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

Annual Report 2021

心創造新醫藥
LEADING GENUINE INNOVATION

AGILE

ACCELERATED GROWTH INTERNATIONAL EXECUTION

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

BUILDING ON A STRONG FOUNDATION

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

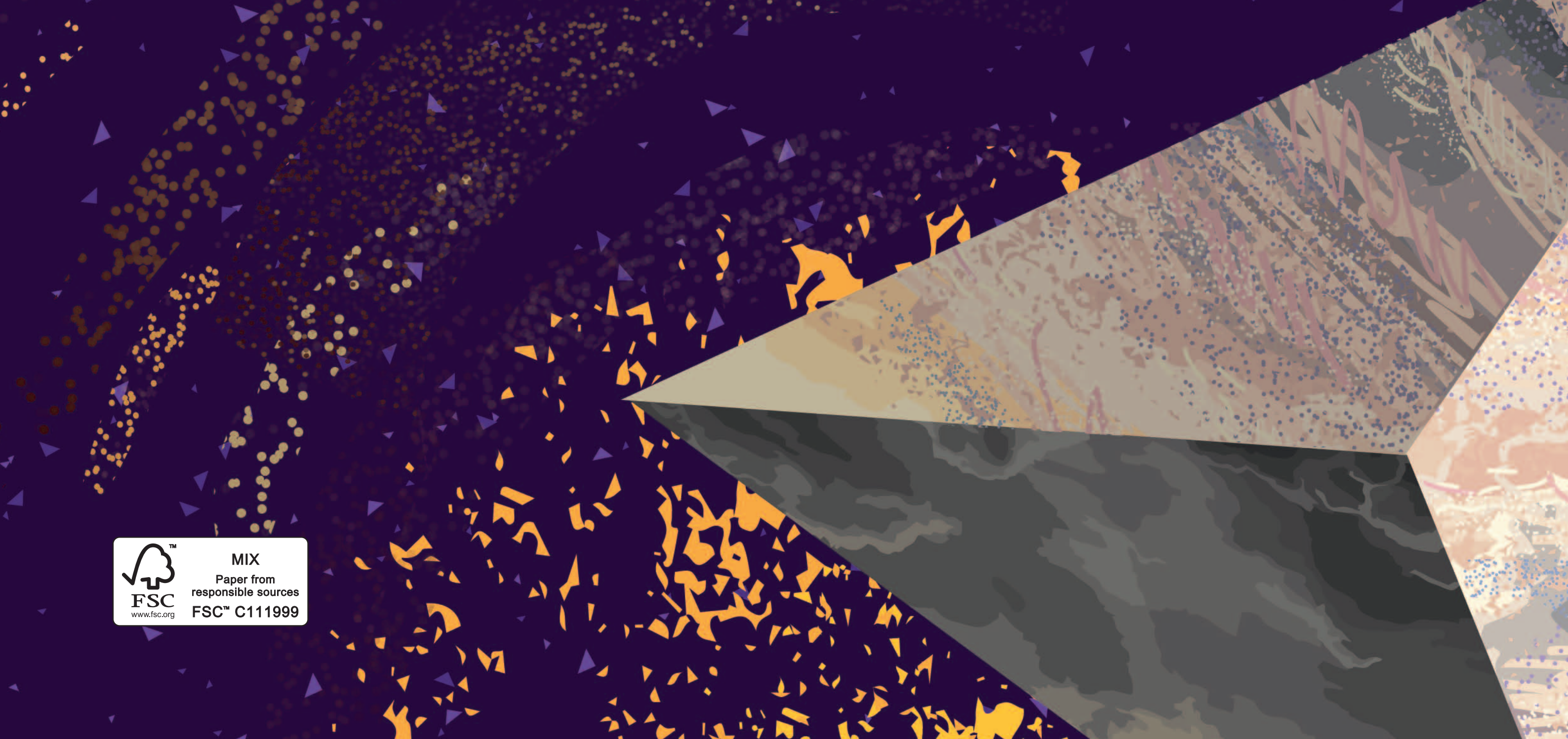
OUR MISSION

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

OUR VISION

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

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



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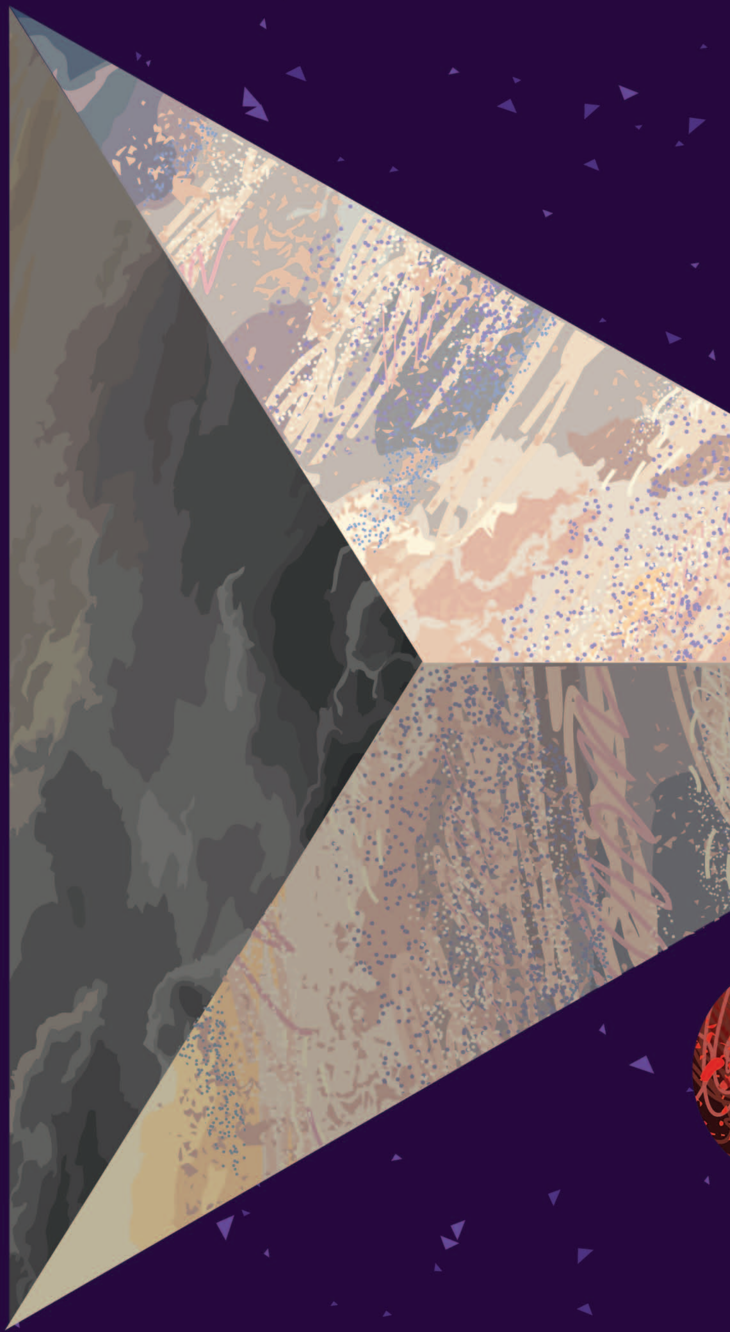
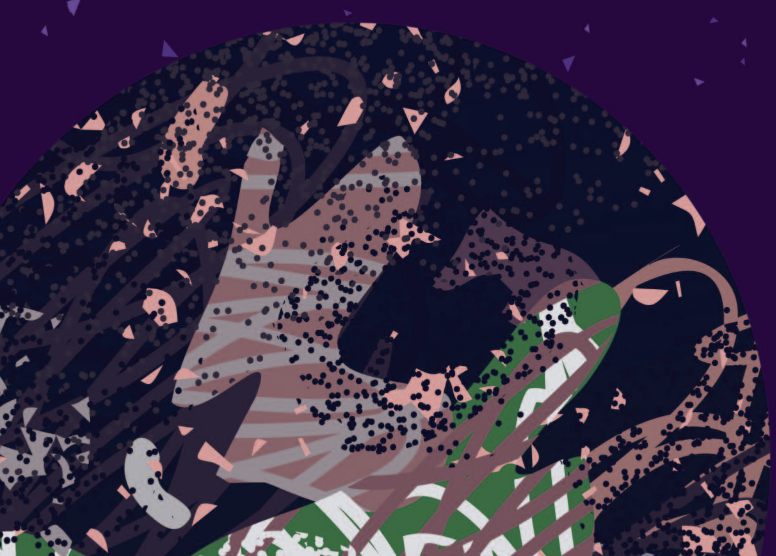
WE ARE DEDICATED TO

IMPROVING THE QUALITY OF LIFE OF PATIENTS

THROUGH INNOVATIVE TREATMENTS





Our Commitment of Quality

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

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

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

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

- *Uni-E4 is targeted at the Type 2 diabetic patient population, especially those who are overweight.*

- *Uni-PTH is a treatment for osteoporosis in postmenopausal women (submitted and accepted for review by the CFDA in April 2015).*

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

Key Financial Highlights

	Notes	Year ended 31 December 2021	2020
Revenue (HK$'000)		**353,405**	208,776
Gross profit (HK$'000)		**277,007**	181,094
R&D costs (HK$'000)		**50,219**	40,728
Profit (loss) before taxation (excluding the impairment of assets)		**(20,012)**	(34,471)
Adjusted (LBITDA) EBITDA (HK$'000)	*1*	**13,666**	(21,703)
Gross profit margin (%)		**78.4%**	86.7%
R&D costs to revenue (%)		**14.2%**	19.5%

		As at 31 December 2021	2020
Cash ratio (times)	*2*	**0.91**	0.4
Current ratio (times)	*3*	**2.18**	3.01
Trade payables turnover days (days)	*4*	**22**	37
Trade receivables turnover days (days)	*5*	**52**	93
Inventory turnover days (days)	*6*	**134**	197
Debt-to-equity ratio (%)	*7*	**53.5**	33.4%
Total assets turnover (%)	*8*	**132.1%**	82.6%

Notes for key ratios:

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

2 Cash ratio: Bank balances and cash/current liabilities

3 Current ratio: Current assets/current liabilities

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

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

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

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

8 Total assets turnover: Total revenue/total assets

R&D COSTS TO REVENUE

14.2%

GROSS PROFIT MARGIN

78.4%

REVENUE (HK$'000)

353,405

LEADING GENUINE INNOVATION

Chairman's Statement

Chairman's Statement

Dear esteemed shareholders, employees and key stakeholders,

On behalf of Uni-Bio Science Group Limited, I am pleased to present the annual results for the year ended 31 December 2021 (the "Year").

Amid the continuous evolvement of the COVID-19 pandemic, the Chinese government has imposed stringent zero-tolerance measures, including tight border controls, lockdowns and vaccination rollout programs, which effectively controlled the situation and promoted economic recovery. The year 2021 also marked the beginning of "China's 14th Five Year Plan (2021–2025)". The Chinese government has emphasized that the pharmaceutical industry is one of the key development focuses in the future. A number of favorable policies, therefore, have been launched including expediting the new drug approval process, prioritizing the review process of drugs for clinical needs, promoting technological advancement, and expanding the type of drugs to be included in the national centralized procurement, to support the healthy and sustainable development of the industry.

KINGSLEY LEUNG
(Chairman)

I am proud to announce that we have achieved several significant milestones by seizing the massive opportunities brought by the positive market environment.

1. Achieved a record high turnover which was mainly driven by:

   - Pinup®, which was among the first to be selected in national centralized procurement in 2021

   - Sales recovery of GeneTime® and GeneSoft®, even surpassing the pre-COVID-19 level back in 2019

2. Strategic partnership with DotBio Pte. Ltd. ("**DotBio**") to co-develop next-generation best-in-class compounds in ophthalmology and other potential therapeutic areas

3. Strategic partnership with Alephoson Biopharmaceuticals Ltd. ("**Alephoson**") to explore new technology in retinal diseases as well as to overcome the limitations of intravitreal injection treatment

4. Collaborated with Nano and Advanced Materials Institute ("**NAMI**") to co-develop an innovative formulation of rhEGF

5. Joint investment with Global Cosmetic (China) Company Ltd. ("**Global Cosmetic**") to co-develop new skincare raw materials with competitive market advantages

As an innovative company, we have always been striving to strengthen our research and development (R&D) capability, as well as provide the best-in-class products to our patients. In order to achieve this, we have set various steps in achieving our goals.

In short term, we will expedite the launch process of the 2nd Generation Uni-PTH (pre-filled injection pen), a proprietary product in treating osteoporosis and bone pain, increasing bone density and reducing the risk of bone fracture. The injection pen of 2nd Generation Uni-PTH is directly imported from Switzerland, of which the quality, reliability and safety are certified as the best available in the market. We target to apply for New Drug Application in 2022 and expect to launch as early as 2023.

At the same time, we have already launched clinical trial-related works for Uni-GLP-1 during 2021, as well as progressed additional programs that can further expand the value of Uni-GLP-1. For example, our research has shown that the bioavailability of oral form Uni-GLP-1 was better than other marketed leaders. We hope to continue the progress of these programs in order to launch unique, competitive but lifesaving products into the market as early as possible.

Advancing our production capacity has always been our target to support the ongoing growth of Uni-Bio's business. We will begin the factory construction in Dongguan in April 2022. Upon completion in 2025, the product lines will be facilitated with new technology that would reduce production and overheads and further enhance the overall production efficiency. I believe that the new production and packaging line will enhance the production output and quality of EGF products, driving volume growth while lowering costs.

For a longer-term development, we started to embark on a direction to expand into fields beyond the pharmaceutical industry, leveraging on our strengths in biotechnology R&D and dermatology. Such industries include medical cosmetology and functional skincare. In January 2022, we formed joint cooperation and investment with Global Group. Making the best of their expertise in daily cosmetics and our extensive research and development capabilities, we will work together to develop medical aesthetics and high-end skincare products, which are expected to launch in the next two years. I believe that this will allow us to grasp the vast opportunity in the growing functional skincare market.

Besides, we have been exploring the diversification of rhEGF product formulation. Integrating the innovative material technology of NAMI, we aim to improve the performance of rhEGF, for example, for better stability, enhanced breathability and antibacterial properties, and develop better treatments for chronic wounds, diabetic foot and difficult-to-heal wounds. We are confident that the next generation EGF products would allow us to deepen our penetration in the EGF market, and further solidify our leadership position.

In addition, we have partnered with Alephoson and DotBio to co-develop next-generation best-in-class compounds for patients with retinal diseases and other potential therapeutic areas. Through this partnership, we will further look into advancing patient care with treatment alternatives and expanding the application scope within the ophthalmology and dermatology indications.

Regarding our marketed generic drugs, we will continue to optimize our production scale and efficiency to expand the scale. Pinup® was successfully selected in the national centralized procurement in 2021. With the growing orders from public hospitals on hand, we will further enhance our efficiency and drive down manufacturing cost. For Boshutai®, we have also been working hand in hand with Sinopharm Weiqida Pharmaceutical Company Limited ("**Sinopharm Weiqida**") and Suzhou Yingli Medical Technology Company Limited ("**Suzhou Yingli**") to ensure a stable supply of raw materials and enhance production output and efficiency. Sinopharm Weiqida will be responsible for API registration and manufacturing, of which the progress is expected to be completed in 2022; tablet production will be transferred to Suzhou Yingli in 2022 with ten times more manufacturing capacity. These would allow Boshutai® to further penetrate into more provinces as well as to win the bid of the upcoming national centralized procurement in 2022.

By adhering to the aforementioned strategies, we will advance ourselves towards a top-notch biopharmaceutical platform in China with strong commercialization capability, continuously bringing patients and consumers revolutionary drugs and healthcare treatments.

APPRECIATION

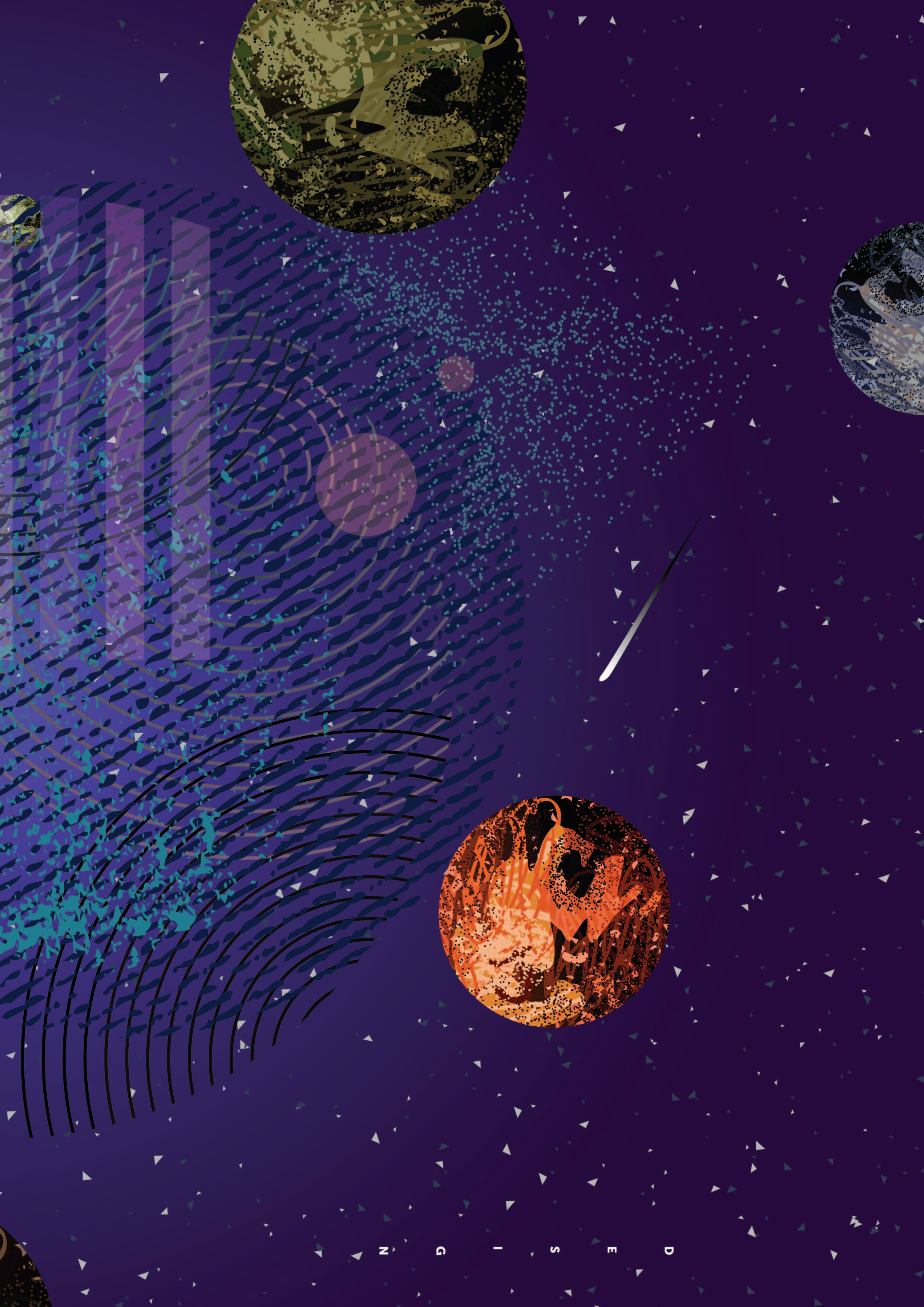
The milestones we achieved in the past years are all due to the dedication and commitment of our employees. I would also like to thank our investors, stakeholders, partners, customers and suppliers for their continuous support. We look forward to continuing the journey together and achieving a fruitful return.

Kingsley Leung
Chairman

21 March 2022

ACCELERATE GROWTH INTERNATIONAL EXECUTION

Management Discussion and Analysis


D E S I G N

Management Discussion and Analysis

MARKET REVIEW

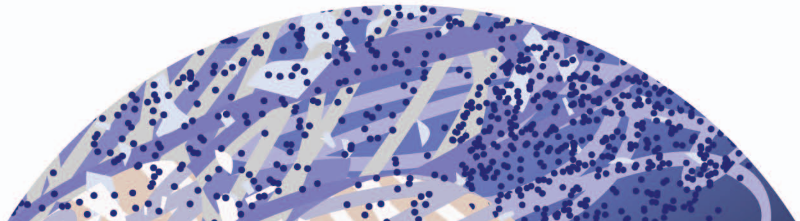
China's pharmaceutical market has maintained a rapid growth that exceeds the global market. From 2016 to 2020, China's pharmaceutical market grew from RMB1,329.4 billion to RMB1,791.9 billion and is expected to reach RMB1,885.8 billion in 2021 along with the economic rebound, thanks to the effective control of the COVID-19 pandemic by the Chinese government. In 2021, the Group successfully captured the recovery with the sales of Pinup®, GeneTime®, GeneSoft® and Boshutai®, which recorded significant increases and even exceeded the pre-COVID-19 level in 2019.

In recent years, China has been in the process of upgrading its generic drug market by encouraging research and development ("**R&D**") of high-end generic drugs, and this has created a huge market with favorable policies for high-value generic drugs. On the other hand, driven by government incentives and capital from the market, the rise of domestic innovation has also accelerated. Domestic innovative drugs have started entering the harvest period, and it is believed that more first-in-class and best-in-class innovative products will be available in China in the coming decade. Functional cosmetics is one of the most important and popular downstream applications of innovative drugs. Data from Markets & Markets shows that the global functional cosmetics market is projected to reach USD4.1 billion by 2026, at a CAGR of 5.2% from USD3.2 billion in 2021. According to iResearch Consulting Group's report, it is also observed that Chinese consumers nowadays pay more attention to skincare, and the national policies in China are encouraging product innovation of functional cosmetics. The Chinese market is expected to become more diversified, with participation of more companies with aesthetic medicine and pharmaceutical background, bringing higher value products to the industry. Uni-Bio will seize all these opportunities and aim to become one of the top niche biopharmaceutical companies 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 R&D, production, manufacturing, to sales and distribution of biopharmaceutical and chemical drugs, the Group has established a fully integrated business platform serving the entire value chain. As of 31 December 2021, the group has launched four products into the market, namely GeneTime®, GeneSoft®, Pinup® and Boshutai®.



KEY ACCOMPLISHMENTS IN 2021

Achieved a Record High Turnover

During the Year, the turnover of the Group achieved a record high and recorded a noticeable increase of 69.3% year-on-year ("**YoY**"). The revenue growth was mainly attributable to the strong rebound of the Group's core products. Sales of GeneTime® and GeneSoft® performed well and had fully recovered and exceeded the pre-COVID-19 level, thanks to the Group's direct sales team and robust distributor networks, both channels strengthened since 2018.

Strategic Partnership with DotBio to Explore New Technology in Retinal Diseases

In March 2021, the Group and DotBio Pte. Ltd. ("**DotBio**") 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). Under the agreement, 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. During the Year, the Group had been exploring different innovative technology with DotBio to overcome the limitations of intravitreal injection treatment. This includes the strategic alliance formed with Alephoson Biopharmaceuticals later in the year of 2021.

Strategic Alliance with Alephoson to Co-develop Next-generation Best-in-class Compounds

In September 2021, the Group formed a strategic alliance with Alephoson Biopharmaceuticals Ltd. ("**Alephoson**") to explore the use of Cell Penetration Protein Alternation Technology (CePPA) with the Group's next-generation, best-in-class compounds for patients with retinal diseases and other potential therapeutic areas. Alephoson is a technology-based biopharmaceutical company focusing on innovative CePPA delivery system, which facilitates cellular intake and uptake of molecules like nanosize particles, commonly through endocytosis. In recent years, a great number of studies reported the potential of Cell Penetrating Peptides (CPPs) as carriers for the treatment of various diseases and a crucial advantage of CPP-based therapies is the peptides low toxicity and increased efficiency compared to most other carriers. Forming partnerships and alliances with Alephoson not only aligns with the Group's long-term development plan of expanding the pipeline of next-generation drugs, but it also diversifies formulation choices of the Group's marketed and pipeline products.

Collaborated with NAMI to Co-develop an Innovative Formulation of rhEGF

In September 2021, the Group collaborated with Nano and Advanced Materials Institute (NAMI) to explore an innovative formulation of rhEGF (recombinant human epidermal growth factor) products including GeneTime®. The Group has been exploring the new formulation of rhEGF product with one of NAMI's core technologies, Healthcare Nanofiber. The alliance with NAMI aligns with the Group's long-term development plan of expanding usage of its rhEGF products. Leveraging NAMI's innovative material technology, the Group can diversify the formulation of rhEGF products and potentially expand application scope in the future.

R&D and Pipeline Progress

During the Year, 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 is working diligently to research and discover newly-patented drugs to fulfill the unmet medical needs of patients.

Patented Biologic Drugs

Products/Components	Indication	Discovery	Pre-clinical	Phase 1	Phase 2	Phase 3	BE	NDA	Marketed
Metabolic									
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	✔	✔						
Ophthalmology									
UB101	AMD	✔							
UB102	AMD	✔							
Dermatology									
UB103	TBD	✔							
Wound Healing									
UB104	Wound Healing	✔							

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

UNI-PTH

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

In September 2020, the 2nd Generation Uni-PTH (pre-filled injection pen) had been approved by the National Medical Products Administration ("**NMPA**") for clinical trial. During the Year, clinical trial for the 2nd Generation liquid form Uni-PTH had been successfully completed and the Group has planned to apply for New Drug Application ("**NDA**") in 2022. Currently, the Group is in preparation for data collecting for the development of the 3rd Generation oral form Uni-PTH.

Uni-GLP-1

The Group's GLP-1 product is the first biologically expressed GLP-1 agent in the world. Although the biological expression of GLP-1 has the same primary structure sequence as the chemically synthesized Exenatide, it is more similar to the natural GLP-1 existing in living body in terms of secondary structure, with a more complete and stable biologically spatial structure, leading to potentially better efficacy and safety. Due to its higher technical requirement, the product 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 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, Uni-GLP-1 has the potential of becoming a leading 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. Clinical trial-related works for Uni-GLP-1 liquid formulation were launched during the Year as planned and the Group is going to accelerate further clinical work in 2022.

In the past two years, the Group had collaborated with universities to conduct Obesity indications and oral GLP-1 formulation product R&D. During the collaboration, we were surprised to find that, the results of long-term administration of the drug on the weight of DIO mice showed that the drug achieved the equivalent weight loss effect at a dose many times lower than that of liraglutide. In addition, no serious gastrointestinal reaction (vomiting) was found in DIO mice at all stages of the experiment, and the weight loss effect did not show a drastic recovery after the cessation of administration. Meanwhile, the serum parameters indicated that the product had both weight loss and liver protection effects. The oral GLP-1 developed by the research team breaks through the technical barriers of GLP-1RA oral administration, upgrades the oral dosage form with better patient compliance, and its bioavailability is more than 2 times better than the clinical bioavailability of semaglutide, the marketed oral GLP-1 product found abroad. Based on the pharmacokinetic data analysis in rats, this product is expected to provide more effective and better compliance options for patients who currently cannot achieve target glucose levels through oral hypoglycemic chemical agents, which is worthy of further research. Currently, the Group is in process of developing oral form Uni-GLP-1 to expand the value of the product and offer convenience to users. These two research achievements are forming independent intellectual property patent protection.

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 innovative technology to overcome the limitations of intravitreal injection treatment and the preclinical in vitro and in vivo test will be launched in 2022.

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. The Group believes that there is a significant commercial demand for the treatment of wet AMD. Currently, the Group is exploring different innovative technologies with DotBio to provide an alternative to existing therapy. To capture more value in the dermatology space, the Group may also develop a 3rd molecule with DotBio but the target is still to be decided.

EGF-Nanofibers wound dressing

UB104 (EGF-Nanofibers wound dressing) possesses ideal wound dressing characteristics. Slow-release growth factors promote wound healing, and Nanofiber has excellent breathability and antibacterial properties. As an advanced wound dressing, EGF-Nanofibers can be widely used in wound healing, especially for chronic wounds, and has an up-and-coming market. According to the Fortune Business Insights, the global wound care market size is expected to gain momentum by reaching USD24.01 billion by 2028 while exhibiting a CAGR of 6.1% between 2021 and 2028. In China, the change of population structure, the improvement of medical system and the increase of income level provide an upside for the market of medical dressing. From 2014 to 2018, the market size of China grew from RMB5.52 billion to RMB13.62 billion, with a compound annual growth rate of 25.3%. It is predicted that the market size of China dressings industry will maintain a CAGR of 11.1% between 2019 and 2023, and the market size will reach RMB23.45 billion in 2023.

High Value Generic Products and Bioequivalence Studies

Product	Indication	Status	Remark
Endocrinology			
Boshutai®	Type 2 Diabetes	Boshutai® (Acarbose Tablets) has been launched into market	Co-developed with Beijing Baiao Pharmaceutical Co., Ltd.
Infectious Disease			
Pinup®	Fungal infection	Pinup® was included in national centralized procurement in 2021	

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.

Boshutai® had been officially approved for marketing in China from the NMPA and passed GMP manufacturing in 2020. In 2021, the Group started the mass production of Boshutai® and the sales of Boshutai® met the Group's initial expectation. Currently, the Group is in preparation for the bid for the national centralized procurement expected in 2022. To enhance production efficiency and reduce cost, the Group established a strategic partnership with Sinopharm Weiqida Pharmaceutical Company Limited ("**Sinopharm Weiqida**") and Suzhou Yingli Medical Technology Company Limited ("**Suzhou Yingli**") in 2020. The tablet production capacity for Boshutai® will be further expanded with the manufacturing lines transferred to Suzhou Yingli in 2022. Sinopharm Weiqida will be responsible for Acarbose active ingredient (API) registration and manufacturing and the registration is expected to complete in 2022.

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 Frost & Sullivan, the market of anti-fungal drugs in China, in terms of sales revenue, amounted RMB25.5 billion in 2019 and represented a CAGR of 6.5% from 2015. The market is estimated to grow at a CAGR of 3.3% from 2019 to 2024 and reach RMB30.0 billion in 2024. The market is estimated to further grow at a CAGR of 4.1% from 2024 to 2030 and to reach RMB38.0 billion in 2030. After being successfully included in the Fourth Batch of the National Centralized Procurement of Drugs, sales of Voriconazole Tablets (Pinup® 50ml) recorded a significant increase with expanded market share among public hospitals. Going forward, the Group is working towards optimizing the product's manufacturing cost further.

RESULTS OVERVIEW

In 2021, the Group recorded a turnover of HK$353.4 million, representing a significant increase of approximately 69.3% year-on-year (2020: HK$208.8 million). The increase in turnover was mainly attributable to the impressive sales growth of EGF products.

Cost of sales for the Year increased by 176.0% from HK$27.7 million in 2020 to HK$76.4 million in 2021, whereas gross profit was at HK$277.0 million, representing an increase of 53.0% as compared with approximately HK$181.1 million in 2020. Gross profit margin decreased to 78.4% from 86.7% in 2020, mostly due to Pinup®'s price concession for the national centralized procurement. The Group continued its strict control in general and administrative expenses, which only accounted for 13.4% of turnover in 2021 as compared with 17.2% in 2020. The selling and distribution expense for the Year also decreased to 52.5% of turnover from 69.7% in 2020. The R&D expenses increased by 23.3%YoY to HK$50.2 million as the Group continued to develop new products.

Operating loss for the Year was HK$20.0 million as heavy investment in R&D continued. However, the operating loss was significantly reduced from HK$70.9 million in 2020. In 2021, the Group recorded a loss of HK$19.6 million (2020: loss of HK$71.3 million), with a basic loss per share of HK$0.31 cents (2020 basic loss per share HK$1.11 cents).

Marketed drugs sales

GeneTime®

The Group's star product, GeneTime®, is a prescription biological drug for wound healing. During the Year, turnover generated from GeneTime® reached HK$170.5 million, representing a significant increase of 24.3% from approximately HK$137.2 million in 2020. The remarkable turnover growth was mainly due to the strong recovery from hospital sales as well as the additional turnover from the digital marketing and pharmaceutical e-commerce platforms.

GeneSoft®

GeneSoft® is a therapeutic drug for dry eye syndrome, corneal damage and post-operative healing. During the Year, GeneSoft® recorded an increase in turnover from approximately HK$31.6 million to HK$36.3 million, representing an increase of 14.8%. Growth in sales of GeneSoft® was attributed to the recovery from hospital sales as well as the efforts of the Group's direct sales team. After the end of the 5-year sales agreement with CR Zizhu, GeneSoft® started to be marketed through the Group's own sales channels in 2021; with stronger focus on academic promotion, GeneSoft® has gained excellent market reception during the second half of the period.

Pinup®

The Group's self-developed chemical pharmaceutical product Pinup® (Voriconazole tablets) recorded a significant increase in turnover from approximately HK$37.5 million to approximately HK$142.2 million during the Year. The increase was attributable to Pinup®'s inclusion in the national centralized procurement in February 2021, which has secured the Group with massive hospital orders. During the Year, the Group had allocated a large portion of its production capacity to support the growing order for Pinup®. Although there was a strong volume growth for Pinup® during the Year, the decrease in pricing due to the centralized procurement has reduced the overall profitability of the product.

Boshutai®

The Group's newly-launched product Boshutai® (Acarbose tablet) is a small molecule drug to treat diabetes. 2021 is the first year for Boshutai®'s commercialization and the turnover of Boshutai® was approximately HK$4.5 million. Sales and production output were satisfactory, especially considering majority of production capacity was being allocated to Pinup® during the Year. To prepare for the national centralized procurement for the drug, the Group had partnered with Suzhou Yingli and Sinopharm Weiqida to expand Boshutai®'s production capacity in 2022.

FINANCIAL PERFORMANCE REVIEW

Turnover

Sales Developments

For the Year, the Group recorded a turnover of approximately HK$353.4 million, representing a significant increase of approximately 69.3% YoY.

Proprietary Biological Pharmaceutical Products

The Group's proprietary biological pharmaceutical products include GeneTime® (EGF spray indicated for wound healing) and GeneSoft® (EGF-derivative eye drop indicated for corneal damage and post-operative healing). During the Year, proprietary biological pharmaceutical products achieved HK$206.7 million of sales, representing an increase of approximately 22.7% compared with last year. Proprietary biological pharmaceutical products represented approximately 58.5% of total sales for the Year.

Proprietary Chemical Pharmaceutical Products

The Group's chemical pharmaceutical products include Pinup® (Voriconazole tablets which is tailored to treat severe fungal infection) and Boshutai® (Acarbose tablet). During the Year, the segment achieved a turnover of HK$146.7 million, with Pinup® and Boshutai® contributing sales of HK$142.2 million and HK$4.5 million respectively.

Gross Profit and Gross Profit Margin

During the Year, gross profit was approximately HK$277.0 million, representing an increase of 53.0% as compared with approximately HK$181.1million in 2020. The increase in gross profit was mainly led by the surge of turnover generated from the Group's main products. Gross profit margin was decreased to 78.4% (2020: 86.7%) as the pricing of Pinup® for the centralized procurement was lower but was partly offset by the economies of scale from mass production volume.

Selling and Distribution Expenses

During the Year, selling and distribution expenses recorded an increase from approximately HK$145.5 million in 2020 to approximately HK$185.7 million in 2021, while the percentage of selling expenses over turnover decreased from 69.7% last year to 52.5% in 2021. The decrease was mainly attributable to the Group's continuous efforts on structural adjustments to its direct sales team and its distribution strategies, as well as the impact of Pinup®'s inclusion in the national centralized procurement.

Research and Development Expenses

As there were several clinical tests conducted during the Year, R&D expenses in 2021 was approximately HK$50.2 million, representing an increase of 23.3% from HK$40.7 million in 2020. In terms of percentage to turnover, R&D expenses decreased from 19.5% in 2020 to 14.2% in 2021, which was mainly due to the surge in turnover.

General and Administrative Expenses

For the Year, general and administrative expenses increased from HK$35.8 million in 2020 to HK$47.2 million in 2021, representing an increase of 31.7%. G&A expenses had returned to normal level as compared with 2020 because there were no longer subsidies provided in regards to COVID-19 relief. Furthermore, there was an increase of rental payment due to the relocation of Shenzhen manufacturing plant. G&A accounted for 13.4% of turnover as compared with 17.2% last year.

Provision for litigation

For the Year , Beijing Genetech Pharmaceutical Co., Limited, one of subsidiaries of the Company had an arbitration process against with a distributor for one of the marketed drugs of the Group in China International Economic and Trade Arbitration Commission (the "**CIETAC**") . As a result of the foregoing, the Group made a provision of approximately HK$15.6 million for the above litigation claim based on the assessment made by the management.

Other Revenue

Other revenue for the Year was approximately HK$5.9 million, representing a decrease of 63.6% when compared with HK$16.3 million in 2020. The decrease was mainly attributable to a decrease in revenue from certain non-operating items, such as lease and government subsidy.

Operating Loss and Loss for the Year

Due to huge investment in R&D, operating loss for the Year was HK$20.0 million, however, the operating loss was significantly reduced from HK$70.9 million in 2020. The decrease was mainly attributed to the significant increase in sales of all major drugs which drove up profitability of the Group. For the Year, the Group narrowed its loss to HK$19.6 million (2020: loss of HK$71.3 million).

PROSPECTS

Outlook

The healthcare market in China has been burgeoning. According to a report by GlobalData, the pharmaceutical market is expected to reach USD300.9 billion by 2025 at a compound annual growth rate of 12.2%. The growth is driven by the increasing aging population, better social health insurance policies as well as government regulatory reforms which promote industrial innovation and streamline the new drug approval process. The national strategic plans, "Made in China 2025" and "China's 14th Five-Year Plan (2021–2025)", have further facilitated the growth of healthcare industry by improving the affordability of healthcare services and building an efficient supply chain. Riding on the favorable government policies and market environment, the Group believes that it would propel forward and drive further business growth.

New Opportunities in Medical Cosmetology, Functional Skincare and High-end Skincare Market

In January 2022, the Group formed joint cooperation and investment with Global Cosmetics (China) Company Ltd. ("**Global Group**"), a leading manufacturer of skincare products, cosmetics, and personal care products in China and Hong Kong, to develop new competitive and effective skincare raw materials, to be used widely in a variety of areas including medical cosmetology, functional skincare and high-end skincare.

The growth of the functional skincare market is fast and the skincare market potential is huge. According to the "2021 China Functional Skin Care Industry Research Report" released by iResearch Consulting Group, the functional skincare industry has reached RMB26.01 billion in 2021 and will continue to increase with a staggering average annual compound growth rate of 29.4% and reach RMB58.97 billion in 2023.

Looking at the global functional raw material market, the ingredients with the highest proportions are plant extracts, biotechnology and synthetic active substances. In recent years, the penetration rate of peptides has also continued to increase. Studies show that the above 4 main groups of functional raw materials account for 80% of the functional raw materials market. The cooperation between Uni Bio Group and Global Group covers biotechnology, synthetic biology, and peptides, mainly comprising of the production of 5 functional raw materials, including collagen, fibronectin, beauty peptides, probiotics, and exosomes. The five types of raw materials can be used in the field of medical cosmetology and functional skincare. The material composition is safe, with high efficacy and wide application potential.

Leveraging on Global Group's expertise in daily cosmetics and its well-established partner network, together with the Group's extensive experience in pharmaceutical R&D, this collaboration has laid a strong foundation for the two parties to tap into the vast functional skincare and upstream raw material market. It is expected that new medical beauty, functional and high-end skincare products under this collaboration will be launched in the next two years.

All-round Research Innovation of Patent Biologic Drugs

The Group's collaboration with NAMI on innovative formulation of rhEGF products including GeneTime® has begun in 2021. Genetime® is a state category I new drug based on genetic engineering technology. It works by accelerating wound healing, shortening healing time and reducing scar formation. It has accumulated over 20 years of clinical data, which proves its effectiveness and safeness. Genetime® is indicated for all types of wounds found on the skin and is applicable to many indications. With Healthcare Nanofiber, the innovative material technology of NAMI, the Group is exploring the diversification of rhEGF product formulation to improve product performance and potentially expand to different applications, such as chronic wounds, diabetic foot and other difficult to treat wounds. Backed by the Group's well-established direct sales channels and production capacity expansion plan in Dongguan, the Group is confident that its next-generation EGF products will yield wider penetration in the market in the foreseeable future.

Since 2021, Alephoson and DotBio have formed a stronger partnership with the Group. Looking forward, the three companies will work together to co-develop next-generation best-in-class compounds for patients with retinal diseases and other potential therapeutic areas. Leveraging Alephoson's innovative CePPA delivery system, DotBio's advanced technology in protein engineering and formulation as well as the Group's established biopharmaceutical R&D and commercial platforms , the collaboration is going to further advance patient care with treatment alternatives and explore further applications in the ophthalmology and dermatology industries, such as age-related macular degeneration (AMD), diabetic macular edema (DME), retinal vein occlusion (RVO), and myopic choroidal neovascularization (mCNV).

Accelerating the Clinical Process and in Preparation for Commercialization

The Group will continue to focus on the R&D of its proprietary innovative drugs, including Uni-PTH and Uni-GLP-1. In 2021, the Group has completed the clinical trial of liquid Uni-PTH and will apply for NDA in 2022.

The Group has also begun the clinical work of liquid Uni-GLP-1 since the end of 2021 and expects to complete the preliminary trial by the end of 2022. The Group has established a long-term collaboration with universities on product R&D. Recently, an animal study on the oral Uni-GLP-1 has been completed. Pharmacokinetics of oral administration in rats showed that the bioavailability of Uni-GLP-1 oral formulation was about 2.1%, superior to the clinical bioavailability of Ozempic (0.5–1.0%). This will mean a better future cost advantage for the Group's Uni-GLP-1 oral drug. In obesity research, we have also achieved satisfactory results in animal experiments. Compared to FDA-approved Sexenda, our Uni-GLP-1 can achieve a once-daily injection frequency and a slightly better weight loss ratio than Sexenda. From biopsy analysis of pancreatic and liver tissue, Uni-GLP-1 has significant protective effect on both pancreas and liver. This is a good demonstration for us to develop new indications for non-alcoholic fatty liver disease in the future. In particular, regarding the drug delivery device, we will choose needle-free injection to provide better experience for users who fear needles. The Group will continue to devote more resources to expedite the product development, allowing it to launch the products to market sooner.

Uplifting the Production Capacity to Support Business Growth

To cope with the growing demand for its marketed products, the Group has planned ahead for its production capacity expansion years ago. Production of Boshutai® tablets, which launched in 2021, will be taken care of by the Group's strategic partner, Suzhou Yingli in 2022 with more than ten times larger capacity expanded. The other strategic partner Sinopharm Wiqida will be in charge of raw material Acarbose active ingredient (API) registration and manufacturing and the registration is expected to complete in 2022. All these would facilitate Boshutai® to win the bid of the coming national centralized procurement in 2022.

The Group had also decided to relocate the production site of its EGF products to Dongguan in order to catch up with the growing order book of GeneSoft® and GeneTime®. In 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 while enhancing the overall production capacity. The new production base is expected to commence operation in 2025.

The Group believes that the aforementioned strategies will further push forward its product R&D with higher efficiency, widen its product applications, so as to accelerate the commercialization of its innovative drugs, and finally generate fruitful and sustainable returns for its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's bank deposits, bank balances and cash amounted to approximately HK$83,609,000. The Group had total assets of approximately HK$267,593,000 (as at 31 December 2020: HK$252,717,000), and current assets of approximately HK$201,665,000 (as at 31 December 2020: HK$181,439,000), while current liabilities were at HK$92,301,000 as at 31 December 2021 (as at 31 December 2020: HK$60,372,000). The total current liabilities to total assets ratio is 34.5% (as at 31 December 2020: 23.9%). The Group's major interest and operations are in the PRC. The Group also contracts with suppliers for goods and services that are denominated in Renminbi ("**RMB**"). The Group does not hedge its foreign currency risks as the rate of exchange between Hong Kong dollar and RMB is managed within a narrow range.

CHARGES ON ASSETS

As at 31 December 2021, the Group did not have any charge on its assets (2020: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As of 31 December 2021, the Group employed 326 staff, including 24 staff in the PRC R&D department, 166 staff in the PRC production department, 78 staff in the PRC commercial office and 4 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.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (For the year ended 31 December 2020: Nil).

AUDIT COMMITTEE

The audit committee currently comprises the three independent non-executive Directors, namely Mr. Chow Kai Ming, Mr. Ren Qimin and Mr. Ma Qinshan. The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021.

The Company's auditor BDO Limited has reported on the financial statements of the Group for the current and prior year. The auditor's reports were unqualified, and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports.

COMPLIANCE WITH THE CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year ended 31 December 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 year ended 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this announcement, the Company has maintained sufficient public float as required under the Listing Rules during the year under review and up to the date of this announcement.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year ended 31 December 2021, the Group did not have any significant investments or future plans for material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS, SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Saved as disclosed herein, the Group did not make any material acquisitions and disposals of assets, subsidiaries, associated company and joint ventures during the year ended 31 December 2021.

CONNECTED TRANSACTION

Reference is made to the announcements of the Company dated 25 February 2019, 25 March 2019, 31 December 2019, 22 June 2020 and 11 August 2020 and the circulars of the Company dated 8 February 2019 and 15 September 2020 ("**2020 Circular**") in relation to the transactions contemplated under the Figures Up SP Agreement and the WTGL SP Agreement, that is, the Transaction Arrangements. Unless otherwise defined in this announcement, capitalised terms used herein shall have the same meanings as those defined in the 2020 Circular.

Pursuant to the WTGL SP Agreement, the WTGL Sale Shares Completion Long Stop Date, being the last date of which all the conditions precedent to the WTGL Sale Shares Completion shall be fulfilled to proceed to WTGL Sale Shares Completion, is on 31 December 2021 (or such other date as Vendor B and Purchaser B may agree in writing).

Due to new additional requirements on the part of WTGL B as prescribed by the relevant government authority, additional time is required for the transfer of the title of the land use rights of the WTGL Land and property rights of the buildings constructed on the WTGL Land to be completed, which is one of conditions precedent to the WTGL Sale Shares Completion. As a result, to allow sufficient time for WTGL B to be ready for the Group to transfer the title of the land use rights of the WTGL Land and property rights of the buildings constructed on the WTGL Land and proceed to WTGL Sale Shares Completion, the parties to the WTGL SP Agreement entered into a supplemental agreement on 21 December 2021 to extend the WTGL Sale Shares Completion Long Stop Date to a date falling on or before 31 December 2022 (or such other date as Vendor B and Purchaser B may agree in writing).

As at the date of 31 December 2021, the WTGL Split-off has been completed and the WTGL Land and Property Rights Completion has taken place, whereby the WTGL Land and Property Rights have been transferred to Purchaser B and the Group has ceased to account for such economic benefits. From the accounting perspective, the risks and benefits relating to the WTGL Land and Property Rights have been transferred to Purchaser B and the Group has since then derecognised the assets in relation to the WTGL Land and Property Rights in the Group's statement of financial position. In addition, the Group has received all the WTGL Consideration, including the third phase payment thereof of RMB12,000,000 from Purchaser B, in accordance with the terms of the WTGL SP Agreement.

Save for the extension of the WTGL Sale Shares Completion Long Stop Date, all terms and conditions in the WTGL SP Agreement remain unchanged and in full force and effect.

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

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Kingsley LEUNG, aged 35, has been appointed as an executive director since 28 February 2014 and appointed as the chairman ("**Chairman**") of the Board with effect from 13 January 2017. Mr. Leung joined the Company on 8 July 2013 as Business Development Manager. Mr. Leung graduated with honours with a bachelor's degree in Biochemistry from Imperial College London in July 2008 and obtained a master's degree in Pharmacology from the University of Oxford in September 2009. Mr. Leung is currently a Chartered Financial Analyst and a member of The Hong Kong Society of Financial Analysts. He also holds a Professional Diploma in Corporate Governance and Directorship and is an associate member of the Hong Kong Institute of Directors. He is currently admitted to Tsinghua-INSEAD Executive MBA Programme. Mr. Leung has extensive experience in investment banking and business development in the biotechnology industry.

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

Mr. CHEN Dawei, aged 52, obtained an Executive Master's Degree in Business Administration (major in China-America Finance) from Peking University and a Master's Degree in Business Administration from the National University of Singapore. Mr. Chen has over 20 years of experience in enterprise management, capital market and merger and acquisition. He had been the chairman, chief executive officer, executive director and vice-chairman of China Everbright Water Limited (formerly known as HanKore Environment Tech Group Limited) from May 2011 to February 2016, the shares of which are listed on the Main Board of the Singapore Exchange Limited and the sole water business platform of China Everbright Group Ltd. He is currently the executive partner of a Chinese equity investment fund and the chairman of a Singapore capital management company.

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

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

Profile of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. YAU Kwok Wing Tony, aged 47, obtained a Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University with first class honors in November 1996. Mr. Yau is a certified public accountant (CPA) of the Hong Kong Institute of Certified public Accountants.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOW Kai Ming, aged 56, was appointed as independent non-executive director of the Company with effect from 1 April 2016. Mr. Chow has more than 26 years of experience in financial management, auditing and tax planning in accounting firm. He holds a Master Degree in Business Administration from Heriot-Watt University and he is a fellow member of Hong Kong Institute of Certified Public Accountants – Practising since 1994. He is also a fellow member of the Association of Chartered Certified Accountants since 1997, the Taxation Institute of Hong Kong since 1999 and certified Tax Advisor since 2010.

Mr. REN Qimin, aged 66, was appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 15 November 2017.

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

Mr. MA Qingshan ("**Mr. Ma**"), aged 42, obtained a double Bachelor's Degree in Finance and E-commerce from the Peking University, PRC in July 2002. Mr. Ma is qualified as a Certified Financial Analyst (CFA).

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

SENIOR MANAGEMENT

Mr. AN Wen Du, aged 40, is the Head of sales department of the company from 1 August 2020. He has over 16 years experience in the pharmaceutical industry. Prior to Uni-Bio Science, Mr. An was responsible for the sales and marketing in Tasly Pharmaceutical Group (600535.SH), a renowned A-share listed company. Mr. An has broad experience in sales channel sourcing, sales forecasting and sales executing, leading the commercialization of several important products, capturing the largest market share in several drug sectors. Mr. An holds a BSc in Science from Henan Agricultural University, an MBA degree from Nankai University.

Dr. WEN Ya Lei, Jacky, aged 58, is the Head of manufacture department of the company. Dr. Wen has more than 30 years of extensive experience in biotechnology and the development of GMP and GLP facilities, as well as developing new drugs and clinical research projects. Dr. Wen graduated from the South China University of Technologies.

Ms. LI Jing, aged 43, is the Head of R&D department of the company. Post-doctoral Fellow, University of Medicine and Dentistry of New Jersey, USA, Ph.D. in Biochemistry and Molecular Biology, State Key Laboratory of Supramolecular Structures and Materials, Jilin University. Senior Engineer, Over 10 years of experience in research and development of new drugs in the field of cancer and endocrinology, rich experience in application for new drugs of CTA and NDA. Former head of the Institute of Biopharmaceuticals of the Yangtze River Pharmaceutical Group, published more than 20 academic articles and patents.

Mr. SHE Shi Bin Richard, aged 37, has been appointed as CFO and Company Secretary of the company with effect from 5 November 2019. He graduated from Hunan Institute of Science and Technology in 2007. He subsequently served as an audit manager in Reanda Certified Public Accountants LLP and Ernst & Young, a deputy chief accountant in Hytera Communications Corporation Limited and a senior financial officer in CGN Power Co., Ltd. Mr. She is a member of the Chinese Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr. She has over 12 years of experience in audit and financial management of listed companies. He was responsible for numerous domestic and overseas IPO projects and has extensive experience in capital market operation.

Profile of Directors and Senior Management

Mr. ZHAO HuaNan, aged 42, is the Head of Medicine and Registration department of the company. He graduated from Northeast Forestry University with the master's degree while he also obtained MBA from the Harbin Institute of Technology University, he has won 6 awards of provincial and municipal science and technology. He had worked in Harbin Pharmaceutical Group as a clinical director. Many new drug products were invented by him which had brought the billions of sales for the company. He has over 5 years of pharmaceutical R&D experiences and over 15 years of clinical R&D experiences in well-known big pharmaceutical companies.

Ms. TIAN Wei, aged 39, is the Head of HR and administration department of the company, graduated from Chengdu University of Technology with a bachelor's degree in industrial design. She has obtained the qualification certificate of director of human resources legal affairs and the qualification certificate of senior manager of human resources issued by the human resources and social security department. She has over 14 years of experience in human resources administration and management.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

The Directors are of the opinion that the Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on Stock Exchange ("**Listing Rules**") for the year ended 31 December 2021.

CHAIRMAN AND CHIEF EXECUTIVE

Under the code provision A.2.1 there is a segregation of duties between the Chairman's responsibility for leadership and management of the Board and the Group's strategies, and the responsibility of the Chief Executive Officer is to develop business objectives and budgets and to implement the Group's strategies. Such division of responsibilities helps to reinforce their accountability and independence. During the year ended 31 December 2021, the roles of Chairman and the Chief Executive Officer are separate. Mr. Kingsley Leung is the Chairman while Mr. Zhao Zhi Gang is the Chief Executive Officer.

THE BOARD OF DIRECTORS

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

Non-executive Director

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

Independent non-executive Directors

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

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

THE BOARD OF DIRECTORS (CONTINUED)

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

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

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

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

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

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

Notes:

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

THE BOARD OF DIRECTORS (CONTINUED)

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

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

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

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

All Board meetings held during the year ended 31 December 2021 involved the active participation, either in person or through other electronic means of communication, of a majority of the Directors.

Set out below is a summary of the attendance of Directors at the board meetings and general meeting during the year ended 31 December 2021.

	Number of attendance	
	General meeting	**Board meetings**
Executive Directors		
Kingsley LEUNG	1/1	5/5
CHEN Dawei	1/1	5/5
ZHAO Zhi Gang	1/1	5/5
Non-Executive Director		
YAU Kwok Wing Tony	1/1	5/5
Independent Non-executive Directors		
CHOW Kai Ming	1/1	5/5
REN Qimin	1/1	5/5
MA Qingshan	1/1	5/5

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry to all Directors, all Directors confirmed they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

AUDIT COMMITTEE

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

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

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

The main duties of the Audit Committee are as follows:

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

AUDIT COMMITTEE (CONTINUED)

The Audit Committee held two meetings during the year ended 31 December 2021. The attendance record of the Audit Committee meetings is as follows:

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

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

REMUNERATION COMMITTEE

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

The main duties of the Remuneration Committee are as follows:

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

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

REMUNERATION COMMITTEE (CONTINUED)

The Remuneration Committee meets regularly to determine the policy for the remuneration of the Directors, assess performance of the executive Directors and senior management of the Group and approve the terms of the executive Directors' service contracts. During the year ended 31 December 2021, the Remuneration Committee has assessed the performance of the executive Directors, reviewed and discussed the remuneration package of the executive Directors, the remuneration of the non-executive director, independent non-executive Directors and senior management. Two Remuneration Committee meetings were held during the year ended 31 December 2021, The individual attendance of each member is set out below:

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

The remuneration of Directors is determined with reference to their duties and responsibilities in the Company as well as the prevailing market conditions. Details of emoluments of Directors for the year ended 31 December 2021 are set out in note 14 to the consolidated financial statements. The number of senior management of the Group whose remuneration for the year ended 31 December 2021 fell within the following band is as follows:

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

NOMINATION COMMITTEE

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

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

The main duties of the Nomination Committee are as follows:

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

During the year ended 31 December 2021, the Nomination Committee performed the following work without conducting a formal meeting:

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

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

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

NOMINATION POLICY

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

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

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

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

AUDITORS' REMUNERATION

The Group was charged approximately HK$1.7 million for audit services provided by BDO Limited in respect of the year ended 31 December 2021 and no non-audit services were provided.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

Risk identification

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

Risk assessment

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

Response to findings of risk assessment

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

Risk monitoring and reporting

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

The Board has, through the Audit Committee, conducted annual review of the effectiveness of the risk management and internal control systems of the Group. The review covered the budget of the Group's accounting and financial reporting function, adequacy of resources, staff qualifications and experience and training programmers during the year ended 31 December 2021. The Board considers that the Group's risk management and internal control systems are adequate and effective.

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

DIVIDEND POLICY

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2021, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. The external auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the consolidated financial statements of the Company for the year ended 31 December 2021.

COMPANY SECRETARY

Mr. SHE Shibin was appointed as the company secretary of the Company with effect from 5 November 2019. All Directors have access to the advice and services of the company secretary. During the year ended 31 December 2021, Mr. SHE Shibin has taken no less than 15 hours of relevant professional trainings respectively to update his skills and knowledge.

COMMUNICATION WITH SHAREHOLDERS OF THE COMPANY ("SHAREHOLDERS")

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

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

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

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

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

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

There have been no changes in the Company's constitutional documents during the year ended 31 December 2021 under review.

BUSINESS ETHICS

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

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

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Group (comprising the Company and its subsidiaries) for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES, SEGMENTAL INFORMATION AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of subsidiaries are set out in Note 39 to the consolidated financial statements. Segmental information of the Group is disclosed in Note 6 to the consolidated financial statements.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 71.

DIVIDEND

The Directors do not recommend the payment for a dividend for the year ended 31 December 2021.

SHARE CAPITAL AND RESERVES

Details of movements in the share capital of the Company during the year under review are set out in Note 30 to the consolidated financial statements.

Movements in reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity on page 74 and Note 31 to the consolidated financial statements.

In accordance with the Companies Law (revised) of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital accounts.

As at 31 December 2021, the Company has no reserves available for distribution, as calculated under the provision of section 79B of the Companies Ordinance, and in accordance with the Companies Law Cap. 22 of Cayman Island (2020: the aggregate amount of the Companies reserves available for distribution to shareholders was approximately HK$3,330,000).

SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2021 are set out in Note 39 to the consolidated financial statements respectively.

DIRECTORS

The Directors of the Company during the year ended 31 December 2021 and up to the date of this report were:

Executive Directors

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

Non-executive Director

Mr. YAU Kwok Wing Tony

Independent non-executive Directors

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

In accordance with Articles 87(1) and 87(2) of the Company's articles of association, each of Mr. Kingsley LEUNG, Mr. ZHAO Zhi Gang and Mr. MA Qingshan will retire by rotation at the forthcoming annual general meeting of the Company ("**Annual General Meeting**") and being eligible, offer themselves for re-election.

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' SERVICE CONTRACTS (CONTINUED)

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

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

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

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

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

DIRECTORS' EMOLUMENTS

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

PERMITTED INDEMNITY PROVISION

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

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

TAX RELIEF AND EXEMPTION

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

REMUNERATION POLICY

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

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

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

DIRECTORS' INTERESTS IN SHARES

As at 31 December 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 8)
Kingsley LEUNG	Beneficial owner and interest of a controlled corporation (Note 2)	1,846,832,542 (L)	29,199,000 (L)	1,869,611,542 (L)	29.44%
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)	13.72%
CHEN Dawei	Beneficial owner (Note 4)	163,094,438 (L)	25,480,000 (L)	188,574,438 (L)	2.97%
ZHAO Zhi Gang	Beneficial owner (Note 5)	6,655,000 (L)	86,680,000 (L)	93,335,000 (L)	1.47%
CHOW Kai Ming	Beneficial owner (Note 6)	–	9,840,000 (L)	9,840,000 (L)	0.15%
REN Qimin	Beneficial owner (Note 7)	–	8,060,000 (L)	8,060,000 (L)	0.13%
MA Qingshan	Beneficial owner (Note 8)	–	6,420,000 (L)	6,420,000 (L)	0.10%

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

Notes:

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

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

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

4. These interests consist of (i) 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 interests consist of (i) 6,655,000 Shares held by Mr. ZHAO Zhi Gang; and (ii) 86,680,000 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 6,349,768,147 Shares in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 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 31 December 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	Approximate percentage of shareholding (Note 6)
Automatic Result (Note 2)	Beneficial owner	1,846,832,542 (L)	29.09%
Overseas Capital Assets Limited (Note 3)	Beneficial owner	657,180,000 (L)	10.35%
Heungkong Securities Limited	Beneficial owner	865,040,000 (L)	13.62%

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 6,349,768,147 Shares in issue as at 31 December 2021.

Save as disclosed above, the Directors were not aware of any other persons who had relevant interests or short positions in the shares or underlying shares in the Company as at 31 December 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.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in which a Director or was materially interested, either directly or indirectly, had subsisted at the end of the year or at any time during the year ended 31 December 2021.

CONTRACTS OF SIGNIFICANCE

No contracts of significance between the Company or one of its subsidiaries, and a controlling shareholder or any of its subsidiaries had subsisted as at the end of the year or at any time during the year ended 31 December 2021.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING INTERESTS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended under review, the top five customers of the Group together accounted for approximately 30% (year ended 31 December 2020: approximately 21.5%) of the Group's total sales for the year while the single largest customer accounted for approximately 10.5% (year ended 31 December 2020: approximately 6.7%) of the Group's total sales during the Year under Review.

The top five suppliers of the Group for the year under review together accounted for approximately 83% (year ended 31 December 2020: approximately 48.6%) of the Group's total purchases for the year and the single largest supplier accounted for approximately 69% (year ended 31 December 2020: approximately 15.1%) of the Group's total purchases.

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

CONTINGENT LIABILITIES

At 31 December 2021, the Group had no material contingent liabilities.

RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those Hong Kong employees who are eligible to participate in the MPF Scheme, which contributions are made based on a percentage of the employees' basic salaries and the employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme (the "**Central Pension Scheme**", together with the MPF Scheme, the "**Defined Contribution Schemes**") operated by the local municipal government, which these subsidiaries are required to contribute a certain percentage, which was pre-determined by the local municipal government, of the sum of basic salary and allowance of employees to the Central Pension Scheme. The contributions by the Group for the Defined Contribution Schemes are charged to the statement of profit or loss as they become payable in accordance with the relevant rules of the respective schemes.

The Group's contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 31 December 2020 and 31 December 2021, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 31 December 2020 and 31 December 2021.

For each of the two years ended 31 December 2020 and 31 December 2021, the Group did not have any defined benefit plan.

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

EQUITY-LINKED AGREEMENT

Save as disclosed in the sections headed "Directors' Service Contracts" and "Share Option Schemes" of this report, no equity-linked agreement was entered into by the Company during the year ended 31 December 2021 or subsisted as at 31 December 2021.

SHARE OPTION SCHEMES

2001 Share Option Scheme

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

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

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

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

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

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

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

SHARE OPTION SCHEMES (CONTINUED)

2006 Share Option Scheme

Pursuant to ordinary resolutions passed by the shareholders of the Company on 22 September 2006, the Company terminated the 2001 Scheme and adopted a new share option scheme (the "**2006 Scheme**"). Under the 2006 Scheme, which is valid for a period of ten years, the board of directors of the Company may, at its discretion grant options to subscribe for shares in the Company to eligible participants ("**Eligible Participants**") who contribute to the long-term growth and profitability of the Company. Eligible Participants include (i) any employee (whether full-time or parttime including any executive director but excluding any non-executive director) (the "**Eligible Employee**") of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest; (ii) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any other group or class of participants who has contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

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

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

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

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

SHARE OPTION SCHEMES (CONTINUED)

2016 Share Option Scheme

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

The subscription price for the Shares in relation to options to be granted under the 2016 Scheme shall be determined by the Board and shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares. The options are exercisable within 10 years from the offer date. The options must be taken up within 21 days from the date of grant upon payment of HK$1 and are exercisable over a period to be determined and notified by the Directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than 10 years from the date of adoption of the 2016 Scheme. The remaining life of the 2016 Scheme is 4 years.

The total number of the Shares which may be issued upon exercise of all options to be granted under the 2016 Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the 2016 Scheme and any other schemes of the Group) must not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the 2016 Scheme. The total number of securities available for issue under the 2016 Scheme is 504,037,012, representing approximately 7.94% of the issued shares of the Company as at the date of this report. The limit on the number of the Shares which may be issued upon exercise of all outstanding option granted any yet to be exercised under the 2016 Scheme and any other schemes of the Group must not exceed 30% of the Shares in issue from time to time. The total number of the Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the 2016 Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

SHARE OPTION SCHEMES (CONTINUED)

2016 Share Option Scheme (Continued)

The Directors consider the 2016 Scheme, with its broadened basis of participation, will enable the Group to reward the employees, Directors and other selected participants for their contributions to the Group and will also assist the Group in its recruitment and retention of high caliber professionals, executives and employees who are instrumental to the growth and stability of the Group. Further details of share options were set out in Note 34 to the consolidated financial statements.

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

	Number of share options								
	At 1 January 2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2021	Date of grant of share options	Validity period of share options	Exercise price of share options HK$ per share
Directors:									
Kingsley LEUNG	2,940,000	–	–	–	–	2,940,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	3,020,000	–	–	–	–	3,020,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
	4,640,000	–	–	–	–	4,640,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
	6,000,000	–	–	–	–	6,000,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	6,179,000	–	–	–	–	6,179,000	9 April 2019	9 April 2019 to 8 April 2029	0.1600
	6,420,000	–	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126
ZHAO Zhi Gang	1,560,000	–	–	–	–	1,560,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	1,160,000	–	–	–	–	1,160,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
	1,780,000	–	–	–	–	1,780,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
	1,640,000	–	–	–	–	1,640,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	60,000,000	–	–	–	–	60,000,000	9 April 2019	9 April 2019 to 8 April 2029	0.1600
	20,540,000	–	–	–	–	20,540,000	31 August 2020	31 August 2020 to 30 August 2030	0.126

SHARE OPTION SCHEMES (CONTINUED)

2016 Share Option Scheme (Continued)

	Number of share options								
	At 1 January 2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2021	Date of grant of share options	Validity period of share options	Exercise price of share options HK$ per share
CHOW Kai Ming	1,780,000	–	–	–	–	1,780,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
	1,640,000	–	–	–	–	1,640,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	6,420,000	–	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126
CHEN Dawei	4,060,000	–	–	–	–	4,060,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	6,420,000	–	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126
REN Qimin	1,640,000	–	–	–	–	1,640,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	6,420,000	–	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126
YAU Kwok Wing Tony	6,420,000	–	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126
MA Qingshan	6,420,000	–	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126
Employees	10,880,000	–	–	–	–	10,880,000	23 January 2015	23 January 2015 to 22 January 2025	0.230
	20,700,000	–	–	–	–	20,700,000	27 January 2016	27 January 2016 to 26 January 2026	0.172
	34,950,000	–	–	–	–	34,950,000	3 April 2017	3 April 2017 to 2 April 2027	0.1500
	32,214,000	–	–	–	–	32,214,000	9 April 2018	9 April 2018 to 8 April 2028	0.1500
	62,449,000	–	–	–	–	62,449,000	9 April 2019	9 April 2019 to 8 April 2029	0.1600
	35,780,000	–	–	–	–	35,780,000	2 April 2020	2 April 2020 to 1 April 2030	0.154

SHARE OPTION SCHEMES (CONTINUED)

2016 Share Option Scheme (Continued)

	Number of share options								
	At 1 January 2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2021	Date of grant of share options	Validity period of share options	Exercise price of share options HK$ per share
Other eligible participants	4,420,000 (Note 1)	–	–	–	–	4,420,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	33,100,000 (Note 2)	–	–	–	–	33,100,000	23 January 2015	23 January 2015 to 22 January 2025	0.230
	3,080,000 (Note 1)	–	–	–	–	3,080,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
	120,000,000 (Note 3)	–	–	–	–	120,000,000	17 August 2015	17 August 2015 to 16 August 2025	0.237
	1,300,000 (Note 1)	–	–	–	–	1,300,000	27 January 2016	27 January 2016 to 26 January 2026	0.172
	2,680,000 (Note 1)	–	–	–	–	2,680,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
	2,010,000 (Note 1)	–	–	–	–	2,010,000	3 April 2017	3 April 2017 to 2 April 2027	0.1500
	3,000,000 (Note 4)	–	–	–	–	3,000,000	5 July 2018	5 July 2018 to 4 July 2028	0.1050
	3,300,000 (Note 1)	–	–	–	–	3,300,000	9 April 2019	9 April 2019 to 8 April 2029	0.1600
	35,000,000 (Note 5)	–	–	–	–	35,000,000	2 April 2020	2 April 2020 to 1 April 2030	0.154
	1,093,000 (Note 1)	–	–	–	–	1,093,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	563,055,000	–	–	–	–	563,055,000			

SHARE OPTION SCHEMES (CONTINUED)

2016 Share Option Scheme (Continued)

Notes:

(1) These share options were held by persons who were employees of the Group as at the date of grant of share options and became consultants of the Group after they ceased to be employees of the Group.

(2) These share options were granted to a consultant ("**Consultant A**"), who is an independent third party, for being the investment consultant of the Company, offering Hong Kong and PRC investment consultancy services to the Company. As Consultant A has provided services which contributed to the value of the Group, the Board believes that granting these share options to Consultant A as consideration for its services was align with the objective of the 2016 Scheme.

(3) These share options were granted to Consultant A and two other consultants ("**Consultant B**" and "**Consultant C**" respectively), each of them an independent third party, as consideration for their services, as contained in the service agreement entered into between the Group and each of Consultant A, Consultant B and Consultant C respectively. Each of Consultant A, Consultant B and Consultant C was hired to explore investment opportunities and other strategic cooperation plans in PRC. As each of Consultant A, Consultant B and Consultant C has provided services which contributed to the value of the Group, the Board believes that granting these share options to Consultant A, Consultant B and Consultant C as consideration for their services was align with the objective of the 2016 Scheme. Consultant A, Consultant B and Consultant C were granted with 40,000,000 share options each respectively on 17 August 2015.

(4) These share options were granted to a consultant ("**Consultant D**"), who is an independent third party, for being the investment consultant of the Company, offering Hong Kong and PRC investment consultancy services to the Company. As Consultant D has provided services which contributed to the value of the Group, the Board believes that granting these share options to Consultant D as consideration for its services was align with the objective of the 2016 Scheme.

(5) These share options were granted to a consultant ("**Consultant E**") who is an independent third party as consideration for its services, as contained in the service agreement entered into between the Group and Consultant E. Consultant E was hired to help evaluate, recommend and execute a plan in order to optimise the manufacturing cost of the certain product. As Consultant E has provided services which contributed to the profitability of the Group, the Board believes that granting these share options to Consultant E as consideration for its services was align with the objective of the 2016 Scheme.

PRE-EMPTIVE RIGHTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

15,000,000 Service Shares were issued on 12 April 2021 pursuant to Mr. Chen Dawei's service agreement.

As at 31 December 2021, the Company had a total of 6,349,768,147 Shares in issue. The Company repurchased a total of 56,240,000 Shares on the Hong Kong Stock Exchange for a settlement costs of HK$6,009,085.11 during the year ended 31 December 2021. As at 31 December 2021, 56,240,000 of the repurchased Shares has been cancelled.

Details of the repurchases are summarised as follows:

Months of the repurchases	Total number of Shares repurchased	Highest price paid per Share HK$	Lowest price paid per Share HK$	Settlement cost HK$
June 2021	14,100,000	0.105	0.100	1,441,946.49
July 2021	42,140,000	0.114	0.101	4,567,138.62

The total amount of HK$6,009,085.11 of the repurchase was paid wholly out of retained profits. The above repurchases during the Year were effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting of the Company, with a view to benefiting the shareholders as a whole by enhancing the net assets value per share and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

EVENTS AFTER REPORTING PERIOD

Saved as disclosed herein, there are no significant subsequent events after the Year.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

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

The Audit Committee provides an important linkage between the Board and the Company's auditors in relation to audit, financial reporting and internal control matters. The Audit Committee had reviewed with the auditors and the management of the Company the audited results of the Group for the year ended 31 December 2021, the accounting principles and practices adopted by the Company and certain other matters relating to the internal control and financial reporting procedures of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the period under review and up to the date of this report.

DONATIONS

The Group makes regular contributions in terms of financial and other supports to various charitable organizations. Employees are also encouraged to have direct and active involvement in fund raising activities for the needs of the society. The Group did not make any donations during 2021 (2020: nil).

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2021, the Group had entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards but these transactions were either not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. Details of these related party transactions are disclosed in Note 38 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

FIVE-YEAR FINANCIAL SUMMARY

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

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

KEY RELATIONSHIPS

(a) Employees

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

KEY RELATIONSHIPS (CONTINUED)

(b) Suppliers

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

The payables were usually settled within the credit period. The credit terms granted to the Group ranged from 30 to 90 days. The payables were usually settled within the credit period. Details of the trade and bills payables of the Group as at 31 December 2021 are set out in note 26 to the consolidated financial statements. Up to the date of this report, approximately 70% of the trade and bills payable to the major suppliers has been settled. The Group has developed long-standing relationships with a number of suppliers and taken great care to ensure that they share the Group's commitment to quality and ethics. The Group carefully selects its suppliers and requires them to satisfy certain assessment criteria, including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

(c) Customers

Our major customers include pharmaceutical commercial companies. The years of business relationship with the Group ranged from 3 to 15 years and the credit terms granted to the major customers ranged from 30 to 120 days. Details of the trade and bills receivables of the Group as at 31 December 2021 are set out in note 23 to the consolidated financial statements. Up to the date of this report, approximately 57% of the trade and bills receivables from the major customers has been settled.

During the year ended 31 December 2021, the Group has not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. We did not have any material dispute with our customers. The Group is committed to offer good-quality products to its customers, which are mainly hospitals. The Group has stayed connected and maintained a close relationship with its customers by maintaining a customer information database and having ongoing communications with its customers through various channels, such as telephone calls, direct mails, visits, marketing materials and meetings.

Further discussions on the Group's environmental policy and our relationships with various stakeholders are covered by a separate environmental, social and governance report which will be available on the Group's website under the "Corporate Social Responsibility" section and the website of the Stock Exchange on or before 31 May 2022.

COMPLIANCE WITH LAWS AND REGULATIONS

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

AUDITORS

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

The financial statements for each of the two years ended 31 December 2020 and 31 December 2021 of the Company have been audited by BDO Limited.

On behalf of the Board

Kingsley LEUNG
Chairman

Hong Kong, 21 March 2022

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Uni-Bio Science Group Limited ("**the Company**") and its subsidiaries (together "**the Group**") set out on pages 71 to 166, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

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

Refer to note 20 to the consolidated financial statements

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

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

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

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

As at 31 December 2021, the carrying amounts of the intangible assets and property, plant and equipment related to pipeline pharmaceutical products are nil and HK$20,223,000 respectively and no impairment losses on intangible assets and property plant and equipment have been recognised during the year ended 31 December 2021.

Our response:

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

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

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

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

KEY AUDIT MATTERS (CONTINUED)

Provisions and contingent liabilities in respect of litigation

Refer to note 36 to the consolidated financial statements

We identified the provision for litigation as a key audit matter due to significant management judgement involved in the provision assessment.

The Group is exposed to the risk of litigation, regulatory judgments and contractual disputes in the course of its normal operations. Provisions are recognised when management considers the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where management considers it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

As at 31 December 2021, the Group recognised a provision for litigation in respect of a breach of contract amounting to HK$15,610,000. The provision is estimated using a significant degree of management judgement in interpreting the various relevant PRC laws, regulations and practices and in considering precedents in the jurisdiction with reference to the external legal counsels on the possible outcome and liability of the Group.

Our response:

Our performed audit procedures in relation to provisions and contingent liabilities in respect of litigation included:

— Reviewing the legal claim;

— Discussing with management any material developments and the latest status of the legal claim;

— Reviewing the minutes of board of directors' meetings in respect of discussions relating to the legal claim;

— Obtaining written confirmation from external legal counsel on the status and the legal opinion of the legal claim;

— Reviewing written correspondence from external legal counsel documenting the status of the legal claim;

— Evaluating the methodology and key assumption adopted by the management in quantifying the provision for litigation and discussing them with the management;

— Checking the accuracy and relevance of the input data used by the management in quantifying the provision for litigation; and

— Reviewing the appropriateness of disclosure of the legal claim in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Expected credit losses on trade receivables

Refer to note 23 to the consolidated financial statements

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

As at 31 December 2021, the Group's net trade receivables amounting to approximately HK$44,466,000 which represented approximately 17% of total assets of the Group.

As disclosed in note 33 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables with significant outstanding balances are assessed for ECL individually, the estimated loss rates are based on overdue balances, information regarding the ability and intent of the debtors to pay and historical data on industry default rates and are adjusted for forward-looking information.

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

The Group's ECLs recognised on trade receivables as at 31 December 2021 amounted to approximately HK$1,550,000.

Our response:

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

— Evaluating the methodology and key assumptions adopted by management in assessing ECLs and discussing them with management;

— Challenging the reasonableness of key assumptions based on our knowledge of the business and industry;

— Checking, on a sample basis, the accuracy and relevance of the input data used by management in capturing the aging; and

— Checking subsequent settlements of the trade receivables on sampling basis to review the reasonableness of the ECLs.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hong Kong, 21 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Revenue	6	**353,405**	208,776
Cost of sales		**(76,398)**	(27,682)
Gross profit		**277,007**	181,094
Other revenue	7	**5,935**	16,323
Other gains and losses	8	**134**	(7,077)
Selling and distribution costs		**(185,671)**	(145,515)
General and administrative expenses		**(47,177)**	(35,830)
Research and development expenses		**(50,219)**	(40,728)
Provision for litigation	36	**(15,610)**	–
Equity-settled share-based payment expenses	34	**(3,934)**	(10,890)
Write-off of intangible assets	19	**–**	(28,245)
Finance costs	9	**(477)**	(73)
Loss before taxation	10	**(20,012)**	(70,941)
Income tax credit/(expense)	11	**421**	(378)
Loss for the year		**(19,591)**	(71,319)
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profits or loss:			
Exchange differences arising on translation of foreign operations		**6,563**	13,373
Other comprehensive income for the year		**6,563**	13,373
Total comprehensive expense for the year		**(13,028)**	(57,946)
Loss per share (HK cents)			
— Basic	12	**(0.31)**	(1.11)
— Diluted	12	**(0.31)**	(1.11)

Consolidated Statement of Financial Position

As at 31 December 2021

	NOTES	At 31 December 2021 HK$'000	At 31 December 2020 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**43,888**	51,094
Investment properties	*17*	**–**	167
Right-of-use assets	*18*	**13,562**	11,221
Intangible assets	*19*	**8,177**	8,796
Deposits paid for the acquisition of property, plant and equipment	*21*	**301**	–
		65,928	71,278
Current assets			
Inventories	*22*	**39,710**	16,518
Trade and other receivables	*23*	**78,346**	90,389
Amount due from a related party	*38*	**–**	13,489
Financial assets at fair value through profit or loss	*24*	**–**	36,031
Bank balances and cash	*25*	**83,609**	25,012
		201,665	181,439
Current liabilities			
Trade and other payables	*26*	**54,827**	43,504
Contract liabilities	*27*	**20,207**	13,182
Income tax payable		**1,717**	2,655
Lease liabilities	*28*	**4,613**	1,031
Amount due to a related party	*38*	**10,937**	–
		92,301	60,372
Net current assets		**109,364**	121,067
Total assets less current liabilities		**175,292**	192,345

	NOTES	At 31 December 2021 HK$'000	At 31 December 2020 HK$'000
Non-current liabilities			
Lease liabilities	*28*	**985**	2,107
Deferred tax liabilities	*29*	**–**	827
		985	2,934
Net assets		**174,307**	189,411
Capital and reserves			
Share capital	*30*	**63,498**	63,910
Reserves		**110,809**	125,501
Total equity		**174,307**	189,411

The consolidated financial statements on pages 71 to 166 were approved and authorised for issue by the Board of Directors on 21 March 2022 and are signed on its behalf by:

Mr. Chen Dawei
Director

Mr. Kingsley Leung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital HK$'000	Share premium HK$'000 (note a)	Share-based payment reserve HK$'000	Distributable reserve HK$'000 (note a)	Exchange reserve HK$'000 (note b)	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2020	64,108	757,369	30,568	1,291,798	36,366	(1,938,759)	241,450
Other comprehensive income for the year	–	–	–	–	13,373	–	13,373
Loss for the year	–	–	–	–	–	(71,319)	(71,319)
Total comprehensive income/(loss) for the year	–	–	–	–	13,373	(71,319)	(57,946)
Issue of ordinary shares in relation to award of new shares (note 34)	150	2,160	(2,310)	–	–	–	–
Repurchase of shares (note 30)	(348)	(4,635)	–	–	–	–	(4,983)
Recognition of equity-settled share based payment expenses (note 34)	–	–	10,890	–	–	–	10,890
At 31 December 2020	63,910	754,894	39,148	1,291,798	49,739	(2,010,078)	189,411
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**6,563**	**–**	**6,563**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(19,591)**	**(19,591)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**6,563**	**(19,591)**	**(13,028)**
Issue of ordinary shares in relation to award of new shares (note 34)	**150**	**1,320**	**(1,470)**	**–**	**–**	**–**	**–**
Repurchase of shares (note 30)	**(562)**	**(5,448)**	**–**	**–**	**–**	**–**	**(6,010)**
Recognition of equity-settled share based payment expenses (note 34)	**–**	**–**	**3,934**	**–**	**–**	**–**	**3,934**
At 31 December 2021	**63,498**	**750,766**	**41,612**	**1,291,798**	**56,302**	**(2,029,669)**	**174,307**

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before income tax expense	**(20,012)**	(70,941)
Adjustments for:		
Amortisation of intangible assets	**893**	5,973
Depreciation of right-of-use assets	**4,660**	2,159
Covid-19-related rent concessions	**(303)**	(745)
Gain from change in fair value of investment properties	**–**	(32)
Gain on revaluation of investment properties upon transfer to property, plant and equipment	**(1)**	(2,477)
Depreciation of property, plant and equipment	**15,297**	12,788
Equity-settled share-based payments expenses	**3,934**	10,890
Interest income	**(471)**	(498)
Finance costs	**477**	73
Loss on disposal of property, plant and equipment	**2,625**	391
Provision for impairment loss (reversed)/recognised on trade receivables, net	**(1,936)**	250
Provision for impairment loss reversed on other receivables, net	**(531)**	(257)
Write-off of intangible assets	**–**	28,245
Provision for impairment loss (reversed)/recognised on amount due from a related party	**(791)**	766
Provision for impairment loss recognised on deposits paid for the acquisition of intangible assets	**–**	8,225
Write-off of trade receivables	**–**	1,061
Write-off of other receivables	**49**	–
Gain on disposal of financial assets at fair value through profit or loss ("**FVTPL**")	**(40)**	(576)
Gain from changes in fair value of financial assets at FVTPL	**–**	(372)
Provision for litigation	**15,610**	–
Operating profit before working capital changes	**19,460**	(5,077)
Increase in inventories	**(23,192)**	(3,180)
Decrease/(increase) in trade and other receivables	**14,460**	(12,906)
(Decrease)/increase in trade and other payables	**(4,284)**	12,988
Increase/(decrease) in contract liabilities	**7,025**	(6,468)
Cash generated from/(used in) operations	**13,469**	(14,643)
Income tax paid	**(2,055)**	(2,505)
Income tax refunded	**628**	1,674
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**12,042**	(15,474)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of financial assets at FVTPL		**–**	(67,613)
Proceeds from disposal of financial assets at FVTPL		**36,362**	34,383
Withdrawal of time deposits		**–**	21,000
Purchases of property, plant and equipment		**(8,133)**	(3,439)
Additions of intangible assets		**–**	(4,794)
Proceeds from disposal of property, plant and equipment		**17**	63
Deposits paid for the acquisition of property, plant and equipment		**(301)**	–
Deposits paid for acquisition of intangible assets		**–**	(4,745)
Repayment from a related party	*38*	**13,704**	–
Interest received		**471**	498
NET CASH FROM/(USED IN)INVESTING ACTIVITIES		**42,120**	(24,647)
CASH FLOW FROM FINANCING ACTIVITIES	*40*		
Cash advance from a related party		**7,643**	–
Repayment of lease liabilities		**(678)**	(350)
Share repurchases	*30*	**(6,010)**	(4,983)
Interest paid		**(477)**	(73)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**478**	(5,406)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**54,640**	(45,527)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**25,012**	66,198
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**3,957**	4,341
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**83,609**	25,012

1. GENERAL

Uni-Bio Science Group Limited (the "**Company**") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The functional currency of the Company is Hong Kong dollars ("**HK$**") and the functional currency of the PRC subsidiaries is Renminbi ("**RMB**"). The consolidated financial statements are presented in HK$ for the convenience of the financial statement users as the Company is listed in Hong Kong.

The Company acts as investment holding company and the principal activities of its subsidiaries are set out in note 39.

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

(a) Adoption of new or amended HKFRSs

Amendments to HKAS 39, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[1]
2021 Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[2]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after 1 April 2021.

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the 2021 amendments to HKFRS 16. Impact on the application of this amended HKFRS is summarised below.

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

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

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

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

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

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

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

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

2021 Amendments to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The amendment extends the practical expedient available to lessees in accounting for COVID-19 related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

The Group has elected to early adopt the amendment and apply the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions arose during the year ended 31 December 2020, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2021 on initial application of the amendment.

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2022.
2 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.
3 Effective for annual periods beginning on or after 1 January 2023.
4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

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

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

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

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosures of Accounting Policies

The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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

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

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

Amendments to HKAS 8, Disclosures of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

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

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify whether the initial recognition exemption applies to certain transactions that often result in both an asset and a liability being recognised simultaneously. Such instances might include the initial recognition of leases from the perspective of a lessee or asset retirement obligations (AROs)/decommissioning liabilities.

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

Amendments to HKAS 16, Proceeds before Intended Use

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

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

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

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

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

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

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

Amendments to HKFRS 3, Reference to the Conceptual Framework

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

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

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

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

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

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

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Continued)

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

Annual Improvements to HKFRSs 2018–2020 Cycle, Amendment to HKFRS 1

The annual improvements permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

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

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

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

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

Annual Improvements to HKFRSs 2018–2020 Cycle, Amendment to illustrative examples accompanying HKFRS 16, Leases

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

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

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

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

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

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

3. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement (Continued)

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

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

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries

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

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

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

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

(c) Investment properties

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leasing

The Group as a lessee

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

Right-of-use asset

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leasing (Continued)

The Group as a lessee (Continued)

Lease liability

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

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

(i) fixed payments less any lease incentives receivable;

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leasing (Continued)

The Group as a lessee (Continued)

Lease liability (Continued)

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

The Group as a lessor

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

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

Refundable rental deposits

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

Sale and leaseback transactions

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leasing (Continued)

The Group as a seller-lessee

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

(f) Inventories

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

(g) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately

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

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

Trademarks and certificates	10 to 15 years
Technical know-how	10 years
Capitalised development costs	10 years

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(i) Financial instruments

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(i) Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets

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

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

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

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

Significant increase in credit risk

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Significant increase in credit risk (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Definition of default

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

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

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

Credit-impaired financial assets

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

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

Write-off policy

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Measurement and recognition of ECL

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Derecognition of financial assets

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

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

(ii) Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Cash and cash equivalents

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

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

(k) Government grants

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

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

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

(l) Equity-settled share-based payment transactions

Shares/share options granted to employees/directors

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Shares/share options granted to employees/directors (Continued)

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

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

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

Share options granted to consultants

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

(m) Borrowing costs

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition (Continued)

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

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

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

(ii) Other revenue

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

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

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

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

(o) Contract assets and liabilities

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income taxes

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income taxes (Continued)

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Foreign currencies

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plan

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

(iii) Termination benefits

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

(s) Related parties

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

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

(ii) has significant influence over the Group; or

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Related parties (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

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

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

As at 31 December 2021, the carrying amounts of the intangible assets and property, plant and equipment related to pipeline pharmaceutical products are nil (2020: HK$8,796,000) and HK$20,223,000 (2020: HK$23,938,000), respectively. During the year ended 31 December 2021 and 2020, no impairment loss on intangible assets and property plant and equipment was recognised in profit or loss. While Covid-19 pandemic did not have significant impact on the pharmaceutical products business in 2021, a protracted economic recovery may result in additional impairments in future periods.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Fair value of investment properties

At the end of each reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. At 31 December 2021, the remaining part of investment properties was transferred to property, plant and equipment and for own use, therefore, there was no carrying amount of investment properties measured at fair value as at 31 December 2021 (31 December 2020: HK$167,000).

Amortisation of intangible assets

Intangible assets are amortised over their useful lives. The assessment of estimated useful lives is a matter of judgment based on the experience of the Group's management, taking into account factors such as the ability to legally renew the technical know-how, technological progress and changes in market demand. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying value in the period in which the changes take place. As of 31 December 2021, the carrying amount of intangible assets with definite useful life is HK$8,177,000 (31 December 2020: HK$4,098,000), and amortisation of the intangible assets of HK$893,000 (31 December 2020: HK$5,973,000) was recognised for the year ended 31 December 2021.

Provision of ECL for trade receivables

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

The economic downturn and uncertainties that have arisen as a result of COVID-19 pandemic have made these estimates more judgemental, which the Group has taken into account in its determination of applicable ECLs attributable to trade receivable arising from sales to customers on credit term, including the incorporation of forward-looking information to supplement historical credit loss rate. Further information on the impairment assessment on trade receivables is provided in note 33(b).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Provision of ECL for other receivables

The Group recognises lifetime ECL and 12-month ECL basis for other receivables based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

Provisions and contingent liabilities in respect of litigation

Refer to note 36 to the consolidated financial statement, the Group has been claimed by a distributor in respect of the disputes between the Group and a distributor in relation to the damages arising from breach of a written distribution agreement. The dispute is under examination by management of the Company. Based on the available information, the management of the Company estimates the outcome of the expenditures and taking into account the risks and uncertainties surrounding the expenditures and recognises payables and accruals for the damages according to contractual terms entered with the distributor. Provisions represent the management's best estimate of the consideration required to settle the obligations, after consultation with the external legal counsels on the possible outcome and liability of the Group would then be recognised,

The directors of the Company are of the view that the claims made by the counterparty are over-assessed and, as at 31 December 2021, based on the best estimate, an amount of approximately HK$15,610,000 has been accrued for the expenditures in respect of the damages arising from breach of a written distribution agreement. The determination of the provisions involved significant management estimation. The Group could incur judgements or enter into settlements of the disputes with counterparties that could adversely affect its operating results or cash flows in a particular period.

6. REVENUE AND SEGMENT INFORMATION

Revenue arising from sale of chemical and biological pharmaceutical products is recognised at point in time when control of the goods has been transferred and the goods have been delivered to the customers' specific locations. Following delivery, the customers bear the risks of obsolescence and loss in relation to the goods without refund policy. The normal credit term is 90 days (2020: 90 days) upon delivery.

Advance and deposits received from the customers are recognised as contract liabilities until the goods have been delivered to the customers.

The sales contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

(a) Segment revenues and results

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

For the year ended 31 December 2021

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Consolidated HK$'000
Segment revenue				
External sales	146,666	206,739	–	353,405
Result				
Segment (loss)/profit	18,922	15,795	(43,167)	(8,450)
Other income (excluding royalty income)				5,935
Change in fair value of investment properties				1
Equity-settled share based payment expenses				(3,934)
Unallocated administrative expenses				(13,087)
Finance costs				(477)
Loss before income tax expense				(20,012)

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment revenues and results (Continued)

For the year ended 31 December 2020

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Consolidated HK$'000
Segment revenue				
External sales	40,305	168,471	–	208,776
Result				
Segment (loss)/profit	(7,346)	16,897	(61,755)	(52,204)
Other income (excluding royalty income)				4,682
Change in fair value of investment properties				2,509
Equity-settled share based payment expenses				(10,890)
Unallocated administrative expenses				(14,965)
Finance costs				(73)
Loss before income tax expense				(70,941)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment result represents the results of each segment without allocation of other income, change in fair value of investment properties, equity-settled share based payment expenses, unallocated administrative expenses and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

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

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

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

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

As at 31 December 2021

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Consolidated HK$'000
Segment assets	**77,375**	**81,213**	**20,223**	**178,811**
Unallocated assets				**88,782**
Total assets				**267,593**
Segment liabilities	**35,951**	**48,619**	**–**	**84,570**
Unallocated liabilities				**8,716**
Total liabilities				**93,286**

As at 31 December 2020

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Consolidated HK$'000
Segment assets	62,565	89,499	32,630	184,694
Unallocated assets				68,023
Total assets				252,717
Segment liabilities	15,702	35,482	–	51,184
Unallocated liabilities				12,122
Total liabilities				63,306

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

For the year ended 31 December 2021

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets					
Additions to property, plant and equipment	4,811	2,931	–	391	8,133
Amortisation of intangible assets	893	–	–	–	893
Depreciation of right-of-use assets	308	3,108	–	1,244	4,660
Depreciation of property, plant and equipment	9,601	821	4,033	842	15,297
Loss on disposal of property, plant and equipment	2,195	430	–	–	2,625
Provision for litigation	15,610	–	–	–	15,610
Research and development expenses	–	7,052	43,167	–	50,219
Provision for impairment loss reversed on trade receivables, net	(172)	(1,764)	–	–	(1,936)
Provision for impairment loss reversed on other receivables, net	(531)	–	–	–	(531)
Provision for impairment loss reversed on amount due from a related party	–	–	–	(791)	(791)
Write-off of other receivables	–	49	–	–	49
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets					
Interest on bank deposits	(29)	(439)	–	(3)	(471)

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Other segment information (Continued)

For the year ended 31 December 2020

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

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(d) Geographical information

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

	Sales to external customers		Non-current assets	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**621**	1,407
The People's Republic of China ("**PRC**")	**353,405**	208,776	**65,307**	69,871
	353,405	208,776	**65,928**	71,278

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

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

	2021	2020
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Sales of chemical pharmaceutical products	**146,666**	40,305
Sales of biological pharmaceutical products	**206,739**	168,471
	353,405	208,776
Timing of revenue recognition:		
At a point in time	**353,405**	208,776
Transferred over time	**–**	–
	353,405	208,776

Information about major customers

Revenues from one customer of the Group's Chemical pharmaceutical products segment amounted to HK$37,099,000, which represent 10% or more of the Group's revenues (31 December 2020: no revenue from any individual customer for the year exceeds 10% of the revenue of the Group).

7. OTHER REVENUE

	2021 HK$'000	2020 HK$'000
Interest on bank deposits	**471**	498
Rental income	**35**	869
Royalty income (Note i)	**–**	11,641
Government grants (Note ii)	**1,160**	1,227
Service income (Note iii)	**3,702**	919
Sundry income	**264**	424
COVID-19-related rent concessions	**303**	745
	5,935	16,323

Note i: During the year ended 31 December 2020, a royalty fee amounting to RMB10,500,000 (approximately HK11,641,000) was recognised based on the achievement of milestone stated in the contract with a distributor of the Group, the Group recognised the revenue when milestone achieved and therefore the royalty fee received was recognised as other income.

During the year ended 31 December 2021, the business relationship between the Group and its distributor ceased. Therefore, no royalty income was recognised during the year.

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

During the year ended 31 December 2020, the Group applied for government support programs introduced in response to the COVID-19 pandemic. Included in profit or loss was HK$160,500 of government grants obtained relating to supporting the payroll of the Group's employees from the Hong Kong Government. The Group elected to present this subsidy in government grants above, rather than reducing the related expenses. The Group had to commit to spending the assistance on payroll expenses, and not to reduce employee head count below prescribed level for a specified period of time. The Group did not have any unfulfilled obligations relating to this program. No such government support programs were available for the year ended 31 December 2021.

Note iii: Service income mainly represented the subcontracting income generated from the provision of manufacturing works to the customers.

8. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Gain on revaluation of investment properties upon transfer to property, plant and equipment (note 17)	**1**	2,477
Gain from changes in fair value of investment properties (note 17)	**–**	32
Gain from changes in fair value of financial assets at FVTPL	**–**	372
Gain on disposal of financial assets at FVTPL	**40**	576
Provision for impairment loss recognised on deposits paid for the acquisition of intangible assets	**–**	(8,225)
Provision for impairment loss reversed/(recognised) on trade receivables, net	**1,936**	(250)
Provision for impairment loss reversed on other receivables, net	**531**	257
Provision for impairment loss reversed/(recognised) on amount due from a related party	**791**	(766)
Write-off of trade receivables	**–**	(1,061)
Write-off of other receivables	**(49)**	–
Loss on disposal of property, plant and equipment	**(2,625)**	(391)
Others	**(491)**	(98)
	134	(7,077)

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	**477**	73

10. LOSS BEFORE TAXATION

	2021 HK$'000	2020 HK$'000
Loss for the year has been arrived at after charging/(crediting):		
Staff costs (including directors' emoluments) (note 14)		
Salaries, wages and other benefit	**67,959**	52,017
Retirement benefit scheme contribution	**13,569**	5,140
Equity-settled share based payments	**3,020**	9,475
	84,548	66,632
Equity-settled share based payments to consultants	**914**	1,415
Amortisation of intangible assets	**893**	5,973
Depreciation of property, plant and equipment	**15,297**	12,788
Depreciation of right-of-use assets	**4,660**	2,159
Less: Amortisation and depreciation included in research and development expenses	**(5,675)**	(10,662)
	15,175	10,258
Auditor's remuneration	**1,955**	1,442
Cost of inventories recognised as an expense	**76,398**	27,682
Research and development expenses	**50,219**	49,072
Less: Capitalisation on intangible assets (note 19)	**–**	(8,344)
	50,219	40,728
Property rental income less outgoing	**35**	869

11. INCOME TAX (CREDIT)/EXPENSE

	2021 **HK$'000**	2020 HK$'000
PRC Enterprise Income Tax ("**EIT**")		
— Current year	**419**	1,675
— Over provision in prior years	**–**	(1,673)
	419	2
Deferred tax (note 29):		
— Current year	**(840)**	376
	(421)	378

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

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

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

Beijing Genetech Pharmaceutical Co., Limited and Shenzhen Watsin Genetech Limited, wholly owned subsidiaries of the Company, were approved as High and New Technology Enterprise and were eligible to enjoy a preferential enterprise income tax rate of 15% (2020: 15%) for both years with the expiration date of 15 July 2022 and 11 December 2023, respectively.

11. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

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

	2021 **HK$'000**	2020 HK$'000
Loss before income tax expense	**(20,012)**	(70,941)
Tax at the enterprise income tax rate of 25% (2020: 25%)	**(5,003)**	(17,735)
Tax effect of non-taxable income	**(118)**	(82)
Tax effect of non-deductible expenses	**196**	2,853
Tax effect of deductible temporary difference not recognised	**2,341**	301
Tax effect of tax losses not recognised	**6,752**	10,223
Effect of tax exemptions granted to the subsidiaries in the PRC	**(713)**	6,596
Utilisation of deductible temporary difference not recognised	**(380)**	–
Utilisation of tax losses previously not recognised	**(6,094)**	(4,582)
Over provision in prior years	**–**	(1,673)
Effect of different tax rates of group entities	**2,598**	4,477
Income tax (credit)/expense for the year	**(421)**	378

12. LOSS PER SHARE

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

Loss	2021 HK$'000	2020 HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(19,591)**	(71,319)

Number of shares	2021 '000	2020 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	**6,371,655**	6,408,133
Dilutive effect of potential ordinary shares:		
Share options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**6,371,655**	6,408,133

For the years ended 31 December 2021 and 2020, no adjustment has been made to basic loss per share amounts presented in respect of a dilution as the impact of the share options outstanding would decrease basic loss per share.

13. DIVIDEND

No dividend was paid, declared or proposed during 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

14. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS

(a) Directors' remuneration

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

For the year ended 31 December 2021

	Kingsley Leung HK$'000	Chen Dawei HK$'000	Zhao Zhi Gang HK$'000	Total HK$'000
Executive Directors				
Fee	–	–	142	142
Other emoluments				
Salaries, allowance and benefits in kind	675	–	907	1,582
Equity-settled share-based payments	94	1,388	419	1,901
Retirement benefit scheme contribution	18	–	97	115
	787	1,388	1,565	3,740

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

	Chow Kai Ming HK$'000	Ren Qimin HK$'000	Ma Qingshan HK$'000	Total HK$'000
Independent Non-executive Directors				
Fee	120	120	120	360
Other emoluments				
Salaries, allowance and benefits in kind	5	5	5	15
Equity-settled share-based payments	75	75	75	225
	200	200	200	600

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

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

(a) Directors' remuneration (Continued)

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

	Yau Kwok Wing Tong HK$'000
Non-executive Director	
Fee	**120**
Other emoluments	
Salaries, allowance and benefits in kind	**5**
Equity-settled share based payment	**75**
	200

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

For the year ended 31 December 2020

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

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

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

(a) Directors' remuneration (Continued)

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

	Chow Kai Ming HK$'000	Ren Qimin HK$'000	Ma Qingshan HK$'000	Total HK$'000
Independent Non-executive Directors				
Fee	114	114	114	342
Other emoluments				
Salaries, allowance and benefits in kind	–	–	–	–
Equity-settled share-based payments	240	240	240	720
	354	354	354	1,062

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

	Yau Kwok Wing Tong HK$'000
Non-executive Director	
Fee	122
Other emoluments	
Salaries, allowance and benefits in kind	–
Equity-settled share-based payments	240
	362

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

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

(b) Five highest paid employees

Of the five individuals with highest emoluments in the Group, two (2020: two) were directors of the Company. The emoluments of the remaining three (2020: three) highest paid individuals were as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries and other benefits	**3,240**	2,874
Retirement benefit scheme contributions	**731**	189
Equity-settled share based payments	**206**	2,064
	4,177	5,127

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

	2021 **No. of employees**	2020 No. of employees
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	1
	3	3

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

(b) Five highest paid employees (Continued)

In 2020, certain non-director highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 34 to the Group's consolidated financial statements.

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

15. RETIREMENT BENEFIT PLANS

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

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

The total expense recognised in profit or loss of HK$13,569,000 (2020: HK$5,140,000) represents contributions payable to these plans by the Group for staff (including directors and senior management) at rates specified under the rules of the plans.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Fixtures and equipment HK$'000	Buildings improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2020	20,505	66,272	47,837	51,611	1,637	1,969	189,831
Currency realignment	1,141	6,667	1,335	2,012	105	605	11,865
Additions	–	2,597	1,477	144	–	1,147	5,365
Transfer from investment properties (note 17)	12,373	–	–	–	–	–	12,373
Transfer	1,066	–	–	–	–	(1,066)	–
Disposals/written-off	–	(4,338)	(789)	–	–	(57)	(5,184)
At 31 December 2020	35,085	71,198	49,860	53,767	1,742	2,598	214,250
Currency realignment	597	2,730	122	437	35	168	4,089
Additions	57	4,888	1,289	336	–	1,563	8,133
Transfer from investment properties (note 17)	171	–	–	–	–	–	171
Transfer	–	49	–	–	–	(49)	–
Disposals/written-off	–	(4,021)	(516)	–	–	(2,192)	(6,729)
At 31 December 2021	35,910	74,844	50,755	54,540	1,777	2,088	219,914
Accumulated depreciation and impairment							
At 1 January 2020	16,975	62,118	40,185	27,226	1,007	–	147,511
Currency realignment	716	4,879	1,402	516	74	–	7,587
Provided for the year	886	5,068	2,517	4,157	160	–	12,788
Eliminated on disposals/written-off	–	(3,989)	(741)	–	–	–	(4,730)
At 31 December 2020	18,577	68,076	43,363	31,899	1,241	–	163,156
Currency realignment	208	641	410	325	61	–	1,645
Provided for the year	4,033	5,433	1,928	3,771	132	–	15,297
Eliminated on disposals/written-off	–	(3,600)	(472)	–	–	–	(4,072)
At 31 December 2021	22,818	70,550	45,229	35,995	1,434	–	176,026
Carrying amounts							
At 31 December 2021	13,092	4,294	5,526	18,545	343	2,088	43,888
At 31 December 2020	16,508	3,122	6,497	21,868	501	2,598	51,094

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

(b) The directors of the Company conducted impairment review of the Group's property, plant and equipment related to pipeline pharmaceutical products. During the years ended 31 December 2021 and 2020, no impairment loss was recognised. Details of such impairment testing are set out in note 20.

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

17. INVESTMENT PROPERTIES

	2021	2020
	HK$'000	HK$'000
FAIR VALUE		
At the beginning of the year	**167**	9,300
Exchange realignment	**3**	731
Gain from changes in fair value recognised in profit and loss (note 8)	**–**	32
Revaluation upon transfer to property, plant and equipment (note 8)	**1**	2,477
Transfer to property, plant and equipment (note 16)	**(171)**	(12,373)
At the end of the year	**–**	167

The investment properties shown above are situated in Beijing, PRC.

For the years ended 31 December 2021 and 2020, the fair value of the Group's investment properties has been arrived at on the basis of a valuation carried out on the respective dates by 北京中勤永勵資產評估有限責任公司 ("**Beijing Zhong Qin Yong Li asset valuation Limited**"), independent qualified professional valuers not connected to the Group.

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

As at 31 December 2021 and 2020, the fair value of investment properties was based on direct comparison approach, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. The key inputs used in valuing the investment property were market unit sale rate of RMB7,030 per square meter (2020: RMB7,000 per square meter).

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

During the year, certain areas of investment properties were reclassified as owner occupied properties (note 16), because they were no longer leased to a third party and it was decided that such properties of building would be used by the Group. Immediately before the transfer, the Group remeasured the properties to fair value and recognised a gain of HK$1,400 (2020: HK$2,477,000) in profit or loss. The valuation techniques and significant observable inputs used in measuring the fair value of the buildings at the date of transfer were the same as those applied at the end of the reporting period.

18. RIGHT-OF-USE-ASSETS

	Land use rights HK$'000	Leased properties HK$'000	Total HK$'000
At 1 January 2020	8,030	1,303	9,333
Additions	–	3,532	3,532
Depreciation	(287)	(1,872)	(2,159)
Exchange realignment	509	6	515
At 31 December 2020 and 1 January 2021	8,252	2,969	11,221
Additions	–	6,679	6,679
Depreciation	(308)	(4,352)	(4,660)
Exchange realignment	266	56	322
At 31 December 2021	8,210	5,352	13,562

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of two years (2020: three years). Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year, the Group entered into new lease agreements for offices for two years, and therefore recognised the additions to right-of-use assets of HK$6,679,000 (2020: HK$3,532,000) in which the additions of HK$6,214,000 (2020: nil) related to the offices leased from a connected party of the Group.

19. INTANGIBLE ASSETS

	Trademarks and certificates HK$'000 (Note a)	Technical know-how HK$'000 (Note b)	Capitalised development costs HK$'000 (Note c)	Totals HK$'000
COST				
At 1 January 2020	238,604	119,595	188,303	546,502
Addition (note e)	–	3,888	4,456	8,344
Written-off	–	(54,036)	(58,583)	(112,619)
Exchange realignment	15,288	4,946	9,134	29,368
At 31 December 2020	253,892	74,393	143,310	471,595
Exchange realignment	8,349	2,446	4,712	15,507
At 31 December 2021	262,241	76,839	148,022	487,102
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 January 2020	238,604	99,723	174,275	512,602
Provided for the year	–	5,973	–	5,973
Written-off	–	(39,950)	(44,424)	(84,374)
Exchange realignment	15,288	4,549	8,761	28,598
At 31 December 2020	253,892	70,295	138,612	462,799
Provided for the year	–	416	477	893
Exchange realignment	8,349	2,318	4,566	15,233
At 31 December 2021	262,241	73,029	143,655	478,925
CARRYING AMOUNTS				
At 31 December 2021	–	3,810	4,367	8,177
At 31 December 2020	–	4,098	4,698	8,796

19. INTANGIBLE ASSETS (CONTINUED)

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

Trademarks and certificates	10 to 15 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) Except for the capitalised development costs of drugs under development, the respective intangible assets (including the capitalised development costs of drugs already completed development) 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 of drugs under development are not amortised as the development of products and technology is in the registration or after the approval of phase III clinical trial process and are assessed for impairment annually.

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

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

For the purpose of impairment testing, intangible assets and property, plant and equipment related to pipeline pharmaceutical products segment set out in notes 19 and 16 have been allocated to two (2020: three) individual cash generating units ("**CGUs**"). The carrying amounts of intangible assets (net of accumulated amortisation and impairment losses) and property, plant and equipment (net of accumulated depreciation and impairment losses) related to these CGUs are as follows:

	Property, plant and equipment		Intangible assets	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
CGUs				
Drug 1	**6,753**	4,315	**–**	–
Drug 2	**13,470**	18,836	**–**	–
Drug 3	**N/A**	787	**N/A**	8,692
	20,223	23,938	**–**	8,692

Drug 1:

During the year ended 31 December 2021, the Group has been conducting for the clinical trial-related works for Drug 1, following by bridging clinical trials in 2022. The project was developing as scheduled. No impairment loss is recognised for the year ended 31 December 2021.

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

Drug 2:

During the year ended 31 December 2021, the Group had been successfully completed bridging clinical trial for Drug 2, following by a New Drug Application in 2022. The Group expected that this drug would be launched after completion of registration with the NMPA as soon as 2023 and the project was developing as scheduled. No impairment loss is recognised for the year ended 31 December 2021.

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

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

Drug 3:

The NMPA officially accepted the Group's application for registering of Drug 3 in 2019 and a notification letter for supplementary information was issued by the Center for Drug Evaluation ("**CDE**") and the supplementary materials were submitted to CDE in 2020. In November 2020, Drug 3 was granted approval for marketing in China by NMPA. The Group also passed Good Manufacturing Practices ("**GMP**") manufacturing inspection and was allowed to begin manufacturing of Drug 3 in December 2020 and marketed in 2021. No impairment loss was recognised for the year ended 31 December 2020.

The basis of the recoverable amounts of the CGUs of Drug 1 and Drug 2 (2020: Drug 1, Drug 2 and Drug 3) and their major underlying assumptions are summarised below:

The recoverable amounts of these two units (2020: three units) have been determined based on a value in use calculation. That calculation was based on the cash flow forecasts derived from the most recent financial budgets for the next 10 years, considering the product cycle, launch time and management's best estimation on business cycle of the products, using a pre-tax discount rate of 28.04% for Drug 1 and Drug 2 (2020: 22.76% for Drug 1, Drug 2 and Drug 3) which reflects current market assessments of the time value of money and the risk specific to these three CGUs. The cash flows beyond the 10-year-period are extrapolated for another 10 years assuming 2% (2020: 3%) growth based on market data and historical records of existing drugs. The valuation of these two units (2020: three units) has been carried out by the Group's management for both years.

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

At 31 December 2021, the carrying amount of deposits paid for the acquisition of property, plant and equipment relates to the purchase of plant and equipment for the expansion of production facilities was approximately HK$301,000. There was no such deposit in 2020.

22. INVENTORIES

	2021 **HK$'000**	2020 HK$'000
Raw materials	**19,531**	5,412
Work in progress	**1,485**	2,863
Finished goods	**18,694**	8,243
	39,710	16,518

23. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**46,016**	53,925
Less: Loss allowance	**(1,550)**	(3,375)
	44,466	50,550
Bills receivable	**27,164**	24,217
Deposit, prepayments and other receivables	**6,856**	16,266
Less: Loss allowance	**(140)**	(644)
	6,716	15,622
	78,346	90,389

As at 31 December 2021 and 2020, trade receivables from contracts with customers amounted to HK$44,466,000 and HK$50,550,000, respectively.

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

	2021 HK$'000	2020 HK$'000
0–90 days	**32,903**	44,984
91–120 days	**5,292**	5,131
121–180 days	**640**	2,349
181–360 days	**4,814**	627
Over 360 days	**2,367**	834
	46,016	53,925
Less: Loss allowance	**(1,550)**	(3,375)
	44,466	50,550

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

Details of impairment assessment of trade and other receivables are set out in note 33.

Bills receivable represent bills on hand. All bills receivable of the Group are with a maturity period of less than 180 days (2020: less than 180 days) and not yet due at the end of the reporting period, and the management considers the default rate is low based on historical information and experience, after taking into relevant forward-looking information into account.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 **HK$'000**	2020 HK$'000
Investment in a Wealth Management product	–	36,031

During the year ended 31 December 2020, the Group entered into a Subscription Agreement with a PRC bank, pursuant to which the Group subscribed for the Wealth Management Products from a PRC bank in the principal amount of RMB60,000,000 (equivalent to HK$67,613,000). The investment was related, but not limited to, equity assets, debt assets and bonds and money market instrument assets in compliance with regulatory requirements which was non-principal guaranteed with floating income. The Group disposed RMB30,000,000 (equivalent to HK$33,807,000) in 2020. The fair value of the investment held by the Group as at 31 December 2020 was approximately RMB30,330,000 (equivalent to HK$36,031,000).

During the year ended 31 December 2021, the Group did not subscribe any wealth management products.

25. BANK BALANCES AND CASH

	2021 **HK$'000**	2020 HK$'000
Bank balances and cash (note)	**83,609**	25,012

Note:

The bank balances carry interest rates ranging from 0.01% to 0.35% (2020: 0.01% to 0.35%) per annum.

As at 31 December 2021 and 2020, the Group performed impairment assessment on bank balances and cash concluded that the probability of defaults of the counterparty banks are insignificant and, accordingly, no allowance for credit losses is provided.

Details of impairment assessment of bank balances as at 31 December 2021 and 2020 are set out in note 33.

26. TRADE AND OTHER PAYABLES

	NOTE	2021 HK$'000	2020 HK$'000
Trade payables	*(i) & (ii)*	**5,263**	3,832
Other payables		**6,354**	7,930
Accruals		**43,210**	31,742
		54,827	43,504

Notes:

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

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

	2021 HK$'000	2020 HK$'000
0–30 days	**3,886**	2,393
31–60 days	**119**	182
61–90 days	**274**	112
Over 90 days	**984**	1,145
	5,263	3,832

27. CONTRACT LIABILITIES

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

	2021 HK$'000	2020 HK$'000
Contract liabilities	**20,207**	13,182

27. CONTRACT LIABILITIES (CONTINUED)

Movements in contract liabilities

	2021 HK$'000	2020 HK$'000
Balance at 1 January	**13,182**	19,650
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(13,182)**	(19,650)
Increase in contract liabilities as a result of advanced consideration received from customers	**19,875**	12,504
Currency realignment	**332**	678
Balance at 31 December	**20,207**	13,182

28. LEASE LIABILITIES

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

	2021 HK$'000	2020 HK$'000
As at 1 January	**3,138**	1,117
Additions	**6,678**	3,137
Interest expense	**477**	73
Lease payments	**(4,449)**	(423)
COVID-19-related rent concessions (note)	**(303)**	(745)
Currency realignment	**57**	(21)
As at 31 December	**5,598**	3,138

Note:

The Group has received rent concessions from lessors due to the COVID-19 pandemic in the form of rent relief (e.g. reductions in rent contractually due under the terms of lease agreements). The Group has elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions entered into during the years ended 31 December 2021 and 2020 satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of HK$303,000 (2020: HK$745,000) and the effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.

28. LEASE LIABILITIES (CONTINUED)

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

	2021 HK$'000	2020 HK$'000
Current liabilities	**4,613**	1,031
Non-current liabilities	**985**	2,107
	5,598	3,138

29. DEFERRED TAX LIABILITIES

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

	2021 HK$'000	2020 HK$'000
At 1 January	**827**	404
Exchange realignment	**13**	47
(Credited)/charged to profit or loss (note 11)	**(840)**	376
At 31 December	**–**	827

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

At 31 December 2021, the Group had deductible temporary differences of HK$27,505,000 (2020: HK$15,153,000) mainly consisted of allowance for doubtful debts and amount due from related party, impairment of deposit for acquisition of intangible assets and provision for litigation. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

29. DEFERRED TAX LIABILITIES (CONTINUED)

In addition to the above, at 31 December 2021, the Group had unused tax losses of HK$112,011,000 (2020: HK$58,190,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profits streams. The losses will expire within ten years from the year in which they arose because according to the announcement published by the PRC tax authorities on 11 July 2018, tax losses arising from entities qualifying as New and High Technology Enterprise can be carried for ten years effective from 1 January 2018. Accordingly, the expiry of the tax losses arising from subsidiaries that qualify as New and High Technology Enterprise is extended from five years to ten years.

The unused tax losses will expire in the following years:

	2021 **HK$'000**	2020 HK$'000
2022	–	5,784
2023	–	–
2024	–	27,150
2025	–	10,850
2026 and after	**112,011**	14,406
Total unused tax losses	**112,011**	58,190

30. SHARE CAPITAL

	NOTES	Number of shares	Amount HK$'000
Ordinary share of HK$0.01 each			
Authorised:			
At 1 January 2020, 31 December 2020 and 31 December 2021		500,000,000,000	5,000,000
Issued and fully paid:			
At 1 January 2020		6,410,768,147	64,108
Issue of ordinary shares in relation to award of new shares	*34(b)*	15,000,000	150
Repurchase of shares	*(i)*	(34,760,000)	(348)
At 31 December 2020 and 1 January 2021		6,391,008,147	63,910
Issue of ordinary shares in relation to award of new shares	*34(b)*	15,000,000	150
Repurchase of shares	*(ii)*	(56,240,000)	(562)
At 31 December 2021		6,349,768,147	63,498

Notes:

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

(ii) During the year ended 31 December 2021, the Company paid in aggregate HK$6,010,000 to buy back 56,240,000 ordinary shares of HK$0.01 each from the Stock Exchange from 25 June 2021 to 22 July 2021, at the highest price of HK$0.114 and the lowest price of HK$0.10 per share, and the excess paid over the par value of the shares was debited to the Company's share premium account.

(iii) For the years ended 31 December 2021 and 2020, all shares issued during the years rank pari passu with the existing shares in all respects.

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	NOTES	2021 HK$'000	2020 HK$'000
Non-current assets			
Investments in subsidiaries	39	**105,858**	100,863
Current assets			
Deposits and prepayments		**644**	551
Bank balances and cash		**902**	9,815
		1,546	10,366
Current liabilities			
Amounts due to subsidiaries		**1,200**	1,200
Other payables and accruals		**3,718**	3,641
		4,918	4,841
Net current (liabilities)/assets		**(3,372)**	5,525
Net assets		**102,486**	106,388
Capital and reserves			
Share capital	30	**63,498**	63,910
Reserves		**38,988**	42,478
Total equity		**102,486**	106,388

Mr. Chen Dawei
Director

Mr. Kingsley Leung
Director

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

	Share premium HK$'000	Share-based payment reserve HK$'000	Distributable reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	757,369	30,568	1,291,798	(1,901,374)	178,361
Loss and total comprehensive expense for the year	–	–	–	(141,988)	(141,988)
Issue of ordinary shares in relation to award of new shares	2,160	(2,310)	–	–	(150)
Recognition of equity-settled share based payment expense	–	10,890	–	–	10,890
Repurchase of shares	(4,635)	–	–	–	(4,635)
At 31 December 2020 and 1 January 2021	754,894	39,148	1,291,798	(2,043,362)	42,478
Loss and total comprehensive expense for the year	–	–	–	(1,826)	(1,826)
Issue of ordinary shares in relation to award of new shares	1,320	(1,470)	–	–	(150)
Recognition of equity-settled share based payment expense	–	3,934	–	–	3,934
Repurchase of shares	(5,448)	–	–	–	(5,448)
At 31 December 2021	750,766	41,612	1,291,798	(2,045,188)	38,988

32. CAPITAL RISK MANAGEMENT

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

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

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

33. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2021 **HK$'000**	2020 HK$'000
Financial assets		
Financial assets at amortised cost	**159,131**	125,578
Financial assets measured at fair value through profit or loss	**–**	36,031
Financial liabilities		
Financial liabilities at amortised cost	**28,152**	14,900

b. Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

(ii) Interest rate risk

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

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

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk

As at 31 December 2021 and 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties or debtors is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

In response to the COVID-19 pandemic, management has also been performing more frequent reviews of credit limits for customers in regions and industries that are severely impacted. During the year ended 31 December 2021, a net impairment loss of HK$1,936,000 (31 December 2020: net impairment loss of HK$250,000 was recognised) in respect of the trade receivables was reversed.

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

For amount due from a related party, the directors of the Company considered that there was no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL. Applying the ECL model resulted in the reversal of ECL of HK$791,000 for the year ended 31 December 2021 (31 December 2020: recognition of ECL of HK$766,000).

As at 31 December 2021, the Group had concentration of credit risk of approximately 0% (2020: 7%) and 13% (2020: 31%) of the total trade receivables due from the Group's largest customer and the five largest customers respectively. As at 31 December 2021 and 2020, all trade receivables were from customers located in the PRC.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk (Continued)

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

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

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) *Credit risk (Continued)*

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

Financial assets at amortised costs

	NOTES	external credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2021 HK$'000	Gross carrying amount 2020 HK$'000	Net carrying amount 2021 HK$'000	Net carrying amount 2020 HK$'000
Bank balances	25	AAA	Low risk	12-month ECL	**83,609**	25,012	**83,609**	25,012
Bills receivable	23	A+ to AAA	Low risk	12-month ECL	**27,164**	24,217	**27,164**	24,217
Amount due from a related party	38	N/A	Low risk	12-month ECL	**–**	14,255	**–**	13,489
Other receivables	23	N/A	Low risk	12-month ECL	**2,853**	11,946	**2,713**	11,302
Trade receivables	23	N/A	(Note)	Lifetime ECL (provision matrix)	**13,551**	12,670	**12,484**	10,877
			Low risk	Lifetime ECL	**32,465**	41,255	**31,982**	39,673

Note:

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

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers (excluding large listed companies which are classified as low risk under internal credit rating) because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2021 and 2020 within lifetime ECL (not credit impaired). Debtors with significant outstanding balances and with gross carrying amounts of HK$32,465,000 as at 31 December 2021 and HK$41,255,000 as at 31 December 2020 were assessed individually. As all these debtors with significant balances are listed companies with good financial position based on their public annual reports and without recent default history, they are all classified as low risk and loss rate ranging from 1.4% to 2.3% (2020:3.5% to 6.5%) is applied.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk (Continued)

Gross carrying amount of trade receivables assessed using provision matrix:

2021

	Average loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net trade receivables HK$'000
Current (not past due)	**5%**	**10,690**	**530**	**10,160**
1–30 days past due	**9%**	**1,352**	**125**	**1,227**
31–90 days past due	**12%**	**398**	**49**	**349**
91–270 days past due	**23%**	**497**	**116**	**381**
More than 270 days past due	**40%**	**614**	**247**	**367**
		13,551	**1,067**	**12,484**

2020

	Average loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net trade receivables HK$'000
Current (not past due)	11%	9,819	1,107	8,712
1–30 days past due	16%	1,197	188	1,009
31–90 days past due	19%	806	156	650
91–270 days past due	31%	380	117	263
More than 270 days past due	48%	468	225	243
		12,670	1,793	10,877

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

As at 31 December 2021, the Group provided HK$1,067,000 (2020: HK$1,793,000) impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of HK$483,000 (2020: HK$1,582,000) were made on debtors with significant balances.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk (Continued)

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

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2020	2,937	–	2,937
Change for the year:	–		
— Impairment losses reversed	(138)	–	(138)
— Impairment losses recognised	388	–	388
Exchange adjustments	188	–	188
As at 31 December 2020 and 1 January 2021	3,375	–	3,375
Change for the year:			
— Impairment losses reversed	(1,936)	–	(1,936)
— Impairment losses recognised	–	–	–
Exchange adjustments	111	–	111
As at 31 December 2021	1,550	–	1,550

At 31 December 2021, the Group's trade receivables included in the allowance for doubtful debts with an aggregate balance of HK$1,550,000 (31 December 2020: HK$3,375,000) was impaired. The Group does not hold any collateral over these balances.

The change in the loss allowance for trade receivables during the year ended 31 December 2021 was mainly due to the decrease in lifetime expected credit loss after assessing existing or forecast change in business, financial or economic conditions which may cause amelioration in the operating results of the debtors and the settlement of trade receivables that were classified as credit impaired at 31 December 2020.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk (Continued)

The movement of loss allowances for other receivables during the year are as follows:

	Total
	HK$'000
As at 1 January 2020	851
Expected credit loss on other receivables reversed during the year	(257)
Exchange adjustments	50
As at 31 December 2020 and 1 January 2021	644
Expected credit loss on other receivables reversed during the year	(531)
Exchange adjustments	27
As at 31 December 2021	140

The Group writes off a trade receivable or/and other receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or when the trade receivables or/and other receivable are over two years past due, whichever occurs earlier.

As at 31 December 2021, no such indicator existed and the Group had not written off any trade receivables (31 December 2020: had written off trade receivables of HK$1,061,000 related to several debtors).

As at 31 December 2021, the Group had written off other receivables of HK$49,000 (31 December 2020: no such indicator existed and no written-off was made).

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

The Group had net current assets amounting to approximately HK$109,364,000 at 31 December 2021 (2020: HK$121,067,000).

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

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

2021	Weighted average effective interest rate %	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Non-derivative financial liabilities						
Trade and other payables	N/A	11,617	11,617	11,617	–	–
Lease liabilities	5.7	5,598	5,821	4,811	1,010	–
Amount due to a related party	N/A	10,937	10,937	10,937	–	–
		28,152	28,375	27,365	1,010	–

2020	Weighted average effective interest rate %	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Non-derivative financial liabilities						
Trade and other payables	N/A	11,762	11,762	11,762	–	–
Lease liabilities	5.7	3,138	3,435	1,212	1,212	1,011
		14,900	15,197	12,974	1,212	1,011

33. FINANCIAL INSTRUMENTS (CONTINUED)

c. fair value measurements

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include bank balances and cash, trade and other receivables, amount due from/(to) a related party, other financial assets measured at amortised cost, trade and other payables.

Due to their short term nature, the carrying value of pledged bank deposits, bank balances and cash, trade and other receivables, amount due from/(to) a related party and trade and other payables approximates fair value.

(b) Financial instruments measured at fair value

The fair value of the Wealth Management product is calculated as the present value of the estimated future cash flows based on observed yield curves.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
As at 31 December 2021				
Financial assets at fair value through profit or loss				
— Wealth management product	–	–	–	–

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2020				
Financial assets at fair value through profit or loss				
— Wealth management product	–	36,031	–	–

34. SHARE-BASED PAYMENT TRANSACTIONS

(a) The equity-settled share option scheme of the Company

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

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

At 31 December 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 (2020: 563,055,000), representing 8.87% (2020: 8.83%) of the ordinary shares in issue at that date.

34. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) The equity-settled share option scheme of the Company (Continued)

Details of the share option movements during the years ended 31 December 2021 and 2020 under the 2016 Scheme are as follows:

	Outstanding at 1.1.2021 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Cancelled during the year '000	Outstanding at 31.12.2021 '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
	563,055	–	–	–	–	563,055
Exercisable at the end of the year						516,128
Weighted average exercise price	HK$0.18	–	–	–	–	HK$0.18

34. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) The equity-settled share option scheme of the Company (Continued)

	Outstanding at 1.1.2020 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Cancelled during the year '000	Outstanding at 31.12.2020 '000
12 September 2014 Directors	8,560	–	–	–	–	8,560
12 September 2014 Others	360	–	–	–	–	360
23 January 2015 Employees	10,880	–	–	–	–	10,880
23 January 2015 Others	33,100	–	–	–	–	33,100
10 July 2015 Directors	7,260	–	–	–	–	7,260
17 August 2015 Others	120,000	–	–	–	–	120,000
27 January 2016 Employees	20,700	–	–	–	–	20,700
27 January 2016 Others	1,300	–	–	–	–	1,300
7 October 2016 Directors	10,880	–	–	–	–	10,880
3 April 2017 Employees	34,950	–	–	–	–	34,950
3 April 2017 Others	2,010	–	–	–	–	2,010
16 November 2017 Directors	16,073	–	–	–	–	16,073
9 April 2018 Senior management	11,990	–	–	–	–	11,990
9 April 2018 Employees	20,224	–	–	–	–	20,224
5 July 2018 Others	3,000	–	–	–	–	3,000
9 April 2019 Directors	66,179	–	–	–	–	66,179
9 April 2019 Employees	62,449	–	–	–	–	62,449
9 April 2019 Others	3,300	–	–	–	–	3,300
2 April 2020 Employees	–	35,780	–	–	–	35,780
2 April 2020 Others	–	35,000	–	–	–	35,000
31 August 2020 Executive Directors	–	33,380	–	–	–	33,380
31 August 2020 Non-executive Directors	–	25,680	–	–	–	25,680
	433,215	129,840	–	–	–	563,055
Exercisable at the end of the year						445,420
Weighted average exercise price	HK$0.19	HK$0.14	–	–	–	HK$0.18

34. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) The equity-settled share option scheme of the Company (Continued)

(i) Share options granted on 2 April 2020

On 2 April 2020, 35,780,000 were granted to the employees and the estimated fair value of the options granted was approximately HK$2,251,635. The share option will be exercisable from 2 April 2020 to 1 April 2030. Among the aggregate of 35,780,000 share options granted, 11,926,667 share options were vested during the year ended 31 December 2020. The remaining shares options will be vested in 2 tranches with 11,926,667 and 11,926,666 share options to be vested on 2 April 2021 and 2 April 2022 respectively. The share options will vest automatically provided that the employees still remain in office on the vesting date.

The fair values of the share options granted on 2 April 2020 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.151 per share
Exercise price	HK$0.154 per share
Expected volatility	57.080%
Expected Life	10 years
Risk-free rate	0.66%
Expected dividend rate	0%
Exit rate	15.739%

(ii) Share options granted on 2 April 2020

On 2 April 2020, 35,000,000 were granted to the consultants providing similar services as employee and the estimated fair value of the options granted was approximately HK$2,674,300. The share option will be exercisable from 1 January 2022 to 1 April 2030. Among the aggregate of 35,000,000 share options granted, no share options were vested during the year ended 31 December 2020. 15,000,000 share options to be vested on 1 January 2022 and conditional upon the achievement or attainment of certain business or commercial milestone of the Group and the 20,000,000 remaining share options will be vested when conditional upon the achievement or attainment of certain business or commercial milestone of the Group.

The fair values of the share options granted on 2 April 2020 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.151 per share
Exercise price	HK$0.154 per share
Expected volatility	57.080%
Expected Life	10 years
Risk-free rate	0.66%
Expected dividend rate	0%
Exit rate	0%

34. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) The equity-settled share option scheme of the Company (Continued)

(iii) Share options granted on 31 August 2020

On 31 August 2020, 33,380,000 were granted to the Executive Directors and the estimated fair value of the options granted was approximately HK$1,640,480. The share option will be exercisable from 31 August 2020 to 30 August 2030. Among the aggregate of 33,380,000 share options granted, 22,260,000 share options were vested during the year ended 31 December 2020. The remaining shares options will be vested in a tranche with 11,120,000 share options to be vested on 31 August 2021. The share options will vest automatically provided that the employees still remain in office on the vesting date.

The fair values of the share options granted on 31 August 2020 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.119 per share
Exercise price	HK$0.126 per share
Expected volatility	56.837%
Expected Life	10 years
Risk-free rate	0.508%
Expected dividend rate	0%
Exit rate	14.667%

(iv) Share options granted on 31 August 2020

On 31 August 2020, 25,680,000 were granted to the Non-Executive Directors and the estimated fair value of the options granted was approximately HK$1,262,806. The share option will be exercisable from 31 August 2020 to 30 August 2030. Among the aggregate of 25,680,000 share options granted, 17,120,000 share options were vested during the year ended 31 December 2020. The remaining shares options will be vested in a tranche with 8,560,000 share options to be vested on 31 August 2021. The share options will vest automatically provided that the employees still remain in office on the vesting date.

The fair values of the share options granted on 31 August 2020 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.119 per share
Exercise price	HK$0.126 per share
Expected volatility	56.837%
Expected Life	10 years
Risk-free rate	0.508%
Expected dividend rate	0%
Exit rate	14.667%

34. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(b) Award of new shares to a director of the Company

During year ended 31 December 2017, the Group entered into service agreement with Chan Dawei, a director of the Company, in which the Company agreed to allot and issue 15,000,000 award shares to him for every 12 months in which he served as an executive director and up to five years. The fair value of the award shares is HK$0.15 per share at the grant date. During the year ended 31 December 2021, 15,000,000 award shares (2020: 15,000,000) were allotted and issued to him.

The Group recognised the total expense of HK$3,934,000 for the year ended 31 December 2021 (2020: HK$10,890,000) in relation to options granted under the share option scheme and the award shares of the Group.

35. OPERATING LEASES

The Group as lessor

As at 31 December 2021, no investment properties were held for rental purposes.

As at 31 December 2020, the investment properties held for rental purposes had been leased for the next year.

Minimum lease payments paid under operating leases during the year

	31 December 2021 HK$'000
Within one year	–

	31 December 2020 HK$'000
Within one year	34

36. PROVISIONS, LITIGATIONS AND CONTINGENT

On 29 June 2021, Beijing Genetech Pharmaceutical Co., Limited ("**Beijing Genetech**"), one of the major production subsidiaries of the Company received a notice of arbitration filed with China International Economic and Trade Arbitration Commission (the "**CIETAC**") against Beijing Genetech by a distributor (the "**Distributor**") for one of the marketed drugs of the Group.

The Distributor filed claims against Beijing Genetech for damages arising from breach of a written distribution agreement made between the Distributor and Beijing Genetech dated 6 June 2019 amounting to approximately RMB34,000,000 (equivalent to approximately HK$41,033,000) in aggregate, together with legal fees, arbitration fees and other related costs. Upon receipt of the aforesaid arbitration notices, the Company has appointed an attorney for active response to the case.

On 15 November 2021, Beijing Genetech submitted its written defences to CIETAC to deny its liability to pay the said sums for the aforementioned arbitration. On 30 November 2021, Beijing Genetech filed counter-arbitration petitions to request for the termination of aforementioned distribution agreement and against the Distributor for the legal fees, arbitration fees and other related costs. The counter-arbitration petition has been accepted by the CIETAC.

On 6 January 2022, the Distributor submitted an application for modification of the arbitration request. In the said modification arbitration request application, the Distributor demanded compensation amounting to approximately RMB87,331,000 (equivalent to approximately HK$105,396,000) as well as the settlement of other related costs by Beijing Genetech. The modification arbitration request application has not been accepted by the CIETAC at the date of this report.

As a result of the foregoing, the Group made a provision of approximately RMB12,934,000 (equivalent to approximately HK$15,610,000) for the above litigation claim. Beijing Genetech is exploring the opportunity to negotiate a settlement with the Distributor to resolve the dispute. Sufficient provision has been made in relation to the aforesaid case after the assessment made by the management.

Apart from the aforesaid case, the Group was not involved in any other material litigation or arbitration during the year ended 31 December 2021.

37. CAPITAL COMMITMENTS

	2021 HK$'000	2020 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of		
— purchase of property, plant and equipment	**2,480**	430
— purchase of intangible asset	**14,757**	14,287
— Research and development activities	**1,184**	–
	18,421	14,717

38. RELATED PARTY TRANSACTIONS

(a) Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Related party	**Nature of balances/transactions**	**2021** **HK$'000**	2020 HK$'000
Greater Bay Capital (Note (i))	Amount due from a related party	**–**	13,489
Greater Bay Bio Limited (Note (ii))	Management fee income	**–**	121
Shenzhen Tongchuang Biological Engineering Co., Limited ("**Shenzhen Tongchuang**") (Notes (i) and (iii)) 深圳市同創生物工程有限公司	Amount due to a related party	**10,937**	–
	Acquisition of right-of-use asset (Note 18)	**6,214**	–

Notes:

(i) The amount is/was unsecured, non-interesting bearing and repayable on demand.

(ii) Greater Bay Bio Limited is an indirect subsidiary of Greater Bay R&D, in which the close family members of a director, and a director and shareholder of the Company have beneficial interests.

(iii) Shenzhen Tongchuang is an indirect subsidiary of Greater Bay Capital, in which the close family members of a director, and a director and shareholder of the Company have beneficial interests.

(b) The key management personnel of the Group comprises all the directors of the Company and the five highest paid individuals. Details of compensation of directors and the five highest paid individuals are included in note 14, there is no other remuneration paid to key management personnel during the years ended 31 December 2021 and 2020.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of major subsidiaries at 31 December 2021 and 2020 are disclosed as follows:

Name of subsidiary	Place/ country of incorporation/ registration and operation	Principal activities	Proportion of issued share capital/registered capital held by the Company 2021	2020	Particulars of issued and paid up share capital
Directly held					
Lelion Holding Limited	British Virgin Islands/ Hong Kong	Investment holding	**100%**	100%	2 Ordinary shares of US$1 each
Indirectly held					
Uni-Bio Management Limited	Hong Kong	Provision of management services	**100%**	100%	1 Ordinary share of HK$1
Uni-Bioscience Pharm Co. Limited	Hong Kong	Distribution of pharmaceutical products	**100%**	100%	1 Ordinary share of HK$1
Beijing Genetech Pharmaceutical Co., Limited (note) 北京博康健基因科技有限公司	The PRC	Manufacture and sales of chemical and biological products	**100%**	100%	Contributed capital of RMB91,000,000
Shenzhen Watsin Genetech Limited (note) 深圳市華生元基因工程發展有限公司	The PRC	Manufacture and sales of biological products	**100%**	100%	Contributed capital of RMB100,000,000
Uni-Bio Science Healthcare (Beijing) Co. Limited (note) 聯康永泰生物科技（北京）有限公司	The PRC	Sales and marketing	**100%**	100%	Contributed capital of RMB500,000
Beijing Taili Science and Technology Innovation Biological Engineering Co., Ltd (note) 北京太力科創生物工程有限公司	The PRC	Manufacture and sales of chemical and biological products	**100%**	100%	Contributed capital of RMB100,000,000

Note: Companies are established as wholly foreign owned enterprises in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries are either investment holding or inactive would, in the opinion of the directors, result in particulars of excessive length.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to a related party HK$'000	**Lease liabilities** HK$'000 (note 28)
As at 1 January 2020	–	1,117
Financing cash flows	–	(350)
Interest paid	–	(73)
Non-cash transactions:		
Leases entered	–	3,137
Covid-19-related rent concessions	–	(745)
Exchange adjustments	–	(21)
Interest expenses	–	73
At 31 December 2020	–	3,138
Financing cash flows	–	(678)
Interest paid	–	(477)
Cash advance from a related party	7,643	–
Non-cash transactions:		
Current account with a related party	3,294	(3,294)
Leases entered	–	6,678
Covid-19-related rent concession	–	(303)
Exchange adjustments	–	57
Interest expenses	–	477
At 31 December 2021	10,937	5,598

Five-Year Financial Summary

A summary of the consolidated results and of the assets and liabilities of the Group for the past five financial periods is set out below:

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**353,405**	208,776	209,449	135,258	156,477
PROFIT (LOSS) BEFORE TAXATION	**(20,012)**	(70,941)	5,140	(138,433)	(278,297)
INCOME TAX CREDIT/(EXPENSE)	**421**	(378)	(2,681)	(134)	(1,012)
PROFIT (LOSS) FOR THE YEAR	**(19,591)**	(71,319)	2,459	(138,567)	(279,309)
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**(19,591)**	(71,319)	2,459	(138,567)	(279,309)
PROFIT (LOSS) FOR THE YEAR	**(19,591)**	(71,319)	2,459	(138,567)	(279,309)

ASSETS AND LIABILITIES

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**267,593**	252,717	296,453	242,448	390,189
TOTAL LIABILITIES	**(93,286)**	(63,306)	(55,003)	(40,698)	(47,036)
EQUITY	**174,307**	189,411	241,450	201,750	343,153

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Kingsley LEUNG *(Chairman)*
Mr. CHEN Dawei
Mr. ZHAO Zhi Gang

Non-executive Director
Mr. YAU Kwok Wing Tony

Independent Non-Executive Directors
Mr. CHOW Kai Ming
Mr. REN Qimin
Mr. MA Qingshan

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

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

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

COMPANY SECRETARY
Mr. SHE Shi Bin

AUTHORIZED REPRESENTATIVES
Mr. Kingsley LEUNG
Mr. CHEN Dawei

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