



2021  
INTERIM  
REPORT

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LEADING GENUINE INNOVATION



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)





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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Kingsley LEUNG (*Chairman*)  
Mr. CHEN Dawei (*Vice-Chairman*)  
Mr. ZHAO Zhi Gang (*CEO*)

#### Non-executive Director

Mr. YAU Kwok Wing Tony

#### Independent Non-Executive Directors

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

### AUDIT COMMITTEE

Mr. CHOW Kai Ming  
(*Chairman of the Audit Committee*)  
Mr. REN Qimin  
Mr. MA Qingshan

### REMUNERATION COMMITTEE

Mr. CHOW Kai Ming (*Chairman of the Remuneration Committee*)  
Mr. Kingsley LEUNG  
Mr. REN Qimin  
Mr. MA Qingshan

### NOMINATION COMMITTEE

Mr. Kingsley LEUNG (*Chairman of the Nomination Committee*)  
Mr. CHOW Kai Ming  
Mr. MA Qingshan  
Mr. REN Qimin

### COMPANY SECRETARY

Mr. SHE Shi Bin

### AUTHORIZED REPRESENTATIVES

Mr. Kingsley LEUNG  
Mr. CHEN Dawei

### AUDITORS

BDO Limited  
*Certified Public Accountants*

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

### HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 502, 5/F  
No. 20 Science Park East Avenue  
Hong Kong Science Park  
Shatin, New Territories  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### LEGAL ADVISERS AS TO HONG KONG LAW

LCH Lawyers LLP

### STOCK CODE

0690

### WEBSITE

[www.uni-bioscience.com](http://www.uni-bioscience.com)

## KEY FINANCIAL HIGHLIGHTS

For the six months ended 30 June (Unaudited)

	2021	2020
Revenue (HK\$'000)	<b>156,984</b>	67,433
Gross profit (HK\$'000)	<b>124,444</b>	57,314
R&D expenses (including capitalised portion) (HK\$'000)	<b>21,368</b>	15,323
Profit/(loss) before taxation	<b>2,890</b>	(11,053)
E/LBITA (HK\$'000)	<b>13,101</b>	(1,101)
Gross profit margin (%)	<b>79.3%</b>	85.0%
R&D costs (including capitalised portion) to revenue (%)	<b>13.6%</b>	22.7%
<i>As at 30 June/31 December</i>		
Cash ratio (times)	<b>1.09</b>	0.4
Current ratio (times)	<b>2.43</b>	3.01
Trade payable turnover days (days)	<b>29</b>	37
Trade receivables turnover days (days)	<b>60</b>	93
Inventory turnover days (days)	<b>132</b>	197
Debt-to-equity ratio (%)	<b>47.9%</b>	33.4%
Total assets turnover (%)	<b>54.6%</b>	82.6%

The board (the “**Board**”) of directors (the “**Directors**”) of the Uni-Bio Science Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**” or “**Uni-Bio**”) is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021 (the “**1H2021**” or the “**Period**”) as follows:

## UNAUDITED FINANCIAL FIGURES BASED ON REPORTABLE SEGMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020 AND 2021

	Period ended 30 June		Change
	2021 HK\$'000	2020 HK\$'000	
Revenue from sales of marketed pharmaceutical products	156,984	67,433	132.8%
Cost of sales	(32,540)	(10,119)	221.6%
Gross profit	124,444	57,314	117.1%
Other net gains/(losses)	842	(429)	-296.3%
Selling and distribution expenses	(76,105)	(42,549)	78.9%
General and administrative and other expenses	(14,841)	(12,649)	17.3%
<b>Operating profit from marketed biological and chemical pharmaceutical products</b>	<b>34,340</b>	1,687	1935.6%
Other income and other loss	87	5,583	-98.4%
Research and development costs	(21,368)	(8,075)	164.6%
Other administration expenses	(7,451)	(6,925)	7.6%
Finance costs	(273)	(271)	0.7%
Equity-settled share based payment expenses	(2,445)	(3,052)	-19.9%
<b>Profit/(loss) before taxation</b>	<b>2,890</b>	(11,053)	-126.1%



# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

In the first half of 2021, daily life in China had almost returned to normal with the outbreak of COVID-19 being effectively contained and stabilized. Along with the market recovery, the Group was able to seize every opportunity for its business rebound. Sales of GeneTime®, GeneSoft®, Pinup® and Boshutai® recorded noticeable increases for the Period.

China's pharmaceutical market was RMB1,633.0 billion in 2019, representing a CAGR of 7.5% from 2015, and is estimated to reach RMB2,228.8 billion in 2024, representing a CAGR of 6.4% from 2019. China's pharmaceutical market is huge and the demands for pharmaceutical products and services in China continues to expand as population aging deepens. There is still plenty of room for biopharmaceutical companies to bring novel treatments to patients in China.

## 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 2021, the Group has launched 4 products into the market, namely GeneTime®, GeneSoft®, Pinup® and Boshutai®.

## KEY ACCOMPLISHMENTS IN THE FIRST HALF OF 2021

### Turnaround to Profit-making with Record-High Turnover

The Group's turnover achieved a record high for the Period with a significant increase of 132.8% YoY. Sales of GeneTime® and GeneSoft® performed very well along with the resumption of hospital services in China, thanks to the stringent pandemic control efforts of the government. Sales of Pinup® increased more than triple YoY as it has been selected in the national centralized procurement earlier this year. Coupled with its ongoing cost control measures, the Group achieved a profit for the Period of HK\$1.9 million as compared with a loss of HK\$11.5 million for the corresponding period of last year. This is the first time that the Group recorded profit purely from its core business operations. It signifies that the Group has started yielding fruits and has entered the path of sustainable profit growth.

## **Pinup® was Successfully Selected in the Fourth Batch of the National Centralized Procurement of Drugs**

On 3 February 2021, it was announced that the Group's Voriconazole Tablets (Pinup® 50mg) was among the first to be selected in the Fourth Batch of the National Centralized Procurement of Drugs (第四批國家組織藥品集中採購) by the National Organization Office for the Centralized Procurement and Usage of Drugs (國家組織藥品集中採購和使用聯合辦公室). Market access, especially hospital listing, had always been the biggest challenge to Pinup® sales expansion. After being included in the volume-based procurement, Pinup® is currently in a great position to quickly penetrate into the public hospital markets. Public hospital is the major sales channel for Voriconazole Tablets and the hospitals would consider Pinup® with priority when additional procurement is needed, allowing the Group to garner greater market share. Moreover, being listed in the national volume-based procurement is the local regulator's push to reduce intermediaries in the sales channel, further enhancing the efficiency and cost of the healthcare industry in China.

## **Strategic Partnership with DotBio to Co-develop Multi-specific DotBodies for Retinal Diseases**

In March 2021, the Group and DotBio Pte. Ltd. ("**DotBio**") have formed a partnership to co-develop next generation, best-in-class therapeutics for patients with retinal diseases, such as age-related macular degeneration (AMD), diabetic macular edema (DME), retinal vein occlusion (RVO), and myopic choroidal neovascularization (mCNV). In the partnership, DotBio's Hong Kong subsidiary, DotBioHK, is responsible for generating multiple multi-valent and/or bi-specific stabilized and humanized single-domain antibody candidates for various targets using DotBio's proprietary DotBody technology. The Group is responsible for chemical manufacturing control (CMC), investigation new drug (IND) submission, clinical trial and commercialization. Leveraging on DotBio's unparalleled technology capability in the ophthalmology space, together with the Group's extensive experience in fermentation, purification, quality assurance and quality control of E.coli-expressed proteins, the Group believes that the partnership is able to diversify the Group's pipeline and capture the rising needs of the AMD treatment market.

## **R&D and Pipeline Progress**

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



## Patented Biologic Drugs

Products/ Components	Indication	Discovery	Pre-clinical	Phase 1	Phase 2	Phase 3	NDA	Marketed
<b>Metabolic</b>								
Uni-PTH (liquid)	Osteoporosis	✓	✓	CTE	CTE	CTE		
Uni-PTH (oral)	Osteoporosis	✓	✓					
Uni-GLP (liquid)	Type 2 Diabetes	✓	✓	CTE	CTE	✓		
Uni-GLP (liquid)	Obesity	✓	✓					
Uni-GLP (oral)	Type 2 Diabetes	✓	✓					
<b>Ophthalmology</b>								
UB101	AMD	✓						
UB102	AMD	✓						
<b>Dermatology</b>								
UB103	TBD	✓						

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



## ***Uni-PTH***

Uni-PTH (a recombinant human parathyroid hormone 1-34 analogue), a proprietary product that is under R&D of the Group. It is effective in treating osteoporosis and bone pain, increasing bone density and reducing the risk of bone fracture. Currently, the drug is the only class of anabolic agent which can actively increase bone density and reduce the chance of vertebral and hip fractures by stimulating osteoblastic activity. Through stimulating new bone formation, Uni-PTH can quickly improve bone quality and increase bone density within 6 months of treatment, therefore reducing fracture incidence and bone pain. It is especially helpful in treating patients with moderate-to-severe osteoporosis and ostealgia. 2nd Generation Uni-PTH improves upon the formulation of 1st Generation Uni-PTH in terms of patient convenience. Uni-PTH is also one of the few fully biological expressed parathyroid hormone analogue in the world, which has very limited competition in the Chinese market.

Uni-PTH (pre-filled injection pen) or 2nd Generation Uni-PTH had been successfully approved by the National Medical Products Administration (“**NMPA**”) for clinical trial in September 2020. The Group was in preparation for the bridging clinical trial for 2nd Generation liquid form Uni-PTH during the Period as planned. The clinical trial will be officially launched in August 2021 and is expected to be finished by the end of 2021, following by a New Drug Application (“**NDA**”) in 2022. Currently, the Group is collecting data for the development of 3rd Generation oral form Uni-PTH.

## ***Uni-GLP***

The Group’s GLP-1 product is the first biologically expressed GLP-1 agent in the world. Although the biological expression of GLP-1 has the same primary structure sequence as the chemically synthesized Exenatide, it is more similar to the natural GLP-1 existing in living body in terms of secondary structure, with a more complete and stable biological spatial structure, leading to potentially better efficacy and safety. Due to its higher technical requirement, the product cannot be easily replicated, thus enjoying greater advantages in pricing, price support (as it is not included in the national volume-based procurement) and higher entry barrier compared with the chemically synthesized Exenatide. The product also enjoys the benefits from stable active pharmaceutical ingredients supply as no external procurement is required. With its clinical, cost and pricing advantages, GLP-1 has the potential of becoming a leading diabetes product in China. In addition, the liquid formulation developed by the Group is compatible with safe and efficient injection pens for multiple uses without reconstitution, offering greater convenience compared with the powder formulation.

Currently, the Group has been preparing for the clinical trial-related works for Uni-GLP, which is expected to carry out in the third quarter of 2021. The Group has been in constant communications with the NMPA regarding the optimization of the bridging clinical trials. If the results are satisfying, phase III of the clinical trials may not be needed and this will accelerate the approval process of Uni-GLP.

## DOTBODY Projects

UB101 (Bivalent nanobody) is used to treat wet age-related macular degeneration (wet AMD) and works by stopping abnormal blood vessel growth and leakage in the eye(s) that may cause vision loss. The current standard of care for the treatment of wet AMD is administered by intravitreal injection, which brings great inconvenience to patients. Currently, the Group is working on an innovative technology to overcome the limitations of intravitreal injection treatment and the preclinical in vitro and in vivo test will be launched as early as November 2021.

UB102 (Bispecific nanobody) is capable of blocking two proangiogenic receptors and a combined blockade of them has a greater inhibitory efficacy compared with inhibition of either factor alone. It was designed for the treatment of ocular diseases including wet AMD. Compared to UB101, UB102 can better relieve the symptom. Moreover, a clinically meaningful and statistically significant improvement in visual acuity has been demonstrated for the first time in diabetic macular edema. Dotbio is designing the bispecific nanobody based on their technology platform as planned.

According to the Frost & Sullivan Report, the prevalence of wet AMD in China was 3.4 million in 2017 and is expected to reach 4.0 million in 2022 and 4.8 million in 2030. We believe that there is a significant commercial demand for the treatment of wet AMD. Currently, we are exploring different innovative technologies with Dotbio to provide an alternative to existing therapy. To capture more value in the dermatology space, we may also develop a 3rd molecule with Dotbio but the target is still to be decided.

## High Value Generic Products and Bioequivalence Studies

Product	Indication	Status	Remark
<b>Endocrinology</b>			
Boshutai®	Type 2 Diabetes	Boshutai® (Acarbose Tablets) has been granted approval for marketing in China by the NMPA	Co-developed with Beijing Baiao Pharmaceutical Co., Ltd.
<b>Infectious Disease</b>			
Pinup®	Fungal infection	Pinup® has been approved by the NMPA for BE certification and was included in national volume-based procurement	



### ***Boshutai®***

Boshutai® (Acarbose tablet) is an oral anti-diabetic drug targeting patients with pre-diabetes condition who need to be treated early, or those with poorly-controlled post prandial hyperglycemia. Acarbose tablet is especially suitable for Asians' carbohydrate-rich diet.

After being officially approved for marketing in China by the NMPA and being qualified for GMP manufacturing in 2020, the Group had started the production of Boshutai® in the first quarter of 2021 and the sales of Boshutai® met the Group's initial expectation. Acarbose tablet is expected to be included in the next national volume-based procurement in 2022. The Group has established a strategic partnership with Sinopharm Weiqida Pharmaceutical Company Limited ("**Sinopharm Weiqida**") and Suzhou Yingli Medical Technology Company Limited ("**Suzhou Yingli**") to ensure that Boshutai® would be manufactured at the most competitive cost. The collaboration facilitates Boshutai® to become a future winner of the national volume-based procurement, due to its stable and quality manufacturing capability as well as significant cost advantages in raw material supply.

### ***Pinup®***

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

According to IMS statistics, the market size for China's anti-fungal medicine in 2017 amounted to RMB4.9 billion, of which Voriconazole accounted for the biggest share of approximately 50%. The market value for anti-fungal medicines between 2014 and 2017 maintained a double-digit growth, a level that surpassed the growth of the Chinese pharmaceutical market of 4% to 9%. On 3 February 2021, the Group's Voriconazole Tablets (Pinup® 50mg) was successfully included in the Fourth Batch of the National Centralized Procurement of Drugs. As procurement contract period is 2 years, the sales of Pinup® is guaranteed until 2023. The Group is currently in a great position to quickly increase public hospital market shares.

## RESULTS OVERVIEW

During the Period, the Group recorded a turnover of HK\$157.0 million, representing a noticeable increase of approximately 132.8% year-on-year (first half of 2020: HK\$67.4 million). The increase in turnover was mainly attributable to the strong rebounded sales of the Group's core products after the effective pandemic control of COVID-19 in China and the resumption of hospital services.

Cost of sales for the Period increased by 221.6% from HK\$10.1 million for the first half of 2020 to HK\$32.5 million in 2021. Gross profit was at HK\$124.4 million, representing an increase of 117.1% as compared with approximately HK\$57.3 million for the first half 2020, whereas gross profit margin was 79.3% (first half of 2020: 85.0%). The Group continued its strict control in general and administrative expenses, which only accounted for 14.2% of turnover for the Period as compared with 29.0% for the same period last year. The selling and distribution expense for the Period also decreased to 48.5% of turnover from 63.1% that of the same period last year due to the Group's further optimization of its direct salesforce. The R&D expenses increased by 164.6% to HK\$21.4 million and the amount was in step with the Group's product research status.

The Group recorded a profit of HK\$1.9 million with a basic earnings per share of HK0.03 cents for the Period, registering a turnaround from a loss of HK\$11.5 million or a basic loss per share of HK0.18 cents in the first half of 2020. This was the first half-year that the Group achieved a profit from operations, which marked the beginning of yielding fruits of the Group's biopharmaceutical investment and efforts over the past years.

### Marketed drugs sales

#### ***GeneTime®***

The Group's star product, GeneTime®, is a prescription biological drug for wound healing. During the Period, turnover generated from GeneTime® reached HK\$82.4 million, representing a significant increase of 116.8% from approximately HK\$38 million in first half of 2020, mainly due to the strong recovery from hospital sales as well as the additional turnover from the digital marketing and pharmaceutical e-commerce platform. The sales of GeneTime® exceeded the pre-epidemic level and the demand for the product was far beyond the supply during the first half of 2021.

### **GeneSoft®**

GeneSoft® is a therapeutic drug for dry eye syndrome, corneal damage and post-operative healing. During the Period, GeneSoft® recorded an increase in turnover from approximately HK\$11.8 million to HK\$17.2 million, representing an increase of 45.8%. Sales of GeneSoft® had been fully recovered during the Period. Following the end of the 5-year sales agreement with CR Zizhu, the Group decided to not extend the partnership with CR Zizhu as the Group expects better sales potential of the product sold through its own sales platform. The Group is confident that GeneSoft® will replicate the successful model of GeneTime® to expand its business scale.

### **Pinup®**

The Group's self-developed chemical pharmaceutical product Pinup® (Voriconazole tablets) has recorded a noticeable increase of 257.3% in turnover from approximately HK\$15.7 million to approximately HK\$56.1 million during the Period. Sales of Pinup® grew exponentially as Pinup® was included in the centralized procurement in February 2021. The inclusion in the procurement has brought the Group with secured massive hospital orders. The Group had allocated more production capacity to support the order growth during the Period.

### **Boshutai®**

The Group's newly launched product Boshutai® (Acarbose tablet) is a small molecule drug to treat diabetes. It made immediate contribution to the Group shortly after it was approved to be manufactured in December 2020. During the Period, turnover of Boshutai® was approximately HK\$1.3 million. The Group has also been in preparation for the national volume-based procurement for the drug.

## FINANCIAL PERFORMANCE REVIEW

### **Turnover**

#### ***Sales Developments***

For the six months ended 30 June 2021, the Group recorded a turnover of approximately HK\$157.0 million, representing a significant increase of approximately 132.8% YoY.



### ***Proprietary Biological Pharmaceutical Products***

The Group's proprietary biological pharmaceutical products include GeneTime® (EGF spray indicated for wound healing) and GeneSoft® (EGF-derivative eye drop indicated for corneal damage and post-operative healing). During the Period, proprietary biological pharmaceutical products achieved HK\$99.6 million of sales, representing an increase of approximately 99.8% compared with the same period of last year. Proprietary biological pharmaceutical products represented approximately 63.4% of total sales for the Period.

### ***Proprietary Chemical Pharmaceutical Products***

The Group's chemical pharmaceutical products include Pinup® (Voriconazole tablets) and Boshutai® (Acarbose tablet). During the Period, the segment achieved a turnover of HK\$57.4 million, with Pinup® and Boshutai® contributing sales of HK\$56.1 million and HK\$1.3 million respectively.

### ***Gross Profit and Gross Profit Margin***

During the Period, gross profit was approximately HK\$124.4 million, representing an increase of 117.1% as compared with approximately HK\$57.3 million for the first half of 2020. The surge in gross profit was mainly led by the increase of turnover generated from the Group's major products. Gross profit margin was at 79.3% (first half of 2020: 85.0%) as the pricing of Pinup® for the centralized procurement was significantly lower but was partly offset by the economies of scale from mass production volume.

### ***Selling and Distribution Expenses***

During the Period, selling and distribution expenses recorded an increase from approximately HK\$42.5 million in the first half of 2020 to approximately HK\$76.1 million in first half of 2021, while the percentage of selling expenses over turnover decreased to 48.5% in the first half of 2021 from 63.1% in the same period of last year. The decrease was mainly attributable to the continuous structural adjustments made by the Group to its direct sales team and its distribution strategies.

### ***Research and Development Expenses***

With several ongoing clinical trials during the Period, research and development expenses in the first half of 2021 was approximately HK\$21.4 million, representing an increase of 164.6% from HK\$8.1 million for the same period of 2020. In terms of percentage to turnover, R&D expenses increased from 12% for the first half of 2020 to 13.6% for the Period.

### ***General and Administrative Expenses***

For the Period, general and administrative expenses increased from HK\$19.6 million in the first half of 2020 to HK\$22.3 million in the first half of 2021, representing an increase of 13.9%. The expenses accounted for 14.2% of turnover as compared with 29.0% for the same period last year. The decrease demonstrated the Group's efforts in its effective internal control and cost-saving initiatives.

### ***Other Revenue***

Other revenue for the Period was approximately HK\$0.087 million, representing a decrease of 98.5% when compared with HK\$5.6 million for the same period of last year. The decrease was mainly attributable to a decrease in revenue from certain non-operating items, such as lease and government subsidy.

### ***Profit for the Period***

For the Period, the Group made a turnaround from loss to profit, generating a profit of HK\$1.9 million (first half of 2020: a loss of HK\$11.5 million). This was the first half-year that the Group achieved a profit solely from its core operations. It also marked the beginning of profit-making of the Group's biopharmaceutical investment and efforts over the past years.

## PROSPECTS

### **Outlook**

China's healthcare industry has been growing rapidly over the past few years and has become the second biggest in the world since 2016. According to data from IQVIA, the pharmaceutical spending in China were US\$137 billion in 2018 and is expected to reach up to US\$170 billion by 2023. The growth is not only driven by the aging population, which leads to an increasing number of people diagnosed with chronic diseases, but also with the support of government policies. The Chinese government launched the national strategic plan "Made in China 2025", to strengthen its technology and manufacturing capability, with healthcare being one of the important sectors. The government set targets for domestic pharmaceutical companies to strive for innovations and streamline drug approval process. The National Centralized Procurement of Drugs also helps to consolidate the fragmented healthcare industry. As one of the innovative pharmaceutical companies in China, the Group believes that these catalysts will drive greater business growth in the future. The Group will continue to adhere the following strategies to grasp the aforementioned opportunities.

## Focusing on the Sales and Values of EGF Products

As the Group's exclusive distribution and promotion rights of GeneSoft® with its partners, CR Zizhu, came to an end in June 2021, the Group has started leveraging its well-established direct sales team to promote GeneSoft® in multiple channels. With shared resources with GeneTime®, the sales as well as the profitability are expected to significantly improve going forward.

In order to expand the product capacity to meet the growing demands of GeneSoft® and GeneTime®, the Group had been looking for a new production site. After assessing the local supply chain and infrastructure of various locations, the Group decided to relocate the production site to Dongguan. In the first half of 2021, the Group has begun the infrastructure setup of the new site. The new production base will be equipped with new technology that would further reduce production and transportation costs as well as overheads while enhancing the overall production capacity. The new production base is expected to commence operation in 2023.

On top of the application of EGF in the field of wound healing and ophthalmology, the Group is dedicated to exploring other clinical applications of EGF, such as in the medical aesthetic industry. With the growing awareness of beauty and cosmetic appearance among the public, the global medical aesthetic market is expected to reach US\$29 billion by 2027 at a compound annual growth rate of 9.2% from 2021 to 2027, according to a recent research. To address the unmet need, the Group is in discussion with various potential partners to explore innovative formulations of EGF products. Leveraging on its innovative material technology, the Group is able to diversify the formulation of EGF products and potentially expand its application scope. The Group will continue to make good use of its extensive research capabilities and develop more products in order to capture this massive opportunity.

## Exploring New Business Opportunities to Expand

In March 2021, the Group formed a partnership with DotBio Pte. Ltd. (“**DotBio**”), a highly innovative biopharmaceutical company in Singapore, to co-develop next generation, best-in-class therapeutics for patients with retinal diseases. Leveraging DotBio's proprietary DotBody technology in protein engineering and formulation, together with the Group's high level quality control, experiences in clinical trial and commercialization, the collaboration is going to create unique products with competitive edge in the clinic.

Beijing Genetech Pharm, a wholly-owned subsidiary of the Company, will continue to expand its Contract Manufacturing Organization (“**CMO**”) business for biologic drugs in order to better utilize its manufacturing facilities in Beijing, thus contributing additional revenue to the Group.



## **Focusing on Innovation and Accelerating the Clinical Process**

The Group will continue to focus on the research and development of the innovative drugs, including Uni-PTH and Uni-GLP. The Group will begin conducting bridging clinical trials in August 2021 and blood sampling tests by the end of the year. If the process goes smoothly, NDA of Uni-PTH will be submitted next year.

The Group has been preparing the clinical work for Uni-GLP, which is expected to carry out in the third quarter of 2021. The Group has been in constant communications with the NMPA about the details to optimize the bridging clinical trials. If the results are satisfying, phase III of the clinical trials may not be needed. This will expedite the approval process of Uni-GLP, allowing the Group to launch the product sooner.

The Group believes that aforementioned strategies will enhance its operational efficiency, accelerate its product pipelines and sustain its growth momentum. These would in turn generate more fruitful returns for its shareholders.

## **Liquidity and Financial Resources**

As at 30 June 2021, the Group's bank deposits, bank balances and cash amounted to approximately HK\$97,230,000. The Group had total assets of approximately HK\$287,747,000 (as at 31 December 2020: HK\$252,717,000), and current assets of approximately HK\$216,600,000 (as at 31 December 2020: HK\$181,439,000), while current liabilities were at HK\$89,045,000 as at 30 June 2021 (as at 31 December 2020: HK\$60,372,000). The total liabilities to total assets ratio is 32.4% as at 30 June 2021 (as at 31 December 2020: 25.1%).

## **Pledge of Assets and Contingent Liabilities**

As of 30 June 2021, 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 2021, the Group employed 293 staff, including 22 staff in the PRC R&D department, 140 staff in the PRC production department, 74 staff in the PRC commercial office and 6 staff in the Hong Kong headquarters. The Group has adopted a competitive remuneration package for its employees to attract and retain top talent. Promotion and salary increments are assessed based on performance. Share options may also be granted to staff with reference to the individual's performance.

## Corporate Governance

The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the six months ended 30 June 2021.

## 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 2021.

## Purchase, Sale or Redemption of the Company’s Listed Shares

During the six months ended 30 June 2021, the company has repurchased a total of 14,100,000 shares on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at an aggregate cash consideration of HK\$1,441,946.49 since 25 June 2021 and up till 29 June 2021.

Save as disclose above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed shares during the six months ended 30 June 2021.

## Events after the Reporting Period

There are no significant subsequent events after the Reporting Period.

## Interim Dividend

The Board does not recommend any interim dividend for the six months ended 30 June 2021.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		(Unaudited)	
		Six months ended 30 June	
	Notes	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>	3	<b>156,984</b>	67,433
Cost of sales		<b>(32,540)</b>	(10,119)
<b>Gross profit</b>		<b>124,444</b>	57,314
Other revenue		<b>87</b>	5,583
Other gains and losses		<b>842</b>	(429)
Selling and distribution costs		<b>(76,105)</b>	(42,549)
General and administrative expenses		<b>(22,292)</b>	(19,574)
Research and development expenses		<b>(21,368)</b>	(8,075)
Equity-settled share-based payment expenses		<b>(2,445)</b>	(3,052)
<b>Profit/(loss) from operation</b>		<b>3,163</b>	(10,782)
Finance costs		<b>(273)</b>	(271)
<b>Profit/(loss) before taxation</b>	4	<b>2,890</b>	(11,053)
Income tax expense	6	<b>(973)</b>	(405)
<b>Profit/(loss) for the period</b>		<b>1,917</b>	(11,458)
<b>Other comprehensive income/(expense)</b>			
<i>Item that may be reclassified subsequently to profits or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>2,251</b>	(3,928)
Other comprehensive income/(expense) for the period		<b>2,251</b>	(3,928)
Total comprehensive income/(expense) for the period		<b>4,168</b>	(15,386)
<b>Earnings/(loss) per share (HK cents)</b>			
– Basic and diluted	7	<b>0.03</b>	(0.18)



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	46,905	51,094
Right-of-use assets	9	15,629	11,221
Investment properties		169	167
Intangible assets	10	8,444	8,796
		<b>71,147</b>	71,278
<b>Current assets</b>			
Inventories		30,825	16,518
Trade and other receivables	11	74,915	90,389
Amount due from a related party		13,630	13,489
Financial assets at fair value through profit and loss		–	36,031
Bank balances and cash		97,230	25,012
		<b>216,600</b>	181,439
<b>Current liabilities</b>			
Trade and other payables	12	40,074	43,504
Contract liabilities		41,082	13,182
Income tax payable		3,508	2,655
Lease liabilities	9	4,381	1,031
		<b>89,045</b>	60,372
<b>Net current assets</b>		<b>127,555</b>	121,067
<b>Total assets less current liabilities</b>		<b>198,702</b>	192,345

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2021

		(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
	Notes		
<b>Non-current liabilities</b>			
Lease liabilities	9	3,284	2,107
Deferred tax liability		836	827
		<b>4,120</b>	2,934
<b>NET ASSETS</b>		<b>194,582</b>	189,411
<b>Capital and reserves</b>			
Share capital	13	64,060	63,910
Reserves		130,522	125,501
<b>TOTAL EQUITY</b>		<b>194,582</b>	189,411

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>Net cash from operating activities</b>	<b>40,021</b>	9,107
<b>Net cash generated from/(used in) investing activities</b>	<b>32,262</b>	(29,390)
<b>Net cash used in financing activities</b>	<b>(2,316)</b>	(22)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>69,967</b>	(20,305)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>25,012</b>	66,198
<b>Net effect of foreign exchange rate changes</b>	<b>2,251</b>	(736)
<b>Cash and cash equivalents at the end of the period, represented by bank balances and cash</b>	<b>97,230</b>	45,157

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Treasury stock HK\$'000	Share-based payment reserve HK\$'000	Distributable reserve (Note a) HK\$'000	Exchange reserve (Note b) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	64,108	757,369	-	30,568	1,291,798	36,366	(1,938,759)	241,450
Other comprehensive expense for the period	-	-	-	-	-	(3,928)	-	(3,928)
Loss for the period	-	-	-	-	-	-	(11,458)	(11,458)
Total comprehensive income for the period	-	-	-	-	-	(3,928)	(11,458)	(15,386)
Issue of ordinary shares in relation to award of new shares	150	2,100	-	(2,250)	-	-	-	-
Recognition of equity-settled share based payments	-	-	-	3,052	-	-	-	3,052
Repurchase of shares	-	-	(3,000)	-	-	-	-	(3,000)
At 30 June 2020 (unaudited)	64,258	759,469	(3,000)	31,370	1,291,798	32,438	(1,950,217)	226,116
At 1 January 2021 (audited)	<b>63,910</b>	<b>754,894</b>	-	<b>39,148</b>	<b>1,291,798</b>	<b>49,739</b>	<b>(2,010,078)</b>	<b>189,411</b>
Other comprehensive expenses for the period	-	-	-	-	-	2,251	-	2,251
Profit for the period	-	-	-	-	-	-	1,917	1,917
Total comprehensive income for the period	-	-	-	-	-	2,251	1,917	4,168
Issue of ordinary shares in relation to award of new shares	150	1,320	-	(1,470)	-	-	-	-
Recognition of equity-settled share based payments	-	-	-	2,445	-	-	-	2,445
Repurchase of shares	-	-	(1,442)	-	-	-	-	(1,442)
At 30 June 2021 (unaudited)	<b>64,060</b>	<b>756,214</b>	<b>(1,442)</b>	<b>40,123</b>	<b>1,291,798</b>	<b>51,990</b>	<b>(2,008,161)</b>	<b>194,582</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

*For the six months ended 30 June 2021*

- Note a: The distributable reserve represents credit arising from Capital Reorganisation effected by the Company during the year ended 31 March 2010. Under the Company Law (revised) of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital accounts.
- Note b: Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange 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 2020.

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

Amendments to HKAS 39 and Hong Kong Financial Reporting Standard (“ <b>HKFRS</b> ”) 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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The adoption of the above new or revised HKFRSs in the current period did not have any significant impact on the financial position and performance of the Group.



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

The following amendments to HKFRSs, potentially relevant to the Group's condensed consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>4</sup>
Amendments to HKAS 8	Definition of Accounting Estimate <sup>4</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>4</sup>
Amendments to HKAS 16	Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 9, Financial Instruments <sup>2</sup>
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to illustrative examples accompanying HKFRS 16, Leases <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>5</sup> The amendments shall applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of these amendments to HKFRSs and HKASs will have no material impact on the Group's financial performance and positions and/or the disclosures to these condensed consolidated financial statements of the Group.

### 3. SEGMENT INFORMATION

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

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

- (a) Chemical pharmaceutical products – manufacture and sale of chemical pharmaceutical products
- (b) Biological pharmaceutical products – manufacture and sale of biological pharmaceutical products
- (c) Pipeline products – research and development of pharmaceutical products

The information of the reportable segment results are as follows:

#### For the six months ended 30 June 2021 (unaudited)

	Chemical pharmaceutical products HK\$'000	Biological pharmaceutical products HK\$'000	Pipeline products HK\$'000	Consolidated HK\$'000
<b>Segment revenue</b>				
External sales	57,382	99,602	–	156,984
<b>Result</b>				
Segment profit/(loss)	19,195	15,145	(21,368)	12,972
Other income				87
Finance costs				(273)
Equity-settled share based payment expense				(2,445)
Unallocated administrative expenses				(7,451)
Profit before taxation				2,890

### 3. SEGMENT INFORMATION (Continued)

#### For the six months ended 30 June 2020 (unaudited)

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

### 4. PROFIT/(LOSS) BEFORE TAXATION

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

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Amortisation of intangible assets	444	2,207
Cost of inventories recognised as an expense	32,540	10,119
Depreciation of property, plant and equipment	7,618	6,644
Depreciation of right-of-use assets	2,320	1,011
Less: Depreciation included in research and development costs	(2,899)	(2,655)
	7,039	5,000
Research and development costs	21,368	15,323
Less: Capitalisation on intangible assets	–	(7,248)
	21,368	8,075

## 5. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Salaries, wages and other benefit	24,369	33,168
Retirement benefit scheme contribution	3,732	1,047
Equity-settled share based payments	2,445	3,052
	30,546	37,267

## 6. INCOME TAX EXPENSE

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

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
The PRC Enterprise Income Tax ("EIT")	973	405

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 2020 and 2021.

## 7. EARNINGS/(LOSS) PER SHARE

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

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings/(loss)</b>		
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	<b>1,917</b>	<b>(11,458)</b>

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings/(loss) per share	<b>6,396,892</b>	<b>6,437,835</b>

For the six months ended 30 June 2021, the computation of diluted earnings per share does not assume the conversion of certain share options as the exercise price of these share options are higher than the average market price of the Company.

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

## 8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

### (a) Acquisitions and disposals

During the six months ended 30 June 2021, the Group acquired items of plant and machinery with a cost of HK\$2,279,000 (six months ended 30 June 2020: HK\$1,965,000). Items of plant and machinery with a net book value of HK\$16,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$25,000), resulting in a loss on disposal of HK\$16,000 (six months ended 30 June 2020: a gain on disposal of HK\$1,200).

### (b) Impairment losses

During the six months ended 30 June 2021, no impairment loss of Property, Plant and Equipment and Investment properties were recognised by the Group.

## 9. RIGHT-OF-USE-ASSETS AND LEASE LIABILITIES

### Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
Land use rights, carried at depreciated cost	8,185	8,252
Leased properties, carried at depreciated cost	7,444	2,969
	<b>15,629</b>	11,221

During the six months ended 30 June 2021, the Group entered into new lease agreements for an office for 2 years, and therefore recognised the additions to right-of-use assets of HK\$6,642,000 (six months ended 30 June 2020: HK\$395,121). HK\$6,180,000 additions during the six months ended 30 June 2021 related to buildings leased from a connected party of the Group.

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities.

### Lease Liabilities

The carrying amount of lease liabilities are as follows:

	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
<b>Maturity analysis</b>		
Less than one year	4,381	1,031
Over one year and more	3,284	2,107
Total lease liabilities	<b>7,665</b>	3,138
<b>Analysed as:</b>		
Current portion	4,381	1,031
Non-current portion	3,284	2,107
	<b>7,665</b>	3,138

## 10. INTANGIBLE ASSETS

	<b>Trademarks and certificates</b> (Note a) HK\$'000	<b>Technical know-how</b> (Note b) HK\$'000	<b>Capitalised development costs</b> (Note c) HK\$'000	<b>Totals</b> HK\$'000
<b>At 30 June 2021 (unaudited)</b>	–	<b>3,934</b>	<b>4,510</b>	<b>8,444</b>
At 31 December 2020 (audited)	–	4,098	4,698	8,796

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
Capitalised development costs	10 years

Notes:

- (a) Trademarks and certificates represent costs in obtaining trademarks and registration certificates for pharmaceutical products.
- (b) Technical know-how mainly represents techniques and formulas acquired separately for the development of products and production technology.
- (c) Capitalised development costs mainly represent costs generated internally for the development of products and product technology.
- (d) All 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.
- (e) The directors of the Company conducted an impairment review of the Group's intangible assets annually. During the six months ended 30 June 2020 and 2021, no impairment loss on technical know-how and capitalised development costs were recognised to profit or loss.

## 11. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
Trade receivables	50,552	53,925
Less: Allowance for doubtful debts	(2,597)	(3,375)
	<b>47,955</b>	50,550
Bills receivable	17,870	24,217
Deposits, prepayments and other receivables	9,090	15,622
	<b>74,915</b>	90,389

Note: As at 31 December 2020 and 30 June 2021, trade receivables from contracts with customers amounted to HK\$50,550,000 and HK\$47,955,000 respectively.

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

	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
0–90 days	38,514	42,543
91–120 days	3,717	4,786
121–180 days	2,368	2,127
181–360 days	2,934	500
Over 360 days	422	594
	<b>47,955</b>	50,550

As at 30 June 2021, included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$9,441,000 (31 December 2020: HK\$8,007,000) which are past due at the end of the reporting period. Out of the past due balances, HK\$3,595,000 (31 December 2020: HK\$1,461,000) 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.



## 12. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
Trade payables	6,722	3,832
Accruals	20,907	31,742
Other payables	12,445	7,930
	<b>40,074</b>	<b>43,504</b>

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

	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
0–30 days	3,986	2,393
31–60 days	795	182
61–90 days	342	112
Over 360 days	1,599	1,145
	<b>6,722</b>	<b>3,832</b>

The average credit period on purchases of goods is 120 days (31 December 2020: 120 days). The Group has in place financial risk management policies to ensure that all payables are settled within the credit time frame.

### 13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary share of HK\$0.01 each		
<b>Authorised:</b>		
At 31 December 2020 and 30 June 2021	500,000,000,000	5,000,000
<b>Issued and fully paid:</b>		
At 1 January 2021	6,391,008,147	63,910
Issue of ordinary shares in relation to award of new shares	15,000,000	150
At 30 June 2021	6,406,008,147	64,060

### 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 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 2021, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 563,055,000 (at 31 December 2020: 563,055,000), representing 8.79% (at 31 December 2020: 8.81%) 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 2020 and 2021 are as follow:

	Outstanding at 1.1.2021 HK\$'000	Granted during the period HK\$'000	Exercised during the period HK\$'000	Lapsed during the period HK\$'000	Cancelled during the period HK\$'000	Outstanding at 30.06.2021 HK\$'000
12 September 2014 Directors	8,560	-	-	-	-	8,560
12 September 2014 Others	360	-	-	-	-	360
23 January 2015 Employees	10,880	-	-	-	-	10,880
23 January 2015 Others	33,100	-	-	-	-	33,100
10 July 2015 Directors	7,260	-	-	-	-	7,260
17 August 2015 Others	120,000	-	-	-	-	120,000
27 January 2016 Employees	20,700	-	-	-	-	20,700
27 January 2016 Others	1,300	-	-	-	-	1,300
7 October 2016 Directors	10,880	-	-	-	-	10,880
3 April 2017 Employees	34,950	-	-	-	-	34,950
3 April 2017 Others	2,010	-	-	-	-	2,010
16 November 2017 Directors	16,073	-	-	-	-	16,073
9 April 2018 Senior management	11,990	-	-	-	-	11,990
9 April 2018 Employees	20,224	-	-	-	-	20,224
5 July 2018 Others	3,000	-	-	-	-	3,000
9 April 2019 Directors	66,179	-	-	-	-	66,179
9 April 2019 Employees	62,449	-	-	-	-	62,449
9 April 2019 Others	3,300	-	-	-	-	3,300
2 April 2020 Employees	35,780	-	-	-	-	35,780
2 April 2020 Others	35,000	-	-	-	-	35,000
31 August 2020 Executive Directors	33,380	-	-	-	-	33,380
31 August 2020 Non-executive Directors	25,680	-	-	-	-	25,680
	<b>563,055</b>	-	-	-	-	<b>563,055</b>
Exercisable at the end of the period						<b>445,420</b>
Weighted average exercise price	<b>HK\$0.18</b>	-	-	-	-	<b>HK\$0.18</b>

#### 14. SHARE OPTIONS (Continued)

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

## 15. OPERATING LEASES

### The Group as lessor

Property rental income earned during the six months ended 30 June 2021 was approximately HK\$34,000 (six months ended 30 June 2020: HK\$1,683,000). At 30 June 2020, the investment properties held have committed tenants for the next one year. At 30 June 2021, all tenancy agreements was expired and no renewal of tenancy agreement as of that date. At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
Within one year	–	34

## 16. CAPITAL COMMITMENTS

	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of		
– purchase of property, plant and equipment	1,089	430
– purchase of intangible asset	14,557	14,287
– Research and development activities	4,992	–
	<b>20,638</b>	<b>14,717</b>

## 17. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2021, 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 9)
Kingsley LEUNG	Beneficial owner and interest of a controlled corporation (Note 2)	1,846,832,542 (L)	29,199,000 (L)	1,869,611,542 (L)	29.19%
YAU Kwok Wing Tony	Beneficial owner and interest held through a controlled corporation (Note 3)	865,040,000 (L)	6,420,000 (L)	871,460,000 (L)	13.60%
CHEN Dawei	Beneficial owner (Note 4)	163,094,438 (L)	25,480,000 (L)	188,574,438 (L)	2.94%
ZHAO Zhi Gang	Beneficial owner (Note 5)	6,655,000 (L)	86,680,000 (L)	93,335,000 (L)	1.46%
CHOW Kai Ming	Beneficial owner (Note 6)	–	9,840,000 (L)	9,840,000 (L)	0.15%
REN Qimin	Beneficial owner (Note 7)	–	8,060,000 (L)	8,060,000 (L)	0.13%
MA Qingshan	Beneficial owner (Note 8)	–	6,420,000 (L)	6,420,000 (L)	0.10%

Notes:

1. The letter “L” denotes the person’s long position in the shares and underlying Shares in the Company or its associated corporation(s).
2. These interests consist of: (i) 1,846,832,542 Shares held by Automatic Result Limited (“**Automatic Result**”) that is wholly owned by MJKPC Holdings Limited, a family trust of which Mr. Kingsley LEUNG is one of the discretionary objects; and (ii) 29,199,000 underlying shares relating to the share options granted by the Company to Mr. Kingsley LEUNG.
3. The 6,420,000 underlying Shares relating to the share options granted by the Company to Mr. YAU Kwok Wing Tony.
4. These interests consist of (i) 163,094,438 Shares held by Mr. CHEN Dawei; and (ii) 25,480,000 underlying Shares relating to the share options granted by the Company to Mr. CHEN Dawei.
5. These underlying Shares relate to the share options granted by the Company to Mr. ZHAO Zhi Gang on 12 September 2014, 10 July 2015, 7 October 2016, 16 November 2017, 9 April 2019 and 31 August 2020 respectively.
6. These underlying Shares relate to the share options granted by the Company to Mr. CHOW Kai Ming on 7 October 2016, 16 November 2017 and 31 August 2020.
7. These underlying Shares related to the share options granted by the Company to Mr. REN Qimin on 16 November 2017 and 31 August 2020.
8. These underlying Shares relating to the share options granted by the Company to Mr. MA Qingshan on 31 August 2020 .
9. The percentage of shareholding is calculated on the basis of 6,406,008,147 Shares in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, 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 2021, 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 4)
Automatic Result (Note 2)	Beneficial owner	1,846,832,542 (L)	-	1,846,832,542 (L)	28.83%
Overseas Capital Assets Limited (Note 3)	Beneficial owner	657,180,000 (L)	-	657,180,000 (L)	10.26%
Heungkong Securities Limited	Beneficial owner	865,040,000 (L)	-	865,040,000 (L)	13.50%

Notes:

1. The letter "L" denotes the person's long position in the shares and underlying shares in the Company.
2. Automatic Result Limited is wholly owned by MJKPC Holdings Limited, which is a family trust which Mr. Kingsley LEUNG is one of the discretionary objects.
3. Based on the individual substantial shareholder notice of Overseas Capital Assets Limited filed on 19 June 2014, Overseas Capital Assets Limited is wholly-owned by He Rufeng.
4. The percentage of shareholding is calculated on the basis of 6,406,008,147 Shares in issue as at 30 June 2021.

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 2021 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 2021, the company has repurchased a total of 14,100,000 shares on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at an aggregate cash consideration of HK\$1,441,946.49 since 25 June 2021 and up till 29 June 2021.

Save as disclose above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2021.

## 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, 27 August 2021