rates applied with the support from our external valuation specialist and comparing the rates to benchmark data; 3) comparing expected revenue growth rate and estimated gross profit margin to recent industry and economic data and the Group's specific information; and 4) challenging the expected launch dates of new drugs by checking the new drugs approval status and the Group's future business plan; and 5) evaluating the management's assessment on the required technical, financial and other resources to complete the development of pipeline drugs.

KEY AUDIT MATTERS (CONTINUED)

Valuation of investment properties

Refer to note 17 to the consolidated financial statements

We identified the valuation of investment properties as a key audit matter due to significant unobservable inputs and management judgement associated with the determination of the fair value of the investment properties.

As disclosed in note 17 to the consolidated financial statements, the carrying amount of the Group's investment properties located in the People's Republic of China was approximately HK$167,000 as at 31 December 2020, with a gain arising on change in fair value of investment properties amounting to HK$32,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended.

During the year, certain areas of investment properties amounting to HK$12,373,000 were reclassified as owner occupied properties, because they were no longer leased to a third party and it was decided that such properties would be used by the Group. Immediately before the transfer, the Group remeasured the properties to fair value and recognised a gain of HK$2,477,000 in the consolidated statement of profit or loss and other comprehensive income for the year then ended.

In determining the fair value of the relevant properties, the Board of Directors of the Company has set up a valuation team to work with the independent qualified valuer to establish the appropriate valuation techniques and inputs to the model. The fair value of the investment properties were measured using the direct comparison approach and the significant unobservable input was market unit sale rate.

Our response:

We performed audit procedures in relation to valuation of investment properties:

- Evaluating the independent qualified valuer' competence, capabilities and objectivity and reviewing its terms of engagement with the Group;

- Discussing with the valuer to understand its approaches to determine the fair values of each investment property to assess if the requirements of HKFRS 13 Fair Value Measurement and the industry norms have been met; and

- Evaluating the appropriateness of market unit sale rate used in the valuations of the investment properties by comparing the unit sale rate for similar properties in similar locations with adjustments based on investment properties' specific conditions.

KEY AUDIT MATTERS (CONTINUED)

Expected credit losses on trade receivables

Refer to note 24 to the consolidated financial statements

We identified expected credit loss assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("**ECLs**") of the Group's trade receivables at the end of the reporting period.

As at 31 December 2020, the Group's net trade receivables amounting to approximately HK50,550,000 which represented approximately 20% of total assets of the Group.

As disclosed in note 34 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables with significant outstanding balances are assessed for ECL individually, the estimated loss rates are based on overdue balances, information regarding the ability and intent of the debtors to pay and historical data on industry default rates and are adjusted for forward-looking information.

The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

The Group's ECLs recognised on trade receivables as at 31 December 2020 amounted to approximately HK$3,375,000.

Our response:

We performed audit procedures in relation to impairment assessment of trade receivables which included:

- Evaluating the methodology and key assumptions adopted by management in assessing ECLs and discussing them with management;
- Challenging the reasonableness of key assumptions based on our knowledge of the business and industry;
- Checking, on a sample basis, the accuracy and relevance of the input data used by management in capturing the aging; and
- Checking subsequent settlements of the trade receivables on sampling basis to review the reasonableness of the ECLs.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information. We are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Chow Tak Sing, Peter
Practising Certificate Number P04659

Hong Kong, 29 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	6	**208,776**	209,449
Cost of sales		**(27,682)**	(27,932)
Gross profit		**181,094**	181,517
Other revenue	7	**16,323**	20,193
Other gains and losses	8	**(7,077)**	(1,248)
Selling and distribution costs		**(145,515)**	(149,338)
General and administrative expenses		**(35,830)**	(59,393)
Research and development expenses		**(40,728)**	(42,702)
Equity-settled share-based payment expenses		**(10,890)**	(8,344)
Write-off of intangible assets	19	**(28,245)**	–
Gain on disposal of subsidiaries	36	**–**	18,777
Gain on derecognition of investment properties, right-of-use assets and property, plant and equipment	39	**–**	46,427
Finance costs	9	**(73)**	(749)
(Loss)/profit before taxation	10	**(70,941)**	5,140
Income tax expense	11	**(378)**	(2,681)
(Loss)/profit for the year		**(71,319)**	2,459
Other comprehensive income/(expense), net of tax			
Item that may be reclassified subsequently to profits or loss:			
Exchange differences arising on translation of foreign operations		**13,373**	(1,101)
Other comprehensive income/(expense) for the year		**13,373**	(1,101)
Total comprehensive (expense)/income for the year		**(57,946)**	1,358
(Loss)/earnings per share (HK cents)			
– Basic	12	**(1.11)**	0.04
– Diluted	12	**(1.11)**	0.04

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	16	**51,094**	42,320
Investment properties	17	**167**	9,300
Right-of-use assets	18	**11,221**	9,333
Intangible assets	19	**8,796**	33,900
Deposit paid for the acquisition of property, plant and equipment	21	**–**	1,926
Deposits paid for the acquisition of intangible assets	22	**–**	7,205
		71,278	103,984
Current assets			
Inventories	23	**16,518**	13,338
Trade and other receivables	24	**90,389**	78,536
Amount due from a related party	40	**13,489**	13,397
Time deposits	26	**–**	21,000
Financial assets at fair value through profit and loss	25	**36,031**	–
Bank balances and cash	26	**25,012**	66,198
		181,439	192,469
Current liabilities			
Trade and other payables	27	**43,504**	30,515
Contract liabilities	28	**13,182**	19,650
Income tax payable		**2,655**	3,317
Lease liabilities	29	**1,031**	1,117
		60,372	54,599
Net current assets		**121,067**	137,870
Total assets less current liabilities		**192,345**	241,854

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Lease liabilities	*29*	**2,107**	–
Deferred tax liability	*30*	**827**	404
		2,934	404
Net assets		**189,411**	241,450
Capital and reserves			
Share capital	*31*	**63,910**	64,108
Reserves		**125,501**	177,342
Total equity		**189,411**	241,450

The consolidated financial statements on pages 70 to 166 were approved and authorised for issue by the Board of Directors on 29 March 2020 and are signed on its behalf by:

Mr. Chen Da Wei
Director

Mr. Kingsley Leung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital HK$'000	Share premium HK$'000 (note a)	Share-based payment reserve HK$'000	Distributable reserve HK$'000 (note a)	Exchange reserve HK$'000 (note b)	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2019	61,800	727,429	24,474	1,291,798	37,467	(1,941,218)	201,750
Other comprehensive expense for the year	–	–	–	–	(1,101)	–	(1,101)
Profit for the year	–	–	–	–	–	2,459	2,459
Total comprehensive income for the year	–	–	–	–	(1,101)	2,459	1,358
Issue of ordinary shares in relation to award of new shares (note 35)	150	2,100	(2,250)	–	–	–	–
Issue of private placement (note 31)	2,158	27,840	–	–	–	–	29,998
Recognition of equity-settled share based payment expenses (note 35)	–	–	8,344	–	–	–	8,344
At 31 December 2019	64,108	757,369	30,568	1,291,798	36,366	(1,938,759)	241,450
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**13,373**	**–**	**13,373**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(71,319)**	**(71,319)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**13,373**	**(71,319)**	**(57,946)**
Issue of ordinary shares in relation to award of new shares (note 35)	**150**	**2,160**	**(2,310)**	**–**	**–**	**–**	**–**
Repurchase of shares	**(348)**	**(4,635)**	**–**	**–**	**–**	**–**	**(4,983)**
Recognition of equity-settled share based payment expenses (note 35)	**–**	**–**	**10,890**	**–**	**–**	**–**	**10,890**
At 31 December 2020	**63,910**	**754,894**	**39,148**	**1,291,798**	**49,739**	**(2,010,078)**	**189,411**

Note a: The distributable reserve is a 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 reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the disposal of the foreign operations.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/profit before income tax expense	**(70,941)**	5,140
Adjustments for:		
Amortisation of intangible assets	**5,973**	6,016
Depreciation of right-of-use assets	**2,159**	2,862
COVID-19-related rent concession	**(745)**	–
Depreciation of property, plant and equipment	**12,788**	12,609
Equity-settled share-based payments expenses	**10,890**	8,344
Interest income	**(498)**	(813)
Finance costs	**73**	749
Loss on disposal of property, plant and equipment	**391**	999
Provision for impairment loss recognised on trade receivables, net	**250**	254
Provision for impairment loss reversed on other receivables, net	**(257)**	–
Write-off of intangible assets	**28,245**	–
Provision for impairment loss recognised on amount due from a related party	**766**	–
Provision for impairment loss recognised on deposits paid for the acquisition of intangible assets	**8,225**	–
Write-off of trade receivables	**1,061**	
Gain from change in fair value of investment properties	**(32)**	–
Gain on revaluation of investment properties upon transfer to property, plant and equipment	**(2,477)**	–
Gain on disposal of financial assets at fair value through profit or loss ("**FVTPL**")	**(576)**	–
Gain from changes in fair value of financial assets at FVTPL	**(372)**	–
Gain on derecognition of investment properties, right-of-use assets and property, plant and equipment	**–**	(46,427)
Gain on disposal of subsidiaries	**–**	(18,777)
Operating profit before working capital changes	**(5,077)**	(29,044)
(Increase)/decrease in inventories	**(3,180)**	5,179
Increase in trade and other receivables	**(12,906)**	(33,282)
Increase in trade and other payables	**12,988**	21,858
(Decrease)/increase in contract liabilities	**(6,468)**	7,216
Cash used in operations	**(14,643)**	(28,073)
Income tax paid	**(2,505)**	(2,676)
Income tax refund	**1,674**	–
NET CASH USED IN OPERATING ACTIVITIES	**(15,474)**	(30,749)

	NOTES	2020 HK$'000	2019 HK$'000
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of financial assets measured at FVTPL		**(67,613)**	–
Proceeds from the disposal financial assets measured at FVTPL		**34,383**	–
Funds placed on time deposits		**–**	(49,004)
Withdrawal of time deposits		**21,000**	35,004
Purchases of property, plant and equipment		**(3,439)**	(8,096)
Additions of intangible assets		**(4,794)**	–
Proceeds from disposal of investment property, right-of-use assets and property, plant and equipment		**63**	54,703
Deposits paid for acquisition of intangible assets		**(4,745)**	(1,155)
Interest received		**498**	813
Net cash inflow on disposal of subsidiaries		**–**	18,788
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		**(24,647)**	51,053
CASH FLOW FROM FINANCING ACTIVITIES	43		
Proceeds from private placement		**–**	29,998
Repayment of lease liabilities		**(350)**	(1,924)
Repayment of a bank borrowing		**–**	(13,447)
Share repurchases		**(4,983)**	–
Interest paid		**(73)**	(749)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		**(5,406)**	13,878
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(45,527)**	34,182
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**66,198**	31,786
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**4,341**	230
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**25,012**	66,198

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL

Uni-Bio Science Group Limited (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 convenience of the financial statement users as the Company is listed in Hong Kong.

The Company acts as investment holding company and the principal activities of its subsidiaries are set out in note 41.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or amended HKFRSs

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

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendment to HKFRS 16, COVID-19-Related Rent Concessions. Impact on the applications of these amended HKFRSs are summarised below.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(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 this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new or amended HKFRSs (Continued)

Amendment to HKFRS 16, COVID-19-Related Rent Concessions (Continued)

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended to HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 9, Financial Instruments[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 16, Leases[2]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 January 2023.
5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements. The directors of the Company anticipate that the application of the amendments will likely impact on the Group's accounting policies in respect of the construction of assets, as certain proceeds of selling items produced whilst bringing assets under construction are currently deducted from the cost of the asset.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements. The directors of the Company anticipate that the application of the amendments will likely impact on the Group's accounting policies in respect of the determination of when contracts are onerous, and the measurement of provision for onerous contracts recognised.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC) – Interpretation 21 Levies, the acquirer applies HK(IFRIC) – Interpretation 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arise.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2018–2020 – Amendments to HKFRS 9, Financial Instruments

The annual improvements amends a number of standards, including HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2018–2020 – Amendments to HKFRS 16, Leases

The annual improvements amends a number of standards, including HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and financial instruments, that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability. The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "**Group**"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combination and basis of consolidation (Continued)

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Company considers all relevant facts and circumstances, including:

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and other parties who hold voting rights;
- other contractual arrangements; and
- historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates per annum are as follows:

Buildings	Over 5% or the term if lease, it shorter
Plant and machinery	6.6% – 20%
Furniture and equipment	10% – 20%
Buildings improvement	5% – 18%
Motor vehicles	15% – 20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leasing

The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property (see note 4(c)), they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use (see note 4(d)), they are carried at revalued amount.

The Group accounts for leasehold land and buildings which are held for own use under HKAS 16 and are carried at cost model. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of assets apart from the leasehold land and buildings which are held for own use. As a result, the right-of-use assets arising from the properties under tenancy agreements are carried at depreciated cost.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leasing (Continued)

The Group as a lessee (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) fixed payments less any lease incentives receivable;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(iii) amounts expected to be payable by the lessee under the residual value guarantees;

(iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leasing (Continued)

The Group as a lessee (Continued)

Lease liability (Continued)

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for COVID-19-Related Rent Concessions applies (see note 2(a)), if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

The Group as a lessor

The Group has leased out its investment properties to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Any changes in the scope of the consideration for a lease that was not part of the original terms and conditions of the lease are accounted for as lease modifications. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on a either a straight-line basis or another systematic basis over the remaining lease term.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leasing (Continued)

The Group as a seller-lessee

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognises any gain or loss that relates to the rights transferred to the buyer-lessor only.

(f) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(g) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation expense is recognised in profit or loss and included in research and development costs. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (other than goodwill) (Continued)

(ii) Internally generated intangible assets (research and development expenditures)

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior reporting periods. A reversal of an impairment loss is recognised immediately in profit or loss.

(i) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(i) Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired. Interest income is recognised in profit or loss and is included in the "other revenue" line item.

*Fair value through profit or loss ("**FVTPL**")*

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, other receivables, time deposits, bank balances and amount due from a related party). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivable are estimated individually for debtors with significant balances or credit-impaired, and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

When there is a breach of financial covenants by the counterparty; or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(ii) Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(j) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise short-term bank deposits, bank balances and cash are subject to an insignificant risk of changes in value, and have a short maturity of generally within one year when acquired, which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise short-term bank deposits, bank balances and cash which are not restricted as to use.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income/a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(l) Equity-settled share-based payment transactions

Shares/share options granted to employees/directors

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the shares/share options at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve).

At the end of each reporting period, the Group revises its estimate of the number of shares/share options that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Equity-settled share-based payment transactions (Continued)

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the services received at the date the counterparty renders the service, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the counterparty renders the service. The fair values of the services received are recognised as expenses (unless the services qualify for recognition as assets).

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition (Continued)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Production and sales of chemical and biological pharmaceutical products

The Group is principally engaged in manufacturing and selling of chemical and biological pharmaceutical products. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a product to a customer.

Customers obtain control of pharmaceutical products when title passes and the goods have been delivered to a contractually agreed location. Invoices are generated and revenue is recognised at that point in time.

(ii) Other revenue

Rental income under operating lease is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Service income is recognised over time as those services are provided.

Royalty income is recognised over time based on the terms in the contract.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 4(i)(i) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

(p) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit (loss) before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income taxes (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income taxes (Continued)

Current and deferred tax are recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(q) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of intangible assets and property, plant and equipment related to pipeline pharmaceutical products

Intangible assets with indefinite useful lives are tested for impairment at least annually or more frequently where an indication of impairment exists. The Group also reviews the carrying amounts of property, plant and equipment and intangible assets with finite useful lives to determine whether there is any indicator that those assets have suffered an impairment loss.

As there are changes in development plans for pipeline pharmaceutical products, impairment indicator on intangible assets and property, plant and equipment exists. Determining whether these intangible assets and property, plant and equipment are impaired requires an estimation of the recoverable amount which is higher of the fair value less costs of disposal, or value in use of the cash generating units ("**CGUs**") to which the intangible assets and property, plant and equipment have been allocated.

The value in use calculation relies on the management's assumptions and estimates of future operating performance of these drugs. Significant judgment is involved in determining the key data and assumptions applied by the management in the impairment review, which include discount rates, expected revenue growth rate, estimated gross profit margin; and expected launch dates of these new drugs.

As at 31 December 2020, the carrying amounts of the intangible assets and property, plant and equipment related to pipeline pharmaceutical products are HK$8,692,000 (2019: HK$33,900,000) and HK$23,938,000 (2019: HK$23,519,000), respectively. During the year ended 31 December 2020 and 2019, no impairment loss on intangible assets and property, plant and equipment was recognised in profit or loss. While Covid-19 pandemic did not have significant impact on the pharmaceutical products business in 2020, a protracted economic recovery may result in additional impairments in future periods.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Fair value of investment properties

At the end of each reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. At 31 December 2020, the carrying amount of investment properties measured at fair value was approximately HK$167,000 (31 December 2019: HK$9,300,000).

Amortisation of intangible assets

Intangible assets are amortised over their useful lives. The assessment of estimated useful lives is a matter of judgment based on the experience of the Group's management, taking into account factors such as the ability to legally renew the technical know-how, technological progress and changes in market demand. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying value in the period in which the changes take place. As of 31 December 2020, the carrying amount of intangible assets with definite useful life is HK$4,098,000 (31 December 2019: HK$19,872,000), and amortisation of the intangible assets of HK$5,973,000 (31 December 2019: HK$6,016,000) was recognised for the year ended 31 December 2020.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables based on the grouping of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates and taking into consideration forward-looking information that is reasonable and supportable that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The economic downturn and uncertainties that have arisen as a result of COVID-19 pandemic have made these estimates more judgemental, which the Group has taken into account in its determination of applicable ECLs attributable to trade receivable arising from sales to customers on credit term, including the incorporation of forward-looking information to supplement historical credit loss rate. Further information on the impairment assessment on trade receivables is provided in note 34(b).

6. REVENUE AND SEGMENT INFORMATION

Revenue arising from sale of chemical and biological pharmaceutical products 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 (2019: 90 days) upon delivery.

Advance and deposits received from the customers are recognised as 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.

Information reported to the board of directors of the Company, being the chief operating decision maker ("**CODM**"), for the purpose of allocating resources to segments and assessing their performance are organised on the basis of the revenue streams. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reportable segments are analysed as follows:

(a) Chemical pharmaceutical products – manufacture and sale of chemical pharmaceutical products

(b) Biological pharmaceutical products – manufacture and sale of biological pharmaceutical products

(c) Pipeline products – research and development of pharmaceutical products

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment revenues and results

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

For the year ended 31 December 2020

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Consolidated HK$'000
Segment revenue				
External sales	40,305	168,471	–	208,776
Result				
Segment (loss)/profit	(7,346)	16,897	(61,755)	(52,204)
Other income (excluding royalty income)				4,682
Equity-settled share based payment expenses				(10,890)
Gain from change in fair value of investment properties				32
Gain on revaluation of investment properties upon transfer to property, plant and equipment				2,477
Unallocated administrative expenses				(14,965)
Finance costs				(73)
Loss before income tax expense				(70,941)

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment revenues and results (Continued)

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 administrative expenses				(23,830)
Gain on disposal of investments in subsidiaries				18,777
Gain on disposal of investment property and right-of-use assets and property, plant and equipment				46,427
Finance costs				(749)
Profit before income tax expense				5,140

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. 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 administrative expenses, finance costs, gains on disposal of subsidiaries, and gain on derecognition of investment properties, right-of-use assets and property, plant and equipment. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

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

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

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

As at 31 December 2020

	Chemical pharmaceutical products HK$'000	**Biological pharmaceutical products HK$'000**	**Pipeline products HK$'000**	**Consolidated HK$'000**
Segment assets	**62,565**	**125,517**	**32,643**	**220,725**
Unallocated assets				**31,992**
Total assets				**252,717**
Segment liabilities	**15,702**	**35,482**	**–**	**51,184**
Unallocated liabilities				**12,122**
Total liabilities				**63,306**

As at 31 December 2019

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Consolidated HK$'000
Segment assets	56,579	78,983	57,419	192,981
Unallocated assets				103,472
Total assets				296,453
Segment liabilities	21,752	22,507	–	44,259
Unallocated liabilities				10,744
Total liabilities				55,003

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

For the year ended 31 December 2020

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets					
Additions to property, plant and equipment	4,390	243	–	732	5,365
Amortisation of intangible assets	5,973	–	–	–	5,973
Depreciation of right-of-use assets	–	–	–	2,159	2,159
Depreciation of property, plant and equipment	6,901	539	–	5,348	12,788
Loss on disposal of property, plant and equipment	133	258	–	–	391
Provision for impairment loss on deposits paid for the acquisition of intangible assets	7,293	932	–	–	8,225
Research and development cost	–	6,898	33,830	–	40,728
Provision for impairment loss recognised/ (reversed) on trade receivables, net	(138)	388	–	–	250
Provision for impairment loss reversed on other receivables, net	–	(257)	–	–	(257)
Write-off of intangible assets	–	–	28,245	–	28,245
Provision for impairment loss recognised on amount due from a related party	–	–	–	766	766
Write-off of trade receivables	–	1,061	–	–	1,061
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets					
Interest on bank deposits	16	290	–	192	498

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Other segment information (Continued)

For the year ended 31 December 2019

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets					
Additions to property, plant and equipment	5,289	334	2,827	20	8,470
Amortisation of intangible assets	–	–	6,016	–	6,016
Depreciation of right-of-use assets	289	649	–	1,924	2,862
Depreciation of property, plant and equipment	1,987	3,443	5,522	1,657	12,609
Loss on disposal of property, plant and equipment	509	460	–	30	999
Research and development cost	–	6,560	36,142	–	42,702
Provision for impairment losses (reversed)/ recognised on trade receivables, net	(208)	462	–	–	254
Gain on derecognition of investment properties, right-of-use assets and property, plant and equipment	–	–	–	46,427	46,427
Gain on disposal of subsidiaries	–	–	–	18,777	18,777
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets					
Interest on bank deposits	(419)	(131)	–	(263)	(813)

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(d) Geographical information

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

	Sales to external customers		Non-current assets	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**1,407**	2,859
The People's Republic of China ("**PRC**")	**208,776**	209,449	**69,871**	101,125
	208,776	209,449	**71,278**	103,984

(e) Revenue from the Group's products and services

The following is an analysis of the Group's revenue from external customers by products or services:

	2020	2019
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Sales of chemical pharmaceutical products	**40,305**	51,071
Sales of biological pharmaceutical products	**168,471**	158,378
	208,776	209,449
Timing of revenue recognition:		
At a point in time	**208,776**	209,449
Transferred over time	**–**	–
	208,776	209,449

Information about major customers

No revenue from any individual customer of the corresponding year exceeds over 10% or more of the revenue of the Group.

7. OTHER REVENUE

	2020 HK$'000	2019 HK$'000
Interest on bank deposits	**498**	813
Rental income	**869**	1,674
Royalty income (Note i)	**11,641**	3,212
Government grants (Note ii)	**1,227**	12,546
Service income (Note iii)	**919**	1,269
Sundry income	**424**	679
COVID-19-related rent concessions	**745**	–
	16,323	20,193

Note i: During the year ended 31 December 2019, the Group granted a right to use the trademark of its chemical drug to its distributor on its sales and marketing activities and received a royalty fee amounting to RMB6,000,000 (approximately HK$6,424,000). As the right to use the trademark is not distinct from the Group's future sales of its chemical drug, the Group considers the performance obligation of such income is satisfied over time and therefore based on the terms in the contract, half of the royalty fee received was recognised as other income in 2019. The remaining amount of RMB3,000,000 (approximately HK$3,189,000) was recognised in current year.

The contract also includes variable consideration, the amount and timing of receipt of which is dependent on the achievement of certain milestones. Such variable consideration has not been included in the determination of the transaction price.

During the year ended 31 December 2020, the Group received a royalty fee amounting to RMB7,500,000 (approximately HK$8,452,000), the amount received was based on the achievement of milestone stated in the contract , the Group recognised the revenue when the milestone was achieved and therefore the royalty fee received was recognised as other income in current year.

Note ii: Government grants mainly represent grants received from the PRC local government authorities as subsidies to the Group for research and development expenditures already incurred and the conditions have been fulfilled upon the grant.

The Group applied for government support programs introduced in response to the COVID-19 pandemic. Included in profit or loss is HK$160,500 of government grants obtained relating to supporting the payroll of the Group's employees from the Hong Kong Government. The Group has elected to present this government grant in government grant above, rather than reducing the related expense. The Group had to commit to spending the assistance on payroll expenses, and not to reduce employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program.

Note iii: Service income mainly represented the subcontracting income generated from the provision of manufacturing works to the customers. During the year ended 31 December 2019, the Group received service income amounted to RMB451,000 (approximately HK$512,000) from its related party for manufacturing works performed on their behalf and no service income from related parties during the year ended 31 December 2020. Details are set out in Note 40.

8. OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
Gain from changes in fair value of investment properties (note 17)	32	–
Gain on revaluation of investment properties upon transfer to property, plant and equipment (note 17)	2,477	–
Gain from changes in fair value of financial assets at FVTPL	372	–
Gain on disposal of financial assets at FVTPL	576	–
Provision for impairment loss recognised on deposits paid for the acquisition of intangible assets (note 22)	(8,225)	–
Provision for impairment loss recognised on trade receivables, net	(250)	(254)
Reversal of impairment loss on other receivables, net	257	–
Provision for impairment loss recognised on amount due from a related party, net	(766)	–
Write-off of trade receivables	(1,061)	–
Loss on disposal of property, plant and equipment	(391)	(999)
Others	(98)	5
	(7,077)	(1,248)

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank borrowings	–	583
Interest on lease liabilities	73	166
	73	749

10. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

	2020 **HK$'000**	2019 HK$'000
(Loss)/Profit for the year has been arrived at after charging/(crediting):		
Staff costs (including directors' emoluments) (note 14)		
Salaries, wages and other benefit	**36,426**	45,230
Retirement benefit scheme contribution	**3,785**	7,400
Equity-settled share based payments	**9,475**	8,093
	49,686	60,723
Equity-settled share based payments to consultants	**1,415**	251
Amortisation of intangible assets	**5,973**	6,016
Depreciation of property, plant and equipment	**12,788**	12,609
Depreciation of right-of-use assets	**2,159**	2,862
Less: Amortisation and depreciation included in research and development costs	**(10,662)**	(12,319)
	10,258	9,168
Auditor's remuneration	**1,442**	2,619
Cost of inventories recognised as an expense	**27,682**	27,932
Research and development costs	**49,072**	42,702
Less: Capitalisation on intangible assets (note 19)	**(8,344)**	–
	40,728	42,702
Property rental income less outgoing	**869**	1,674

11. INCOME TAX EXPENSE

	2020	2019
	HK$'000	HK$'000
PRC Enterprise Income Tax ("**EIT**")		
– Current year	**1,675**	3,467
– (Over)/under-provision in prior years	**(1,673)**	36
	2	3,503
Deferred tax (note 30)		
– Current year	**376**	(822)
	378	2,681

The Company is tax exempt under the laws of the Cayman Islands.

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 and New Technology Enterprise and were eligible to enjoy a preferential enterprise income tax rate of 15% (2019: 15%) for both years with the expiration date of 15 July 2022 and 11 December 2023, respectively.

11. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the (loss)/profit before income tax expense per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 **HK$'000**	2019 HK$'000
(Loss)/profit before income tax expense	**(70,941)**	5,140
Tax at the preferential enterprise income tax rate of 25% (2019: 25%)	**(17,735)**	1,285
Tax effect of non-taxable income	**(82)**	(10,107)
Tax effect of non-deductible expenses	**2,853**	6,793
Tax effect of deductible temporary difference not recognised	**301**	521
Tax effect of tax losses not recognised	**10,223**	6,743
Effect of tax exemptions granted to the subsidiaries in the PRC	**6,596**	(514)
Utilisation of tax losses previously not recognised	**(4,582)**	(1,959)
(Over)/under-provision in prior years	**(1,673)**	36
Effect of different tax rates of group entities	**4,477**	(117)
Income tax expense for the year	**378**	2,681

12. (LOSS)/EARNINGS PER SHARE

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

(Loss)/earnings	2020 HK$'000	2019 HK$'000
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	**(71,319)**	2,459

Number of shares	2020 '000	2019 '000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**6,408,133**	6,278,443
Dilutive effect of potential ordinary shares: Share options	**–**	1,798
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**6,408,133**	6,280,241

For the year ended 31 December 2020, no adjustment has been made to basic loss per share amounts presented in respect of a dilution as the impact of the share options outstanding would decrease basic loss per share.

For the year ended 31 December 2019, the computation of diluted earnings per share does not assume the conversion of warrants and certain share options as the exercise price of these warrants and share options are higher than the average market price of the Company.

13. DIVIDEND

No dividend was paid, declared or proposed during 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

14. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

For the year ended 31 December 2020

	Kingsley Leung HK$'000	Chen Dawei HK$'000	Zhao Zhi Gang* HK$'000	Total HK$'000
Executive Directors				
Fee	–	–	–	–
Other emoluments				
Salaries, allowance and benefits in kind	352	–	886	1,238
Equity-settled share-based payments	347	3,428	1,809	5,584
Retirement benefit scheme contribution	15	–	30	45
	714	3,428	2,725	6,867

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Chow Kai Ming HK$'000	Ren Qimin HK$'000	Ma Qingshan# HK$'000	Total HK$'000
Independent Non-executive Directors				
Fee	114	114	114	342
Equity-settled share-based payments	240	240	240	720
	354	354	354	1,062

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

14. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (CONTINUED)

(a) Directors' remuneration (Continued)

	Yau Kwok Wing Tony^ HK$'000
Non-executive Directors	
Fee	**122**
Equity-settled share based payment	**240**
	362

The non-executive directors' emoluments shown above were mainly for services as director of the affairs of the Company.

For the year ended 31 December 2019

	Kingsley Leung HK$'000	Chen Dawei HK$'000	Zhao Zhi Gang* HK$'000	Total HK$'000
Executive Directors				
Fee	–	–	–	–
Other emoluments				
Salaries, allowance and benefits in kind	152	–	600	752
Equity-settled share-based payments	325	1,349	2,642	4,316
	477	1,349	3,242	5,068

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

14. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (CONTINUED)

(a) Directors' remuneration (Continued)

	Chow Kai Ming HK$'000	Ren Qimin HK$'000	Ma Qingshan# HK$'000	Total HK$'000
Independent Non-executive Directors				
Fee	70	120	90	280
Equity-settled share-based payments	15	15	–	30
	85	135	90	310

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

	Yau Kwok Wing Tony^ HK$'000
Non-executive Directors	
Fee	80

The non-executive directors' emoluments shown above were mainly for services as director of the affairs of the Company.

* Mr. Zhao Zhi Gang has been re-designated from an independent non-executive Director to an executive Director since 8 April 2019.

Mr. Ma Qingshan has been appointed as an independent non-executive Director and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee since 9 April 2019.

^ Mr. Yau Kwok Wing Tony has been appointed as a non-executive Director since 8 April 2019.

14. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (CONTINUED)

(b) Five highest paid employees

Of the five individuals with highest emoluments in the Group, two (2019: two) were directors of the Company. The emoluments of the remaining three (2019: three) highest paid individuals were as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries and other benefits	**2,874**	3,702
Retirement benefit scheme contributions	**189**	251
Equity-settled share based payments	**2,064**	2,263
	5,127	6,216

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2020 **No. of employees**	2019 No. of employees
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**1**	1
	3	3

During the year, certain non-director highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 35 to the Group's consolidated financial statements.

(c) No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Company, or as compensation for loss of office for the both years.

15. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Company's PRC subsidiaries are members of a state-managed retirement benefit scheme operated by the China government. The subsidiaries are required to contribute based on a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of HK$3,785,000 (2019: HK$7,400,000) represents contributions payable to these plans by the Group for staff (including directors and senior management) at rates specified under the rules of the plans.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Fixtures and equipment HK$'000	Buildings improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2019	41,572	221,825	49,384	86,265	4,483	10,512	414,041
Currency realignment	183	1,589	86	307	120	102	2,387
Additions	–	2,585	2,009	2,382	–	1,494	8,470
Transfer	–	10,139	–	–	–	(10,139)	–
Disposal of subsidiaries (note 36)	–	(159,481)	(3,129)	(17,086)	(2,966)	–	(182,662)
Disposals to related party (note 39)	(21,250)	–	–	(20,257)	–	–	(41,507)
Disposals – others	–	(10,385)	(513)	–	–	–	(10,898)
At 31 December 2019	20,505	66,272	47,837	51,611	1,637	1,969	189,831
Currency realignment	1,141	6,667	1,335	2,012	105	605	11,865
Additions	–	2,597	1,477	144	–	1,147	5,365
Transfer from investment properties (note 17)	12,373	–	–	–	–	–	12,373
Transfer	1,066	–	–	–	–	(1,066)	–
Disposals/written-off	–	(4,338)	(789)	–	–	(57)	(5,184)
At 31 December 2020	35,085	71,198	49,860	53,767	1,742	2,598	214,250
Accumulated depreciation and impairment							
At 1 January 2019	34,041	218,655	40,678	58,835	3,612	3,600	359,421
Currency realignment	164	1,684	28	549	116	60	2,601
Provided for the year	1,331	5,354	2,616	3,121	187	–	12,609
Transfer	–	3,660	–	–	–	(3,660)	–
Eliminated on disposal of subsidiaries (Note 36)	–	(159,021)	(3,035)	(17,086)	(2,908)	–	(182,050)
Eliminated on disposals to related party (note 39)	(18,561)	–	–	(18,193)	–	–	(36,754)
Eliminated on disposals – others	–	(8,214)	(102)	–	–	–	(8,316)
At 31 December 2019	16,975	62,118	40,185	27,226	1,007	–	147,511
Currency realignment	716	4,879	1,402	516	74	–	7,587
Provided for the year	886	5,068	2,517	4,157	160	–	12,788
Eliminated on disposals/written-off	–	(3,989)	(741)	–	–	–	(4,730)
At 31 December 2020	18,577	68,076	43,363	31,899	1,241	–	163,156
Carrying amounts							
At 31 December 2020	16,508	3,122	6,497	21,868	501	2,598	51,094
At 31 December 2019	3,530	4,154	7,652	24,385	630	1,969	42,320

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis, less their estimated residual value, if any, at the following rates per annum:

Buildings	Over 5% or the term of lease, if shorter
Plant and machinery	6.6% – 20%
Fixtures and equipment	10% – 20%
Buildings improvements	5% – 18%
Motor vehicles	15% – 20%

(b) The directors of the Company conducted impairment review of the Group's property, plant and equipment related to pipeline pharmaceutical products. During the years ended 31 December 2020 and 2019, no impairment loss was recognised. Details of such impairment testing are set out in note 20.

As at 31 December 2020, the Group's property, plant and equipment related to chemical pharmaceutical products amounted to HK$10,830,000 (2019: HK$11,876,000). During the year ended 31 December 2020, the Group recorded segment loss of HK$7,346,000 (2019: HK$20,109,000) in chemical pharmaceutical products segment. The directors of the Company consider that no impairment is required as the related property, plant and equipment are leasehold building and leasehold improvement and their recoverable amounts, determined on the basis of fair value less cost of disposal, with reference to the valuation information prepared by the management are higher than the carrying amount.

(c) During the year ended 31 December 2019, the Group disposed of/derecognised some of property, plant and equipment as part of the related party transactions. Details of such disposal/derecognition are set out in notes 36 and 39 respectively.

17. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
FAIR VALUE		
At the beginning of the year	**9,300**	24,350
Exchange realignment	**731**	158
Gain from changes in fair value recognised in profit and loss	**32**	–
Gain on revaluation upon transfer to property, plant and equipment	**2,477**	–
Transfer to property, plant and equipment (note 16)	**(12,373)**	–
Disposals	**–**	(15,208)
At the end of the year	**167**	9,300

The investment properties shown above are situated in Beijing, PRC. During the year ended 31 December 2019, the Group derecognised its investment property in Shenzhen as part of transaction with a related party. Details of such derecognition are set out in note 39.

For the year ended 31 December 2020, the fair value of the Group's investment properties has been arrived at on the basis of a valuation carried out on the respective dates by 北京中勤永勵資產評估有限責任公司 (Beijing Zhong Qin Yong Li asset valuation Limited) independent qualified professional valuers not connected to the Group (For the year ended 31 December 2019: Roma Appraisal Limited, independent qualified professional valuers not connected to the Group).

In determining the fair value of the relevant properties, the board of directors of the Company has set up a valuation team, which is headed up by the chief financial officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

As at 31 December 2020 and 2019, the fair value of investment properties was based on direct comparison approach, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. The key inputs used in valuing the investment property were market unit sale rate of RMB7,000 per square meter (2019: RMB5,600 per square meter).

The fair value measurements for all of the Group's investment properties are categorised as level 3 (see note 3). There were no transfers into or out of Level 3 during both years.

During the year, certain areas of investment properties were reclassified as owner occupied properties (note 16), because they were no longer leased to a third party and it was decided that such properties of building would be used by the Group. Immediately before the transfer, the Group remeasured the properties to fair value and recognised a gain of HK$2,477,000 in profit or loss. The valuation techniques and significant observable inputs used in measuring the fair value of the buildings at the date of transfer were the same as those applied at the end of the reporting period.

18. RIGHT-OF-USE-ASSETS

	Land use rights HK$'000	Leased properties HK$'000	Total HK$'000
At 31 December 2020			
Carrying amount	8,252	2,969	11,221
At 31 December 2019			
Carrying amount	8,030	1,303	9,333
For the year ended 31 December 2020			
Depreciation charge	287	1,872	2,159
For the year ended 31 December 2019			
Depreciation charge	408	2,454	2,862

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of three years (2019: one to three years). Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2020, the Group entered into new lease agreements for an office for three years, and therefore recognised the additions to right-of-use assets of HK$3,532,000 (For the year ended 31 December 2019: HK$340,000).

During the year ended 31 December 2019, the Group disposed of and derecognised part of its right-of-use assets as part of the related party transactions. Details of such disposal and derecognition are set out in notes 36 and note 39, respectively. In addition, the Group reached a mutual agreement with the landlord to terminate two of the leases in Beijing, resulting in a derecognition of the right-of-use assets amounting to HK$7,373,000.

19. INTANGIBLE ASSETS

	Trademarks and certificates HK$'000 (Note a)	Technical know-how HK$'000 (Note b)	Capitalised development costs HK$'000 (Note c)	Totals HK$'000
COST				
At 1 January 2019	239,495	120,042	189,008	548,545
Exchange realignment	(891)	(447)	(705)	(2,043)
At 31 December 2019	238,604	119,595	188,303	546,502
Addition (note e)	–	3,888	4,456	8,344
Written-off	–	(54,036)	(58,583)	(112,619)
Exchange realignment	15,288	4,946	9,134	29,368
At 31 December 2020	253,892	74,393	143,310	471,595
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 January 2019	239,495	94,152	174,927	508,574
Exchange realignment	(891)	(445)	(652)	(1,988)
Provided for the year	–	6,016	–	6,016
At 31 December 2019	238,604	99,723	174,275	512,602
Exchange realignment	15,288	4,549	8,761	28,598
Provided for the year	–	5,973	–	5,973
Written-off	–	(39,950)	(44,424)	(84,374)
At 31 December 2020	253,892	70,295	138,612	462,799
CARRYING AMOUNTS				
At 31 December 2020	–	4,098	4,698	8,796
At 31 December 2019	–	19,872	14,028	33,900

19. INTANGIBLE ASSETS (CONTINUED)

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

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

Notes:

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

(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 after the approval of phase III clinical trial process and are assessed for impairment annually.

(e) During the year ended 31 December 2020, the additions of HK$4,456,000 (2019: Nil) represent the additional capitalised development costs for Drug 3. The capitalised development costs are salaries and laboratory cost of these drugs and the addition of HK$3,888,000 represented the acquisition of technical know-how of Drug 3 from a third party.

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

For the purpose of impairment testing, intangible assets and property, plant and equipment related to pipeline pharmaceutical products segment set out in notes 19 and 16 have been allocated to three individual cash generating units ("**CGUs**"). The carrying amounts of intangible assets (net of accumulated amortisation and impairment losses) and property, plant and equipment (net of accumulated depreciation and impairment losses) related to these CGUs are as follows:

	Property, plant and equipment		**Intangible assets**	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
CGUs				
Drug 1	**4,315**	19,629	**–**	13,380
Drug 2	**18,836**	3,890	**–**	20,520
Drug 3	**787**	–	**8,692**	–
	23,938	23,519	**8,692**	33,900

Drug 1:

During the year ended 31 December 2020, the Group has written-off the intangible asset of previous version of Drug 1 with carrying amounts of HK$8,938,000. The new version of drug 1 was successfully approved by National Medical Products Administration ("**NMPA**") for clinical trial during the year and the project was developing as scheduled. No impairment loss is recognised for the year ended 31 December 2020.

During the year ended 31 December 2019, the project was developing as scheduled. The CDE of NMPA requiring submission of had accepted the application for the bridging trial in December 2019. The Group expected that the bridging clinical research of Drug 1 would be completed in 2020 and this drug would be launched after completion of registration with the NMPA as soon as 2021. No impairment loss was recognised for the year ended 31 December 2019.

Drug 2:

During the year ended 31 December 2020, the Group has written-off the intangible asset of previous version of drug 2 with carrying amounts of HK$19,307,000. The new version of Drug 2 was successfully approved by NMPA. The Group will begin conducting bridging clinical trial for new version of Drug 2, which accelerated the expected launch of new version of Drug 2 and the project was developing as scheduled. No impairment loss is recognised for the year ended 31 December 2020.

During the year ended 31 December 2019, the Group received a notification letter from the CDE of NMPA requiring submission of supplementary drug information and the supplementary material had been submitted in December 2019. According to the management's schedule, the Group expected that the Drug 2 would be launched in the second half of 2020 after obtaining the drug registration approval from NMPA. No impairment loss was recognised for the year ended 31 December 2019.

20. IMPAIRMENT TESTING ON INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT RELATED TO PIPELINE PHARMACEUTICAL PRODUCTS (CONTINUED)

Drug 3:

The NMPA has officially accepted the Group's application for registering of Drug 3 in 2019 and a notification letter for supplementary information was issued by CDE and the supplementary materials have been submitted to CDE in 2020. On November 2020, Drug 3 has been granted approval for marketing in China by NMPA. The Group has also passed Good Manufacturing Practices ("**GMP**") manufacturing inspection and is allowed to begin manufacturing of Drug 3 in December 2020. No impairment loss is recognised for the year ended 31 December 2020.

The basis of the recoverable amounts of the CGUs of Drug 1, Drug 2 and Drug 3 and their major underlying assumptions are summarised below:

The recoverable amounts of these three units (2019: two units) have been determined based on a value in use calculation. That calculation was based on the cash flow forecasts derived from the most recent financial budgets for the next 10 years, considering the product cycle, launch time and management's best estimation on business cycle of the products, using a pre-tax discount rate of 19.44% for Drug 1, Drug 2 and Drug 3 (2019: 20.89% for Drug 1 and Drug 2) which reflects current market assessments of the time value of money and the risk specific to these three CGUs. The cash flows beyond the 10-year-period are extrapolated for another 10 years assuming 3% (2019: 3%) growth based on market data and historical records of existing drugs. The valuation of these three units has been carried out by the Group's management (2019: The valuation of these two units was carried out on the respective dates by Roma Appraisal Limited, independent qualified professional valuer not connected to the Group).

21. DEPOSITS PAID FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 31 December 2019, the carrying amount of deposits paid for the acquisition of property, plant and equipment related to the purchase of plant and equipment for the expansion of production facilities of approximately HK$1,926,000. The acquisition was completed in 2020 and there were no additional deposits paid for the acquisition of property, plant and equipment for the year ended 31 December 2020.

22. DEPOSITS PAID FOR THE ACQUISITION OF INTANGIBLE ASSETS

The deposits paid for the acquisition of intangible assets represent deposits paid as follows:

(1) An acquisition of manufacturing technology and exclusive rights to distribute an antidiabetic drug and the corresponding consulting fee amounting to RMB3,303,643 (equivalent to approximately HK$3,688,000). The transfer was subject to a series of conditions and was expected to be completed in 2021.

During the year ended 31 December 2020, due to changes in the competitive landscape of the antidiabetic drug, the Group made adjustments to the development plan of this drug and decided not to acquire the manufacturing technology. The full impairment of HK$8,225,000 for the deposit of acquisition of intangible assets related to the antidiabetic drug was made in 2020.

(2) A co-development project to develop high quality tablets for treatment of diabetes with independent third parties, including profit sharing arrangement once the drug reached its commercial stage amounting to RMB3,150,000 (equivalent to approximately HK$3,517,000). The clinical data as contained in the bioequivalence study on these tablets had been formally accepted by the NMPA in January 2019 and the production would be approved in November 2020.

In November 2020, the drug was granted approval for marketing in China by NMPA. The Group has also passed GMP manufacturing inspection and is allowed to begin manufacturing of the drug starting from December 2020. The related deposit was capitalised as technical know-how under intangible assets in note 19.

23. INVENTORY

	2020 **HK$'000**	2019 HK$'000
Raw materials	**5,412**	2,835
Work in progress	**2,863**	635
Finished goods	**8,243**	9,868
	16,518	13,338

24. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**53,925**	52,929
Less: Loss allowance	**(3,375)**	(2,937)
	50,550	49,992
Bills receivable	**24,217**	21,088
Deposits, prepayments and other receivables	**15,622**	7,456
	90,389	78,536

As at 31 December 2020 and 2019, trade receivables from contracts with customers amounted to HK$50,550,000 and HK$49,992,000, respectively.

The following is an ageing analysis of trade receivables based on the invoice dates, as at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
0–90 days	**44,984**	36,766
91–120 days	**5,131**	6,859
121–180 days	**2,349**	5,088
181–360 days	**627**	2,303
Over 360 days	**834**	1,913
	53,925	52,929
Less: Loss allowance	**(3,375)**	(2,937)
	50,550	49,992

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. The Group does not hold any collateral over the trade receivables.

Details of impairment assessment of trade and other receivables are set out in note 34.

Bills receivable represent bills on hand. All bills receivable of the Group are with a maturity period of less than 180 days (2019: less than 180 days) and not yet due at the end of the reporting period, and the management considers the default rate is low based on historical information and experience, after taking into relevant forward-looking information into account.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Investment in a Wealth Management product	**36,031**	–

During the year 2020, the Group entered into a Subscription Agreement with a PRC bank, pursuant to which the Group subscribed for the Wealth Management Products from a PRC bank in the principal amount of RMB30,000,000 (equivalent to HK$35,638,000). The investment is related, but not limited to, equity assets, debt assets and bonds and money market instrument assets in compliance with regulatory requirements which was non-principal guaranteed with floating income. The fair value of the investment held by the Group as at 31 December 2020 was approximately RMB30,330,000 (equivalent to HK$36,031,000).

26. TIME DEPOSITS/BANK BALANCES AND CASH

	2020 HK$'000	2019 HK$'000
Bank balances and cash (note a)	**25,012**	66,198
Time deposits (note b)	**–**	21,000
	25,012	87,198

Notes:

(a) The bank balances carry interest rates ranging from 0.01% to 0.35% (2019: 0.01% to 0.35%) per annum.

(b) At 31 December 2019, the time deposits represented short-term deposits with a maturity of two months to six months. At 31 December 2019, the interest rates ranged from 2.1% at 2.35% per annum.

As at 31 December 2020 and 2019, the Group performed impairment assessment on time deposits and bank balances and cash concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Details of impairment assessment of bank balances and time deposits as at 31 December 2020 and 2019 are set out in note 34.

27. TRADE AND OTHER PAYABLES

	NOTES	2020 HK$'000	2019 HK$'000
Trade payables	*(i) & (ii)*	**3,832**	1,802
Other payables		**7,930**	5,000
Accruals		**31,742**	23,713
		43,504	30,515

Notes:

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

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

	2020 HK$'000	2019 HK$'000
0–30 days	**2,393**	1,098
31–60 days	**182**	80
61–90 days	**112**	65
Over 360 days	**1,145**	559
	3,832	1,802

28. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	2020 HK$'000	2019 HK$'000
Contract liabilities	**13,182**	19,650

Movements in contract liabilities

	2020 HK$'000	2019 HK$'000
Balance at 1 January	**19,650**	12,434
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(19,650)**	(12,434)
Increase in contract liabilities as a result of advanced consideration received from customers	**12,504**	19,330
Currency realignment	**678**	320
Balance at 31 December	**13,182**	19,650

29. LEASE LIABILITIES

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 HK$'000	2019 HK$'000
As at 1 January	**1,117**	8,372
Additions	**3,137**	340
Interest expense	**73**	166
Lease payments	**(423)**	(2,090)
Disposals	**–**	(5,661)
COVID-19-related rent concessions (note)	**(745)**	–
Currency realignment	**(21)**	(10)
As at 31 December	**3,138**	1,117

Note:

The Group has received rent concessions from lessors due to the COVID-19 pandemic in the form of rent relief (e.g. reductions in rent contractually due under the terms of lease agreements). As disclosed in note 2(a), the Group has elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions entered into during the year ended 31 December 2020 satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of HK$770,000 and the effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.

The analysis of the present value of future lease payments is as follows:

	2020 HK$'000	2019 HK$'000
Current liabilities	**1,031**	1,117
Non-current liabilities	**2,107**	–
	3,138	1,117

30. DEFERRED TAX LIABILITIES

The following are movements of the deferred tax liabilities recognised from the revaluation of investment properties during the years:

	2020 HK$'000	2019 HK$'000
At 1 January	**404**	1,218
Exchange realignment	**47**	8
Charged/(credited) to profit or loss	**376**	(822)
At 31 December	**827**	404

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred taxation in relation to the Group's investment properties have been measured based on the tax consequences of recovering the carrying amounts entirely through use.

At 31 December 2020, the Group had deductible temporary differences of HK$15,153,000 (2019: HK$6,169,000) mainly consisted of allowance for doubtful debts and amount due from related party and impairment of deposit for acquisition of intangible assets. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

In addition to the above, at 31 December 2020, the Group had unused tax losses of HK$58,190,000 (2019: HK$105,555,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profits streams. The losses will expire within ten years from the year in which they arose because according to the announcement published by the PRC tax authorities on 11 July 2018, tax losses arising from entities qualifying as New and High Technology Enterprise can be carried for ten years effective from 1 January 2018. Accordingly, the expiry of the tax losses arising from subsidiaries that qualify as New and High Technology Enterprise is extended from five years to ten years.

The unused tax losses will expire in the following years:

	2020 HK$'000	2019 HK$'000
2022	**5,784**	6,972
2023	**–**	18,647
2024	**27,150**	79,936
2025 and after	**25,256**	–
Total unused tax losses	**58,190**	105,555

31. SHARE CAPITAL

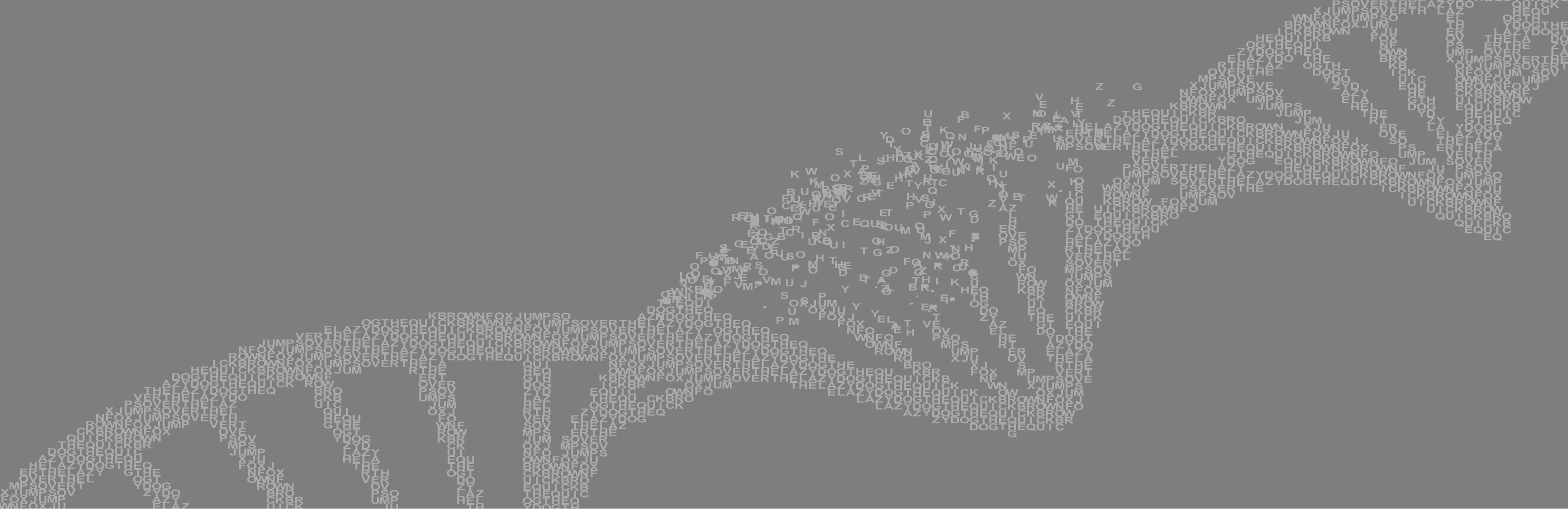
	NOTES	Number of shares	Amount HK$'000
Ordinary share of HK$0.01 each			
Authorised:			
At 1 January 2019, 31 December 2019 and 31 December 2020		500,000,000,000	5,000,000
Issued and fully paid:			
At 1 January 2019		6,179,968,147	61,800
Issue of ordinary shares in relation to award of new shares	*35(b)*	15,000,000	150
Private placement	*(i)*	215,800,000	2,158
At 31 December 2019 and 1 January 2020		6,410,768,147	64,108
Issue of ordinary shares in relation to award of new shares	*35(b)*	15,000,000	150
Repurchase of shares	*(ii)*	(34,760,000)	(348)
At 31 December 2020		6,391,008,147	63,910

Notes:

(i) 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. The proceeds were used to provide additional working capital for the Company.

(ii) During the year ended 31 December 2020, the Company paid in aggregate HK$4,751,000 to buy back 34,760,000 ordinary shares of HK$0.01 each from the Stock Exchange from 4 April 2020 to 29 September 2020, at the highest price of HK$0.16 and the lowest price of HK$0.12 per share, and the excess paid over the par value of the shares was debited to the Company's share premium account.

(iii) For the years ended 31 December 2020 and 2019, all shares issued during the years rank pari passu with the existing shares in all respects.



32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	NOTE	2020 HK$'000	2019 HK$'000
Non-current assets			
Investments in subsidiaries		**100,863**	222,435
Current assets			
Deposits and prepayments		**551**	1,509
Bank balances and cash		**9,815**	23,388
		10,366	24,897
Current liabilities			
Amounts due to subsidiaries		**1,200**	1,200
Other payables and accruals		**3,641**	3,663
		4,841	4,863
Net current assets		**5,525**	20,034
Net assets		**106,388**	242,469
Capital and reserves			
Share capital	*31*	**63,910**	64,108
Reserves		**42,478**	178,361
Total equity		**106,388**	242,469

Mr. Chen Da Wei
Director

Mr. Kingsley Leung
Director

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	Share premium	Share-based payment reserve	Distributable reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	727,429	24,474	1,291,798	(1,886,970)	156,731
Loss and total comprehensive expense for the year	–	–	–	(14,404)	(14,404)
Issue of ordinary shares in relation to award of new shares	2,100	(2,250)	–	–	(150)
Issue of private placement (note 31)	27,840	–	–	–	27,840
Recognition of equity-settled Share-based payments	–	8,344	–	–	8,344
At 31 December 2019 and 1 January 2020	757,369	30,568	1,291,798	(1,901,374)	178,361
Loss and total comprehensive expense for the year	–	–	–	(141,988)	(141,988)
Issue of ordinary shares in relation to award of new shares	2,160	(2,310)	–	–	(150)
Recognition of equity-settled share based payment expense	–	10,890	–	–	10,890
Repurchase of shares	(4,635)	–	–	–	(4,635)
At 31 December 2019	754,894	39,148	1,291,798	(2,043,362)	42,478

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes equity attributable to owners of the Company, comprising share capital and reserves.

The directors review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues.

34. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost	**125,578**	175,595
Financial assets measured at fair value through profit or loss	**36,031**	–
Financial liabilities		
Financial liabilities at amortised cost	**14,900**	7,919

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a related party, time deposits, bank balances and cash, trade and other payables and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

None of the Group entities had any significant sales or purchases denominated in currencies other than the functional currency of the relevant group entities. Thus, the Group does not have any currency risk exposure.

(ii) Interest rate risk

The Group is mainly exposed to cash flow interest rate risk primarily in relation to variable-rate bank balances. The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Management of the Group are of the opinion that the Group's exposure to interest rate risk is minimal. Accordingly, no interest rate risk sensitivity analysis is presented.

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk

As at 31 December 2020 and 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties or debtors is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assesses the potential customer's credit quality by reviewing its shareholding information, financial position and reputation in the industry. For new customers which are not listed companies and without historical business relationship, the Group may request to receive advance from customers. Credit term will be granted if there are ongoing repayment without default. If there are indicators that the customer's credit quality is getting worse, the Group will take follow-up action to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually or based on provision matrix. In this regard, the directors consider that Group's credit risk is significantly reduced.

In response to the COVID-19 pandemic, management has also been performing more frequent reviews of credit limits for customers in regions and industries that are severely impacted. During the year ended 31 December 2020, a net impairment loss of HK$250,000 (31 December 2019: HK$254,000) in respect of the trade receivables was recognised.

The credit risk on bank balances, time deposits and bill receivables are limited because the counterparties are banks with high credit ratings.

For amount due from a related party, the directors of the Company considered that there was no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL. Applying the ECL model result in the recognition of ECL of HK$766,000 for the year ended 31 December 2020. For the year ended 31 December 2019, the Group assessed the ECL for this balance was insignificant considering the financial background and condition of the related party and thus loss allowance was assessed to be immaterial.

As at 31 December 2020, the Group had concentration of credit risk of approximately 7% (2019: 9%) and 31% (2019: 31%) of the total trade receivables due from the Group's largest customer and the five largest customers respectively. As at 31 December 2020 and 2019, all trade receivables were from customers located in the PRC.

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty is large listed company with a low risk of default and does not have any default history	Lifetime ECL – not credit impaired	12-month ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Doubtful	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk (Continued)

The tables below detail the credit risk exposures of the Group's major financial assets which are subject to ECL assessment:

Financial assets at amortised costs

	NOTES	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2020 HK$'000	Gross carrying amount 2019 HK$'000	Net carrying amount 2020 HK$'000	Net carrying amount 2019 HK$'000
Bank balances	26	AAA	Low risk	12-month ECL	**25,012**	66,198	**25,012**	66,198
Time deposits	26	AAA	Low risk	12-month ECL	**–**	21,000	**–**	21,000
Bills receivable	24	A+ to AAA	Low risk	12-month ECL	**24,217**	21,088	**24,217**	21,088
Amount due from a related party	40	N/A	Low risk	12-month ECL	**14,255**	13,397	**13,489**	13,397
Other receivables	24	N/A	Low risk	12-month ECL	**11,946**	3,920	**11,302**	3,920
Trade receivables	24	N/A	(Note)	Lifetime ECL (provision matrix)	**12,670**	14,073	**10,877**	12,401
			Low risk	Lifetime ECL	**41,255**	38,856	**39,673**	37,591

Note:

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers (excluding large listed companies which are classified as low risk under internal credit rating) because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2020 and 2019 within lifetime ECL (not credit impaired). Debtors with significant outstanding balances and with gross carrying amounts of HK$41,255,000 as at 31 December 2020 and HK$38,856,000 as at 31 December 2019 were assessed individually. As all these debtors with significant balances are listed companies with good financial position based on their public annual reports and without recent default history, they are all classified as low risk and loss rate ranging from 3.5% to 6.5% (2019: 3% to 6%) is applied.

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk (Continued)

Gross carrying amount of trade receivables assessed using provision matrix:

2020

	Average loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net trade receivables HK$'000
Current (not past due)	**11%**	**9,819**	**1,107**	**8,712**
1–30 days past due	**16%**	**1,197**	**188**	**1,009**
31–90 days past due	**19%**	**806**	**156**	**650**
90–270 days past due	**31%**	**380**	**117**	**263**
More than 270 days past due	**48%**	**468**	**225**	**243**
		12,670	**1,793**	**10,877**

2019

	Average loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net trade receivables HK$'000
Current (not past due)	6%	8,714	523	8,191
1–30 days past due	14%	1,693	237	1,456
31–90 days past due	22%	1,654	364	1,290
90–270 days past due	25%	1,113	278	835
More than 270 days past due	30%	899	270	629
		14,073	1,672	12,401

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at 31 December 2020, the Group provided HK$1,793,000 (2019: HK$1,672,000) impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of HK$1,582,000 (2019: HK$1,265,000) were made on debtors with significant balances.

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
As at 1 January 2019	2,697	–	2,697
Change for the year:			
– Impairment losses reversed	(2,458)	–	(2,458)
– Impairment losses recognised	35	–	35
New financial assets originated	2,677	–	2,677
Exchange adjustments	(14)	–	(14)
As at 31 December 2019 and 1 January 2020	2,937	–	2,937
Change for the year:			
– Impairment losses reversed	(138)	–	(138)
– Impairment losses recognised	388	–	388
Exchange adjustments	188	–	188
As at 31 December 2020	3,375	–	3,375

At 31 December 2020, the Group's trade receivables included in the allowance for doubtful debts with an aggregate balance of HK$3,375,000 (31 December 2019: HK$2,937,000) was impaired. The Group does not hold any collateral over these balances.

The change in the loss allowance for trade receivables during the year ended 31 December 2020 was mainly due to the increase in lifetime expected credit loss after assessing existing or forecast change in business, financial or economic conditions which may cause deterioration in the operating results of the debtors.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or when the trade receivables are over two years past due, whichever occurs earlier. As at 31 December 2020, the Group had written off HK$1,061,000 trade receivable related to several debtors (31 December 2019: no such indicator existed and no write off was made).

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

The Group had net current assets amounting to approximately HK$121,067,000 at 31 December 2020 (2019: HK$137,870,000).

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for their non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest is floating rates, the undiscounted amount is derived from interest rate at the end of the reporting period.

2020	**Weighted average effective interest rate %**	**Carrying amount HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**
Non-derivative financial liabilities						
Trade and other payables		**11,762**	**11,762**	**11,762**	**–**	**–**
Lease liabilities	**5.7**	**3,138**	**3,435**	**1,212**	**1,212**	**1,011**
		14,900	**15,197**	**12,974**	**1,212**	**1,011**

2019	Weighted average effective interest rate %	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Non-derivative financial liabilities						
Trade and other payables		6,802	6,802	6,802	–	–
Lease liabilities	5.7	1,117	1,240	1,240	–	–
		7,919	7,919	7,919	–	–

34. FINANCIAL INSTRUMENTS (CONTINUED)

c. fair value measurements

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include pledged bank deposits, bank balances and cash, trade and other receivables, amounts due from related parties, other financial assets measured at amortised cost, trade and other payables.

Due to their short term nature, the carrying value of pledged bank deposits, bank balances and cash, trade and other receivables, trade and other payables and bank overdraft approximates fair value.

(b) Financial instruments measured at fair value

The fair value of the Wealth Management product is calculated as the present value of the estimated future cash flows based on observed yield curves.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2020				
Financial assets at fair value through profit or loss				
– Wealth management product	–	36,031	–	–

35. SHARE-BASED PAYMENT TRANSACTIONS

(a) The equity-settled share option scheme of the Company

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 31 December 2020, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 563,055,000 (2019: 433,215,000), representing 8.81% (2019: 6.8%) of the ordinary shares in issue at that date.

35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) The equity-settled share option scheme of the Company (Continued)

Details of the share option movements during the year ended 31 December 2020 and 31 December 2019 under the 2016 Scheme are as follows:

Share options grant date	Outstanding at 1.1.2020 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Cancelled during the year '000	Outstanding at 31.12.2020 '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
31 August 2020 Executive Directors	–	33,380	–	–	–	33,380
31 August 2020 Non-executive Directors	–	25,680	–	–	–	25,680
	433,215	129,840	–	–	–	563,055
Exercisable at the end of the year						445,420
Weighted average exercise price	HK$0.19	HK$0.14	–	–	–	HK$0.18

35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) The equity-settled share option scheme of the Company (Continued)

Share options grant date	Outstanding at 1.1.2019 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Cancelled during the year '000	Outstanding at 31.12.2019 '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	–	–	(547)	–	16,073
9 April 2018 Senior management	11,990	–	–	–	–	11,990
9 April 2018 Employees	24,820	–	–	(4,596)	–	20,224
5 July 2018 Others	3,000	–	–	–	–	3,000
9 April 2019 Directors	–	66,179	–	–	–	66,179
9 April 2019 Employees	–	67,000	–	(4,551)	–	62,449
9 April 2019 Others	–	3,300	–	–	–	3,300
	306,430	136,479	–	(9,694)	–	433,215
Exercisable at the end of the year						342,690
Weighted average exercise price	HK$0.20	HK$0.16	–	–	–	HK$0.19

(i) Share options granted on 2 April 2020

On 2 April 2020, 35,780,000 were granted to the employees and the estimated fair value of the options granted was approximately HK$2,251,635. The share option will be exercisable from 2 April 2020 to 1 April 2030. Among the aggregate of 35,780,000 share options granted, 11,926,667 share options were vested during the year ended 31 December 2020. The remaining shares options will be vested in 2 tranches with 11,926,667 and 11,926,666 share options to be vested on 2 April 2021 and 2 April 2022 respectively. The share options will vest automatically provided that the employees still remain in office on the vesting date.

35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) The equity-settled share option scheme of the Company (Continued)

(i) Share options granted on 2 April 2020 (Continued)

The fair values of the share options granted on 2 April 2020 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.151 per share
Exercise price	HK$0.154 per share
Expected volatility	57.080%
Expected life	10 years
Risk-free rate	0.66%
Expected dividend rate	0%
Exit rate	15.739%

(ii) Share options granted on 2 April 2020

On 2 April 2020, 35,000,000 were granted to the consultants providing similar services as employee and the estimated fair value of the options granted was approximately HK$2,674,300. The share option will be exercisable from 1 Jan 2022 to 1 April 2030. Among the aggregate of 35,000,000 share options granted, no share options were vested during the year ended 31 December 2020. 15,000,000 share options to be vested on 1 January 2022 and conditional upon the achievement or attainment of certain business or commercial milestone of the Group and the 20,000,000 remaining share options will be vested when conditional upon the achievement or attainment of certain business or commercial milestone of the Group.

The fair values of the share options granted on 2 April 2020 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.151 per share
Exercise price	HK$0.154 per share
Expected volatility	57.080%
Expected life	10 years
Risk-free rate	0.66%
Expected dividend rate	0%
Exit rate	0%

35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) The equity-settled share option scheme of the Company (Continued)

(iii) Share options granted on 31 August 2020

On 31 August 2020, 33,380,000 were granted to the Executive Directors and the estimated fair value of the options granted was approximately HK$1,640,480. The share option will be exercisable from 31 August 2020 to 30 August 2030. Among the aggregate of 33,380,000 share options granted, 22,260,000 share options were vested during the year ended 31 December 2020. The remaining shares options will be vested in a tranche with 11,120,000 share options to be vested on 31 August 2021. The share options will vest automatically provided that the employees still remain in office on the vesting date.

The fair values of the share options granted on 31 August 2020 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.119 per share
Exercise price	HK$0.126 per share
Expected volatility	56.837%
Expected life	10 years
Risk-free rate	0.508%
Expected dividend rate	0%
Exit rate	14.667%

(iv) Share options granted on 31 August 2020

On 31 August 2020, 25,680,000 were granted to the Non-Executive Directors and the estimated fair value of the options granted was approximately HK$1,262,806. The share option will be exercisable from 31 August 2020 to 30 August 2030. Among the aggregate of 33,380,000 share options granted, 17,120,000 share options were vested during the year ended 31 December 2020. The remaining shares options will be vested in a tranche with 8,560,000 share options to be vested on 31 August 2021. The share options will vest automatically provided that the employees still remain in office on the vesting date.

The fair values of the share options granted on 31 August 2020 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.119 per share
Exercise price	HK$0.126 per share
Expected volatility	56.837%
Expected life	10 years
Risk-free rate	0.508%
Expected dividend rate	0%
Exit rate	14.667%

35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) The equity-settled share option scheme of the Company (Continued)

(v) Share options granted on 9 April 2019

On 9 April 2019, 66,179,000 were granted to the directors and the estimated fair value of the options granted was approximately HK$4,241,845. The share option will be exercisable from 9 April 2019 to 8 April 2029. Among the aggregate of 66,179,000 share options granted, 22,060,000 share options were vested during the year ended 31 December 2019. The remaining shares options will be vested in 2 tranches with 22,060,000 and 22,059,000 share options to be vested on 9 April 2020 and 9 April 2021 respectively. The share options will vest automatically provided that the employees still remain in office on the vesting date.

The fair values of the share options granted on 9 April 2019 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.160 per share
Exercise price	HK$0.160 per share
Expected volatility	50.426%
Expected life	10 years
Risk-free rate	1.552%
Expected dividend rate	0%
Exit rate	20.833%

(vi) Share options granted on 9 April 2019

On 9 April 2019, 67,000,000 were granted to the senior management and employees and the estimated fair value of the options granted was approximately HK$4,997,632. The share option will be exercisable from 9 April 2019 to 8 April 2029. Among the aggregate of 67,000,000 share options granted, 22,550,000 share options were vested during the year ended 31 December 2019. The remaining shares options will be vested in 2 tranches with 22,550,000 and 21,900,000 share options to be vested on 9 April 2020 and 9 April 2021 respectively. The share options will vest automatically provided that the senior management still remain in office on the vesting date.

The fair values of the share options granted on 9 April 2019 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.160 per share
Exercise price	HK$0.160 per share
Expected volatility	50.426%
Expected life	10 years
Risk-free rate	1.552%
Expected dividend rate	0%
Exit rate	2.847%

35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) The equity-settled share option scheme of the Company (Continued)

(vii) Share options granted on 9 April 2019

On 9 April 2019, 3,300,000 were granted to a consultant providing similar services as employee and the estimated fair value of the options granted was approximately HK$251,427. The share option will be exercisable from 9 April 2019 to 9 April 2029. There is no vesting period and the share option can be exercised on April 2019.

The fair values of the share options granted on April 2019 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.160 per share
Exercise price	HK$0.160 per share
Expected volatility	50.426%
Expected life	10 years
Risk-free rate	1.552%
Expected dividend rate	0%
Exit rate	0%

(b) Award of new shares to a director of the Company

During year ended 31 December 2017, the Group entered into service agreement with Chan Dawei, a director of the Company, in which the Company agreed to allot and issue 15,000,000 award shares to him for every 12 months in which he served as an executive director and up to five years. The fair value of the award shares is HK$0.15 per share at the grant date. During the year ended 31 December 2020, 15,000,000 award shares (2019: 15,000,000) were allotted and issued to him.

The Group recognised the total expense of HK$10,890,000 for the year ended 31 December 2020 (2019: HK$8,344,000) in relation to options granted under the share option scheme and the award shares of the Group.

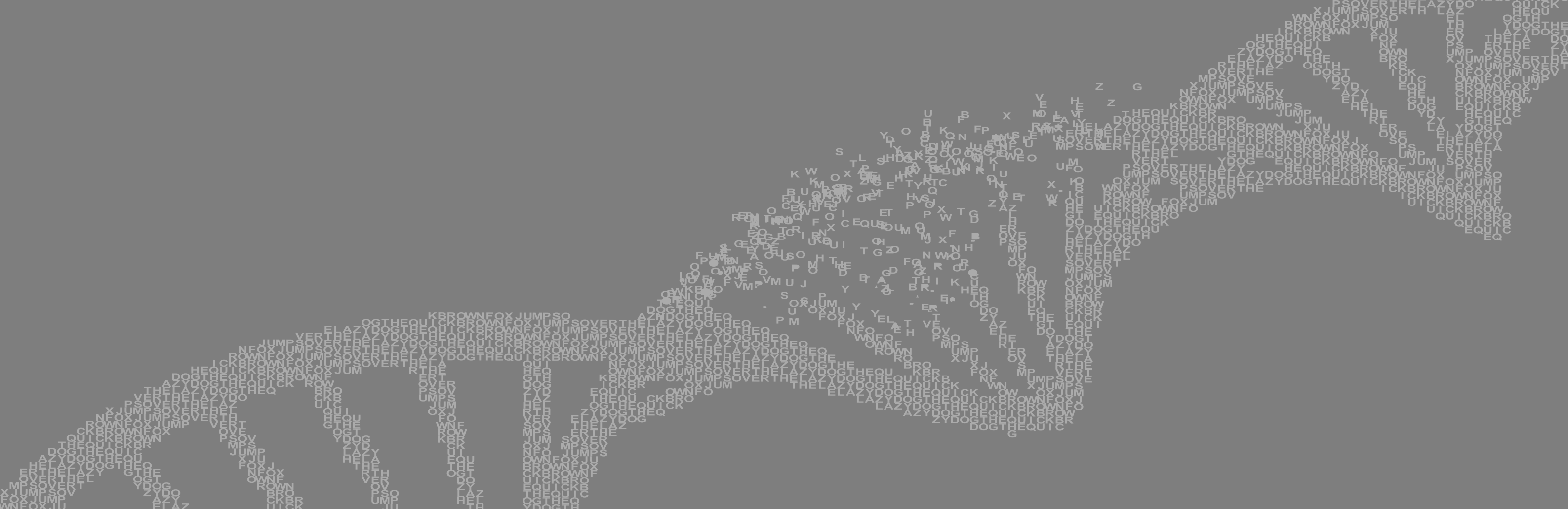
36. DISPOSAL OF SUBSIDIARIES

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 in 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. The close family members of director, the director and the shareholder of the Company have beneficial interests in 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 March 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 investments in 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



37. OPERATING LEASES

The Group as lessor

The investment properties held for rental purposes have been leased for the next year.

Minimum lease payments paid under operating leases during the year

	31 December 2020 HK$'000
Within one year	**34**

	31 December 2019 HK$'000
Within one year	992

38. CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of		
– Purchase of property, plant and equipment	**430**	690
– Purchase of intangible asset	**14,287**	17,978
– Research and development activities	**–**	335
	14,717	19,003

39. DERECOGNITION OF INVESTMENT PROPERTIES, RIGHT-OF-USE ASSET AND PROPERTY, PLANT AND EQUIPMENT

As set out in notes 16, 17 and 18, 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 close family members of director, the director and the shareholder of the Company have beneficial interests on Greater Bay R&D.

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 properties, right-of use assets and property, plant and equipment amounting to 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 were used for manufacture and sale of biological pharmaceutical products as at 31 December 2019.

	25 March 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 derecognition of investment properties, right-of-use assets and property, plant and equipment:	
Fair value of consideration received and receivable	68,100
Less: assets derecognised	(22,379)
Add: right-of-use assets retained	706
Gain on derecognition	46,427

As part of the process of transferring the legal title of the Shenzhen Land and Property to Greater Bay Capital, the Group had completed the split-off of Shenzhen Watsin whereby the title of the Shenzhen Land and Property will be transferred to a new company to be disposed of to Greater Bay Capital while all the remaining assets and liabilities, including the production equipment and facilities as well as the intellectual property rights of the existing Shenzhen Watsin will remain with the Group. The Group is in process of transferring the titles of the Shenzhen Land and Property to the new company, upon the completion of which, the equity interest of the new company would be transferred to Greater Bay Capital (the "**Share transfer**"). In the opinion of the directors, the Share transfer would be completed in 2021.

39. DERECOGNITION OF INVESTMENT PROPERTIES, RIGHT-OF-USE ASSET AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As part of the GBC agreement, Greater Bay Capital has undertaken that:

1) During the period between the date of derecognition of the Shenzhen Land and Property and the date of the Share transfer, Greater Bay Capital is responsible for all matters and bearing all related expenses, taxes and fees relating to the Shenzhen Land and Property. At the same time, Greater Bay also owns all the rights and benefits associated with the Shenzhen Land and Property during this period.

2) Shenzhen Watsin can continue to use the related land and building, free of charge, for 12 months starting from 25 March 2019. During the year ended 31 December 2020, the Rent-free Period was extended to 31 December 2020.

3) Greater Bay Capital will compensate the cost of relocation incurred by Shenzhen Watsin provided that such amount shall be between RMB20 million and RMB30 million, of which based on the best estimation of the directors of the Company, would be sufficient to cover the relocation costs.

4) Based on the current disposal plan, the directors are of the opinion that the transfer of the economic benefit of the Shenzhen Land and Property and the split-off of Shenzhen Watsin will be exempt from tax by the local tax authority. However, should the Group be obliged to pay any taxes with regard to this transaction, Greater Bay Capital will bear all applicable taxes and fees arising from the GBC agreement, including the split-off and the Share transfer (including without limitation, the applicable taxes and fees arising from the transfer of the titles of the Shenzhen Land and Property), up to a maximum amount of RMB40,000,000.

During the year ended 31 December 2019, the Group received cash consideration amounting to RMB48,000,000 (equivalent to HK$54,703,000) from Greater Bay Capital. For the remaining RMB12,000,000 (equivalent to HK$13,397,000), it was originally agreed that it should be repaid by no later than 31 December 2019; however, this period was extended to the earlier of (1) the Share transfer completion date; and (2) 30 June 2020. As at 31 December 2019, the balance is unsecured and non-interest bearing. Further details about this transaction are set out in the Group's announcement dated 16 November 2018, 4 February 2019 and 25 March 2019.

During the year ended 31 December 2020, there was further extension of the payment of the remaining RMB12,000,000 to the earlier of (1) the Share transfer completion date; or (2) on 31 December 2021, whichever date is earlier. Further details about this transaction are set out in the Group's announcement dated 11 August 2020.

40. RELATED PARTY TRANSACTIONS

(a) Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Related party	**Nature of balances/ transactions**	**2020** **HK$'000**	2019 HK$'000
Greater Bay Capital (Note (i))	Amount due from a related party	**13,489**	13,397
	Amount due to a related party (included in trade and other payables)	**–**	1,712
Guangzhou Taili Biotech Co., Limited (Note (ii))	Service income	**–**	512
Greater Bay Bio Limited (Note (ii))	Management fee income	**121**	–

Notes:

(i) The amount is unsecured, non-interesting bearing and repayable on demand.

(ii) Guangzhou Taili Biotech Co., Limited and Greater Bay Bio Limited are indirect subsidiaries of Greater Bay R&D, which the close family members of director, the director and the shareholder of the Company have beneficial interests on Greater Bay R&D.

(b) The key management personnel of the Group comprises all the directors of the Company and the five highest paid individuals. Details of compensation of directors and the five highest paid individuals are included in note 14, there is no other remuneration paid to key management personnel during the years ended 31 December 2020 and 2019.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of major subsidiaries at 31 December 2020 and 2019 are disclosed as follows:

Name of subsidiary	Place/country of incorporation/ registration and operation	Principal activities	Proportion of issued share capital/registered capital held by the Company		Particulars of issued and paid up share capital
			2020	2019	
Directly held					
Lelion Holding Limited	British Virgin Islands/ Hong Kong	Investment holding	**100%**	100%	2 Ordinary shares of US$1 each
Indirectly held					
Uni-Bio Management Limited	Hong Kong	Provision of management services	**100%**	100%	1 Ordinary share of HK$1
Uni-Bioscience Pharm Co. Limited	Hong Kong	Distribution of pharmaceutical products	**100%**	100%	1 Ordinary share of HK$1
Beijing Genetech Pharmaceutical Co., Limited (note)	The PRC	Manufacture and sales of chemical and biological products	**100%**	100%	Contributed capital of RMB91,000,000
Shenzhen Watsin (note)	The PRC	Manufacture and sales of biological products	**100%**	100%	Contributed capital of RMB100,000,000
Uni-Bio Science Healthcare (Beijing) Co. Limited	The PRC	Sales and marketing	**100%**	100%	Contributed capital of RMB500,000
北京太力科創生物工程有限公司 (note)	The PRC	Manufacture and sales of chemical and biological products	**100%**	100%	Contributed capital of RMB100,000,000

Note:

Companies are established as wholly foreign owned enterprise in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries are either investment holding or inactive would, in the opinion of the directors, result in particulars of excessive length.

42. WARRANT

On 20 September 2017, arrangements were made for a private placement to two independent private investors of 1,027,480,000 ordinary shares of HK$0.01 each, at a price of HK$0.138 per ordinary share. The proceeds were used to provide additional working capital for the Company. Pursuant to the terms of each of the subscription agreement, the Company also issued 256,870,000 warrants ("**2017 Warrant**") at warrant exercise price of HK$0.2063 per share for the period commencing from the date of issue of 2017 warrant and ending on the third anniversary. No 2017 Warrant was exercised for the years ended 31 December 2020 and 2019 and the 2017 Warrant was lapsed on 19 September 2020.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK$'000	Lease liabilities HK$'000 (note 29)	Total HK$'000
As at 1 January 2019	13,447	8,372	21,819
Financing cash flows	(13,447)	(1,924)	(15,371)
Interest paid	(583)	(166)	(749)
Non-cash transactions:			
Leases entered	–	340	397
Disposal of subsidiaries	–	(2,533)	(2,653)
Termination of leases	–	(3,128)	(3,128)
Exchange adjustments	–	(10)	53
Interest expenses	583	166	749
At 31 December 2019	–	1,117	1,117
Financing cash flows	–	(350)	(350)
Interest paid	–	(73)	(73)
Non-cash transactions:			
Leases entered	–	3,137	3,137
Covid-19-related rent concession	–	(745)	(745)
Exchange adjustments	–	(21)	(21)
Interest expenses	–	73	73
At 31 December 2020	–	3,138	3,138

44. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the Company's announcement on 24 December 2020, a connected person of the Company (as the lessor) and the Company (as the lessee) entered into the Lease Agreement for the lease of the Lease Properties for a term of two years commencing from 1 January 2021 to 31 December 2022 (both days inclusive). In accordance with HKFRS 16, the Group is required to recognise the Lease Payment as right-of-use assets. As a result, the entry into of the Lease Agreement and the lease contemplated thereunder will be regarded as acquisitions of assets by the Group pursuant to the Listing Rules.

The transaction contemplated under the Lease Agreement will be recognised as the acquisition of right-of-use assets which will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

Five-Year Financial Summary

A summary of the consolidated results and of the assets and liabilities of the Group for the past five financial periods is set out below:

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**208,776**	209,449	135,258	156,477	146,489
PROFIT (LOSS) BEFORE TAXATION	**(70,941)**	5,140	(138,433)	(278,297)	(53,820)
INCOME TAX EXPENSE	**(378)**	(2,681)	(134)	(1,012)	(1,907)
PROFIT (LOSS) FOR THE YEAR/PERIOD	**(71,319)**	2,459	(138,567)	(279,309)	(55,727)
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**(71,319)**	2,459	(138,567)	(279,309)	(55,727)
PROFIT (LOSS) FOR THE YEAR/PERIOD	**(71,319)**	2,459	(138,567)	(279,309)	(55,727)

ASSETS AND LIABILITIES

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**252,717**	296,453	242,448	390,189	497,321
TOTAL LIABILITIES	**(63,306)**	(55,003)	(40,698)	(47,036)	(50,917)
EQUITY	**189,411**	241,450	201,750	343,153	446,404

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Kingsley LEUNG *(Chairman)*
Mr. CHEN Dawei
Mr. ZHAO Zhi Gang

Non-executive Director

Mr. YAU Kwok Wing Tony

Independent Non-Executive Directors

Mr. CHOW Kai Ming
Mr. REN Qimin
Mr. MA Qingshan

AUDIT COMMITTEE

Mr. CHOW Kai Ming
(Chairman of the Audit Committee)
Mr. REN Qimin
Mr. MA Qingshan

REMUNERATION COMMITTEE

Mr. CHOW Kai Ming
(Chairman of the Remuneration Committee)
Mr. Kingsley LEUNG
Mr. REN Qimin
Mr. MA Qingshan

NOMINATION COMMITTEE

Mr. Kingsley LEUNG
(Chairman of the Nomination Committee)
Mr. CHOW Kai Ming
Mr. MA Qingshan
Mr. REN Qimin

COMPANY SECRETARY

Mr. SHE Shi Bin

AUTHORIZED REPRESENTATIVES

Mr. Kingsley LEUNG
Mr. CHEN Dawei
Mr. SHE Shi Bin

AUDITORS

BDO Limited
Certified Public Accountants

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