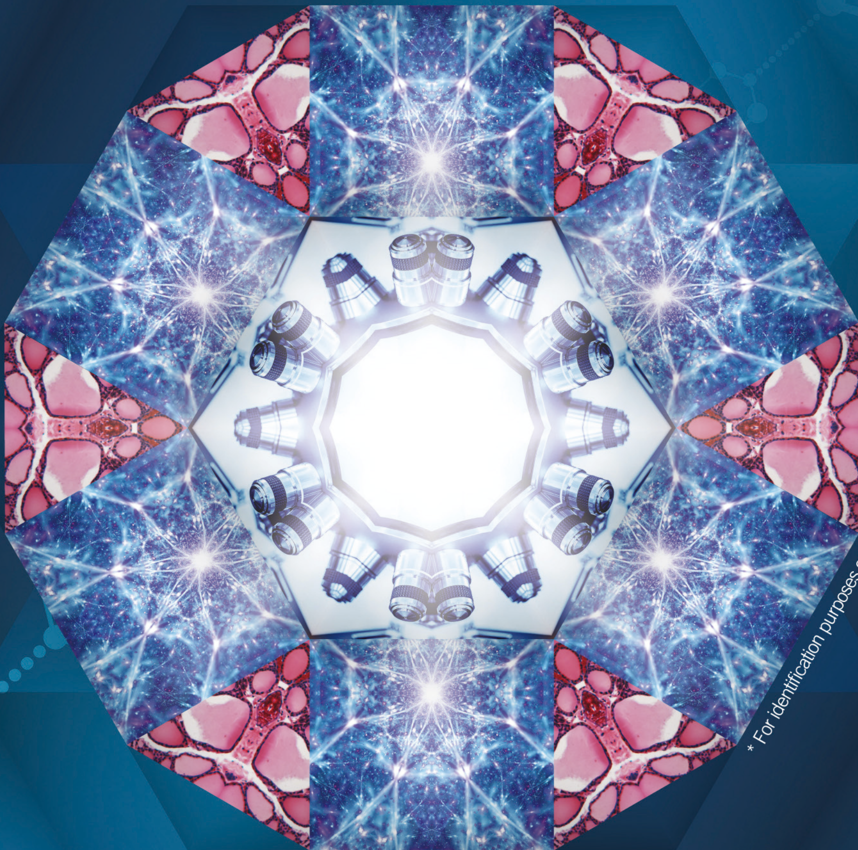
聯康集團
Uni-Bio Science

Uni-Bio Science Group Ltd.
聯康生物科技集團有限公司*

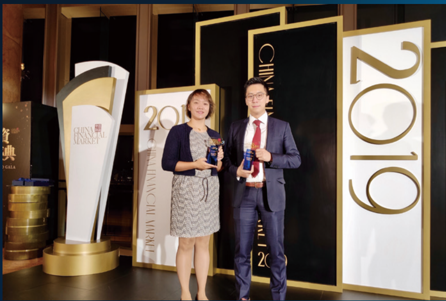
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 0690



* For identification purposes only

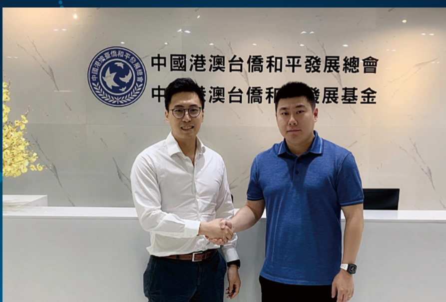
心創造新醫藥
LEADING GENUINE INNOVATION

2019 INTERIM REPORT



On 21 June, 2019, Uni-Bio Group won two 2019 China Financing Awards, namely "Excellent Technology Innovation Enterprise" and "Most Potential Listed Company"

In January 2019, Uni-Bio Group's bio-innovative preparations – aseptic liquid injection cartridge/pre-filling production line officially put into use



In the first half of 2019, Uni-Bio Science Group successfully introduced the background of state-owned assets to establish long-term strategic cooperation with Hong Kong investors, and completed the capital through issuance of new shares under General Mandate on 6 August, 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Kingsley LEUNG
Mr. CHEN Dawei
Mr. ZHAO Zhi Gang

Non-executive Directors

Mr. YAU Kwok Wing Tony

Independent Non-Executive Directors

Mr. ZHAO Zhi Gang
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. REN Qimin
Mr. MA Qingshan

COMPANY SECRETARY

Ms. YAU Suk Yan

AUTHORIZED REPRESENTATIVES

Mr. Kingsley LEUNG
Mr. CHEN Dawei

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

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LEGAL ADVISERS AS TO HONG KONG LAW

Leung & Lau

STOCK CODE

0690

WEBSITE

www.uni-bioscience.com

KEY FINANCIAL HIGHLIGHTS

For the six months ended 30 June (Unaudited)

	2019	2018
Revenue (HK$'000)	**97,313**	59,626
Gross profit (HK$'000)	**80,835**	51,622
R&D expenses (including capitalised portion) (HK$'000)	**21,269**	14,409
Profit/(loss) before taxation	**45,982**	(63,223)
E/LBITA (HK$'000)(1)	**58,041**	(49,071)
Gross profit margin (%)	**83.1%**	86.6%
R&D costs (including capitalised portion) to revenue (%)	**21.9%**	24.2%
As at 30 June/31 December		
Cash ratio (times)(2)	**1.61**	0.98
Current ratio (times)(3)	**3.57**	2.64
Trade payable turnover days (days)(4)	**14**	80
Trade receivables turnover days (days)(5)	**61**	115
Inventory turnover days (days)(6)	**186**	311
Debt-to-equity ratio (%)(7)	**20.2%**	20.2%
Total assets turnover (%)(8)	**31.7%**	55.8%

Notes for key ratios:

(1) E/LBITA (Profit/(loss) before interests, taxes, and amortization): Profit/(loss) before taxation minus interest expense, impairment loss, depreciation of property, plant and equipment, 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 the number of days of the relevant period

(5) Trade receivables turnover days: Average of opening and closing balances on trade receivables (exclude VAT)/turnover and multiplied by the number of days of the relevant period

(6) Inventory turnover days: Average of opening and closing balances on inventory/cost of sales and multiplied by the number of days of the relevant period

(7) Debt-to-equity ratio: Total liabilities/total equity

(8) Total assets turnover ratio: Total revenue/total assets

The board (the "**Board**") of directors (the "**Directors**") of the Uni-Bio Science Group Ltd. ("**Uni-Bio Science**" or the "**Company**", together with its subsidiaries, the "**Group**" or "**Uni-Bio Group**") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2019 (the "**1H2019**" or the "**Period**") as follows:

UNAUDITED FINANCIAL FIGURES BASED ON REPORTABLE SEGMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018 AND 2019

	Period ended 30 June		
	2019	2018	**Change**
	HK$'000	HK$'000	
Revenue from sales of marketed pharmaceutical products	**97,313**	59,626	63.2%
Cost of sales	**(16,478)**	(8,004)	105.9%
Gross profit	**80,835**	51,622	56.6%
Other net loss	**(470)**	(1,372)	-65.7%
Selling and distribution expenses	**(72,891)**	(59,481)	22.5%
General and administrative and other expenses	**(13,822)**	(10,933)	26.4%
Operating loss from marketed biological and chemical pharmaceutical products	**(6,348)**	(20,164)	-68.5%
Other income & other loss	**21,685**	2,595	>200%
Expenses incurred for pipeline products and future projects	**(17,784)**	(14,409)	23.4%
Other administration expenses	**(11,264)**	(28,984)	-61.1%
Finance costs	**(595)**	–	N/A
Equity-settled share based payment expenses	**(6,222)**	(2,261)	175.2%
Loss from recurring business	**(20,528)**	(63,223)	-67.5%
Gains from disposal of a subsidiary	**18,777**	–	N/A
Gains from disposal of material assets	**47,138**	–	N/A
Profit/(loss) before taxation	**45,387**	(63,223)	-171.8%

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

For the first half of 2019 under review, driven by the increasingly deepened medical reform, as well as the gradual introduction of various policies, such as Price Zero Addition of drugs, Two-invoice System and Procurement for Drugs with Specific Volume in 4+7 Cities, the pharmaceutical industry has begun its structural adjustment. In particular, the need of compliance and rectification in the field of drug circulation have prompted the selection and integration of resources with higher quality in the industry. This is responding to the reform of the medical insurance payment system of the People's Republic of China ("**China**" or the "**PRC**") and could benefit for more people. From 2018, the changes in national policies resulted in some reforms in the pharmaceutical industry, which provided the Group potential opportunities. Among them, the quality and efficacy consistency evaluation system and bioequivalence ("**BE**") test for the generic drugs raise a higher requirement for improving the quality of drugs and reducing excess capacity. The policy of Procurement for Drugs with Specific Volume in 4+7 Cities, which has been gradually implemented, stipulated 31 types of procurement with agreed purchase quantity in 11 cities. The implementation of this policy is expected to lower the proportion of total medical expenditure for generic drugs. But the sales of GeneTime® and GeneSoft®, both of which are the Group's self-developed products, will not be affected by this policy as it does not include biological pharmaceutical products like Epidermal Growth Factor ("**EGF**") drug. Furthermore, the policy will not affect the Group's entire chemical pharmaceutical products for example Pinup®, as they are about to complete the Quality and Efficacy Consistency evaluation work and BE study, and will gain more opportunities under these policy guarantees.

BUSINESS REVIEW

Uni-Bio Science – A Fully Integrated Biopharmaceutical Company

Uni-Bio Group is a biopharmaceutical company focusing on diabetes and related metabolic disorders, dermatology and ophthalmology. From research and development ("**R&D**"), production, manufacturing, to sales and distribution of biopharmaceutical and chemical drugs, the Group has established a fully integrated business platform serving the entire value chain. As of 30 June 2019, the Group has launched 4 products into the market, namely GeneTime®, GeneSoft®, Pinup® and Bokangtai.

Key Accomplishments in the First Half of 2019

Government funding for the Highly Sophisticated Teriparatide Industrialisation Project that targets the osteoporosis treatment market

Pursuant to the Public Notice on the 2018 Incubation Programme (Batch II) of High-Tech Industries from the Sub-Parks of the Zhongguancun National Innovation Demonstration Zone, the Major Frontline Innovative Technology Commercialisation and Industrialisation Project, namely the recombinant human Teriparatide (rhPTH1-34) Injection Form Industrialisation Project (the "**Project**"), undertook and submitted by the Group's wholly owned subsidiary, Beijing Genetech Pharmaceutical Co., Limited ("**Beijing Genetech**") has been recognised by the management committee of the Zhongguancun Science Park. Upon approval of the Project, we have received support funding of RMB10 million from the government for this project in April 2019, to support the optimization and upgrading of production lines, protection of our independent intellectual property and major core technology, as well as the launch and marketing of this product. The Company expected to receive more in the coming years depending on its further investment over the Project. Currently, the Company has completed the application for production of lyophilised powder products, the successful launch of which will be favorable for the promotion of the Group's injections. Nowadays, against the increasing competition for innovative drugs globally, new drug regulatory reform has been continuously deepened and a series of policies have been further implemented to encourage enterprises to develop innovative drugs. In actively responding to the national policies, the Group made great efforts in the research and development of its biologic drugs to consolidate its status of market leader.

A significant year-on-year increase in turnover of 15ml GeneTime® products

For the Period, adhering to its strategy, the Group continued to promote its proprietary product GeneTime® (EGF spray indicated for wound healing), which has become a star product of the Group and has been well received by the market as a dermatological drug for healing burns and assisting wound healing. In which, 15ml GeneTime® products developed by the Group in response to the habits of healthcare professionals , contributed considerable sales to the Group during the Period, with sales of approximately HK$55.0 million, representing a significant increase of 93.6% as compared to the first half of 2018, accounting for approximately 56.5% of the total turnover during the Period. Its gross profit margin amounted to 89.1%, which is 11.8 percentage points ("**p.p.**") higher than 77.3% of 5ml products. In fact, the sales of GeneTime® and GeneSoft® (EGF-derivative eye drop indicated for corneal damage and post-operative healing), both of which are the Group's proprietary products, recorded a significant increase during the Period. As the proprietary products of the Group, the Group will continue to explore the market potential of these products.

Optimizing the sales channels to release the market potential of Pinup®

The Group's chemical pharmaceutical products also recorded a significant increase. In 2018, the voriconazole market experienced a temporary price competition, where smaller manufacturers flooded the market with cheaper and lower quality products in order to clear their inventory before other higher quality, the BE approved voriconazole reached the market in the end of the year. This significantly impacted the price and sales of Pinup®. In 2019, the competitive landscape of voriconazole products has been improved, and the price competition was decreased, restoring in the selling price to a reasonable level. On 6 December 2018, the Group entered into a National Promotion Cooperation Agreement for Pinup® with Shanghai Loymed Pharma Technology Co., Ltd.* (上海信忠醫藥科技有限公司) ("**Loymed Pharma**"). The parties achieved excellent results in the cooperation during the Period. Pinup® is a major drug for the treatment of severe fungal infections. As the first-tier treatment recommended by clinical guidelines, it is widely used for immunocompromised patients subject to oncology, hematology, Respiratory, ICUs, etc. Loymed Pharma has extensive sales network for the hematologic malignancies, urology and respiratory and other fields. The coverage of its own team has reached the target departments, such as hematology department and medical oncology department, in more than 500 2A or above hospitals nationwide, and has enjoyed an over 30% sales growth for many consecutive years. With Loymed Pharma's extensive marketing experience in hematologic tumor, strong experts network, satisfactory operating basis for existing products and a broad sales channels, the turnover of Pinup® recorded a year-on-year increase of 103.8% while the sales volume recorded a significant year-on-year increase of 118.3%. Currently, many of the similar types of products on the market have not passed the BE evaluation. In contrast, the Group's Pinup® is currently conducting the BE evaluation and is expected to be approved in 2020, when it will be able to meet the huge market demand with its compliant supply. The Group is still very optimistic about this product's future and believes that it will bring considerable revenue to the Group.

Cost control effect is remarkable after the completion of reorganization of the business structure

During the period, the Group completed an organizational restructuring, changing from a divisional structure to a business unit ("**BU**") structure. The Company formed eight BUs that directly report to the new CEO. The new organizational structure is designed to be more streamlined and flat, and focus on better cost control. In particular, the team size of sales and marketing BU has been streamlined from 125 as at the end of 2018 to 54. As a result, the Group's selling expenses for the Period recorded a significant decrease. The Group has made strenuous efforts in streamlining its sales resources. Starting from last year, the Company began optimizing its sales structure to maximize resource efficiency, the efforts of which started to come to fruition during the Period. The Group's selling expenses for the Period accounted for 74.9% of our sales, representing a significant drop of 24.9 p.p. as compared to 99.8% in the same period last year. In addition, the Group's administrative expenses accounted for 31.0% of our revenue, representing a decrease of 35.9 p.p. as compared to 66.9% in last year, while R&D costs remained the same as last year. In the future, the Group will continue to adhere to the principle of cost control to keep the selling expenses at a reasonable extent.

R&D and Pipeline Progress

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

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

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

Product	Indication	Status	Remarks
Endocrinology			
Acarbose	Type 2 Diabetes	BE study of Acarbose had been formally accepted by the National Medical Products Administration ("**NMPA**"), currently prepared for submission of additional supplementary document	Co-developed with Beijing Baiao Pharmaceutical Co., Ltd.
Bokangtai	Type 2 Diabetes	Bokangtai is currently undergoing BE study	Co-developed with Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
Infectious Disease			
Pinup®	Fungal infection	BE study of Pinup® was completed, currently prepared for submission to NMPA	

Uni-PTH

Uni-PTH is an injection form of recombinant human parathyroid hormone, a biosimilar of Forteo (Teriparatide), which is used to treat osteoporosis. It is more effective in managing pain in bones when compared with peers and is the only class of anabolic agent to actively increases bone mass density at present. By virtue of core technology and independent intellectual property rights, the Group's Recombinant Human Teriparatide Industrialisation Project obtained the qualification accreditation and recognised by the management committee of the Zhongguancun Science Park in April 2019. We also received the first batch of support funding from the government for such project, indicating that such industrialisation project has important clinical significance and great commercial potential. Uni-PTH's innovative formulation mix, which will be the biggest support for such project to be put into the industrialisation as soon as possible, will help Uni-PTH to stand out as a leader in the treatment field in the future with its advantages of effectiveness, safety, convenience and non-invasiveness.

At current stage, the Group has completed the application for production of lyophilised powder form of Uni-PTH, which is undergoing clinical trial and production site verification. The Group is optimistic about the launch of the product in 2020, which is expected to fill the domestic market gap and become a strong driving force for the development of the industry. Meanwhile, through constructive communication with the Centre for Drug Evaluation, both sides came to a conclusion that the clinical trial of the liquid form of Uni-PTH is to be exempted, and only a bridging trial is needed. Uni-PTH are scheduled to be launched in 2021.

Uni-E4

Uni-E4, an innovative biologic drug which is self-developed by the Group, is a class of anti-diabetic treatments called GLP-1 agonists, and a non-insulin treatment candidate that stimulates the incretin pathway. This product is the sole full biological expression product in the world. GLP-1 is a very effective anti-diabetic product. In the clinics, it is shown to be non-inferior in lowering HbA1c, whilst minimizing the side effect of hypoglycaemia, versus insulin glargine. It also has an additional advantage of weight loss, further managing the complication of diabetes. Our version of GLP-1, i.e. Uni-E4, is biological expressed and has many advantages over chemically synthesized GLP-1, including lower impurities, higher safety, higher stability, lower immunogenicity, and cheaper and more environmentally-friendly manufacturing process. The fill-finish of the product is adapted for injection pen, which will allow simpler self-administration and improve compliance from the patients. Since diabetic patients need long-term medication, doctors prefer drugs with higher safety, which is the reason that the acceptance of biological expressed GLP-1 will be higher than chemically synthesized GLP-1. The clinical trials of the products have been completed, and only the bridging trial between the two dosage forms are required in the later stage. Uni-E4 is expected to launch into the market as early as 2022.

The R&D project of oral Uni-E4 is current under planning and implementation. The Group is now negotiating with some international technology partners to accelerate its entry into the clinical trial phase. At the same time, the Group is also looking for partners in the PRC to carry out its industrialization and market-listing plans. Uni-Bio Group hopes that this cooperation will speed up the product launch and seize the PRC market.

Acarbose tablet

Acarbose tablet (under the brand name of 博舒泰®) is an oral anti-diabetic drug. It is used to treat Type 2 diabetes and is reimbursed under the National Reimbursement Drug List. It targets patients with pre-diabetes condition who need to be treated early, and those with post prandial hyperglycemia under control. According to the Research and Markets, the global diabetes care devices and drugs market is expected to reach USD85.6 billion by 2022, supported by a compound annual growth rate ("**CAGR**") of 5.2% during the forecast period of 2017 to 2022. Suitable for Asians' carbohydrate-rich diet, Acarbose enjoys an incredibly large target market value of USD3.2 billion, as there was a rapid growth in the incidence rate of diabetes in recent years, with type-2 diabetes accounting for nearly 90% of the total figure. At present, the manufacturers of Acarbose in China are mainly Bayer and Zhongmei Huadong* (中美華東). Due to the fewer competitive enterprise in this category and the Procurement for Drugs with Specific Volume policy for Acarbose will be implemented soon, the market landscape is changing with lesser competition, which has increased the leverage of competition for enterprises that pass the one-time evaluation. The Group and Beijing Baiao Pharmaceutical Co., Ltd. ("**Beijing Baiao**") entered into an agreement on the joint development and marketing of Acarbose tablets project and the relevant expenses on research of the Project shall be borne jointly, while Beijing Baiao shall be responsible for the product promotion in designated provinces following product launch.

At present, the Group has completed the BE study of Acarbose. It was officially accepted by the NMPA in January 2019. Upon the completion of supplementing materials for the BE experiment, it will enter the final assessment stage and it is expected to be listed in 2020. If it enters 4+7 Procurement for Drugs with Specific Volume catalogue, it is estimated that there will be a 50% growth every year. The Group expected to look for a contract sales organization that specializes in the sales and marketing of Type 2 diabetes drugs to cooperate with.

BE study of Pinup®

Pinup® is a major drug for the treatment of severe fungal infections. As the first-tier treatment recommended by clinical guidelines, it is widely used for immunocompromised patients subject to oncology, hematology, respiratory, ICUs, etc. From the data of domestic sample hospitals, the market size for the anti-infective drug increased from RMB26.1 billion in 2012 to RMB34.6 billion in 2018, representing a year-on-year growth of 2.6%. Voriconazole is currently the best seller of anti-fungal medicine in the PRC. In 2018, the medicine consumption sum of voriconazole in the domestic sample hospital market was RMB1.20 billion, representing an increase of 13.4% over the same period, and the market potential is tremendous.

Currently, Pinup® completed its BE study and is currently prepared for submission to NMPA, which is expected to be approved in 2020. To tap into the enormous market potential in the PRC, the Group and Loymed Pharma entered into the National Promotion Cooperation Agreement for Pinup®, pursuant to which Loymed Pharma is granted the exclusive agency right to market, promote, distribute and sell the contract products in the PRC. Upon approval, we can seize opportunities to boost sales.

BE study of Bokangtai

Currently, the Group is collaborating with Jiangsu Hansoh Pharmaceutical Group Co., Ltd. ("**Jiangsu Hansoh**") to jointly conduct the BE study on Bokangtai. For the preliminary stage, Jiangsu Hansoh is responsible for production process and would subsequently transfer production to the Group (including patents and production process) in 2021. This arrangement helps reduce the research and development costs of the Group. The Group is currently conducting the BE test on Mitiglinide, which is expected to be approved by 2021. This will further enhance the competitiveness of Bokangtai in the Mitiglinide market.

RESULTS OVERVIEW

During the Period, the Group reported turnover of HK$97.3 million, representing an increase of 63.2% on a YoY basis (for the first half of 2018: HK$59.6 million). The increase in turnover is mainly attributable to a significant sales growth of GeneTime® and an the rebound in sales of Pinup®. Collaboration with Loymed Pharma has successfully established a new sales channel, being one of the reason for boosting the growth rate of revenue generated from Pinup®.

Cost of sales grew from HK$8.0 million for the first half of 2018 to HK$16.5 million for the first half of 2019, representing an increase of 105.9% on a YoY basis. During the Period, gross profit significantly increased by 56.6% to HK$80.8 million (for the first half of 2018: HK$51.6 million). The gross profit margin slightly dropped by 3.5 percentage points from 86.6% for the first half of 2018 to 83.1%, mainly because the product price was pressured by the downward adjustment trend from government policy, resulting in a lower selling price as compared with previous years. For example, the net price of Pinup® suffered a downward adjustment of 10.2% even when compared with the unit price noted before price war in 2018. During the Period, in response to the new policies, including the 4+7 Procurement for Drugs with Specific Volume policy and the two-invoice system, the Group realigned and reorganised the sales teams. Except the core sales team, the remaining sales teams were charged to promote sale via partnerships, and an increased number of market agencies were appointed over the period.

During the first half of 2019, the Group's profit for the Period amounted to HK$44.9 million, and the basic earnings per share were HK$0.73 cents.

Marketed drugs sales

GeneTime®

GeneTime®, one of the Group's core products, is a prescription biological drug for wound healing. Its effect in healing ranges from mere burns and dermatology to obstetrics and plastic surgery. During the Year, revenue generated from GeneTime® totaled at HK$55.5 million, representing a dual-digit increase of 76.4% on a YoY basis. In which, our 15ml GeneTime® was particularly favored by the market, evidenced by a significant growth rate of 93.6% on a YoY basis. Such significant growth proves the successful strategic adjustment by the Group, as we focus on producing and distributing 15ml GeneTime® with a higher gross profit margin, which led to more product applications and a wide bidding coverage. Currently, the Group is working on the improvement in the product process and production capacity of GeneTime® to accommodate market demands, while concurrently developing new product specifications and dosage forms that are convenient for transportation, storage, and use by patients and doctors.

GeneSoft®

GeneSoft®, mainly used for the treatment of corneal ulcer in the field of ophthalmology, has recorded a stable growth in revenue from approximately HK$15.1 million to HK$16.6 million, an increase of 9.9% on a YOY basis. CR Zizhu has the sole distribution and promotion rights of GeneSoft® to market and introduce GeneSoft® into its existing domestic hospital network. Leveraging on the vast network of CR Zizhu, revenue from this product witnessed a stable uptick, which is in line with the sales expectation of the Group. It proves that the strategic move is effective and reflected on the Group's revenue for the first half of 2019.

Pinup®

Tailored to treat severe fungal infection, the Group's self-developed proprietary chemical pharmaceutical product Pinup® (Voriconazole tablets) doubled in revenue during the Period. Revenue increased from approximately HK$12.2 million to approximately HK$24.0 million for the first half of 2019, representing a growth of 103.8%. A new go-to-market strategy introduced by our partner, as well as a positive reaction from the market regarding the good progress of the BE study, significantly drove sales volume and offset the negative pricing impact from last year. The Quality and Efficacy Consistency assessment of Pinup® is expected to pass in 2020. Following the consistency assessment, such generic drugs may enjoy various preferential treatment policies, including better market access position and preferential procurement status. The brand awareness and market competitive strength of such drugs will further improve significantly, continuing to boost the sales growth in the future. During the Period, the Group has extended the tender coverage of Pinup® to Xinjiang, Shaanxi and Hainan provinces, and further secured the procurement bidding for the last province, Anhui province. Thereby laying a solid foundation to revenue growth in the future.

Bokangtai

The Group's newly launched product Bokangtai (Mitiglinide tablets) is a new diabetes drug for oral administration, which concentrates on the treatment of Type 2 diabetes. Included to the National Reimbursement Drug List in 2017, Bokangtai enjoys an enormous market potential. The Group has been investing more resources to expand its sales channels, aiming to increase its market penetration and secure more market share. Revenue from Bokangtai decreased slightly by 6.7% from HK$1.3 million to approximately HK$1.2 million for the first half of 2019, as the cost of production is currently too high and limited the growth potential of the product. During the Period, Bokangtai added three more provinces into its distribution network, namely Guangxi, Guizhou and Xinjiang provinces. At present, the provincial coverage of Bokangtai is totaled to sixteen. The Group believes that revenue contribution from the product will continue to grow after the production process qualifications are transferred to the Group in 2021, and the profit of this product will increase substantially.

FINANCIAL PERFORMANCE REVIEW

Revenue

Sales Developments

During the Period, as sales of Pinup® reported double growth and strategic adjustment of GeneTime® came to fruition, the Group's sales demonstrated a satisfactory performance. During the Period, the Group recorded a turnover of approximately HK$97.3 million, representing a surge of approximately 63.2% on a YoY basis.

Proprietary Biological Pharmaceutical Products

The Group's proprietary biological pharmaceutical products include GeneTime® (EGF spray indicated for wound healing) and GeneSoft® (EGF-derivative eye drop indicated for corneal damage and post-operative healing). During the Period, proprietary biological pharmaceutical products achieved HK$72.1 million of sales, representing a significant uptick of approximately 54.9% compared to the same period last year. Proprietary biological pharmaceutical products represented approximately 74.1% of total sales for the Year.

Chemical Pharmaceutical Products

The Group's chemical pharmaceutical products include Pinup®(Voriconazole tablets which is tailored to treat severe fungal infection) and Bokangtai (Mitiglinide tablets, which was launched by Uni-Bio Group in 2017 to treat Type 2 diabetes). During the Period, the segment recorded a turnover of HK$25.2 million, among which, Pinup® generated considerable sales amount. During the first half of 2019, Pinup® contributed sales of HK$24.0 million to the Group, representing an increase of approximately 103.8% as compared to the same period last year. The Group anticipates that Pinup® may officially pass the consistency assessment by 2020, subsequent to which, the brand awareness and market competitive strength of this product will further improve significantly, bringing positive impacts on sales. During the Period, Bokangtai contributed total revenue of HK$1.2 million to the Group.

Gross Profit and Gross Profit Margin

During the Period, gross profit was approximately HK$80.8 million, representing an increase of 56.6% as compared to approximately HK$51.6 million for the same period in 2018. Such significant increase was mainly attributable to the increase of revenue generated from our major products. But on the other hand, the significant increment is partially offset by the downward adjustment pressure over unit price received from recent government policy (i.e. 4+7 Procurement for Drugs with Specific Volume policy), causing the overall gross profit margin recorded a slightly decrease of 3.5% to 83.1%.

Selling and Distribution Expenses

During the Period, selling and distribution expenses recorded an increase from approximately HK$59.5 million for the first half of 2018 to approximately HK$72.9 million for the first half of 2019, while the percentage of selling expenses over revenue significantly decreased to 74.9% in 2019 from 99.8% for the same period in 2018. These are mainly attributable to the adjustment made by the Group to its sales team structure and distribution strategies last year, which aimed to expand its sales channels, consolidate the close relationship with more hospitals, and adapt to the "dual-invoice" system. At the beginning of 2019, the efforts to make adjustments bore fruit, which was reflected in the continuing growth in the sales data. The Group believes that with a solid foundation for the distribution network, sales of various products will increase steadily, and the percentage of the selling expenses over revenue will gradually return to a reasonable level.

Research and Development Expenses

For the first half of 2019, R&D costs (including capitalised portion) amounted to approximately HK$21.3 million, representing an increase of 47.6% as compared to the same period in 2018. During the Period, we started and engaged in various R&D projects, including new drug applications of Uni-E4 and Uni-PTH, as well as BE study on Acarbose and Pinup®. Based on last year's development of liquid formulations in an effort to increase the competitive advantages of our products, we continued to invest resources into these areas this year. R&D expenses may experience fluctuations if calculated on a year-on-year basis as projects will enter into different phases on the same research timeline, and the length of the cycle will change all the time, but the Group always exercises stringent cost control to make sure resources are invested appropriately and adequately. In the future, the Group will stick to build on its strategy to focus on endocrinology in the future.

General and Administrative Expenses

Against the backdrop of sales channel restructuring and sales platform building, general and administrative ("**G&A**") expenses still saw a decrease during the Period. G&A decreased from HK$40.0 million in the first half of 2018 to HK$30.2 million in the first half of 2019, representing a decline of 24.3%. Such decrease was mainly attributable to the decrease in legal and professional fees as well as Stringent cost control with effective operational streamlining (i.e. new IT communication tools which reduce the frequency of travelling and bring green strategies into the workplace to create a healthy and sustainable environmentally friendly office, including less unnecessary printing, "paperless" document filing system, and improvement to the lighting and cooling systems.

Other Income

Other income for the Period was approximately HK$21.7 million, representing a significant increment when compared to HK$2.7 million for the same period last year. Other income represents income from non-core businesses, such as leasing and interest received from bank deposit, and a one-off government grant for developing our product. During the Period, the Group received government funding and tax exemptions to support the R&D and commercialization of the Group's projects amounted to HK$13.0 million. These supports represent an important recognition from the government on the research and innovation capability of the Group.

Profit for the period

As compared with net loss of HK$63.2 million for the six months ended 30 June 2018, the Group recorded net profit of approximately HK$44.9 million as at 30 June 2019. The profit was attributable to the following factors. First, the Group continued to invest resources in optimising its sales team since last year, and the efforts to strengthen the sales channels and adjust marketing strategies bore fruit. The sales performance of major products recorded a nearly double-digit increase as compared to the same period last year, leading to higher gross profit. Second, a variety of our R&D projects receive government support and recognition for their progress and prospective accomplishments. During the Period, government grants of nearly HK$13.0 million were received. Third, total one-time gains of HK$65.9 million arose from the transaction in relation to disposal of subsidiaries of the Group, and land and property rights, which is set out in the announcement dated 25 March 2019.

PROSPECT

Outlook

For the first half of 2019 under review, driven by the increasingly deepened medical reform, as well as the gradual introduction of various policies, such as Price Zero Addition of drugs, Procurement for Drugs with Specific Volume in 4+7 Cities and protected supply of generic drugs, the pharmaceutical industry has begun its structural adjustment. In addition to improving the drug quality, the above policies aim to revert drug pricing to a reasonable level, encourage innovation and improve the protection of drug intellectual property rights. At the same time, industry integration, innovation and upgrading will be further accelerated. The pharmaceutical industry in the PRC gradually evolves from generic drug production to drug innovation. Under the increasingly fierce competitive environment, drug innovation has become the vital force to propel the future advancement of the Company. Over the years, the Group has been placing innovation and research and development as the top priority of its strategic initiatives, with research projects targeting metabolic long-term diseases such as diabetes and osteoporosis, as well as epidermal growth factors. In recent years, China has issued a series of supporting policies in the field of innovative drugs, such as the reform of registration and classification of chemical drugs, the pilot system of Marketing Authorization Holder, priority review of innovative drugs, patent compensation, protection of drug test data, etc. These policies have broken the policy barriers of new drug's R&D and accelerated the speed of new drugs' launch. Besides the policy environment's improvement, the expanding aging population and people's increasing health awareness will also provide growth opportunities for pharmaceutical companies with expertise in specific diseases like Uni-Bio Group.

Introducing Strategic Partners to Bring Customers and Capital Foundation for Group Development

On 13 June 2019, Uni-Bio Science Healthcare (Beijing) Co. Limited, wholly-owned subsidiary of the Group, entered into a Letter of Intent for Strategic Cooperation Framework with Kai Ping Shi Jian Bao Zhen Tourism Development Company Limited* (開平時間寶鎮旅遊發展有限公司) (the "**Cooperation Partner**") in relation to collaboration on building a chronic disease rehabilitation base project, the joint operation of healthcare facilities and provision of chronic disease management services in Kaiping. The Cooperation Partner will invest RMB600 million in the entire project. With the living standard improving, coupled with the arrival of an aging society, the public health is threatened by chronic diseases, the greatest health issue. The upcoming Uni-E4 and Uni-PTH of the Group are relatively new products in the PRC market, mainly for the treatment of chronic diseases such as type II diabetes and osteoporosis. The establishment of a chronic disease rehabilitation base project will help a wider promotion of our products in chronic disease treatment programs. This not only allows patients to receive medication guidance at a higher frequency, but also reduces the cost of obtaining customers. Furthermore, it is much more convenient for us to obtain clinical feedback on these products.

On 6 August 2019, CHMT Peaceful Development Fund Management Limited ("**Peaceful Development Fund**") was introduced to the Group as a strategic investor by way of new share issuing. The Peace Development Fund subscribed for 215,800,000 new shares of the Company at HK$30,000,000, representing 3.48% of the issued share of the Company. The lockout period is one year. The proceeds of this fundraising will be used as a start-up fund for the next phase of the R&D plan of Uni-E4, Uni-PTH and Acarbose. The Peaceful Development Fund not only brings financial support to the Group, but also highlights the value and market potential of the Group's products valued by the capital market. Based on the strong funding and banking network, the Group will build a closer partnership with the Peaceful Development Fund to strengthen its investment positioning of Uni-Bio Group and to create long-term value for its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2019, the Company applied net proceeds of approximately HK$124.0 million based on the proposed use. The unutilized net proceeds were approximately HK$17.5 million. The use of proceeds was consistent with the proposed use as disclosed in the 2018 Annual Report. The Group will constantly evaluate its business plan and may change or modify plan against the changing market condition to attain sustainable business growth of the Group. All the unutilised balances have been placed in licensed banks in Hong Kong and the PRC.

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 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.

As at 30 June 2019, the Group's bank deposits, bank balances and cash amounted to approximately HK$82,463,000. The Group had total assets of approximately HK$307,289,000 (as at 31 December 2018: HK$242,448,000), and current assets of approximately HK$182,726,000 (as at 31 December 2018: HK$104,064,000), while current liabilities were at HK$51,180,000 as at 30 June 2019 (as at 31 December 2018: HK$39,480,000). The total liabilities to total assets ratio is 16.8% (as at 31 December 2018: 16.8%).

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As of 30 June 2019, the Group did not have any assets pledged for any loan facilities granted to the Group and any material contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICY

As of 30 June 2019, the Group employed 278 staff, including 64 staff in the PRC R&D department, 90 staff in the PRC production department, 77 staff in the PRC commercial office and 12 staff in the Hong Kong headquarters. In addition to the full-time employees in the PRC sales offices, the Group has over 167 regional distributors. The Group has adopted a competitive remuneration package for its employees to attract and retain top talent. Promotion and salary increments are assessed based on performance. Share options may also be granted to staff with reference to the individual's performance.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the six months ended 30 June 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Specific enquiry has been made of all the directors of the Company and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2019.

EVENTS AFTER THE REPORTING PERIOD

On 22 July 2019, the Company entered into a subscription agreement with Xinghua Enterprises Limited (the "**Subscriber**"), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, an aggregate of 215,800,000 new shares ("**Subscription Share**") of the Company at the subscription price of HK$0.139 per Subscription Share.

On 6 August 2019, the conditions set out in the aforesaid subscription agreement had been fulfilled and completion of subscription took place by then in accordance with the terms and conditions of the subscription agreement. The total number of 215,800,000 Subscription Shares allotted and issued to the Subscriber at the subscription price of HK$0.139 per Subscription Share represented approximately 3.37% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The aggregate gross proceeds of the subscription will be approximately HK$30.0 million and the aggregate net proceeds of the subscription, after deduction of expenses, are estimated to be approximately HK$29.9 million. It is intended that all net proceeds from the subscription will be used for research and development expenses over the Company's pipeline products oriented to osteoporosis and diabetes and for general working capital.

References should be made to the announcement of the Company dated 22 July 2019 and 6 August 2019 for the details of the subscription.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2019.

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Unaudited Six months ended 30 June 2019 HK$'000	 2018 HK$'000
Revenue	3	**97,313**	59,626
Cost of sales		**(16,478)**	(8,004)
Gross profit		**80,835**	51,622
Other income		**21,685**	2,734
Other gains and losses		**46,635**	(1,511)
Gains from disposal of a subsidiary		**18,777**	–
Selling and distribution costs		**(72,891)**	(59,481)
General and administrative expenses		**(30,214)**	(39,917)
Research and development costs		**(12,623)**	(14,409)
Equity-settled share based payment expenses		**(6,222)**	(2,261)
Profit/(loss) from operation		**45,982**	(63,223)
Finance costs		**(595)**	–
Profit/(loss) before taxation	4	**45,387**	(63,223)
Income tax expense	6	**(492)**	–
Profit/(loss) for the period		**44,895**	(63,223)
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation on foreign operations		**2,747**	8,709
Other comprehensive income for the period		**2,747**	8,709
Total comprehensive income/(expense) for the period		**47,642**	(54,514)
Profit/(loss) per share (HK cents)			
– Basic and diluted	7	**0.73**	(1.02)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	**Unaudited 30 June 2019 HK$'000**	Audited 31 December 2018 HK$'000
Non-current assets			
Property, plant and equipment	8	**48,332**	54,620
Right-of-use assets		**10,083**	–
Investment properties		**9,476**	24,350
Prepaid lease payments		**–**	10,062
Intangible assets	9	**48,071**	39,971
Deposits paid for the acquisition of property, plant and equipment		**948**	3,331
Deposits paid for the acquisition of intangible assets		**7,653**	6,050
		124,563	138,384
Current assets			
Inventories		**15,319**	18,517
Trade and other receivables	10	**84,944**	45,967
Prepaid lease payments		**–**	794
Time deposit		**22,751**	7,000
Bank balances and cash		**59,712**	31,786
		182,726	104,064
Current liabilities			
Trade and other payables	11	**19,565**	11,386
Contract liabilities		**13,063**	12,434
Income tax payable		**3,238**	2,213
Lease liabilities		**1,664**	–
Bank borrowings		**13,650**	13,447
		51,180	39,480
Net current assets		**131,546**	64,584
Total assets less current liabilities		**256,109**	202,968

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

At 30 June 2019

	Notes	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Non-current liability			
Lease liabilities		**83**	–
Deferred tax liability		**412**	1,218
		495	1,218
NET ASSETS		**255,614**	201,750
Capital and reserves			
Share capital	13	**61,950**	61,800
Reserves		**193,664**	139,950
TOTAL EQUITY		**255,614**	201,750

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Net cash used in operating activities	**(16,057)**	(52,726)
Net cash generated from investing activities	**42,536**	64,937
Net cash used in financing activities	**(595)**	–
Net increase in cash and cash equivalents	**25,884**	12,211
Cash and cash equivalents at the beginning of the period	**31,786**	22,765
Net effect of foreign exchange rate changes	**2,042**	2,494
Cash and cash equivalents at the end of the period, represented by bank balances and cash	**59,712**	37,470

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Share-based payment reserve HK$'000	Distributable reserve (Note a) HK$'000	Exchange reserve (Note b) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018 (audited)	61,650	725,329	18,174	1,291,798	48,853	(1,802,651)	343,153
Other comprehensive expense for the period	–	–	–	–	8,709	–	8,709
Loss for the period	–	–	–	–	–	(63,223)	(63,223)
Total comprehensive expense for the period	–	–	–	–	8,709	(63,223)	(54,514)
Recognition of equity-settled share based payments	–	–	2,261	–	–	–	2,261
At 30 June 2018 (unaudited)	61,650	725,329	20,435	1,291,798	57,562	(1,865,874)	290,900
At 1 January 2019 (audited)	**61,800**	**727,429**	**24,474**	**1,291,798**	**37,467**	**(1,941,218)**	**201,750**
Other comprehensive expense for the period	**–**	**–**	**–**	**–**	**2,747**	**–**	**2,747**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**44,895**	**44,895**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**2,747**	**44,895**	**47,642**
Issue of ordinary shares in relation to award of new shares	**150**	**2,280**	**(2,430)**	**–**	**–**	**–**	**–**
Recognition of equity-settled share based payments	**–**	**–**	**6,222**	**–**	**–**	**–**	**6,222**
At 30 June 2019 (unaudited)	**61,950**	**729,709**	**28,266**	**1,291,798**	**40,214**	**(1,896,323)**	**255,614**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2019

Notes:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANISATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is located at Unit 502, 5/F, No. 20 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted and the basis of preparation used in the preparation of the condensed consolidated financial statement of the Group are consistent with those followed in the preparation of the Group's annual financial statements for the twelve months ended 31 December 2018.

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

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

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

Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16")

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

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of staff quarters and office properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline basis over the lease term.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

As a lessee (Continued)

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

As a lessee (Continued)

Taxation

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 right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Effective on 1 January 2019, the Group applies HKFRS 15 Revenue from Contracts with Customers to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

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.

Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. The application of new definition of a lease has had no material impact on the Group's financial performance and positions.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the People's Republic of China (the "**PRC**") was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$2,318,000 and right-of-use assets of HK$13,174,000 at 1 January 2019.

2. **BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES** (Continued)

As a lessee (Continued)

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

	1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	9,455
Lease liabilities discounted at relevant incremental borrowing rate	8,620
Less:	
Recognition exemption – short term leases	(6,302)
Lease liabilities as at 1 January 2019	2,318
Analysed as	
Current	1,471
Non-current	847
	2,318

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

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	2,318
Reclassified from prepaid lease payments (Note)	10,856
	13,174
By class:	
Leasehold lands	10,856
Land and buildings	2,318
	13,174

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

As a lessor

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

The transition to HKFRS 16 has no material impact on the Group's retained profits as at 1 January 2019.

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

	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current Assets			
Prepaid lease payments	10,062	(10,062)	–
Right-of-use assets	–	13,174	13,174
Current Assets			
Prepaid lease payments	794	(794)	–
Current Liabilities			
Lease Liabilities	–	1,471	1,471
Non-current Liabilities			
Lease Liabilities	–	847	847

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

3. SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision makers ("**CODM**"), for the purpose of allocating resources to segments and assessing their performance are organised on the basis of the revenue streams. During the six months ended 30 June 2018, the Group's operating and reporting segments are (a) manufacture and sale of chemical pharmaceutical products, (b) manufacture and sale of biological pharmaceutical products and (c) industrialization of pipeline products. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The information of the reportable segment results are as follows:

For the six months ended 30 June 2019 (unaudited)

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

3. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2018 (unaudited)

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Consolidated HK$'000
Segment revenue				
External sales	13,068	46,558	–	59,626
Result				
Segment loss	(17,229)	(3,006)	(24,332)	(44,567)
Other income				2,734
Finance costs				–
Equity-settled share based payment expense				(2,261)
Unallocated administration expenses				(19,129)
Loss before taxation				(63,223)

4. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Amortisation of intangible assets	**3,316**	3,247
Amortisation of prepaid lease payments	**290**	434
Cost of inventories recognised as an expenses	**16,478**	8,004
Depreciation of property, plant and equipment	**8,454**	10,471
Depreciation of right-of-use assets	**572**	–
Less: Depreciation included in research and development costs	**(1,938)**	(2,769)
	7,088	7,702
Research and development costs	**21,269**	14,409
Less: Capitalisation on intangible assets	**(8,646)**	–
	12,623	14,409

5. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Salaries, wages and other benefit	**26,473**	29,575
Retirement benefit scheme contribution	**4,052**	5,756
Equity-settled share based payments	**6,222**	2,261
	36,747	37,592

6. INCOME TAX EXPENSE

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

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
The PRC Enterprise Income Tax ("**EIT**")	**492**	–
Deferred taxation	**–**	–
	492	–

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

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

Beijing Genetech Pharmaceutical Co., Limited and Shenzhen Watsin Genetech Pharmaceutical Co., Limited, wholly owned subsidiaries of the Company, were approved as "high-new technology enterprise" and were eligible to enjoy a preferential enterprise income tax rate of 15% for the six months ended 30 June 2018 and 2019.

7. PROFIT/(LOSS) PER SHARE

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

	Unaudited Six months ended 30 June 2019 HK$'000	2018 HK$'000
Profit/(loss)		
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**44,895**	(63,223)

	Unaudited Six months ended 30 June 2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for basic and diluted profit/(loss) per share calculation	**6,186,349**	6,171,847

No adjustment has been made to basic loss per share amounts presented for the six months ended 30 June 2018 and 2019 in respect of a dilution as the impact of the share options and warrants outstanding would decrease basic loss per share.

8. PROPERTY, PLANT AND EQUIPMENT

	HK$'000
Cost	
At 1 January 2019	414,041
Additions	4,940
Disposals	(44,598)
Written off	–
Exchange realignment	5,264
At 30 June 2019	379,647
Accumulated depreciation and impairment	
At 1 January 2019	359,421
Charge for the period	8,454
Eliminated on disposals	(38,691)
Eliminated on written off	–
Exchange realignment	2,131
At 30 June 2019	331,315
Net book value	
At 30 June 2019 (unaudited)	48,332
At 31 December 2018 (audited)	54,620

9. INTANGIBLE ASSETS

Carrying amount

	Trademarks and certificates (Note a) HK$'000	Technical know-how (Note b) HK$'000	Capitalised development costs (Note c) HK$'000	Total HK$'000
At 30 June 2019 (unaudited)	**–**	**23,263**	**24,808**	**48,071**
At 31 December 2018 (audited)	–	25,890	14,081	39,971

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

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

Notes:

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

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

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

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

(e) The directors of the Company conducted an impairment review of the Group's intangible assets annually. During the six months ended 30 June 2018 and 2019, no impairment loss on technical know-how and capitalised development costs were recognised to profit or loss.

10. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Trade receivables	**45,446**	37,618
Less: Allowance for doubtful debts	**(2,889)**	(2,697)
	42,557	34,921
Bill receivables	**7,709**	4,974
Rental deposit	**1,233**	1,229
Advance to staff	**983**	1,005
Prepayments	**2,550**	1,488
Consideration receivable from disposal of land and property rights (Note b)	**28,083**	–
Other	**1,829**	2,350
	84,944	45,967

Notes:

a. As at 31 December 2018 and 30 June 2019, trade receivables from contracts with customers amounted to HK$34,921,000 and HK$42,557,000 respectively.

b. Reference is made to the circular of the Company dated 8 February 2019 in relation to the Transaction Arrangements and the announcement of the Company dated 25 February 2019 in relation to the poll results of the extraordinary general meeting of the Company, WTGL Consideration for the WTGL Disposal is RMB60,000,000 and shall be settled in three phase according to Transaction Arrangements. As at 25 March 2019, the Company received RMB36,000,000 after completion of the first phase. The remaining consideration of RMB24,000,000 (equivalent to HK$28,083,000) is to be received evenly at the 5th Business Day after the completion of the WTGL Split-off (second phase) and WTGL Sale Shares Completion (third phase) respectively; or on 31 December 2019(or if such day is not a Business Day, the immediately preceding Business Day), whichever date is earlier.

10. TRADE AND OTHER RECEIVABLES (Continued)

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

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
0–90 days	**29,752**	17,831
91–120 days	**3,170**	1,647
121–180 days	**3,742**	8,655
181–360 days	**2,779**	4,796
Over 360 days	**3,114**	1,992
	42,557	34,921

As at 30 June 2019, included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK$12,805,000 (31 December 2018: HK$17,090,000) which are past due at the end of the reporting period. Out of the past due balances, HK$5,893,000 (31 December 2018: HK$6,788,000) has been past due 90 days or more and is not considered as in default as 1) The balances are mainly arisen from large and reputable listed companies with long term relationship; 2) No significant change in credit quality and these debtors are classified as low risk under the internal credit scoring system used by the Group.

11. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Trade payables	**2,187**	86
Accrued expenses and other payables:		
Payables for acquisition of equipment	**280**	1,072
Payables for research and development costs	**–**	2,139
Other tax payables	**698**	906
Accrued audit fee	**866**	1,833
Accrued payroll	**3,158**	5,350
Accrued selling expenses	**10,548**	–
Others	**1,828**	–
	19,565	11,386

11. TRADE AND OTHER PAYABLES (Continued)

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

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
0–30 days	**1,025**	46
31–60 days	**156**	40
61–90 days	**461**	–
Over 90 days	**545**	–
	2,187	86

The average credit period on purchases of goods is 120 days (31 December 2018: 120 days). The Group has in place financial risk management policies to ensure that all payables are settled within the credit time frame.

12. LEASE LIABILITIES

As a result of initial application of HKFRS 16, the accounting policy in relation to leases has been changed and the present value of the minimum lease liabilities was accounted (see note 2).

13. SHARE CAPITAL

Ordinary share of HK$0.01 each

	Number of shares	**Amount** HK$'000
Authorised:		
At 31 December 2018 and 30 June 2019	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	15,000,000	150
At 30 June 2019	6,194,968,147	61,950

14. SHARE OPTIONS

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

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

At 30 June 2019, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 442,909,000 (At 31 December 2018: 306,430,000), representing 7.15% (At 31 December 2018: 4.97%) of the ordinary shares in issue at that date.

14. SHARE OPTIONS (Continued)

Details of the share option movements during the six months ended 30 June 2018 and 2019 are as follows:

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

14. SHARE OPTIONS (Continued)

Share options grant date	Outstanding at 1.1.2018 '000	Granted during the period '000	Exercised during the period '000	Lapsed during the period '000	Cancelled during the period '000	Outstanding at 30.06.2018 '000
12 September 2014 Directors	8,560	–	–	–	–	8,560
12 September 2014 Others	360	–	–	–	–	360
23 January 2015 Employees	10,880	–	–	–	–	10,880
23 January 2015 Others	33,100	–	–	–	–	33,100
10 July 2015 Directors	7,260	–	–	–	–	7,260
17 August 2015 Others	120,000	–	–	–	–	120,000
27 January 2016 Employees	20,700	–	–	–	–	20,700
27 January 2016 Others	1,300	–	–	–	–	1,300
7 October 2016 Directors	10,880	–	–	–	–	10,880
3 April 2017 Employees	34,950	–	–	–	–	34,950
3 April 2017 Others	2,010	–	–	–	–	2,010
16 November 2017 Directors	16,620	–	–	–	–	16,620
9 April 2018 Senior Management	–	11,990	–	–	–	11,990
9 April 2018 Employee	–	24,820	–	–	–	24,820
	266,620	36,810	–	–	–	303,430
Exercisable at the end of the period						236,936
Weighted average exercise price	HK$0.22	HK$0.15	–	–	–	HK$0.21

15. OPERATING LEASE

The Group as lessor

Property rental income earned during the six months ended 30 June 2019 was approximately HK$1,249,000 (six months ended 30 June 2018: HK$1,371,000). The investment properties held have committed tenants for the next one year (2018: one years). At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Within one year	**604**	2,382

The Group as lessee

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due are as follows:

	Audited 31 December 2018 HK$'000
Within one year	3,888
In the second to fifth years inclusive	5,567
	9,455

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases. From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

16. CAPITAL COMMITMENT

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– purchase of property, plant and equipment	**760**	2,263
– purchase of intangible asset	**20,388**	20,090
	21,148	22,353

17. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

18. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

- To support the Group's stability and growth; and

- To provide capital for the purpose of strengthening the Group's risk management capability.

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

OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2019, 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)	1,530,877,026 (L)	22,779,000 (L)	1,553,656,026 (L)	25.08%
YAU Kwok Wing Tony	Interest held through a controlled corporation (Note 3)	873,360,000 (L)	218,340,000 (L)	1,091,700,000 (L)	17.62%
CHEN Dawei	Beneficial owner (Note 4)	345,955,516 (L)	49,060,000 (L)	395,015,516 (L)	6.38%
ZHAO Zhi Gang	Beneficial owner (Note 5)	–	66,140,000 (L)	66,140,000 (L)	1.07%
CHOW Kai Ming	Beneficial owner (Note 6)	–	3,420,000 (L)	3,420,000 (L)	0.06%
REN Qimin	Beneficial owner (Note 7)	–	1,640,000 (L)	1,640,000 (L)	0.03%

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) 616,301,016 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; (ii) 914,576,010 Shares held by Lord Profit Limited ("**Lord Profit**") which is wholly owned by Mr. Kingsley LEUNG; and (iii) 22,779,000 underlying shares relating to the share options granted by the Company to Mr. Kingsley LEUNG.

3. These underlying shares are held by Vital Vigour Limited, which is a corporation controlled by Mr. YAU Kwok Wing Tony within the meaning of Part XV of the SFO.

4. These interests consist of (i) 345,955,516 Shares held by Mr. CHEN Dawei; (ii) 45,000,000 Service Shares under the terms of his service agreement with the Company; and (iii) 4,060,000 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 and 9 April 2019 respectively.

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

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

8. The percentage of shareholding is calculated on the basis of 6,194,968,147 Shares in issue as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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 30 June 2019, 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	616,301,016 (L)	–	616,301,016 (L)	9.95%
Lord Profit (Note 3)	Beneficial owner	914,576,010 (L)	–	914,576,010 (L)	14.76%
Overseas Capital Assets Limited (Note 4)	Beneficial owner	657,180,000 (L)	–	657,180,000 (L)	10.61%
Vital Vigour Limited (Note 5)	Beneficial owner	873,360,000 (L)	218,340,000 (L)	1,091,700,000 (L)	17.62%
Mr. CHEN Dawei	Beneficial owner	345,955,516 (L)	49,060,000 (L)	395,015,516 (L)	6.38%

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. Lord Profit Limited is wholly owned by Mr. Kingsley LEUNG.

4. 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.

5. Vital Vigour Limited is a wholly owned subsidiary of HeungKong Great Health GP Limited, which is acting for and on behalf of, and as the general partner of, HeungKong Great Health Fund I. These interests consist of (i) 873,360,000 Shares held by Vital Vigour Limited and (ii) 218,340,000 warrants issued by the Company on 20 September 2017, with warrant exercise price of HK$0.2063 at any time for the period commencing from the date of issue and ending on the third anniversary thereof.

6. The percentage of shareholding is calculated on the basis of 6,194,968,147 Shares in issue as at 30 June 2019.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any other persons who have relevant interests or short positions in the Shares or underlying Shares in the Company as at 30 June 2019 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.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange throughout the Period. All the directors of the Company (including the non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meeting in compliance with the Company's articles of association.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

REVIEW OF INTERIM REPORT

This interim report encompassing the condensed consolidated financial statements for the Period has been reviewed by the Audit Committee of the Company.

Hong Kong, 30 August 2019