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Building on a Strong Foundation



INTERIM REPORT 2014 中期報告



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)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 0690

* For identification purposes only 僅供識別

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. TONG Kit Shing (*Chairman*)
Mr. Kingsley LEUNG

Non-Executive Director

Mr. FUNG Kwok Leung

Independent Non-Executive Directors

Mr. TSAO Hoi Ho, Terry
Dr. Carl Aslan Jason Morton FIRTH
(appointed on 1 April 2014)
Mr. ZHAO Zhi Gang
(appointed on 1 April 2014)
Mr. LOU Lok Kuong
(resigned on 1 April 2014)
Mr. NG Pak Kin
(resigned on 1 April 2014)

AUDIT COMMITTEE

Mr. TSAO Hoi Ho, Terry
(*Chairman of the Audit Committee*)
Mr. FUNG Kwok Leung
Dr. Carl Aslan Jason Morton FIRTH
Mr. ZHAO Zhi Gang

REMUNERATION COMMITTEE

Dr. Carl Aslan Jason Morton FIRTH
(*Chairman of the Remuneration Committee*)
Mr. TONG Kit Shing
Mr. TSAO Hoi Ho, Terry
Mr. FUNG Kwok Leung
Mr. ZHAO Zhi Gang

NOMINATION COMMITTEE

Mr. TONG Kit Shing
(*Chairman of the Nomination Committee*)
Mr. TSAO Hoi Ho, Terry
Dr. Carl Aslan Jason Morton FIRTH
Mr. ZHAO Zhi Gang

COMPANY SECRETARY

Mr. SHUM Chi Chung

REGISTERED OFFICE

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

AUDITORS

Deloitte Touche Tohmatsu

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

Room 3006, 30/F., The Centrium
60 Wyndham Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Leung & Lau

STOCK CODE

0690

WEBSITE

www.uni-bioscience.com

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

		(Unaudited) Six months ended 30 September	
		2014	2013
		HK\$'000	HK\$'000
	Notes		
Turnover	3	62,911	55,583
Cost of sales		(10,580)	(10,123)
Gross profit		52,331	45,460
Other income		4,898	751
Selling and distribution expenses		(30,245)	(24,362)
General and administrative expenses		(44,519)	(36,517)
Impairment loss of property, plant and equipment		–	(381)
Loss from operation		(17,535)	(15,049)
Finance costs		–	(3,307)
		(17,535)	(18,356)
Share of net loss of associates		(792)	(265)
Loss before income tax		(18,327)	(18,621)
Income tax	6	(1,236)	(1,609)
Loss for the period	4	(19,563)	(20,230)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 September 2014

		(Unaudited) Six months ended 30 September	
		2014	2013
		HK\$'000	HK\$'000
Notes			
Loss for the period		(19,563)	(20,230)
Other comprehensive expenses			
Exchange differences arising on translation of financial statements of foreign operations		<u>(6,682)</u>	<u>(12,490)</u>
Total comprehensive expenses for the period		<u>(26,245)</u>	<u>(32,720)</u>
Earnings per share			
– Basic and diluted (HK' cents per share) 7		<u>(0.4)</u>	<u>(1.3)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

	Notes	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Non-current assets			
Property, plant and equipment	8	138,248	141,499
Investment properties		20,667	20,902
Prepaid lease payments		14,971	15,696
Intangible assets	9	231,812	244,435
Interests in associates		4,793	5,653
Deposit paid for the acquisition of property, plant and equipment		8,414	10,307
		<u>418,905</u>	<u>438,492</u>
Current assets			
Inventories		6,767	5,756
Trade and other receivables	10	40,727	33,073
Prepaid lease payments		1,100	1,112
Held-to-maturity investments	11	138,820	138,504
Amount due from an associate		8,922	19,751
Bank balances and cash		58,610	56,227
		<u>254,946</u>	<u>254,423</u>
Current liabilities			
Trade and other payables	12	79,584	73,744
Amounts due to a director		–	17,498
Income tax payable		2,993	2,953
		<u>82,577</u>	<u>94,195</u>
Net current assets		<u>172,369</u>	<u>160,228</u>
Total assets less current liabilities		<u>591,274</u>	<u>598,720</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 September 2014

	Notes	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Non-current liabilities			
Deferred tax liabilities		493	498
		<u>493</u>	<u>498</u>
NET ASSETS		<u>590,781</u>	<u>598,222</u>
Shareholders' equity			
Share capital	13	49,179	48,252
Reserves		541,602	549,970
		<u>590,781</u>	<u>598,222</u>
TOTAL EQUITY		<u>590,781</u>	<u>598,222</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	(Unaudited)	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Net cash generated from/(used) in operating activities	2,424	(10,475)
Net cash used in investing activities	(11,916)	(7,404)
Net cash generated from financing activities	11,875	289,375
Increase in cash and cash equivalents	2,383	271,496
Cash and cash equivalents at 1 April	56,227	14,134
Cash and cash equivalents at 30 September	58,610	285,630
Analysis of balances of cash and cash equivalents: Bank balances and cash	58,610	285,630

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Share capital	Share premium	Capital reserve	Statutory reserve	Share- based payments reserve	Distributable reserve (Note)	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013 (Audited)	13,048	250,889	(267)	6,289	41,537	1,291,798	169,648	(1,073,434)	699,508
Issue of shares upon – placement of shares	2,600	36,400	-	-	-	-	-	-	39,000
Total comprehensive expenses for the period	-	-	-	-	-	-	(12,490)	(20,230)	(32,720)
At 30 September 2013 (Unaudited)	15,648	287,289	(267)	6,289	41,537	1,291,798	157,158	(1,093,664)	705,788
At 1 April 2014 (Audited)	48,252	522,922	-	-	84,204	1,291,798	89,437	(1,438,391)	598,222
Recognition of equity-settled share based payments	-	-	-	-	260	-	-	-	260
Lapse of share options	-	-	-	-	(3,605)	-	-	3,605	-
Cancellation of share options	-	-	-	-	(3,862)	-	-	3,862	-
Issue of shares upon: – exercise of warrants	927	17,617	-	-	-	-	-	-	18,544
Total comprehensive expenses for the period	-	-	-	-	-	-	(6,682)	(19,563)	(26,245)
At 30 September 2014 (Unaudited)	49,179	540,539	-	-	76,997	1,291,798	82,755	(1,450,487)	590,781

Note: The distributable reserve represents credit arising from Capital Reorganisation effected by the Company during the year ended 31 March 2010.

NOTES TO CONDENSED ACCOUNTS

1. Organisation

Uni-Bio Science Group Limited was incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in bioscience related business with focus on the research, development and commercialization of biopharmaceutical products through recombinant DNA and other technologies.

2. Basis of preparation and principal accounting policies

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

The accounting policies adopted and the basis of preparation used in the preparation of the condensed consolidated financial statement of the Group are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2014.

The Group has adopted the following amendments to standards and interpretation for accounting periods beginning on or after 1 April 2014:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendment)	Investment entities
HKAS 32 (amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities
HKAS 36 (amendment)	Recoverable amount disclosures for non-financial assets
HKAS 39 (amendment)	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – Int 21	Levies

The Group has assessed the impact of the adoption of these amendments to standards and interpretation and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies.

3. Segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

An analysis of the Group's by operating segments is as follows:

For the six months ended 30 September 2014 (unaudited)

	In-house chemical pharmaceutical products HK\$'000	In-house biological pharmaceutical products HK\$'000	Total HK\$'000
Segment revenue	16,534	46,377	62,911
Segment results – gross	13,905	38,426	52,331
Operating income & expenses	<u>(15,775)</u>	<u>(45,598)</u>	<u>(61,373)</u>
Segment results	(5,062)	(3,980)	(9,042)
Unallocated operating income and expenses			<u>(8,493)</u>
Operating loss			(17,535)
Finance costs			–
Share of loss of associates			<u>(792)</u>
Loss before taxation			(18,327)
Income tax			<u>(1,236)</u>
Loss for the period			<u>(19,563)</u>
Segment assets	102,449	338,082	440,531
Unallocated corporate assets			<u>233,320</u>
Total assets			<u>673,851</u>
Segment liabilities	5,021	72,846	77,867
Unallocated corporate liabilities			<u>5,203</u>
Total liabilities			<u>83,070</u>
Capital expenditure	8,775	909	9,684
Amortisation	158	389	546
Depreciation	1,522	9,777	11,299

3. Segment information (Continued)

For the six months ended 30 September 2013 (unaudited)

	In-house chemical pharmaceutical products HK\$'000	In-house biological pharmaceutical products HK\$'000	Total HK\$'000
Segment revenue	16,197	39,386	55,583
Segment results – gross	13,181	32,279	45,460
Operating income & expenses	(22,934)	(23,665)	(46,599)
Segment results	(9,753)	8,614	(1,139)
Unallocated operating income and expenses			(13,910)
Operating loss			(15,049)
Finance costs			(3,307)
Share of loss of associates			(265)
Loss before taxation			(18,621)
Income tax			(1,609)
Loss for the period			(20,230)
Segment assets	90,272	846,274	936,546
Unallocated corporate assets			199,278
Total assets			1,135,824
Segment liabilities	11,002	96,727	107,729
Unallocated corporate liabilities			322,307
Total liabilities			430,036
Capital expenditure	4,497	2,907	7,404
Amortisation	–	652	652
Depreciation	4,687	6,346	11,033

3. Segment information (Continued)

There are no income, sales or other transactions between the operating segments. Unallocated operating income and expenses represent corporate expenses.

All the Group's revenue from external customers are attributed to the country of domicile of the relevant group entities, which is the PRC, during the six months ended 30 September 2014 and 30 September 2013 respectively.

None of the customers accounted for 10% or more of the total turnover of the Group during the six months ended 30 September 2014 and 30 September 2013 respectively.

4. Loss for the period

Loss for the period is stated after the following:

	Unaudited six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
After charging:		
Cost of inventories sold	10,580	9,671
Depreciation of fixed assets		
– owned assets	11,438	11,033
Research and development costs	990	1,879

5. Staff costs including directors' remuneration

	Unaudited six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Salaries, wages and other benefits	12,434	8,965
Retirement benefit scheme contribution	2,025	1,518
Equity-settled share based payments	260	—
	<u>14,459</u>	<u>10,483</u>

6. Income tax

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

	Unaudited six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
PRC Enterprise Income Tax ("EIT")	1,236	1,609
Deferred taxation	—	—
	<u>1,236</u>	<u>1,609</u>

No provision for Hong Kong profits tax has been made since the entities operating in Hong Kong had no assessable profit for the six-month periods ended 30 September 2014 and 30 September 2013.

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.

Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiaries, Shenzhen Watsin Genetech Pharmaceutical Co., Limited, was approved as a "high-new technology enterprises" and became eligible to enjoy a preferential enterprise income tax rate of 15% in 2014.

7. Loss Per Share

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

	Unaudited six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(19,563)</u>	<u>(20,230)</u>
Number of shares		
Weighted average number of ordinary shares for basic loss per share calculation	<u>4,838,636</u>	<u>1,510,857</u>

No adjustment has been made to basic loss per share amounts presented for the six months ended 30 September 2014 and 2013 in respect of a dilution as the impact of the share options and warrants outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

8. Property, plant and equipment

	Unaudited HK\$'000
Cost	
At 1 April 2014	393,029
Additions	9,865
Disposal	(300)
Exchange adjustment	(4,483)
	<hr/>
At 30 September 2014	398,111
	<hr/>
Accumulated depreciation and impairment	
At 1 April 2014	251,530
Charge for the period	11,438
Eliminated on Disposal	(269)
Exchange adjustment	(2,836)
	<hr/>
At 30 September 2014	259,863
	<hr/>
Net book value	
At 30 September 2014	138,248
	<hr/>
At 31 March 2014	141,499
	<hr/>

9. Intangible assets

Carrying amount

	Trademarks and certificates HK\$'000	Technical know-how HK\$'000	Product development in progress HK\$'000	Total HK\$'000
At 30 September 2014	<u>–</u>	<u>44,134</u>	<u>187,678</u>	<u>231,812</u>
At 31 March 2014	<u>9,051</u>	<u>47,319</u>	<u>188,065</u>	<u>244,435</u>

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

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

Product development in progress mainly represent costs generated internally for the development of products and product technology.

Except for the product development in progress, intangible assets with finite lives are subsequently amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired.

The amortisation charge for the year is included in “general and administrative expense” in the consolidated statement of comprehensive income.

No impairment was made during the period.

10. Trade and other receivables

The ageing analysis of trade receivables, net of impairment loss recognised is as follows:

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Within 30 days	9,545	7,164
31 – 60 days	7,764	3,266
61 – 90 days	6,762	6,504
Over 90 days	7,483	8,663
	31,554	25,597

The Group allows an average credit period of 120 days to its customers. In addition, for certain customers with long-established relationships and good repayment histories, a longer credit period may be granted.

11. Held-to-Maturity Investments

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Unlisted investments	138,820	138,504

The unlisted investments are trusts issued by a financial institution in the PRC with a maturity on 10 October 2014, 21 October 2014 and 25 October 2014, and are grouped under current assets. The investment carry interest at 5.3%, 8.2% and 8.6% per annum. The principal and interests for the investments in trusts are guarantee by the issuing financial institution which is a subsidiary of a major bank in the PRC with high credit ratings and are received upon maturity after the reporting period.

12. Trade and other payables

The ageing analysis of trade payables is as follows:

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Current – 30 days	550	444
31 – 60 days	99	101
61 – 90 days	140	204
Over 90 days	293	771
	1,082	1,520

13. Share Capital

	Nominal value per share HK\$	Number of Shares '000	Amount HK'000
Authorised:			
At 1 April 2014	0.01	500,000,000	5,000,000
Increase in capital	0.01	—	—
At 30 September 2014	0.01	<u>500,000,000</u>	<u>5,000,000</u>
	Nominal value per share HK\$	Number of Shares '000	Amount HK'000
Issued and fully paid up:			
At 1 April 2014	0.01	4,825,211	48,252
Exercise of warrants (<i>note a</i>)	0.01	92,720	927
At 30 September 2014	0.01	<u>4,917,931</u>	<u>49,179</u>

Note:

- (a) During the six months ended 30 September 2014, 92,720,000 warrants were exercised at a price of HK\$0.20 into 92,720,000 ordinary shares of HK\$0.01 each in the Company. The net proceeds from the exercise of warrants was approximately HK\$18,544,000.

14. Share options

A share option scheme was adopted by the Company on 22 October 2001 (“2001 Scheme”). The 2001 Scheme was replaced by a new share option scheme pursuant to ordinary resolutions passed by the shareholders of the Company on 22 September 2006 (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 part-time 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.

14. Share options (Continued)

The total number of the Company's shares which may be issued upon exercise of all options to be granted under the 2006 Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the 2006 Scheme and any other schemes of the Group) must not in aggregate exceed 10% 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 of the Company 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.

At 30 September 2014, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 550,246,000 (At 31 March 2014: 552,664,000), representing 11.19% (At 31 March 2014: 11.45%) of the ordinary shares in issue at that date.

On 12 September 2014, 8,920,000 share options were granted and the estimated fair value of the options granted was approximately HK\$260,000 in the six months period ended 30 September 2014.

14. Share options (Continued)

Details of the share option movements during the six months ended 30 September 2014 under 2006 Scheme are as follows:

	Number of share options				Outstanding at 30 September 2014 '000	Exercised price HK\$	Date of grant	Exercise period	Remaining contractual life
	Outstanding 31 March 2014 and 1 April 2014 '000	Granted during the period '000	Cancelled during the period '000	Lapsed during the period '000					
Directors	600	-	-	-	600	0.2190	27 November 2013	27 November 2013 to 21 September 2016	1.98 years
Directors	-	8,560	-	-	8,560	0.2300	12 September 2014	12 September 2014 to 11 September 2024	9.95 years
Employees	1,695	-	(62)	(1,633)	-	4.1278	28 January 2008	28 January 2008 to 21 September 2016	1.98 years
Employees	27,420	-	-	-	27,420	0.2190	27 November 2013	27 November 2013 to 21 September 2016	1.98 years
Others	4,508	-	(4,508)	-	-	4.1278	28 January 2008	28 January 2008 to 21 September 2016	1.98 years
Others	78,121	-	-	(5,135)	72,986	0.9152	26 May 2009	26 May 2009 to 21 September 2016	1.98 years
Others	440,320	-	-	-	440,320	0.2190	27 November 2013	27 November 2013 to 21 September 2016	1.98 years
Others	-	360	-	-	360	0.2300	12 September 2014	12 October 2014 to 11 September 2024	9.95 years
	<u>552,664</u>	<u>8,920</u>	<u>(4,570)</u>	<u>(6,768)</u>	<u>550,246</u>				
Exercisable at the end of the period					<u>544,186</u>				
Weighted average exercise price (HK\$)	<u>0.3613</u>	<u>0.2300</u>	<u>4.1278</u>	<u>1.6903</u>	<u>0.3115</u>				

14. Share options (Continued)

Details of the share option movements during the six months ended 30 September 2013 under the 2006 Scheme are as follows:

	Number of share options					Outstanding at 30 September 2013 '000	Exercised price HK\$	Date of grant	Exercise period	Remaining contractual life
	Outstanding 31 March 2013 and 1 April 2013 '000	Granted during the period '000	Adjusted during the period '000	Exercised during the period '000	Lapsed during the period '000					
Employees	1,551	-	-	-	-	1,551	4.5100	28 January 2008	28 January 2008 to 21 September 2016	2.98 years
Others	4,126	-	-	-	-	4,126	4.5100	28 January 2008	28 January 2008 to 21 September 2016	2.98 years
Others	73,500	-	-	-	-	73,500	1.000	26 May 2009	26 May 2009 to 21 September 2016	2.98 years
	<u>79,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,177</u>				
Exercisable at the end of the period						<u>79,177</u>				
Weighted average exercise price (HK\$)	<u>1.25</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>1.25</u>				

15. Commitments

(a) Operating lease commitment

At 30 September 2014, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Within 1 year	1,418	1,317
After 1 year but within 5 years	1,482	220
	<u>2,900</u>	<u>1,537</u>

15. Commitments (Continued)

(b) Capital commitments

At the end of the reporting period, the Group had capital commitments contracted but not provided lot in the financial statements as follows:

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Contracted for:		
– Purchases of property, plant and equipment	3,149	8,521

16. Interim dividend

The directors of the Company do not recommend the payment of an interim dividend for the period under review (Six months ended 30 September 2013: Nil).

17. Capital management

The Group's objectives when managing capital are:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Company (together with its subsidiaries, the “Group”) recorded a consolidated turnover of approximately HK\$62,911,000 representing an increase of 13.2% compared with approximately HK\$55,583,000 recorded in the last corresponding period. The gross profit was approximately HK\$52,331,000 representing an increase of 15.1% as compared with approximately HK\$45,460,000 recorded in the last corresponding period. The Group recorded a net loss of approximately 19,563,000 for the six months ended 30 September 2014 compared to a net loss of approximately HK\$20,230,000 in the last corresponding period.

The Group continued to record a net loss during the period under review because of large depreciation and amortization expenses, which reflected the previous investments made to develop and commercialize the Group’s next generation biologics, and to upgrade the Group’s manufacturing facilities to match the latest GMP standards.

Business Review and Prospect

The Group is principally engaged in the research and development, manufacture and distribution of pharmaceutical products. The research and development centre is located in Dongguan, PRC. The Group also has two GMP manufacturing bases in Beijing and Shenzhen. The Beijing plant is currently producing our only chemical pharmaceutical product, Pinapu[®] Voriconazole Tablet, which is an anti-fungal drug widely used in severe diseases and transplantation. The Shenzhen plant is currently producing two biological pharmaceutical products, namely GeneTime[®] Wound Care Spray and GeneSoft[®] Eye Drop. Both of them have Epidermal Growth Factor (the “EGF”) as an active ingredient, which is indicated for wound healing.

The Class VII prescription new drug Recombinant Human Parathyroid Hormone (1-34) (the “rhPTH 1-34” or “Uni-PTH”) has completed its clinical trial process and is undergoing the commercial batch stability testing in the Beijing plant. We expect that its new drug application will be submitted to the CFDA in January 2015.

The Class I prescription new drug rExtendin-4 (the “Uni-E4”) has completed all clinical trials and the clinical trial result investigator meeting will be held by end of the year 2014. We expect that its new drug application will be submitted to the CFDA in the second half of the year 2015.



In the meantime, the Group has multiple initiatives to expedite the growth pace in the near future and prepares for the rapid expansion anticipating the launch of new drugs. Firstly, the Group has embarked on a strategy to aggressively enhance its commercial share-of-voice in China. The Group has also consolidated its sales and marketing teams in Beijing and Shenzhen respectively into one under the leadership of its National Sales and Marketing Director. It is currently working to expand the sales force and sales reach.

Secondly, the Group will invest in enhancing market access functions. GeneTime and Pinapu, two out of the three currently marketed products of the Group, are included on the National Reimbursement Drug List (“NRDL”). In view of the Central Government of China’s policy of increasing healthcare expenditure and reimbursement coverage for its people, the Group has set up a market access function specializing in listing the third product, GeneSoft, on the NRDL. By doing so, the Group hopes to unlock the extensive growth potential of this product and raise its revenue contribution.

The Group is upgrading the manufacturing facilities in Beijing. The upgrade is expected to be completed by mid-2015. The Group will achieve this without interrupting the production and supply of products to customers, which will allow it to participate in all provincial tenders during this period. Upon completion, the two manufacturing facilities under Uni-Bio Science will be certified to meet the most current China GMP standards.

Finally, while achieving organic growth through in-house pharmaceutical products, the Group has also introduced a new partnership model by collaborating with reputable foreign pharmaceutical companies to bring innovative treatments into China for diseases prevalent in the Chinese population. The first partnership deal was successfully completed in early September to import four pharmaceutical products from Samil Pharm Co., Limited (“Samil”), an established ophthalmology-focused pharmaceutical company in Korea. The Group will continue to seek additional opportunities with potential for short payback period and within its therapeutic focus of diabetes, ophthalmology and dermatology. Additional synergistic partnerships should more efficiently broaden the Group’s income base and increase its market share in the core focus areas. The Group is targeting a key strategic objective of becoming the “Partner of Choice” in China and a leader within each therapeutic focus.

In-house biological pharmaceutical products

This division achieved a turnover of approximately HK\$46,377,000 and gross segment results of approximately HK\$38,426,000 for the six months ended 30 September 2014. The turnover and segment results of corresponding period in last financial year were approximately HK\$39,386,000 and approximately HK\$32,279,000 respectively. Sales and gross profit grew at 17.7% and 19.0% respectively. The improvement in the segment results was mainly due to continuous growth in demand of our products, especially GeneTime.

In-house chemical pharmaceutical products

This division achieved a turnover of approximately HK\$16,534,000 with gross segment results of approximately HK\$13,905,000 for the six months ended 30 September 2014. The turnover and segment results of corresponding period in last financial year were approximately HK\$16,197,000 and approximately HK\$13,181,000 respectively. Sales and gross profit grew at 2.1% and 5.5% respectively.

Technical know-how

The Group has established gene genetic engineering expression, fermentation, purification and examination technology systems. These systems exhibit the characteristics of high efficiency, high flux and high stability. With a series of B. Braun's bioreactors from 2L to 50L, the Group may carry on the pilot scale protein preparation. Each time of fermentation may produce up to ten thousand lyophilized injection products. At the same time, mainly by making use of the AKTA liquid chromatography separation system, the Group has established the high flux two steps standard operating procedure for protein purification. With this standard method, the protein purity after purification is up to 98 percent, which is higher than the official standard in the PRC.

Product Development


The Board and management continuously perform competitive intelligence reviews in order to ensure that all products being marketed and developed remain commercially competitive. Based on the strategic review and ever-changing biotech industry in the PRC, the Group has decided to focus its resources in three core therapeutic areas. With this in mind, the Group will continue to develop three new patent protected Class I & VII prescription drugs in the pipeline. The Class I prescription new drugs include Uni-E4 and rhEPO-Fc. The Class VII prescription new drug includes Uni-PTH.

Uni-E4

Uni-E4, part of a class of anti-diabetic treatment called GLP-1 agonist, is a non-insulin treatment candidate that stimulates the incretin pathway, which is drawing attention in the medical community. GLP-1 agonist stimulates the body's ability to produce insulin in response to elevated levels of blood glucose, inhibits the release of glucagon following meals, physiological regulated appetite, and slows down the rate at which glucose is being absorbed into the bloodstream. This class of drug has been shown to be effective and well accepted in treatment of Type 2 diabetes mellitus ("T2DM") in the west and is one of the only classes of diabetic drugs that cause weight loss. As obesity is a common comorbidity of T2DM, this class of drug is effective in T2DM patients who are overweight, accounting for at least 30% of all diabetes patients in the PRC according to IMS primary research. Moreover, this class of drugs also has other beneficial effects that are expected to drive physician prescription, such as lowering risk of hypoglycemia and promoting β -cell regeneration.

Classified as a Class I prescription new drug by the Chinese Food and Drug Administration ("CFDA"), Uni-E4 is a well-established GLP-1 agonist. Uni-E4 has shown to be well tolerated with nominal side effects. Phase I clinical trials started in July 2006 and completed in 2007. Phase II clinical trials were also completed by the end of 2008. Phase III clinical trials commenced in June 2009.

On 8 July 2009, the Company announced that the Uni-E4 project has been approved after evaluation by authoritative experts in the PRC during the first batch topic presentation for the "New Key Drug Formulation" of the State's Major Science and Technology Project under the "Eleventh Five-Year Plan", topic numbered 2008ZX09101-036; and has secured the : "Specialty Contract of the State's Major Science and Technology Project" with the Ministry of Science and Technology of the PRC. Among the 15 Class I new drug finalists of the first batch of genetic engineering drugs nationwide, the Uni-E4 project developed by the Group is the only project to receive grants in the Guangdong Province. Currently, the targets required for the grant by the Ministry of Science and Technology have been met successfully. All clinical trials have been completed; including additional trials to supplement Phase III data in event CFDA harmonizes biostatistical analysis standards with international standards. The Company is in the stage of initiating statistical analysis of the research data of Phase III clinical trials and preparing documents for CFDA submission.



Finally, the Group is in process of researching a long acting version of Uni-E4 (“Extendin-Fc”). By conjugating two Fc fragments to Uni-E4, the technology can extend the half-life of the product in the bloodstream, effectively lengthening the drugs action in the body. Hence, we are expecting the drug to be administered once every 1-2 weeks when treating patients. The product is currently in pre-clinical stages of development.

rhEPO-Fc


This medication candidate can be used for treatment of anemia associated with renal diseases, cancer related therapies or surgical blood loss. EPO is currently commercialized by several pharmaceutical companies for a worldwide market that exceeds USD12 billion, and the EPO market is growing at an average annual rate of 21%.

On 8 July 2009, the Company announced that the rhEPO-Fc project has joined the second batch topic presentation for the “New Key Drug Formulation” of the State’s Major Science and Technology Project under the “Eleventh Five-Year Plan”, topic numbered 2009ZX09102-229. The master budget of this project has been submitted to the Ministry of Science and Technology.

As announced on 21 January 2011, the rhEPO-Fc has obtained approval to conduct Phase I Human Clinical Trial on its applications in the PRC.

Uni-PTH

The Group’s Uni-PTH is a Class VII prescription new drug and is an effective anabolic (bone growing) agent used to treat osteoporosis. The PRC osteoporosis market is expected to worth RMB15.5 billion in 2015 (approximately one fifth of the global osteoporosis market) and will continue to grow quickly largely due to increasing prevalence of osteoporosis among the female and elderly population, rising standards of living, and increasing awareness and education in bone health. Currently, all available treatments used for osteoporosis patients are anti-resorptives – they restore bone density by decreasing bone remodeling. However, Uni-PTH is the only available treatment that stimulates new bone formation on quiescent bone surface. By stimulating bone formation, Uni-PTH reduce fracture incidence by improving bone qualities, in addition to only increasing bone density. Furthermore, physicians believe that Uni-PTH is more effective in managing ostealgia (pain in the bone) when compared to current standard treatments, such as calcitonin.



Uni-PTH has previously received the approval from the CFDA for clinical trials. Currently, all clinical trials have been completed; including additional trials to supplement Phase III data in event CFDA harmonizes biostatistical analysis standards with international standards. The Phase III database was locked on 5 January 2014 and the study conclusion meeting was held on 20 April 2014. The Phase III results show that the Uni-PTH is safe and efficacious in post-menopausal women. Moreover, the biochemical biomarker results clearly indicate calcitonin has a different mechanism of action from Uni-PTH. Being an anti-resorptive drug, calcitonin reduces uNTX/UCr, providing evidence of compliance and drug efficacy. On the other hand, biomarkers of BSAP and resorption (uNTX/UCr) were increased by Uni-PTH, supporting its role as an anabolic agent to promote bone growth. For more information, please refer to the voluntary announcement dated 30 June 2014. The Company is in the stage of preparing new drug application (“NDA”) for CFDA submission and expecting to make formal submission in January 2015. Based on past regulatory approval timelines, the Board expects to obtain market approval by late 2016.

Liquidity and Financial Resources

During the period under review, 92,720,057 ordinary shares of HK\$0.01 each were issued resulting from the exercise of bonus warrant at a subscription price of HK\$0.20 per share amounting to HK\$18,544,000.

The Company received net proceeds of approximately HK\$242,000,000 from the open offer in August 2013. The proceeds from the open offer were mainly for the launch of the new products which were expected to be spent in later period. As such, HK\$138,731,000 out of the net proceeds was used for purchase of unlisted investments which were guaranteed by a subsidiary of a major bank in PRC. Besides, HK\$6,456,000 was used in research and development projects and the rest is for repayment of other borrowing.

At 30 September 2014, the Group’s bank deposits, bank balances and cash amounted to approximately HK\$58,610,000 (As at 31 March 2014: HK\$56,227,000). The Group has total assets of approximately HK\$673,851,000 (As at 31 March 2014: HK\$692,915,000), current assets of the Group at 30 September 2014 amounted to approximately HK\$254,946,000 (As at 31 March 2014: HK\$254,423,000) while current liabilities were HK\$82,577,000 (As at 31 March 2014: HK\$94,195,000). The gearing ratio, calculated by dividing the total liabilities over its total assets, was 12.3% (As at 31 March 2014: 13.7%).

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.

Pledge of Assets and Contingent Liabilities

As at 30 September 2014 and 31 March 2014, the Group did not have any assets pledged for any loan facilities granted to the Group and any material contingent liabilities.

Employment and Remuneration Policy

At 30 September 2014, the Group employed 253 staff (As at 31 March 2014: 237 staff), including 42 staff in the PRC R&D centre, 42 staff in total in the PRC sales offices, 154 staff in the PRC production sites and approximately 12 staff in Hong Kong. Apart from the full time employees in the PRC sales offices, the Group also has 112 contracted sales agents. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on performance. Share options may also be granted to staff with reference to the individual's performance.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2014, the beneficial interests of the directors and their associates in the issued share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Capacity	Number of issued ordinary shares (L) (Note 1)	Number of Underlying Shares	Total	Approximate percentage of shareholding
TONG Kit Shing	Beneficial owner and interest of a controlled corporation (Note 2)	932,256,532 shares of HK\$0.01 each	134,739,422	1,066,995,954	21.70%
Kingsley LEUNG	Beneficial owner and interest of a controlled corporation (Note 3)	914,576,010 shares of HK\$0.01 each	144,084,002	1,058,660,012	21.53%
FUNG Kwok Leung	Beneficial owner (Note 4)	–	780,000	780,000	0.02%
TSAO Hoi Ho	Beneficial owner (Note 4)	–	1,540,000	1,540,000	0.03%
Carl Aslan Jason Morton FIRTH	Beneficial owner (Note 4)	–	1,560,000	1,560,000	0.03%
ZHAO Zhi Gang	Beneficial owner (Note 4)	–	1,560,000	1,560,000	0.03%

Notes:

1. The letter “L” denotes the person’s long position in the ordinary shares and underlying shares in the Company or its associated corporation(s).
2. These shares and underlying shares are registered in the name of and beneficially owned by Mr. TONG Kit Shing or Automatic Result Limited (“Automatic Result”), which is solely and beneficially owned by Mr. TONG Kit Shing, an executive Director whereas Mr. LIU Guoyao, an executive Director who resigned on 28 February 2014, is the sole director of Automatic Result. As such, Mr. TONG is deemed to be interested in all the interest in shares and underlying shares in the Company held by Automatic Result by virtue of the SFO.
3. These shares and underlying shares are registered in the name of and beneficially owned by Mr. Kingsley LEUNG or Lord Profit Limited (“Lord Profit”), which is beneficially owned as to 90% by Mr. Kingsley LEUNG, an executive Director, and to 10% by Mr. TONG Kit Shing, an executive Director. As such, Mr. LEUNG is deemed to be interested in all the interest in the shares and underlying shares in the Company held by Lord Profit by virtue of the SFO.
4. These underlying shares are share options granted by the Company on 27 November 2013 and 12 September 2014 under the share option scheme adopted by the Company on 22 September 2006 at the exercise price of HK\$0.219 and HK\$0.230 per share.
5. The percentage of shareholding is calculated on the basis of 4,917,931,481 Shares in issue as at 30 September 2014.

Save as disclosed above, as at 30 September 2014, 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

At 30 September 2014, shareholders (other than directors or chief executives of the Company) who had interests or short positions in the issued share capital 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 (L) (Note 1)	Number of Underlying Shares	Total	Approximate percentage of shareholding
Automatic Result (Note 2)	Beneficial owner	932,256,532	133,959,422	1,066,215,954	21.68%
Lord Profit (Note 3)	Beneficial owner	914,576,010	141,144,002	1,055,720,012	21.47%
Overseas Capital Assets Limited (Note 4)	Beneficial owner	657,180,000	109,530,000	766,710,000	15.59%

Notes:

1. The letter "L" denotes the person's long position in the ordinary shares of the Company.
2. Automatic Result is solely and beneficially owned by Mr. TONG Kit Shing whereas Mr. LIU Guoyao, an executive Director who resigned on 28 February 2014, is the sole director of Automatic Result.
3. Lord Profit is beneficially owned as to 90% by Mr. Kingsley LEUNG, an executive Director, and as to 10% by Mr. TONG Kit Shing, an executive Director.
4. Based on the individual substantial shareholder notice of Overseas Capital Assets Limited filed on 19 June 2014, Overseas Capital Assets Limited is wholly-owned by He Rufeng.
5. The percentage of shareholding is calculated on the basis of 4,917,931,481 Shares in issue as at 30 September 2014.



Save as disclosed above, the Directors and chief executive of the Company were not aware of any other persons who have relevant interests or short positions in the shares or underlying shares in the Company as at 30 September 2014 which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the six months ended 30 September 2014.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2014. All the directors of the Company (including the non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meeting in compliance with the Company's articles of association.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2014.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited consolidated accounts of the Group for the six months ended 30 September 2014 with the directors of the Company.

Hong Kong, 26 November 2014



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