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

Annual Report 2015/16 年報

心創造新醫藥
LEADING GENUINE INNOVATION

* For identication purposes only 僅供識別

ACCELERATED
GROWTH

AGILE

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」**.

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.

Contents

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.

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
COMMITMENT
OF QUALITY

At Uni-Bio, we are dedicated to improving the quality of life of patients through innovative treatments

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 post-menopausal 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

For year/period ended 31 December

	Note	**(audited) 12 months 2015**	(unaudited) 12months 2014	(audited) 9 months 2014
Revenue (HK$'000)		**123,364**	112,581	91,793
Gross profit (HK$'000)		**102,756**	93,659	76,664
R&D costs (HK$'000)		**(17,160)**	(6,567)	(5,250)
Loss before taxation		**(57,230)**	(129,538)	(41,043)
LBITA (HK$'000)	1	**(24,653)**	(12,383)	(2,996)
Gross profit margin (%)		**83.3%**	83.2%	83.5%
R&D costs to revenue (%)		**29.4%**	9.3%	9.5%

As at 31 December		**2015**	2014
Cash ratio (times)	2	**2.23**	4.18
Current ratio (times)	3	**3.27**	5.58
Trade payables turnover days (days)	4	**46**	39
Trade receivables turnover days (days)	5	**96**	83
Inventory turnover days (days)	6	**150**	124
Debt-to-equity ratio (%)	7	**10%**	6%
Total assets turnover (%)	8	**22%**	19%

Notes for key ratios:

1/ LBITA (Loss before interests, taxes, and amortization):	Loss before taxation minus interest expense, impairment loss, depreciation of property, plant and equipment, amortization of intangible assets and prepaid lease payments
2/ Cash ratio:	Bank balances and cash/current liabilities
3/ Current ratio:	Current assets/current liabilities
4/ Trade payables turnover days:	Average of opening and closing balances on trade payables (exclude VAT)/cost of sales and multiplied by 365 days (2014*: 275 days)
5/ Trade receivables turnover days:	Average of opening and closing balances on trade receivables(exclude VAT)/turnover and multiplied by 365 days (2014*: 275 days)
6/ Inventory turnover days:	Average of opening and closing balances on inventory/cost of sales and multiplied by 365 days (2014*: 275 days)
7/ Debt-to-equity ratio:	Total liabilities/total equity
8/ Total assets turnover:	Total revenue/total assets

* Calculation based on figures for the nine months ended 31 December 2014 and twelve months ended 31 March 2014

CHAIRMAN'S STATEMENT

Leading Genuine Innovation


121.4700
0.0082
0.6598
0.8483
0.9483
1.2191
0.0070
1.3069
0.0100

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present Uni-Bio Science Group's (the "**Group**") financial results for the twelve months ended 31 December 2015 (the "**Year under Review**" or the "**Year**"). The Group has maintained a positive growth momentum during the Year, reflective of the strong performance of its marketed products and growing sales force. Overall net sales increased 11.8% (after foreign exchange adjustment) to HK$123,364,000, significantly outperforming the national industry growth rate. Total operating loss narrowed from HK$60,711,000 in the last corresponding year to HK$42,195,000 during the Year representing a decrease of 30.5% between both year. The magnitude of decreases is very significant, mainly attributed from the growth of sales and improvement of the Group's overall business. The Group continues to demonstrate short- to mid-term stability as its operations are self-sustaining, with a strong financial position of HK$110,014,000 in cash to support any near term Capex.

2015 Results Outperformed Previous Years

As you may remember from my previous review in 2014, the Group met a number of significant achievements that have changed its course of development. The Group has focused its efforts on consolidating and strengthening its infrastructure from previous years, resulting in the establishment of an international leadership team and a scientific-based approach to business management (please refer to MD&A under "**Business Strategy**"). Ultimately, the Group's goal is to increase value for all of its stakeholders, from investors to patients. I am pleased to report that the results of such efforts are clearly demonstrated in the results for the Year under Review and in the Group's continued outperformance year on year.

Provincial tendering has been a major theme for the healthcare industry in China in 2015 and it is one of the key risks that may affect the Group's business in the year to come. Based on the outcomes of results to date, it is evident that drug price cuts from recent tenders have negatively impacted the pharmaceutical industry, considerably slowing industry growth from high 20% to 5% in two years. Amid such headwinds, the Group's sales grew 11.8% in local currency terms, significantly outperforming the industry average. Such growth can be attributed to the Group's aggressive efforts to expand its commercialization platform and strong competitive profile of its product portfolio.

During the Year, the Group announced positive results from a Phase III trial of Uni-E4 for the treatment of Type 2 diabetes. Uni-E4 met its primary endpoint, demonstrating non-inferiority in lowering HbA1C (blood glucose) after 24 weeks of treatment against insulin glargine, which is the gold standard in controlling blood sugar levels. Other endpoints across weight loss and lowering of hypoglycemia risk were also met, solidifying Uni-E4 as an innovative and important treatment for diabetes. Additionally, Uni-PTH – the Group's proprietary osteoporosis drug – was submitted and accepted for review by the CFDA in April 2015. This represents a major milestone for Uni-Bio as it confirms the Group's status as an innovative drug developer in the industry.

Demonstrating the Group's agility, significant progress was also made business development activities. The Group launched a new partnership model in 2014 and has already executed a number of important agreements. Following the completion of Uni-Bio's first cross-border deal with Samil Pharmaceuticals in 2014, the Group successfully closed its first domestic partnership deal with one of China's largest pharmaceutical companies, Jiangsu Hansoh, in November 2015. Through the deal, the Group has acquired rights to Mitiglinide, a new and potentially best-in-class oral anti-diabetes treatment. The team is now focused on preparing Mitiglinide for launch across China within the next 12 months. Mitiglinide is complementary to the Group's proprietary endocrinology programmes, Uni-E4 and Uni-PTH, and will provide important commercial intelligence as the Group prepares to launch its potential blockbuster treatments.

Finally, the Group continues to work towards becoming an internationally recognized organization. The Group's Beijing chemical manufacturing line successfully met cGMP 2010 standards in August 2015. New cGMP standards are difficult to obtain, an estimated 1700+ drug manufactures were forced to close due to the mandatory upgrade by December 31st, 2015. This achievement secures the Group's freedom to manufacture chemical products i.e. Pinapu® and Mitiglinide (in the future). For the first time in Uni-Bio's history, the Group garnered investor awards from multiple reputable agencies. The Group received three prestigious awards: "**Best IR Company – Small cap**" from Hong Kong Investor Relation Association (HKIRA) in May 2015; "**Pharmaceutical Award for Best Innovation**" from Hong Kong Business (HKB) Listed Companies Awards in July 2015; and "**2015 High Flyers Award**" from HKB post period end in Jan 2016. These awards are strong validations of the Group's innovation focused business strategy, industry leading team and strong corporate governance. I humbly thank everyone who voted for us.

Further Healthcare Reforms

Industry experts and other key stakeholders have observed that China is going through one of the most substantial changes in the history of modern day drug development. In addition to the raft of policy changes implemented in 2014, including the mandatory cGMP upgrades for all drug manufacturers, the further shift in policies over the last 12 months have set a fundamental new reform direction across the industry in an unprecedented upheaval. The objective is clear – to consolidate the fragmented pharmaceutical industry into concentrated innovators with high quality products, whilst lowering the overall cost and burden to the healthcare system.

Regulators are adopting a "multi-pronged" approach in order to achieve their objective. This includes controlling drug pricing via new pricing mechanisms, shifting patient flow via hospital reforms, increasing the depth of reimbursement via new reimbursement scheme, and improving the quality of innovation via upgraded drug development standards. All policies will pose significant threats for all industry participants going forward. Nevertheless, when there are threats, there are also opportunities. The Group believes that it is positioned well within the changing environment. The majority of the reforms impact generic drug manufacturers but the Group's strategy is geared towards innovative products. Secondly, recent self-audits have reduced the long queues for CDE review, which may positively impact the approval timelines of the Group's products in late stage development and those under review, including Uni-PTH.

There is an imminent "rebirth" of the domestic pharmaceutical industry as the CFDA continues to push forward with further reforms. Regulators hope that the industry will bounce back stronger, enabling domestic drug developers to compete internationally. Survivors from such reforms will become leaders of the industry, and we strongly believe the Group is well positioned to be included in such a group.

Operation A.G.I.L.E and Momentum into 2016

During the Year the Group refined its strategy further, internally launching a five year operational plan called Operation A.G.I.L.E – Accelerate Growth InternationaL Execution (also the theme of this year's annual report). "**Accelerate Growth**" refers to the Group's emphasis on expanding its commercialization platform, as well as in-licensing more products to bolster future growth. "**International execution**" highlights the changes required for the Group to operate at an international level. These themes have been reflected in the cGMP and a number of HR and IT related changes, including the introduction of a performance based culture.

The Group remains cautiously optimistic as it carries momentum into 2016, working towards executing A.G.I.L.E. In commercialization, the Group plans to continue to increase the number of direct sales reps, as well as set up a dedicated commercial team to better expand the Group's regional distributor network. Detailed preparation work will also commence to ensure a strong launch for Mitiglinide. On the other hand, there are a number of expected regulatory and clinical milestones in 2016, these include Uni-PTH new drug application ("**NDA**") transfer to Central Drug Evaluation center ("**CDE**"), submission of Uni-E4 NDA package to CFDA, and completion of phase I trials of Uni-EPO-Fc. Also, to ensure sustainable growth, the Group is investing into next generation versions of its blockbuster portfolio. A number of these developmental projects has initiated in 2015 and will become important projects in 2016. Finally, the Group is assessing a number of exciting and innovative business development opportunities across different healthcare functions. The Group hopes to complete more partnership deals to further solidify its position in diabetes, ophthalmology and dermatology.

Leading Genuine Innovation

The Group's efforts to succeed all focus on the delivery of truly innovative, high-quality solutions to the pressing healthcare problems faced by patients in China. We aspire to be internationally recognized as a trusted provider of healthcare, committed to building a business that promotes integrity and transparency. Our value lies in our commitment to build a business that positively impacts our customers at all times, at every touchpoint of our value chain.

"Leading Genuine Innovation" and "心創造，新醫藥" – in Chinese – is the Group's new slogan. It captures the essence of the Group's core values and long term vision. The slogan is the blueprint and soul of Uni-Bio, and will continue to guide the Group's focus in developing products which are disruptive (real innovation) yet compassionate (help solve problems for patients) for many years to come.

In closing, I thank the Group's employees for their contribution during the Period. I also extend my deepest appreciation to the Group's stakeholders, partners, customers and suppliers for their continued commitment to the Group's ambitions. The Group will continue to forge ahead in order to achieve its long term vision and become an internationally recognized and respected Chinese healthcare company.

TONG Kit Shing
Chairman

13 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Accelerate Growth, International Execution

Management Discussion and Analysis

Operational excellence is the key theme at Uni-Bio

FINANCIAL PERFORMANCE AND REVIEW

Sales Developments

During the twelve months ended 31 December 2015, the Company recorded a consolidated turnover of approximately HK$123,364,000 representing an increase of 9.6% compared with approximately HK$112,581,000 recorded in the twelve months ended 31 December 2014. During the Year, the RMB devalued against the HKD, therefore the sales growth adjusted for forex fluctuations (the "**normalized growth**") is 11.8%.

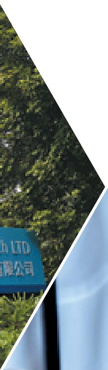
The Group's topline normalized growth compares very favorably to the overall People's Republic of China's ("**PRC**") hospital drug sales growth of approximately 5.0%, according to IMS. The Group demonstrated strong financial and operational performance as a result of the implementation of a number of strategic initiatives including 1) well managed tenders led by its new Market Access department, 2) strengthening of its commercial platform, and 3) successful penetration into new growth provinces.

The Group's product range includes a number of products with market-leading positions, however the government's ongoing tender program for the pricing of drugs in all provinces and municipals is exerting negative pressure on pricing in the industry amongst all participants. For this reason, industry growth has considerably decelerated from 20%+ to 5% in two years. These changes have caused companies to be more discretionary about the provincial tenders in which they participate, and even exiting from some provincial tenders if the prices demanded by the provincial authorities are not deemed to be sustainable. Our portfolio strategy has been focused on developing innovative therapies, which benefit from a strong competitive profile, and as a result the new tendering mechanisms and price revisions had minimal impact on our financial performance in 2015. Moreover, the Group established a new Market Access department at the end of 2014 and the team of experienced tendering professionals closely monitored and managed all tenders during 2015. As a result, the tendering outcomes were managed well and the Group enjoyed consistent access to key provinces without significant impact to pricing.

In addition, the Group continued to implement its strategy of establishing a highly qualified and experienced Sales and Marketing team and sees the benefits of this in the strong and transparent relationships the teams are forging with healthcare professionals throughout China. During the Year, the Group grew its overall sales force by approximately 30%

and established a commercial department to oversee the management and growth of the regional distributors it works with. The Group successfully increased the number of regional distributors it works with by 20% to a total of 141.

In 2014, the Group realigned its sales team into North and South regions in order to create smaller geographical areas for its Sales Directors and commercial leaders to focus on and leverage their local expertise and knowledge most effectively. The opening of Tianjin, Jiangsu and Shanghai markets for Pinapu® and the success in the Guangdong tender during the Year are examples of the Group's achievements resulting from this realignment. By specifically targeting new markets with high GDP, the Group is generating strong growth for a number of its products, including its EGF products in new therapeutic areas and indications.



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, sales of proprietary biological pharmaceutical products reached HK$82,013,000, representing an increase of 1.7% compared with HK$80,681,000 recorded in the last corresponding year and 66.5% of total consolidated sales. Accounting for forex fluctuations, the biological normalized growth was 3.8%, principally benefitting from the launch of our products in new indications.

GeneTime®

During the Year, GeneTime® was successfully launched as an effective and safe product for use in a new therapeutic area, Obstetrics and Gynecology. Jiangsu and Guangdong are two of the many provinces that has shown strong interest and uptake of GeneTime® in this new market.

The Group integrate its new Medical Department into its commercial operations in order to establish relationships with a broader group of healthcare professionals. This has already enabled Uni-Bio to create greater awareness of GeneTime® and foster relationships with supportive Key Opinion Leaders. The Group actively participate in a growing number of National and major provincial events to build brand awareness of GeneTime® and in 2015, the Group's top executives increased their visibility at these events to foster senior relationships.

One of the challenges for the Sales and Marketing team is reacting to the constantly changing landscape of the provincial tenders. Reluctantly the Group had to refrain from participating in some tenders due to the pricing restrictions. This is a major restraint on the growth of GeneTime® and has offset some of the strong progress the Group has been making in launching GeneTime® in new therapeutic area and territories.

GeneSoft®

GeneSoft® sales growth during the Year was relatively modest as a result of its limited reimbursement status in the PRC. To address this, the Group recruited a highly experienced Government Affairs specialist into its Market Access team during the second quarter of 2015 who is coordinating efforts in executing a plan to seek reimbursement for GeneSoft® and to explore opportunities for the Group's other existing products. In the second half of 2015, the specialist has successfully listed GeneSoft® in three provinces and the Group is optimistic that this will positively impact GeneSoft® sales growth in 2016.

Proprietary chemical pharmaceutical products

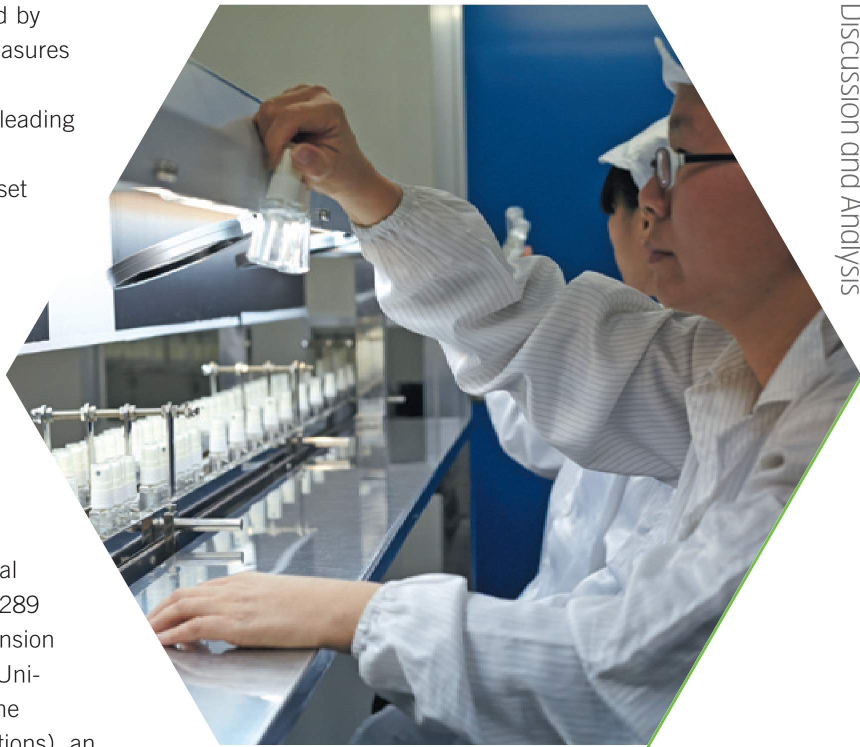
The Group's proprietary chemical pharmaceutical product sales represent the sales of Pinapu® (voriconazole tablet to treat severe fungal infections). This segment achieved a turnover of HK$41,351,000 in the Year, representing growth of 29.6% versus the corresponding annual sales of HK$31,900,000. Accounting for forex fluctuations, the chemical normalized growth is 32.3%. Chemical pharmaceutical products represented approximately 33.5% of total consolidated sales compared to 28.3% in the last corresponding year.

Following the Group's decision to focus on opening new accounts in new territories, during the Year the Sales and Marketing team successfully opened new accounts in Shanghai and Tianjin, two areas with potential for significant growth in the future. In the South, the teams were successful in the provincial tender in the key Guangdong province which has already made an important contribution to the Group's growth and will continue to do so.

Recently, regulators in China have limited the use of antibiotics as a measure to limit the potential of cultivating multi-resistant bacteria. This has also impacted other anti-pathogenic drugs, including antifungals, and we observed a slowdown in antifungals sales growth to 10.5% in 2015 from 16.0% of the corresponding year. However, sales of voriconazole continue to grow rapidly and we observed revenue growth of 33.5% in 2015. Such consistent strong growth is proof of voriconazole's unique mechanism of action, and effectiveness as a second-generation anti-fungal product. A recent IMS report (Dec 2015) shows that Pinapu® has gained market share and, as we continue to expand our Sales force and network, and build support for Pinapu®, we are confident we will continue to grow strongly.

Development costs, EBITDA & EBT

Gross profit for the Year was approximately HK$102,756,000, representing an increase of 9.7% as compared with approximately HK$93,659,000 recorded in the last corresponding year. Gross profit margin remained constant at around 83.0%. Despite pricing pressure on drugs from provincial tenders and fast growing wages in Beijing and Shenzhen, which negatively impact the Group's cost of sales and gross margins, the Group was able to ensure gross margins remained stable. The Group remains proactive in its approach to improve profitability further, for example by carefully broadening the number of active pharmaceutical ingredient ("**API**") suppliers used to maintain competitiveness for the cost of raw materials and remaining focused on growing sales volumes to lower the unit cost of production. The Group also continues to focus on containing costs across the businesses where possible and increasing operational efficiency.



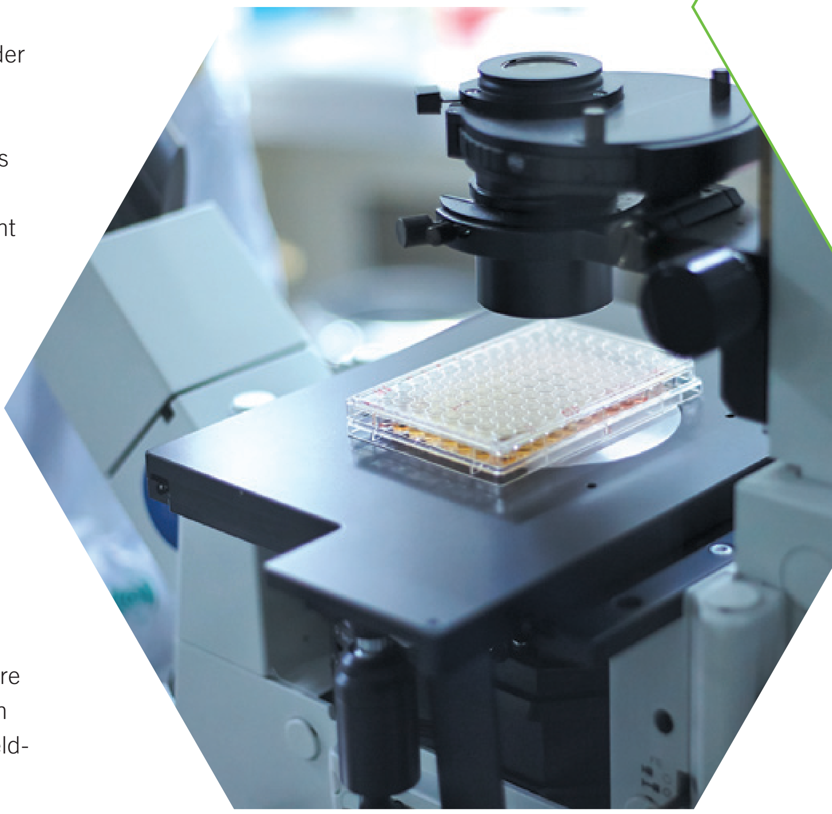
General and administrative expenses decreased by 26.1%, mainly due to stringent cost control measures (e.g. new travel policies), effective operational streamlining (e.g. new IT communication tools leading to less travel) and change in depreciation and amortization charges. Most of the intangible asset had been fully amortized during 2014 (exclude those intangible asset arise from product development in progress), amortization charge for the year decreased to HK$5,186,000 (twelve months ended 31 December 2014: HK$15,312,000). The effect of the decrease in general and administrative expenses was also counterbalanced by the 1) strengthening of the Group's team and infrastructure and 2) roll out of new human resources plan. During the Year, the total organization increased from 255 employees to 289 employees as at 31 December 2015. The expansion included establishing a new legal entity called Uni-Bio Science Healthcare (which encompasses the Group's healthcare: focused commercial operations), an office in the CBD of Beijing, representing the Group's strategic shift towards a stronger and more sophisticated commercialization platform, and supplementing its current portfolio with products via business development activities. Uni-Bio Science Healthcare will play a key role in driving the Group's strategic plans. Equally important, the Group's human resources ("**HR**") department also launched a new initiative to alter the Group's HR culture to align with international standards and promote a performance based reward system. As a result, the Group introduced a new variable bonus scheme, which includes both variable cash and equity reward for key employees.

Total R&D costs charged for the year, included capitalization to intangible assets of HK$19,132,000, was approximately HK$36,292,000 (twelve months ended 31 December 2014: HK$10,520,000 which included HK$3,953,000 was capitalized as intangible assets), representing a growth from 9.3% to 29.4% of total revenue of the corresponding year. As the Group's proprietary Recombinant Exendin-4 ("**Uni-E4**") and Recombinant Human Parathyroid Hormone (1-34) ("**Uni-PTH**") programs continue to progress towards market approval, most development costs are related to the final phase III clinical trial payments and industrialization cost before commercialization. The majority of the incremental cost increases versus the last corresponding year is related to the Group starting a new project to develop drug delivery devices and innovative formulation technology of Uni-E4 and Uni-PTH, in order to ensure long term sustainable growth of the Group by broadening its product portfolio. Finally, the Group continues to develop its proprietary long acting EPO-Fc Fusion Protein Injection ("**Uni-EPO-Fc**"). Post Year end, the Group announced the completion of a phase I single ascending dose (SAD) study of that Uni-EPO-Fc. The results showed that the drug was well tolerated and the Group expects to start phase I multiple ascending dose (MAD) studies and pharmacokinetic studies and complete the remaining phase 1 studies by the first quarter of 2017. As the Group develops new technology and its pipeline, R&D costs may fluctuate year-to-year due to the cost stage of the respective development project. Currently, all developmental costs are invested in biologics. The Group continues to build on its expertise and experience in this field, with a focus on metabolic diseases, including diabetes and osteoporosis.

Sales and Distribution expenses increased to HK$64,940,000 from HK$61,774,000 in the Year under Review. The increase is attributed to the increase in sales and the proportion is in line with industry peers. Despite increasing the number of sales representatives and devaluation of currency, sales and distribution expense as a percentage of revenue remained constant because of the change in sales mix of the Group's marketed product to product specifications that are more profitable. In addition, there was a grant of 171,240,000 share options during the Year. The equity-settled based payment resulted from a new HR scheme designed to reward senior managers with company share options, motivating them to complete Group targets, as opposed to complete targets only relevant to their subsidiaries.

Other income decreased from HK$8,217,000 in the previous year to HK$5,333,000 in the Year under Review. Other income represents income from non-core businesses, such as leasing and interest from bank. In the last corresponding year, the Group was holding held-to-maturity investments, which offered higher returns whilst guaranteeing principle and investment, return. Following changes within the profile of investment options available within the PRC financial banking industry, the Group was unable to find an alternative arrangement with a similar risk and return profile. Excluding the held-to-maturity investment, the Group generated a greater return in the Year versus the last corresponding year. As a percentage of average bank balance over the year ("**yield**"), the yield was 2.4% versus 0.5% in the last corresponding year.

Total operating loss narrowed from HK$60,711,000 in the last corresponding year to HK$42,195,000 during the Year representing a decrease of 30.5% between both year. The magnitude of decreases is very significant, mainly attributed from the growth of sales and reduction of general and administrative expenses. The Group is still showing a loss from operations mostly due to depreciation on fixed assets and amortization of intangible assets and prepaid lease payment, totaling HK$32,577,000. The majority of these expenses relate to the Group's heavy investment in plant and machinery



to adhere to the new China Good Manufacturing Practice standards, and development in advance of the commercialization of its pipeline products (Uni-PTH and Uni-E4). Adding back depreciation and amortization, and other non-cash items ("**Adjusted EBITDA**"), total operational loss is HK$9,618,000 during the Year. Considering a cash and cash equivalent of HK$110,014,000 is recorded in the end of the Year, the Group can continue to support its near term operations and investment.

Loss arising due to Misappropriations of Funds

Post period end, the Group discovered a suspected misappropriation of funds by a former employee, who was employed by the Group's Beijing subsidiary (Beijing Genetech Pharmaceutical Co. Limited, "**Beijing Genetech**") ("**Suspected Misappropriation**"). Through its regular internal control operation, discovered certain unusual payment transaction records with its suppliers and business partners. After internal investigation, Beijing Genetech has reported the Suspected

Misappropriation to the PRC police authorities. The Company has been given to understand that up to the date of this announcement, the former employee involved is under criminal detention by the relevant PRC police authority, and that certain forged chops and documents relating to Beijing Genetech have been discovered in the respective former employee's residence.

The Group's board of director took a number of swift actions in order to investigate and control the impact of the events on the Group. These actions include 1) reviewing and further enhancing the internal control processes in Beijing Genetech, as well as other subsidiaries, 2) engaging two independent and professional forensic teams to investigate the event, 3) limited the scope of action of all senior management in Beijing Genetech that may be involved with the event, and 4) provided regular updates to the market via voluntary announcements. These actions reflect the Group's strong control procedures and effectiveness in managing unexpected events.

According to the forensic investigation, the amount of funds misappropriated by the former employee does not exceed RMB8,218,000 and the former employee had acted alone in the suspected misappropriation of funds. The Group is now proactively cooperating with the relevant PRC police authority to trace and return the misappropriated funds back to the Group. In the meantime, as advised by the Group's auditor, the Group has recognized the full amount of such misappropriation of funds (equivalent to HK$9,991,000) in the audited consolidated results of the Group for the twelve months ended 31 December 2015.

BUSINESS REVIEW

The Group's overall business strategy employs two specific elements – one focused internally (solidifying foundation) and the other focused externally (maximizing value). Solidifying foundations include 1) functionalization and virtualization, 2) human capital investment, 3) compliance with cGMP manufacturing standards, and 4) upgrading our IT infrastructure. Maximizing value includes 1) expanding our commercialization platform, and 2) implementing our new partnership model. The details regarding the strategy can be found in the Group's 2014 Annual Report, under Business Strategy. In the Year under Review, the Group reaffirmed its strategy to all employees by launching Operation A.G.I.L.E., (Accelerate Growth and International Execution). "Accelerate Growth" represents what was previously described in "maximizing value" and "International Execution" represents "solidifying foundations". The vision of the Group is to become an internationally respected healthcare company specializing in diabetes management. In order to achieve this long term vision, the Group is focused on executing to international standards across all of its operations, whilst solidifying its financial performance. Management strongly believes that good communication and a transparent development strategy for its employees are essential for the Company to efficiently execute on the Group's strategic plan.

The Group has been making solid progress on implementing these strategies across its various operational functions, effectively strengthening the competitiveness of the Group in the industry and ensuring operational excellence. The table which follows summarizes the recent business updates, opportunities and challenges in regards to key functions of the Group during the Year.

Functions	Items	Description	Updates	Opportunities	Challenges
Sales and Marketing	Provincial tendering	2015 was an important tendering year for the industry. It was mandatory for all provinces in China to open up for tender before the end of the year. Tendering is a very important process determining the price at which the drug is sold and whether the drugs are allowed to be sold in the first place. The Group established a dedicated multi-functional task force, including its Market Access team and Senior Management. This task force reviews the status of the provincial tenders regularly via an in-house specialized tracking tool in order to ensure tendering process for three of its marketed products is effectively managed.	At the year end, Pinapu® covers 21 provinces and military hospitals, GeneTime® covers up to 24 provinces and military hospitals and GeneSoft® covers 23 provinces. Overall, the results of the tendering in the Year has been satisfactory. The Group was able to preserve many provinces at a sustainable price level.	Progress on provincial tendering has been favorable, especially for Pinapu®. In 2015, we secured 2 new major markets, as well as a critical market for future growth. Unfortunately, we lost the smaller market of Guangxi. We are now listed in 21 provinces. Our success in tendering is a result of the strong taskforce we have put in place to manage the tendering process. Our team has a strong track record and solid understanding of the tendering process, coupled with broad experience of working with local distributors in securing tenders.	As a result of measures to contain healthcare expenditure, there are likely to be negative pricing pressures in every successive tendering round. Moreover, successive tendering rounds will reference the drug price of the lowest price of the previous tendering round. Therefore, the Group will have to manage the tender carefully to prevent significant price drops in the future. In some instances, the Group will not participate in those provinces where the resultant price is too low. For the aforementioned reasons, we relinquished 2 provinces for GeneTime® and GeneSoft® during the year. We do not foresee this significantly impacting growth mainly because in early 2016, we secured a new major provincial tender for GeneTime® and GeneSoft®. Most importantly, we were able to preserve pricing. Also, as mentioned in Market access, we also gained reimbursement for 3 new provinces for GeneSoft®, which will positively affect sales volume.
	Commercial platform expansion	One of the Group's priorities in the Year was to expand its commercial platform in preparation for the launch of two new, next generation products. Firstly, the Group plans to significantly expand the size of its in-house sales team. Secondly, the Group plans to also partner with contract sales organizations (CSO) or larger pharmaceutical companies to expand its sales and marketing reach across China.	In the Year under Review, the Group expanded its in-house team of sales representatives by approximately 30% and increased its regional distributor network by 20%. The Group continues to be in discussions with various large sales organizations exploring partnerships for current marketed products.	Co-promotion will allow the Group to leverage the existing sales network of its partners. By doing so, the Group can quickly broaden its reach into parts of China where it previously had limited coverage. For Pinapu® and GeneTime®, 80% of our sales come from 8 provinces or less, and approx. 55% from Beijing and Guangdong. This reflects our focus & success in the key territories. Following the addition of Tianjin and Shanghai (see Pinapu®, above) we have broadened our base of major cities and we believe we can realize strong growth from them. However, there still remains a significant opportunity for us to penetrate new territories and grow our business. Where there is a good fit we will seek collaboration with a major company. We can leverage the scale of our partners to reach areas that would not be economically viable for us to do independently. At the same time, such sales will also increase our market share and visibility in the marketplace. Last but not least the Group will ensure it is financially attractive.	The Group realizes that there are challenges to co-promotion collaborations, i.e. allocation of territories, potential cross-selling, and logistics. Our team is very experienced and will ensure we address the issues of territorial management, pricing, target setting, logistics and overview. Furthermore, to guarantee smooth execution, the Group plans to set up joint sales committee with partners and hiring dedicated alliance managers to ensure information is communicated seamlessly between both parties.

Functions	Items	Description	Updates	Opportunities	Challenges
Market Access	Reimbursement of GeneSoft®	Currently, GeneSoft® is the only product in the Group's marketed portfolio not reimbursed by the National Reimbursement Drug List (NRDL). Being in the NRDL allows patients to access the product more easily, leading to greater sales volumes. Therefore, it is a priority of the Group for GeneSoft® to be included on the NRDL. The Group established a new Market Access department to tackle this objective.	The new team has already set out a comprehensive plan in order to efficiently have the product listed in different reimbursement list. The Group completed two key promotional events to provincial government in 2H of 2015, one in Tianjin and another in Zhuhai. During the Year, the team successfully listed GeneSoft® in three provinces, including Jilin, Yunnan and Tianjin. We also managed to secure good pricing for our GeneSoft® business through China.	GeneSoft® has already been on the market for almost a decade and many doctors have years of experience using GeneSoft® in their clinics, understanding that the product is both very safe and efficacious. Moreover, GeneSoft® has a large database of clinical publications to support its use in multiple indications. These are all major factors in determining whether a product can be listed in the reimbursement list.	There are two key challenges in the reimbursement of GeneSoft®. Firstly, there are no official dates on which reimbursement agencies allow new products to be added. Therefore, there is no certain timeline for a GeneSoft® listing; this project may be a multi-year initiative. Based on past experience and timelines, the Group believes there is a possibility that the reimbursement list will open in 2016. The Group has already started work to prepare for such an event. Secondly, if GeneSoft® is successfully listed on the reimbursement list, the Group believes there will be an immediate price cut on the product. However, the volume growth expected from listing should greatly compensate any discount of the product.
Manufacturing	New GMP status	The CFDA required all drug manufacturers to comply with the latest GMP upgrade by the end of 2015. At the beginning of the Year, the Group successfully received new GMP status for its manufacturing entity in Shenzhen and its Beijing manufacturing facility successfully upgraded its chemical manufacturing line to comply with the latest GMP standards in August 2015.	All of the Group's manufacturing lines are compliant with the latest GMP standards as of the end of the reported Year. This has strengthened the Group's position as a high-quality and reliable manufacturer which meets both local and international standards.	Upgrading to the latest GMP provides a number of advantages to the Group, including securing our freedom to operate, improving product quality, upgrade manufacturing capacity, and preventing disruption of drug supply to the market. In addition, the GMP upgrade has changed the competitive landscape of the drug industry. A number of industry players may choose not to upgrade their manufacturing lines due to cash flow constriction. The latest number released by regulators states that over 1,700 smaller drug and TCM manufacturers have been forced to close when new GMP standards took effect on December 31st, 2015. Therefore, this provides an opportunity for the Group to acquire additional drug licenses. The Group's business development team is actively monitoring the situation and assessing opportunities.	No further challenges expected as the Group has successfully complied with the latest GMP standards across its facilities.

Functions	Items	Description	Updates	Opportunities	Challenges
R&D	Pipeline progress	For the past decade, the Group has focused on the development of innovative and proprietary products with the potential to deliver significant commercial value to its business. Two of the Group's lead development products, Uni-E4 and Uni-PTH, have now successfully completed phase III studies, the last major stage of clinical development, and we are undertaking the final preparations necessary pre-approval and commercialization.	The Group has made significant progress in the development of Uni-PTH and Uni-E4 in the Year under Review. Uni-PTH was officially accepted by the CFDA for review and Uni-E4 met the primary efficacy and safety endpoints in a phase III study. These events mark significant progress and achievements by Uni-Bio's clinical team, enhancing our commercial outlook and reaching key milestones in accordance with our strategic time plan. Post Year end, the Group has also made progress on EPO-Fc by completing the phase I single ascending dose (SAD) trial. This trial showed that Uni-EPO-Fc was well tolerated in all dose groups and enables us to progress the development of a product with the potential to be the first long-acting EPO formulation launched in China. In recognition of these achievements, the Group was granted the "Pharmaceuticals Award" for Best Innovation for Uni-E4 project at the inaugural Hong Kong Business Listed Companies Awards, strong testimony to the Group's approach to innovation. For full details of the Group's pipeline products, please refer to the section under "Research and Development".	The Group has created new systems in order to ensure R&D progress adheres to strict timelines and to allow more accurate forecasting of development timelines. Both Uni-PTH and Uni-E4 met predetermined timelines in the Year, and the Group is cautiously optimistic to launch both products in late 2017 or early 2018. Moreover, the Group has engaged a leading CRO in the PRC to help audit the final submission package (dossier package) for both pipeline products to the CFDA, ensuring no additional delays during the registration process. The mandatory self-audit report of Uni-PTH has also been submitted to the local regulators. With several changes in the CFDA system, we are reviewing our pipeline with the possibility of accelerating the development of our new generation products. This is in line with the CFDA's objective of promoting new technologies while serving the patients in a cost-effective way.	Forecasting approval dates is always a challenge in China. There is no formulae or guidance from PRC regulators. The Group has used historical approval timelines from other biologic product approvals as a basis of our forecast as well as referenced to industry association and industry experts. In the Year under Review, a number of major changes were made to the clinical trial data requirements by the CFDA. With effect from July 2015, regulators require many active drug registration filings to carry out self-audit of dossiers, or voluntarily withdraw applications with data discrepancies. The Group is cautiously optimistic of the current situation. Over 77% of registration filings lodged with the CFDA were automatically retracted, significantly reducing the backlog for review of filings. Whilst Uni-Bio did not believe that its filings should be retracted, there remains a risk that CFDA may require further data from the Group due to the increased requirements when inspection is underway. Therefore, there is uncertainty to the exact impact recent regulatory changes might have on approval timelines but we are monitoring the progress of our applications closely.

Functions	Items	Description	Updates	Opportunities	Challenges
Business Development	Partnership model – Uni-Bio and Jiangsu Hansoh deal	In 2014, the Group implemented a partnership model in order to strengthen its product offering in Diabetes, Ophthalmology and Dermatology. Internal R&D normally takes a decade in order to move a drug from development to the market. This process also requires large upfront investment and substantial risk taking. Via the partnership model, the Group hopes to share part of the risk with partners, as well as shorten development timelines.	In the Year under Review, the Group successfully closed its first domestic partnership with Jiangsu Hansoh in November 2015. Under the agreement, the Group will acquire and commercialize a potential best-in-class oral anti-diabetic drug called *Mitiglinide*. Jiangsu Hansoh will continue to supply the Group with drug product (before the manufacturing license is transferred to the Group) and API (after the manufacturing license is transferred to the Group). With the partnership with Jiangsu Hansoh, Uni-Bio has gained entry into the Diabetes therapeutic space which complements the Group's commercialization plans for Uni-E4.	*Mitiglinide* has demonstrated strong clinical advantages against other glinides: • Short onset of action (decrease in blood sugar within 5 mins versus 10-15 mins of peers) • Low risk of hypoglycemia & dyslipidemia *Mitiglinide* has a number of pending catalysts to gain market share: • Potential NRDL listing in 2016 • Merck Serono in-licensed China rights for *Mitiglinide* in late 2014 which we expect to benefit us as a result of raising product awareness *Mitiglinide* supplements Uni-Bio's current endocrinology pipeline. Commercial knowhow of *Mitiglinide* will benefit the Group ahead of the launch of Uni-E4 and Uni-pTH. The Group is making preparations to launch *Mitiglinide* in China and expects to generate first sales of *Mitiglinide* in late 2016 or early 2017.	*Mitiglinide* is a relatively new product in China (first launched in 2009). The originator molecule was originally marketed by a Japanese pharmaceutical company with limited penetration into the diabetes space in China. For that reason, there is limited share-of-voice of the product to date. However, as mentioned, the Group believes there is a lucrative opportunity for the product, in Japan it is already the bestselling glinide product on the market. The challenge will be educating and convincing KOLs and Chinese doctors on the clinical advantages of *Mitiglinide*, in order for the product to realize its true potential.

Functions	Items	Description	Updates	Opportunities	Challenges
Others	HR and IT	A large part of the Group's strategy of solidifying foundation relates closely to human resources (HR) and information technology (IT). As mentioned in the Group's 2014 Annual Report, the Group initiated a number of HR and IT projects at the end of the last financial year.	In the Year under Review, a number of these projects were completed. For example, the Group completed the plan for a new unified compensation scheme, and it will be rolled out to all subsidiaries in the coming months. The Group also completed the final phase of integrating the sales and marketing team into the new legal entity of Beijing, as well as, relocating key sale and marketing staff to the new office in Beijing CBD. In IT, the Group successfully rolled out a new state-of-the-art communication platform that allows free video and audio conferencing capabilities across all locations. The Group also introduced a new financial accounting system that is connected to all subsidiaries. The new system gives the Group's financial controller the ability to track subsidiary financials in real time. The system was introduced as a part of an effort to increase the internal controls of the company.	One major HR initiative is to integrate the HR policies of all our entities. The second is to roll out a compensation and benefits (C&B) program that emphasizes the benchmark against the market, as well as to raise the importance of performance-linked rewards. Post Year, the Company awarded its second CEO Awards to 8 employees. The group-wide award recognizes outstanding contributions by employees and effectively represent the top 3% of our employees. In addition to improving efficiency, this is a critical step in raising performance of the Group and will be an ongoing initiative. We have also analyzed our IT investments and observed that they have increased communications (including face-to-face video meetings) while improving efficiency. The Group also believes this increased level of communications will enhance levels of team work, so that we perform as one unit. Finally, we have consolidated multiple core financial systems among Uni-Bio to enhance the reliability of our financial reporting, increase the efficiency in preparing necessary consolidated accounts, provide a consistent view of all business unit, as well as provide a real-time tracking of operation activities throughout the subsidiaries. With such improvement, we can be closely monitor the annual budget and execute the operational plan in a more efficient and effective way.	There are two key challenges of any HR and IT initiative. First is user acceptance, users normally take time and resources in order for them to fully integrate into the new changes and systems. In some cases, users may refuse to integrate because they don't see the immediate benefits. Management will continue to educate users to accept such changes and systems in order for the Group to fully benefit from these projects. The second challenge is measurement. Although it is apparent that such projects will improve the productivity and effectiveness of employees, quantifying such improvements are generally very difficult. The Management is currently exploring different approaches to measure these data points.

Functions	Items	Description	Updates	Opportunities	Challenges
Others	Investor Relations and Public Relations	Due to the technical nature of the Group's business, IR has become an integral part of the Group's operations. Effective IR and communication enables generalist investors to better understand the Group's high tech products and unique business model. In turn, this may support greater liquidity from the capital markets, which can be used to support future growth.	During the Year under Review, the Group attended multiple corporate days (reverse roadshows), organized by major securities houses, including Morgan Stanley, Everbright and Founder. The team also participated in leading and industry conferences, namely Asia Biotech Invest (HK). In addition, dozens of one-on-one meetings with representatives from internationally reputable fund houses and securities firms were conducted throughout the year across Hong Kong, Shanghai and Beijing, as an effective channel for regular communications with the investment community. The Group also organized dedicated site visits for analysts and investors at its plants in Shenzhen and Beijing to observe its R&D and manufacturing capabilities. To enhance corporate transparency, the Group issued voluntary announcements on all-important issues. We also distributed press releases on business updates regularly, keeping investors and the media abreast of our latest developments. Moreover, the Group launched a new IR communication channel targeted at providing Chinese-reading investors updated information regarding the Group via popular smartphone apps. Finally, the Group also launched a new corporate slogan to reflect its commitment to developing novel healthcare treatments and solutions that address unmet medical needs – "Leading Genuine Innovation". The slogan will be shortly incorporated in many of the Group's external and internal communication packages.	The Group prioritizes strong corporate governance and has proactively enhanced it over the last 18 months. Such enhancement has been recognized by the HKIRA and the Group has successfully garnered the "Best Small Cap IR award" in 2015. The accolade is a testimony to the Group's dedicated efforts to excellence in corporate governance, effective policies and best practices in investor relations. Post Year end, the Group was awarded HKB's "High Flyers Awards", an accolade that recognizes track record of leadership in the field and continuous innovation of its products. The slogan is very important and will continue to guide all stakeholders on the Group's aspiration in becoming a trusted provider of healthcare internationally.	The Group is a high tech enterprise, and can be considered difficult for generalist investors to evaluate. The IR team observed a specific gap in understanding biotech amongst some investors domiciled in Hong Kong. To address this, the Group has altered its IR strategy to proactively educate investors via frequent one-to-one meetings. In addition, the Group has also deployed resources to capture the strong interest in H-share listed healthcare companies in the region amongst PRC investors. The Group believes its strong product portfolio and unique business model will resonate well to these investors.

RESEARCH AND DEVELOPMENT

The Board and management continuously perform competitive intelligence reviews in order to ensure that all products being marketed and developed by the Group remain commercially competitive. Based on the strategic review conducted in early 2014, the Group has identified three therapy areas which it considers to hold the most promise and will focus on for future development of its product portfolio: diabetes (and potentially other metabolic diseases), ophthalmology and dermatology. As a result, the Group is continuing the development of three new patent protected Class I & VII prescription drugs in its proprietary pipeline. The Class I prescription new drugs include Uni-E4 and rhEPO-Fc. The Class VII prescription new drugs include Uni-PTH.

In addition to fiscal changes, the PRC biopharmaceutical industry has undergone significant change in regulation since 2014. A raft of policy changes should create positive effects in the mid-to-long term for the Group as a result of its commitment to creating novel treatments via in-house R&D capabilities, particularly as regulators continue to seek the development of more innovative treatments. A recent industry report suggests that the patented drug market will be the fastest growing segment in the PRC biopharmaceutical sector, growing to 9% of total industry value by 2020 from 5% in 2011. To capitalize on this opportunity, the Group continues to bolster its portfolio of marketed novel products through in-house development and by assessing multiple partnership opportunities.

Products/ Compound	Indication	Description	Pre-clinical	Phase 1	Phase 2	Phase 3	Pre-registration	Marketed
IN-HOUSE								
Metabolic								
Uni-E4	Type 2 diabetes	A class of anti-diabetic treatments called GLP-1 agonists, is a non-insulin treatment candidate that stimulates the incretin pathway. It is intended as twice-daily injection. This class of drug has been shown to be effective and well accepted in treatment of Type 2 diabetes and is one of the only classes causing weight loss, lower risk of hypoglycemia and increase in β-cell regeneration	▶	▶	▶	▶	▶	
Uni-PTH	Osteoporosis	Uni-PTH (Parathyroid hormone analogue) is an effective anabolic (bone growing) agent treating osteoporosis. Uni-PTH improves bone density and reduces bone fracture through stimulating new bone formation. It is also effective in managing ostealgia (pain in the bone) when compared with standard treatments. Uni-PTH requires injection once daily.	▶	▶	▶	▶	▶	
Uni-E4-Fc	Type 2 diabetes	Uni-E4-Fc (rExendin-4 Fc) is the long-acting version of Uni-E4 as a next generation rExendin-4 treatment. Uni-E4 half-life in the body is significantly extended by attaching a FC fragment. As a result, Uni-E4-Fc will only require injection once every 2 or 3 weeks, greatly improving the treatment convience to patients.	▶					
Ophthalmology								
GeneSoft	Ophthalmic wound healing	GeneSoft (recombinant human epidermal growth factor derivative, also known as rEGF derivative) is a prescription biologic drug for ophthalmic wound healing (e.g. corneal ulcer). rEGF derivative directly acts on epidermal cell to treat skin injury and accelerate healing through cellular proliferation, differentiation, and survival. rEGF derivative has three extra amino acids in the N-terminus that increases the stability of molecule. As a result, GeneSoft can be stored in room temperature.	▶	▶	▶	▶	▶	▶
Dermatology								
GeneTime	Dermalogical wound healing	GeneTime (recombinant human epidermal growth factor, also known as rEGF) is a prescription biologic drug for wound healing. rEGF directly acts on epidermal cell to treat skin injury and accelerate healing through cellular proliferation, differentiation, and survival. GeneTime is the only rEGF in spray formulation in China. It is administered once daily after debridement.	▶	▶	▶	▶	▶	▶
Infectious Disease								
Pinapu	Fungal infection	Pinapu (Voriconazole) is a prescription oral drug treating fungal infection. Voriconazole works acts by blocking fungal cell wall growth, which results in death of the fungus. Pinapu is administered twice daily and is mainly used in immune compromised patients after chemotherapy or organ transplant.	▶	▶	▶	▶	▶	▶
Hematology								
EPO-fc	Anemia	rhEPO-Fc (Recombinant Human Erythropoietin-Fc) can be used for treatment of anemia associated with renal diseases, cancer related therapies and surgical blood loss. rhEPO-Fc is a next generation EPO treatment. rhEPO half-life in the body is significantly extended by attaching a FC fragment. As a result, rhEPO-Fc will only require injection once biweekly, greatly improving the treatment convience to patients.	▶	▶				

Uni-E4

Uni-E4, part of a class of anti-diabetic treatments called GLP-1 agonists, is a non-insulin treatment candidate that stimulates the incretin pathway. GLP-1 agonists stimulate the body's ability to produce insulin in response to elevated levels of blood glucose, inhibit the release of glucagon following meals, physiologically regulates appetite, and slows down the rate at which glucose is absorbed into the bloodstream. This class of drug has been shown to be effective and well accepted in the treatment of Type 2 diabetes mellitus ("**T2DM**") in the West and is one of the only classes of diabetic drugs shown to also cause weight loss. As obesity is a common comorbidity of T2DM, this class 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 the risk of hypoglycemia and promoting ß-cell regeneration.

It is estimated that China's diabetes drugs market will expand 20% annually to reach RMB20 billion by 2016, becoming one of the largest therapeutic areas in the PRC. According to the International Diabetes Federation, China has the world's largest diabetes epidemic, and it continues to grow rapidly. The most recent research found that China has overtaken the USA in terms of diabetes prevalence: according to the latest data, 11.6% of Chinese adults have diabetes, creating a tremendous strain on the country's public health system and a pressing need for effective treatment solutions.

Classified as a Class I prescription new drug by the Chinese Food and Drug Administration, Uni-E4 is a well-established GLP-1 agonist. Its potential as a new treatment has been recognised through the selection of Uni-E4 as a 'New Key Drug Formulation"of the State's Major Science and Technology Project under the "Eleventh Five-Year Plan". Uni-E4 was also awarded the "Specialty Contract of the State's Major Science and Technology Project"by the Ministry of Science and Technology of the PRC. The targets required for the grant by the Ministry of Science and Technology have been met successfully and all clinical trials have been completed, including additional trials to supplement phase III data in the event that CFDA harmonizes biostatistical analysis standards with international standards. During the Year under Review, the Group announced positive results from a phase III trial of Uni-E4 for the treatment of T2DM. In the non-inferiority study, Uni-E4 showed that it can reduce Glycosylated Hemoglobin (HBA1c), the primary efficacy endpoint of the study, to levels similar to insulin glargine after 24 weeks of treatment. Uni-E4 also showed significant weight loss and lower rates of hypoglycemic reactions, results in line with other GLP-1 agonist treatments and supportive of long term use of the drug, especially in overweight diabetics. The Group aims to file the formal NDA to the CFDA in 2H2016. Once submitted, the Board hopes to obtain market approval in mid– 2017, which is based on past regulatory approval timelines. Furthermore, the Group continues to investigate a long acting version of Uni-E4, LExendin-4.

rhEPO-Fc

EPO is a glycoprotein hormone that can increase the proliferation and differentiation of BFU/CFU-E and maturation of red blood cells. It is vital to the production of red blood cells, and ultimately, oxygen in the human body. Currently, EPO treatment is widely used in treating anaemia caused by renal insufficiency, chemotherapy and HIV treatment, as well as preoperative autologous donation to avoid infection by blood-borne diseases. According to Frost and Sullivan (2015), the rhEPO market in China is expected to reach US$477 million by 2018 (growing at 18.5% per year) and the global anemia therapeutics market is worth more than US$12 billion. Despite the large market, current EPO usually last for only six to eight hours within the human body's half-life blood serum loop which often results in long-term treatment and frequent dosing. This significantly increases patients' treatment costs and seriously lowers the patents' quality of life due to their high dependence on medicines. Thus, a long-acting EPO treatment is urgently needed in a clinical setting.

The Group is developing Uni-EPO-Fc by using recombinant DNA techniques, which potentially has once-fortnightly treatment frequency. The fusion protein technique developed by the company has the potential to overcome the shortcomings of the traditional fusion technique using IgG1-Fc. The project have been supported by the PRC Ministry of Science and Technology following its selection as a 'New Key Drug Formulation' in the State's Major Science and Technology Project under the 'Eleventh Five-Year Plan. Pre-clinical trials of rhEPO-Fc have been completed and the Group is now undertaking a phase I study in the PRC. Post Year end, the Group announced that it has completed a single ascending dose component of the phase I clinical study of Uni-EPO-Fc. The study showed that Uni-EPO-Fc was extremely well tolerated with no significant adverse events. Three out of the forty participants who completed the clinical trial experienced low fever and minor injection site irritation that disappeared within 24 hours. Moreover, Uni-EPO-Fc facilitated the increase both in absolute value and percentage of blood reticulocytes in healthy participants who underwent testing. The Group hopes to complete the remaining phase I clinical trials by first quarter of 2017.

Uni-PTH

The Group's Uni-PTH is a Class VII prescription new drug and has been shown to be an effective anabolic (bone growing) agent used to treat osteoporosis. Currently, the PRC osteoporosis market is expected to be worth RMB15.5 billion (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. All available treatments used for osteoporosis patients are anti-resorptives which prevent further loss of bone density by decreasing bone remodeling. In comparison, in clinical trials Uni-PTH has been shown to be effective in stimulating new bone formation on quiescent bone surface. By stimulating bone formation, Uni-PTH has the potential to reduce fracture incidence by improving bone quality in addition to also increasing bone density. Physicians believe that Uni-PTH is more effective in managing ostealgia (pain in the bone) when compared to current treatments, such as calcitonin.

In June 2014, the Group announced positive results from a phase III trial of Uni-PTH for the treatment of osteoporosis. The phase III results showed that 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 parathyroid hormone. Being anti-resorptive, calcitonin decreases uNTX/UCr and a reduction in urinary NTx secretion provides 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. Accurate to previous stated timelines, the Group successfully filed the formal NDA to the CFDA in April 2015. The application has completed review by provincial FDA and will soon be transferred for technical review by the CDE. The Board hopes to obtain market approval as early as mid-2017, but approval timelines are highly variable and limited by the resources available by regulators.

Technical know-how

The Group has established broad expertise in gene cloning, genetic engineering expression, fermentation, purification and examination technology systems that it deploys in its R&D activities. Furthermore, through the use of the AKTA liquid chromatography separation system, the Group has established the high flux two steps standard operating procedure for protein purification. Using this standard method, the protein purity after purification is up to 98 percent, higher than the official standard in the PRC.

BUSINESS OUTLOOK

The government of the PRC has implemented a series of supportive policies in the last twelve months to bolster the economy. However, recent economic data has indicated that the economy has not been growing at the pace originally expected by analysts. The macro factors of the healthcare industry remain strong, for example the increased health awareness amongst the public, China's aging population and an increase in healthcare access, and the Group is optimistic that these will continue to create attractive business opportunities in the pharmaceutical and healthcare industry in the PRC. However, the biggest potential impact the Group can foresee is the uncertainty of liquidity from the capital markets if fund raising is ever required, an uncertainty faced by all capital market participants. At the moment, the Group is well funded with HK$110,014,000 of cash and cash equivalent as at 31 December 2015.

2015 marked another year of significant change for the pharmaceuticals industry, driven by the increasing action by regulators to achieve their goal of upgrading the Chinese pharmaceutical industry in order to compete internationally. The objective is to consolidate industry players, concentrate innovators and increase the quality of pharmaceutical products, these are all ambitions which Uni-Bio wholly supports. From the patient side, it is to increase the reach to more patients whilst lowering cost to the overall health care system. The current reforms will impact different points across the pharmaceutical value chain and we expect to observe more new policies being implemented by the CFDA and provincial tendering agencies in the year ahead.

The Chinese healthcare system is evolving quickly and this is putting significant strain to all players across the industry, those who adapt quickly and survive the changes will emerge stronger. The Group is ensuring it is well positioned to be successful and sustainable in light of these priorities. On the ground, its new Market Access and Medical teams, together with its expanding Sales & Marketing team will ensure on the Group's continued growth in this environment. Meanwhile the Group's Clinical team will focus on ensuring its new products navigate successfully through the regulatory process. Led by its new highly-experienced, international management team, and building upon its excellent performance in 2015, we are confident that Uni-Bio will navigate the changing environment and emerge as an industry leader.

Government Reforms

Recently announced government reforms in PRC will impact generic drug manufacturers, making it more difficult to develop and commercialize generic products in the future. Whilst this should not have a significant impact on the Group due to its focus on developing innovative biologic products, the reforms may potentially impact the growth of Pinapu® and *Mitiglinide* in the future, the Group's only products considered generic in its portfolio. The reforms require new standards to be met. For example, although not mandatory for non-EDL (essential drug list) listed drugs such as Pinapu® and *Mitiglinide*, CFDA now recommends that generic drug manufactures perform Bioequivalent ("**BE**") studies to demonstrate that their generics are highly similar to the originators in terms of quality. Early adopters to the non-mandatory BE study will have certain commercialization incentives. In 2016, the Group will focus on proactively running a BE study on Pinapu® and will work closely with its partner, Jiangsu Hansoh, to perform similar studies for *Mitiglinide*. The Group is taking this action to ensure that it is positioned well to realise any available commercial incentives. Uni-Bio's Beijing team has successfully demonstrated a strong track record in navigating increased regulatory requirements. For example, Beijing Genetech (the Group's Beijing manufacturing entity) successfully attained new cGMP standards for the chemical manufacturing line in August 2015. In the end of 2015, it is estimated that new GMP requirements forced closure of a staggering 1,700 small drug/TCM manufacturers. We are confident that our team has the capabilities to successfully address the new reforms.

In relation to sales and marketing, generic products will continue to face more pricing pressure in successive tendering rounds. Pinapu® (and *Mitiglinide*) have unique market access positions (e.g. limited competition) therefore the Group's exposure to such downside risk is limited. This is evident from the tendering performance of Pinapu® in 2015; the Group ensured that access of all 20 provinces was uncompromised and also gained a new territory for growth, whilst holding a sustainable price level. Strong positioning of our products and an experienced team managing provincial drug tendering has meant that the Group's growth has greatly outperformed the general industry in 2015. The momentum achieved in 2015 with Pinapu® is expected to continue in 2016 or at least till the next tendering rounds are activated. As for GeneTime® and GeneSoft®, the Group expects to see sustainable growth for both products. Both products are Class I products in the PRC. GeneTime® does not compete with any other product as it has an exclusive (spray) formulation for EGF. Similarly, there is only one competitor in the market with the same formulation as GeneSoft®. Therefore, both products resist large pricing cuts (and ensure tendering success). Sales & marketing and market access initiatives will continue in full force, including our GeneSoft® reimbursement planning, increase in sales reach (both organic and inorganic), expansion into new therapeutic areas (e.g. women's health for GeneTime®), collaborations with local partners (both regional or national network) and the contribution of the Medical Team to enable us to reach new patients and grow existing prescription volumes.

Finally, in relation to clinical development, the regulators released a slew of new reforms since July 2015, one particular change that surprised the industry was the requirement for drug developers with active drug registration filings to carry out self-audit of dossiers and voluntarily withdraw application with data discrepancies. This resulted in 83% of filings (1349 out of 1622) being voluntarily retracted by end of the Year under Review. The Group has completed a self-audit for Uni-PTH, and we continue to be confident in the quality of our submission package. Nevertheless, there is upcoming uncertainty on how the CFDA will proceed further with such clinical trial reforms. Moreover, the Group is still uncertain on how the recent changes will affect launch timelines for both Uni-PTH and Uni-E4, or how further reforms will impact drug development in PRC. The recent reform has significantly cut the drug-filling backlog, therefore cutting the time to market, however CDE officials are still adjusting to the new changes to dossier review processes, and there may be further reforms in the horizons. The transition phase for all participants of the industry (both regulator and drug manufactures) to adjust to may be significant and lengthy. The Group will continue to work closely with its development partners and consultants, as well as closely monitor updates from the regulatory agencies in order to devise specific strategies to tackle to upcoming challenges.

2016 Priorities

To conclude from the recent regulatory changes and updates on the Group's businesses in the Year under Review, our 2016 priorities continue to focus on executing Operation A.G.I.L.E.

- Expand our commercialization platform by increasing both our Sales Team as well as through regional or national partnerships
- Preparing and ensuring a successful and strong launch for *Mitiglinide*
- In-licensing or acquiring products/technologies that complement our existing pipeline and support our long term vision of becoming an expert in the Group's core therapeutic focus
- Guiding Uni-PTH through the regulatory landscape changing
- Submission of Uni-E4 NDA to CFDA

- Complete phase I clinical trial of Uni-EPO-Fc
- Kick off BE study for Pinapu® (work with Jiangsu Hansoh to do the same for *Mitiglinide*)
- Roll out of new HR and IT strategies across all subsidiaries to create a culture focusing on international quality of execution and performance
- Further enhancement of group corporate governance

LIQUIDITY AND FINANCIAL RESOURCES

During the Year under Review, 4,558,648 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$912,000. In addition, 126,380,000 ordinary shares of HK$0.01 each were issued resulting from the exercise of share options at a subscription price of HK$0.219 per share amounting to HK$27,677,000. The proceeds from exercising both bonus warrant and share options were used as general working capital of the Group.

As at 31 December 2015, the Group's bank deposits, bank balances and cash amounted to approximately HK$110,014,000 (As at 31 December 2014: HK$138,126,000). The Group has total assets of approximately HK$556,956,000 (As at 31 December 2014: HK$596,668,000), current assets of the Group at 31 December 2015 amounted to approximately HK$161,753,000 (As at 31 December 2014: HK$184,351,000) while current liabilities were HK$49,443,000 (As at 31 December 2014: HK$33,023,000). The gearing ratio, calculated by dividing the total liabilities over its total assets, was 9.0% (As at 31 December 2014: 5.6%).

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 31 December 2015 and 31 December 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 31 December 2015, the Group employed 289 staff (31 December 2014: 255 staff), including 37 staff in the PRC R&D centres, 53 staff in the PRC sales offices, 173 staff in the PRC production sites, 17 staff in PRC headquarters and 9 staff in Hong Kong headquarters. Apart from the full time employees in the PRC sales offices, the Group also has 141 regional distributors. 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.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. TONG Kit Shing, aged 55, is the chairman ("**Chairman**") of the Company and has been appointed as an executive director with effect from 22 September 2005. He has been engaged in metal trading business in the PRC since 1997. Mr. TONG also has extensive investment experience in water treatment business in the PRC using biotechnology.

Mr. Kingsley LEUNG, aged 29, has been appointed as an executive director of the Company with effect from 28 February 2014. 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. Mr. Leung has extensive experience in investment banking and business development in the biotechnology industry. Mr. Leung is a cousin of Mr. TONG Kit Shing.

NON-EXECUTIVE DIRECTOR

Mr. FUNG Kwok Leung, aged 50, prior to his appointment as a non-executive director of the Company, Mr. Fung was the Company Secretary and the Chief Financial Officer ("**CFO**") of the Company. Mr. Fung is the Company Secretary of China Innovationpay Group Limited (stock code: 8083) whose shares are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Fung holds an Honour Degree in Accountancy from the Hong Kong Polytechnic University, is a fellow member of both of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and is a fellow member of the Taxation Institute of Hong Kong and a Certified Tax Advisor. He has over 20 years of extensive experience in accounting and related fields.

Mr. Fung was appointed as a non-executive director with effect from 28 February 2014 and resigned as a non-executive director on 18 September 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Carl Aslan Jason Morton FIRTH, aged 43, has been appointed as an independent non-executive director of the Company with effect from 1 April 2014. Dr. Firth is the Chief Executive Officer and Founder of ASLAN Pharmaceuticals Pte Ltd. Dr. Firth was previously the Head of Asia Healthcare at Bank of America Merrill Lynch. He also spent 5 years at AstraZeneca in pharmaceutical research and development and 4 years in business development, strategic projects and the development of new products in Asia. Dr. Firth holds a PhD degree from Cambridge University in Molecular Biology and a Master of Business Administration degree from London Business School.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. ZHAO Zhi Gang, aged 56, has been appointed as an independent non-executive director of the Company with effect from 1 April 2014. 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 is currently the CFO of WOWO Limited, whose shares are listed on the New York Stock Exchange ("NYSE"). Previously, Mr. Zhao was 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 NYSE) from 2006 to 2011, and the independent director of Zuoan Fashion Limited (whose shares was listed on the NYSE) from 2011 to 2015. Prior to that, Mr. Zhao was the CFO of Sun New Media Group Limited, a NASDAQ-listed company, from 2005 to 2006. 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.

Mr. CHOW Kai Ming, aged 50, 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. TSAO Hoi Ho, Terry, aged 51, Mr. Tsao is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants, an associate of The Institute of Chartered Secretaries and Administrators, an associate of the Australasian Institute of Banking & Finance, and an associate of the Bankers' Institute of New Zealand. Mr. Tsao graduated from the University of Warwick with a Master of Business Administration degree. He has over 20 years' extensive experience in auditing, corporate finance and company secretary. He has worked for international accounting firms for 5 years and is currently the Financial Controller, Company Secretary and authorized representative of Ningbo WanHao Holdings Company Limited, a joint stock limited company incorporated in the People's Republic of China whose shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8249). He was also an executive director of Applied Development Holdings Limited whose shares are listed on the main board of the Stock Exchange (stock code: 519) He was the CFO of China Shouguan Mining Corporation, a company incorporated in the state of Nevada, United States whose shares are quoted at the OTCQB market in the United States and he resigned on 28 February 2015. Mr. Tsao was appointed as an independent non-executive director with effect from 7 May 2010 and resigned as an independent non-executive director on 18 March 2016.

SENIOR MANAGEMENT

Mr. KOH Phee Wah, aged 56, was appointed as the Chief Executive Officer of Uni-Bio Science Healthcare Limited, a wholly-owned subsidiary of the Company in February 2014. Mr. Koh is in charge of managing all the Group's biotech operations. Mr. Koh has more than 15 years of general manager experience in a number of multinational life science companies, such as Becton Dickinson, Pharmacia and Monsanto, and also previously led drug product launches in Southeast Asia and China. Prior to joining the Group, Mr. Koh was the Chief Operating Officer of UCB Biopharma China which is one of the top 15 global biotechnology companies by market capitalization. Mr. Koh graduated from the National University of Singapore and holds an MBA from Washington University. He also qualified as a Chartered Accountant of Australia and New Zealand.

Mr. CHAN Shun Tai, Edward, aged 55, is the Director of Market Access of Uni-Bio Science Healthcare Limited, a wholly-owned subsidiary of the Company. Mr. Chan is a professional pharmacist and has obtained his Pharmacist licenses in Canada and Hong Kong since 1985 and 1987 respectively. Mr. Chan has over 24 years of extensive sales and marketing experience in the pharmaceutical industry. Before joining the Company on 5 March 2012, he was the Director of New Business Development of Xian-Janssen Pharmaceutical Ltd and a General Manager of Jacobson Medical Limited.

Mr. KONG You Hoi, Matthew, aged 49, is the General Manager of Sales and Marketing of Uni-Bio Science Healthcare Limited. Mr. Kong is in charge of managing the sales and marketing functions of the Group. Mr. Kong has over 20 years of extensive sales and marketing experience with Hong Kong and multinational pharmaceutical companies in China. Mr. Kong graduated from the Chinese University of Hong Kong in Biology.

Dr. WEN Ya Lei, Jacky, aged 55, is the General Manager of Beijing Genetech Pharmaceutical Co., Ltd. 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.

Mr. HAN Wei Yue, aged 49, is the General Manager of Dongguan Taili Biotech Co., Ltd. Mr. Han has over 20 years of management experience in the development of genetic engineering drugs in large pharmaceutical companies. Mr. Han graduated from Shanghai Medical University.

Ms. LUO Chang Qing, aged 53, is the Deputy General manager of Shenzhen Watsin Genetech Ltd. Ms. Luo has over 30 years of experience in finance, accounting and management. She graduated from the Hunan Radio & TV University.

Ms. LIU Yan, Emily, aged 43, was appointed as the Medical Director of Uni-Bio Science Healthcare Limited in August 2014. Ms. Liu holds a bachelor's degree (with honours) in Clinical Medicine from Hebei University of Medical Science and obtained a master's degree in Neurology from the Capital University of Medical Science in July 1999. Ms. Liu is a medical practitioner and has been working in Beijing Tongren Hospital for 10 years. She also has more than 7 years of medical experiences in multinational pharmaceutical companies like Pfizer and GE Healthcare.

Ms. YAU Suk Yan, aged 34, is the Financial Controller and Company Secretary of the Company. Ms. Yau graduated with a bachelor's degree in Accountancy from Hong Kong Polytechnic University and she is a fellow member of the Hong Kong Institute of Certified Public Accountants. She has over 11 years financial management, company secretarial practicing, accounting and auditing experience in Hong Kong listed companies and international accounting firm.

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.

The Directors are of the opinion that the Company has 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 twelve months ended 31 December 2015.

THE BOARD OF DIRECTORS

The Board currently consists of five members, including two executive Directors, one being the Chairman 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

Mr. FUNG Kwok Leung was appointed for a term of 3 years commencing from 28 February 2014 (Mr. Fung resigned on 18 September 2015).

Independent non-executive Directors

(1) Mr. TSAO Hoi Ho, Terry was appointed for a term of 2 years commencing from 1 May 2014 (Mr. Tsao resigned on 18 March 2016).
(2) Dr. Carl Aslan Jason Morton FIRTH was appointed for a term of 3 years commencing from 1 April 2014.
(3) Mr. ZHAO Zhi Gang was appointed for a term of 3 years commencing from 1 April 2014.
(4) Mr. CHOW Kai Ming was appointed for a term of 3 years commencing from 1 April 2016.

The Chairman of the Board is Mr. TONG Kit Shing. 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 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 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. Upon the resignation of Mr. LIU Guoyao as an executive Director and the Chief Executive Officer on 28 February 2014, the duties of the Chief Executive Officer have been temporarily shared by another executive Director and key executives, except the Chairman, until a suitable successor is appointed. The Board considers that the vesting of the roles of Chief Executive Officer to the other executive Director and key executives in the aforementioned arrangement will not impair the balance of power and authority within the Board as all major decisions are made in consultation with members of the Board.

THE BOARD OF DIRECTORS (Continued)

Mr. Kingsley LEUNG, an executive Director, is a cousin of Mr. TONG Kit Shing, the Chairman of the Board, and Mr. Kingsley LEUNG used to be employed by ASLAN Pharmaceuticals Pte Ltd. from June 2011 to March 2014, of which Dr. Carl Aslan Jason Morton FIRTH, an independent non-executive Director, is the chief executive officer and founder, and is currently holding less than 5% interest in ASLAN Pharmaceuticals Pte Ltd. Save as disclosed, 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 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 twelve months ended 31 December 2015 is as follows:

	Type of continuous professional development activities
TONG Kit Shing *(Chairman)*	A,B,C
Kingsley LEUNG	A,B,C
Carl Aslan Jason Morton FIRTH	A,B,C
ZHAO Zhi Gang	B,C
CHOW Kai Ming (appointed on 1 April 2016)	N/A
FUNG Kwok Leung (resigned on 18 September 2015)	A,C
TSAO Hoi Ho, Terry (resigned on 18 March 2016)	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

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 BOARD OF DIRECTORS (Continued)

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 twelve months ended 31 December 2015 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 individual Directors at the board meetings and general meetings during the twelve months ended 31 December 2015.

	Number of attendance	
	General meetings	**Board meetings**
Executive Directors		
TONG Kit Shing *(Chairman)*	1/1	16/16
Kingsley LEUNG	1/1	16/16
Non-executive Director		
FUNG Kwok Leung (resigned on 18 September 2015)	1/1	2/14
Independent Non-executive Directors		
TSAO Hoi Ho, Terry (resigned on 18 March 2016)	1/1	4/16
Carl Aslan Jason Morton FIRTH	1/1	4/16
ZHAO Zhi Gang	1/1	3/16
CHOW Kai Ming (appointed on 1 April 2016)	N/A	N/A

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 appointment and a reminder is sent to each Director to remind him about the blackout period during which he 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 twelve months ended 31 December 2015.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") was established in 2001. From 1 January 2015 to 17 September 2015, the Audit Committee comprised one non-executive Director, namely, Mr. FUNG Kwok Leung, and three independent non-executive Directors, namely, Mr. TSAO Hoi Ho, Terry, Dr. Carl Aslan Jason Morton FIRTH and Mr. ZHAO Zhi Gang. From 18 September 2015 to 31 December 2015 (and up to 17 March 2016), the Audit Committee comprised three independent non-executive Directors, namely Mr. TSAO Hoi Ho, Terry, Dr. Carl Aslan Jason Morton FIRTH and Mr. ZHAO Zhi Gang. From 18 March 2016 to 31 March 2016, the Audit Committee comprised two independent non-executive Directors, namely Dr. Carl Aslan Jason Morton FIRTH and Mr. ZHAO Zhi Gang. From 1 April 2016 and up to the date of this report, the Audit Committee comprised three independent non-executive Directors, namely Mr. CHOW Kai Ming, Dr. Carl Aslan Jason Morton FIRTH and Mr. ZHAO Zhi Gang. On 18 September 2015, Mr. TSAO Hoi Ho, Terry, was appointed as, while, Mr. FUNG Kwok Leung resigned as, the chairman of the Audit Committee. On 18 March 2016, Mr. TSAO Hoi Ho, Terry resigned as the chairman of the Audit Committee. As at the date of this report, Mr. CHOW Kai Ming (appointed on 1 April 2016) 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 three meetings during the twelve months ended 31 December 2015. The attendance record of the Audit Committee meetings is as follows:

Members of the Audit Committee	Number of attendance
CHOW Kai Ming *(Chairman)* (appointed on 1 April 2016)	N/A
Carl Aslan Jason Morton FIRTH	3/3
ZHAO Zhi Gang	3/3
FUNG Kwok Leung (resigned on 18 September 2015)	3/3
TSAO Hoi Ho, Terry (resigned on 18 March 2016)	3/3

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. From 1 January 2015 to 17 September 2015, the Remuneration Committee comprised one executive Director, namely, Mr. TONG Kit Shing, one non-executive Director, namely, Mr. FUNG Kwok Leung, and three independent non-executive Directors, namely, Dr. Carl Aslan Jason Morton FIRTH, Mr. TSAO Hoi Ho, Terry, and Mr. ZHAO Zhi Gang. From 18 September 2015 to 31 December 2015 (and up to 17 March 2016), the Remuneration Committee comprised one executive Director, namely, Mr. TONG Kit Shing, and three independent non-executive Directors, namely Dr. Carl Aslan Jason Morton FIRTH, Mr. TSAO Hoi Ho, Terry, and Mr. ZHAO Zhi Gang. From 18 March 2016 to 31 March 2016, the Remuneration Committee comprised one executive Director, namely, Mr. TONG Kit Shing, and two independent non-executive Directors, namely Dr. Carl Aslan Jason Morton FIRTH and Mr. ZHAO Zhi Gang. From 1 April 2016 and up to the date of this report, the Remuneration Committee comprised one executive Director, namely, Mr. TONG Kit Shing, and three independent non-executive Directors, namely Dr. Carl Aslan Jason Morton FIRTH, Mr. ZHAO Zhi Gang and Mr. CHOW Kai Ming. Dr. Carl Aslan Jason Morton FIRTH has been the chairman of the Remuneration Committee during the year under review and as at the date of this report. 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 under review, 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 twelve months ended 31 December 2015, The individual attendance of each member is set out below:

Name of director	Number of attendance
Carl Aslan Jason Morton FIRTH *(Chairman)*	2/2
TONG Kit Shing	2/2
ZHAO Zhi Gang	2/2
CHOW Kai Ming (appointed on 1 April 2016)	N/A
FUNG Kwok Leung (resigned on 18 September 2015)	2/2
TSAO Hoi Ho, Terry (resigned on 18 March 2016)	2/2

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. From 1 January 2015 to 17 September 2015, the Nomination Committee comprised one executive Director, namely, Mr. TONG Kit Shing, and three independent non-executive Directors, namely, Mr. TSAO Hoi Ho, Terry, Dr. Carl Aslan Jason Morton FIRTH and Mr. ZHAO Zhi Gang. From 18 September 2015 to 31 December 2015 (and up to 17 March 2016), the Nomination Committee comprised one executive Director, namely, Mr. TONG Kit Shing, and three independent non-executive Directors, namely Mr. TSAO Hoi Ho, Terry, Dr. Carl Aslan Jason Morton FIRTH and Mr. ZHAO Zhi Gang. From 18 March 2016 to 31 March 2016, the Nomination Committee comprised one executive Director, namely, Mr. TONG Kit Shing, and two independent non-executive Directors, namely Dr. Carl Aslan Jason Morton FIRTH and Mr. ZHAO Zhi Gang. From 1 April 2016 and up to the date of this report, the Nomination Committee comprised one executive Director, namely, Mr. TONG Kit Shing, and three independent non-executive Directors, namely Dr. Carl Aslan Jason Morton FIRTH, Mr. ZHAO Zhi Gang and Mr. CHOW Kai Ming. Mr. TONG Kit Shing has been the chairman of the Nomination Committee during the year under review and as at the date of this report.

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

NOMINATION COMMITTEE (Continued)

During the year under review, 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 recruitment professionals might be engaged to carry out selection process when necessary.

CORPORATE GOVERNANCE FUNCTIONS

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

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

AUDITORS' REMUNERATION

The Group was charged HK$1,700,000 for audit services and HK$235,000 for non-audit services (i.e. tax advisory for optimising the Group's tax structure) by Messrs. Deloitte Touche Tohmatsu in respect of the twelve months ended 31 December 2015.

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 with the assistance of an external professional firm, BDO Limited, 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.

Post period end, the Group discovered the Suspected Misappropriation through its regular internal control operation, and discovered certain unusual payments transaction records with its suppliers and business partners. The Board keeps reviewing and further enhancing the internal control processes to prevent such incidents from happening in the future again.

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 twelve months ended 31 December 2015, 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 twelve months ended 31 December 2015.

COMPANY SECRETARY

Ms. YAU Suk Yan was appointed as the company secretary of the Company with effect from 14 August 2015. All Directors have access to the advice and services of the company secretary. During the twelve months ended 31 December 2015, each of Ms. YAU Suk Yan and Mr. SHUM Chi Chung, who resigned on 14 August 2015, has taken no less than 15 hours of relevant professional trainings respectively to update her/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 nine months ended 31 December 2014 ("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 Room 3006, 30/F., The Centrium, 60 Wyndham Street, Central, Hong Kong.

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

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

Pursuant to Article 58 of the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, stating the objects of the meeting and deposited at the principal place of business of the Company in Hong Kong at Room 3006, 30/F., The Centrium, 60 Wyndham Street, Central, 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 twelve months ended 31 December 2015 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 twelve months ended 31 December 2015.

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 42 to the consolidated financial statements. Segmental information of the Group is disclosed in Note 7 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 twelve months ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 56.

DIVIDEND

The Directors do not recommend the payment for a dividend for the twelve months ended 31 December 2015.

SHARE CAPITAL AND RESERVES

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

Movements in reserves of the Group during the year under review are set out in the consolidated statement of changes in equity on page 58.

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

At 31 December 2015, the aggregate amount of the Company's reserves available for distribution to shareholders was approximately HK$516,095,000 (31 December 2014: HK$483,087,000).

Movements in share capital and reserves for the twelve months ended 31 December 2015 are set out in Note 31 and Note 32 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the Company's subsidiaries and associates at 31 December 2015 are set out in Note 42 and Note 23 to the consolidated financial statements respectively.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

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

Non-Executive Director

Mr. FUNG Kwok Leung (resigned on 18 September 2015)

Independent Non-Executive Directors

Dr. Carl Aslan Jason Morton FIRTH
Mr. ZHAO Zhi Gang
Mr. CHOW Kai Ming (appointed on 1 April 2016)
Mr. TSAO Hoi Ho, Terry (resigned on 18 March 2016)

In accordance with Articles 87(1) and 87(2) of the Company's articles of association, each of Dr. Carl Aslan Jason Morton FIRTH and Mr. ZHAO Zhi Gang will retire by rotation at the forthcoming annual general meeting of the Company ("Annual General Meeting") and being eligible, offer themselves for re-election. In accordance with Article 86(3) of the Company's articles of association, Mr. CHOW Kai Ming shall hold office only until the Annual General Meeting, and being eligible, will offer himself for re-election at the Annual General Meeting.

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. TONG Kit Shing, the Chairman and an executive Director, has entered into a service agreement with the Company for an initial term of two years commencing from 22 September 2005 which term is now renewable automatically for successive periods of one year until terminated by not less than three months' notice in writing served by either party on the other.

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 2014.

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 15 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

During the year under review and as at the date of this report, an indemnity provision was in force. 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 2015, 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 6)
TONG Kit Shing	Beneficial owner and interest of a controlled corporation (Note 2)	932,256,532 (L)	135,339,422 (L)	1,067,595,954 (L)	21.14%
Kingsley LEUNG	Beneficial owner and interest of a controlled corporation (Note 3)	914,576,010 (L)	147,104,002 (L)	1,061,680,012 (L)	21.03%
TSAO Hoi Ho, Terry	Beneficial owner (Note 4)	–	2,260,000 (L) (Note 4)	2,260,000 (L)	0.04%
Carl Aslan Jason Morton FIRTH	Beneficial owner (Note 4)	–	2,720,000 (L) (Note 5)	2,720,000 (L)	0.05%
ZHAO Zhi Gang	Beneficial owner (Note 4)	–	2,720,000 (L) (Note 5)	2,720,000 (L)	0.05%

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) 932,256,512 Shares held by Automatic Result Limited ("**Automatic Result**"); (ii) 1,380,000 underlying Shares relating to the share options granted by the Company to Mr. TONG Kit Shing on 12 September 2014 and 10 July 2015 respectively; and (iii) 133,959,422 underlying Shares relating to the unlisted warrants issued by the Company to Automatic Result on 4 October 2013. Automatic Result is a company solely and beneficially owned by Mr. TONG Kit Shing, the Chairman and an executive Director. As such, Mr. TONG Kit Shing is deemed to be interested in all the interests in the Shares and underlying Shares in the Company held by Automatic Result by virtue of the SFO.

3. These interests consist of (i) 914,576,010 Shares held by Lord Profit Limited ("**Lord Profit**"); (ii) 5,960,000 underlying Shares relating to the share options granted by the Company to Mr. Kingsley LEUNG on 12 September 2014 and 10 July 2015 respectively; and (iii) 141,144,002 underlying Shares relating to the unlisted warrants issued by the Company to Lord Profit. Lord Profit is a company which is beneficially owned as to 90% by Mr. Kinsley LEUNG, an executive Director, and as to 10% by Mr. TONG Kit Shing, the Chairman and an executive Director. As such, Mr. Kingsley LEUNG is deemed to be interested in all the interests in the Shares and underlying Shares in the Company held by Lord Profit by virtue of the SFO.

4. These underlying Shares relate to the share options granted by the Company to Mr. TSAO Hoi Ho, Terry on 27 October 2013, 12 September 2014 and 10 July 2015 respectively.

5. These underlying Shares relate to the share options granted by the Company to the respective Directors on 12 September 2014 and 10 July 2015 respectively.

6. The percentage of shareholding is calculated on the basis of 5,049,030,129 Shares in issue as at 31 December 2015.

DIRECTORS' INTERESTS IN SHARES (Continued)

Save as disclosed above, as at 31 December 2015, 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 2015, shareholders (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company were as follows:

Name	Capacity	Number of ordinary shares	Number of underlying Shares	Total	Approximate percentage of shareholding (Note 5)
Automatic Result (Note 2)	Beneficial owner	932,256,532 (L)	133,959,422 (L)	1,066,215,954 (L)	21.12%
Lord Profit (Note 3)	Beneficial owner	914,576,010 (L)	141,144,002 (L)	1,055,720,012 (L)	20.91%
Overseas Capital Assets Limited (Note 4)	Beneficial owner	657,180,000 (L)	109,530,000 (L)	766,710,000 (L)	15.19%

Notes:

1. The letter "L" denotes the person's long position in the shares and underlying shares in the Company.
2. Automatic Result is solely and beneficially owned by Mr. TONG Kit Shing, the Chairman and an executive Director.
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, the Chairman and 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 5,049,030,129 Shares in issue as at 31 December 2015.

Save as disclosed above, the Directors and chief executive of the Company 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 2015 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 twelve months ended 31 December 2015.

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 twelve months ended 31 December 2015.

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 twelve months ended under review, the top five customers of the Group together accounted for approximately 24% (nine months ended 31 December 2014: 24%) of the Group's total sales for the year while the single largest customer accounted for approximately 11% (nine ended 31 December 2014: 12%) 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 89% (nine months ended 31 December 2014: 73%) of the Group's total purchases for the year and the single largest supplier accounted for approximately 43% (nine months ended 31 December 2014: 28%) 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 2015, the Group had no material contingent liabilities.

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement benefits schemes of the Group are set out in Note 16 to the consolidated financial statements.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

On 2 October 2013, the bonus warrants ("Bonus Warrants") entitling the holders thereof to subscribe in cash up to an aggregate of HK$156,484,629.20 for new Shares ("Warrant Shares") to be issued by Company upon exercise of the subscription rights attached to the Bonus Warrants at the initial exercise price of HK$0.20 per Warrant Share (subject to adjustments) were issued on the basis of one Bonus Warrant for every two offer shares taken up under the open offer of the Company, details of which are set out in the prospectus of the Company dated 9 September 2013. The subscription rights attaching to the Bonus Warrants may be exercised at any time between the date of issue of the Bonus Warrants and 3 years after the date of issue of the Bonus Warrants.

During the twelve months ended 31 December 2015, 4,558,648 Shares were issued for cash at an exercise price of HK$0.20 per Warrant Share. The aggregate net proceeds of HK$911,000 received by the Company from the exercise of subscription rights attached to the Bonus Warrants were used by the Group as working capital. As at 31 December 2015, the outstanding aggregate amount of the Bonus Warrants was HK$110,862,379.20 entitling the holders thereof to subscribe for up to 554,311,896 Shares upon the exercise of all the subscription rights attached to the outstanding Bonus Warrants.

Save as disclosed above and in the section headed "Share Options" below, the Company had no outstanding convertible securities, options, warrants or instruments carrying other similar rights as at 31 December 2015.

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

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

During the twelve months ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTIONS

Under the share option scheme (the "2001 Scheme") approved by the shareholders of the Company on 22 October 2001, the Directors may, as their discretion, invite directors and employees of the Group to take up options to subscribe for shares in the Company representing up to 30 per cent of the issued share capital of the Company from time to time.

The subscription price for the Shares in relation to options to be granted under the 2001 Scheme shall be determined by the Board and shall be at least the highest of (i) the nominal value of the Shares; (ii) the closing price of the Shares on the date of grant ("Offer Date"); and (iii) the average closing price of the Shares for the five business days immediately preceding the Offer Date. The options are exercisable within 10 years from the Offer Date.

SHARE OPTIONS (Continued)

	Number of share options								
	At 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2015	Date of grant of share options	Validity period of share options	Exercise price of share options HK$ per share
Directors:									
TONG Kit Shing	780,000	–	–	–	–	780,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	–	600,000	–	–	–	600,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
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
FUNG Kwok Leung (resigned on 18 September 2015)	780,000	–	–	–	–	780,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	–	600,000	–	–	–	600,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
TSAO Hoi Ho, Terry (resigned on 18 March 2016)	600,000	–	–	–	–	600,000	27 November 2013	27 November 2013 to 21 September 2016	0.219
	940,000	–	–	–	–	940,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	–	720,000	–	–	–	720,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
Carl Aslan Jason Morton FIRTH	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
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
Employees	26,980,000	–	–		–	26,980,000	27 November 2013	27 November 2013 to 21 September 2016	0.219
	–	10,880,000	–	–	–	10,880,000	23 January 2015	23 January 2015 to 22 January 2025	0.230
Other eligible participants	72,985,680	–	–	–	–	72,985,680	26 May 2009	13 September 2007 to 21 September 2016	0.9152
	440,320,000	–	(126,380,000)	–	–	313,940,000	27 November 2013	27 November 2013 to 21 September 2016	0.219
	360,000	–	–	–	–	360,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	–	33,100,000	–	–	–	33,100,000	23 January 2015	23 January 2015 to 22 January 2025	0.230
	–	120,000,000	–	–		120,000,000	17 August 2015	17 August 2015 to 16 August 2025	0.237
	549,805,680	171,240,000	(126,380,000)	–	–	594,665,680			

SHARE OPTIONS (Continued)

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 ("2006 Scheme"). Under the 2006 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 shall be a price at least equal to the highest of the nominal value of the Shares, the average of the closing prices of the 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 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 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 2006 Scheme.

The total number of the 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 Shares in issue as at the date of adoption of the 2006 Scheme. 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 2006 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 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 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. Further details of share options were set out in Note 36 to the consolidated financial statements.

In the year under review, a total of 126,380,000 Share were allotted and issued as a result of the exercise of the shares options at the exercise price of HK$0.219 per Share. The aggregate proceeds received by the Company from the exercise of the share options of HK$27,677,000 were used by the Group as general capital.

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 ("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 twelve months ended 31 December 2015, 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.

RELATED PARTY TRANSACTIONS

During the twelve months ended 31 December 2015, 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 41 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 17 to the consolidated financial statements.

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.

(b) Suppliers

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.

KEY RELATIONSHIPS (Continued)

(c) Distributors

The Group sells its products through third-party distributors. The Group works closely with its distributors to ensure that they share the Group's view in upholding the Group's brand value and customer services, with a specific focus on attracting and retaining customers in order to drive sales growth. The Group also requires its distributors to comply with the Group's policies and promotional activities standards. The Group monitors the financial condition and repayment history of its distributors.

The Group also provides training to the key sales personnel of its distributors to allow quality and value-added customer services to be provided to the Group's customers.

(d) 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.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out in the 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. 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.

EVENT AFTER REPORTING PERIOD

After 31 December 2015, the Group discovered a suspected misappropriation of funds by a former employee, who was employed by the Group's subsidiary in Beijing, Beijing Genetech. The Group had engaged two independent professional forensic teams to investigate the incident. According to the forensic investigation, the amount of funds misappropriated did not exceed RMB8,218,000. Further details of the incident can be found in the sub-section headed "Loss arising due to Misappropriations of Funds" in the section headed "Management Discussion and Analysis" of this annual report.

AUDITORS

The financial statements for the twelve months ended 31 December 2015 of the Company have been audited by Deloitte Touche Tohmatsu.

On behalf of the Board

TONG Kit Shing
Chairman

Hong Kong, 13 June 2016

Deloitte.
德勤

TO THE SHAREHOLDERS OF UNI-BIO SCIENCE GROUP LIMITED
聯康生物科技集團有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Uni-Bio Science Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 120, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of 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 misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with HKFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
13 June 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTES	**1.1.2015 to 31.12.2015 HK$'000**	1.4.2014 to 31.12.2014 HK$'000
Revenue	6	**123,364**	91,793
Cost of sales		**(20,608)**	(15,129)
Gross profit		**102,756**	76,664
Other income	8	**5,333**	6,351
Other gains and losses	9	**2,632**	431
Gain on disposal of a subsidiary	37	**279**	–
Selling and distribution costs		**(64,940)**	(49,753)
General and administrative expenses		**(66,489)**	(68,787)
Research and development cost		**(17,160)**	(5,250)
Equity-settled share based payment expenses		**(4,606)**	(277)
Loss arising due to misappropriation of funds	10	**(9,991)**	–
Share of loss of an associate		**(5,044)**	(422)
Loss before taxation	11	**(57,230)**	(41,043)
Income tax expense	12	**(2,569)**	(1,391)
Loss for the year/period		**(59,799)**	(42,434)
Other comprehensive expense			
Items that may be reclassified subsequently to profits or loss:			
Exchange differences arising on translation on foreign operation		**(29,860)**	(11,516)
Total other comprehensive expenses for the year/period		**(29,860)**	(11,516)
Total comprehensive expenses for the year/period		**(89,659)**	(53,950)
Loss per share (HK cents)	13		
Basic		**(1.20)**	(0.87)
Diluted		**(1.20)**	(0.87)

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	31.12.2015 HK$'000	31.12.2014 HK$'000
Non-current assets			
Property, plant and equipment	17	**124,777**	134,715
Investment properties	18	**22,549**	20,880
Prepaid lease payments	19	**12,930**	14,569
Goodwill	20	**–**	–
Intangible assets	21	**230,520**	230,245
Interests in an associate	23	**–**	5,121
Deposit paid for the acquisition of property, plant and equipment	24	**1,136**	6,787
Deposit paid for the acquisition of intangible assets	25	**3,291**	–
		395,203	412,317
Current assets			
Inventories	26	**9,064**	7,899
Trade and other receivables	27	**41,850**	37,236
Prepaid lease payments	19	**825**	1,090
Bank balances and cash	28	**110,014**	138,126
		161,753	184,351
Current liabilities			
Trade and other payables	29	**46,911**	30,215
Income tax payable		**2,532**	2,808
		49,443	33,023
Net current assets		**112,310**	151,328
Total assets less current liabilities		**507,513**	563,645
Non-current liability			
Deferred tax liabilities	30	**853**	520
Net assets		**506,660**	563,125
Capital and reserves			
Share capital	31	**50,490**	49,181
Reserves		**456,170**	513,944
Total equity		**506,660**	563,125

The consolidated financial statements on pages 56 to 120 were approved and authorised for issue by the Board of Directors on 13 June 2016 and are signed on its behalf by:

Mr. Tong Kit Shing
DIRECTOR

Mr. Kingsley Leung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Share-based payment reserve HK$'000	Distributable reserve HK$'000 (Note a)	Exchange reserve HK$'000 (Note b)	Accumulated losses HK$'000	Total HK$'000
At 1 April 2014	48,252	522,922	84,204	1,291,798	89,437	(1,438,391)	598,222
Other comprehensive expense for the period	–	–	–	–	(11,516)	–	(11,516)
Loss for the period	–	–	–	–	–	(42,434)	(42,434)
Total comprehensive expense for the period	–	–	–	–	(11,516)	(42,434)	(53,950)
Recognition of equity-settled share based payments	–	–	277	–	–	–	277
Lapse of share options	–	–	(3,741)	–	–	3,741	–
Cancellation of share options	–	–	(3,862)	–	–	3,862	–
Issue of shares upon:							
– exercise of warrants	929	17,647	–	–	–	–	18,576
At 31 December 2014	49,181	540,569	76,878	1,291,798	77,921	(1,473,222)	563,125
Other comprehensive expense for the year	–	–	–	–	(29,860)	–	(29,860)
Loss for the year	–	–	–	–	–	(59,799)	(59,799)
Total comprehensive expense for the year	–	–	–	–	(29,860)	(59,799)	(89,659)
Recognition of equity-settled share based payments	–	–	4,606	–	–	–	4,606
Issue of ordinary shares upon exercise of share options	1,264	38,219	(11,806)	–	–	–	27,677
Issue of shares upon:							
– exercise of warrants	45	866	–	–	–	–	911
At 31 December 2015	50,490	579,654	69,678	1,291,798	48,061	(1,533,021)	506,660

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

Note b: Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the exchange translation reserve. Such exchange differences accumulated in the exchange translation 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 2015

	NOTES	1.1.2015 to 31.12.2015 HK$'000	1.4.2014 to 31.12.2014 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(57,230)**	(41,043)
Adjustments for:			
Amortisation of intangible assets		**5,186**	12,877
Amortisation of prepaid lease payments		**862**	821
Change in fair value of investment properties		**(2,523)**	(393)
Depreciation of property, plant and equipment		**26,529**	24,349
Equity-settled share based payment expenses		**4,606**	277
Gain on disposal of a subsidiary	37	**(279)**	–
Interest income		**(2,953)**	(4,428)
Loss on disposal of property, plant and equipment		**135**	47
Reversal of impairment of trade receivables		**(339)**	(72)
Share of loss of associates		**5,044**	422
Operating cash flows before movements in working capital		**(20,962)**	(7,143)
Increase in inventories		**(1,685)**	(2,143)
Increase in trade and other receivables		**(4,332)**	(5,457)
Increase (decrease) in trade payables and other payables		**16,696**	(43,529)
Cash from operations		**(10,283)**	(58,272)
Income tax paid		**(2,312)**	(1,505)
NET CASH USED IN OPERATING ACTIVITIES		**(12,595)**	(59,777)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(18,837)**	(16,778)
Proceeds from disposal of property, plant and equipment		**115**	10
Additions of intangible assets		**(14,167)**	(3,472)
Proceeds from redemption of held-to-maturity investment		**–**	138,504
(Advance to) receipt from an associate	38	**(8,256)**	19,751
Disposal of a subsidiary	37	**348**	1,261
Interest received		**2,953**	4,428
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(37,844)**	143,704
FINANCING ACTIVITIES			
Repayment to a director		**–**	(17,498)
Proceeds from exercise of warrants		**911**	18,576
Proceeds from exercise of share options		**27,677**	–
NET CASH FROM FINANCING ACTIVITIES		**28,588**	1,078
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(21,851)**	85,005
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		**138,126**	56,227
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(6,261)**	(3,106)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD		**110,014**	138,126
Analysis of balances of cash and cash equivalents at the end of the year/period			
Bank balances and cash		**110,014**	138,126

1. GENERAL

The Company is incorporated as an exempted company with limited liability in the Cayman Islands with its shares 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$"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the conveniences of the financial statements 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 in Note 42.

2. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

During the period ended 31 December 2014, the reporting period end date of the Company and its subsidiaries (collectively referred to as the "Group") was changed from 31 March to 31 December because the Group would like to align with the financial year end date of its subsidiaries incorporated in the PRC as their accounts are statutorily required to be closed with the financial year end date of 31 December. Accordingly, the corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a nine months period from 1 April 2014 to 31 December 2014 and therefore may not be comparable with amounts shown for the current period which cover twelve months ended 31 December 2015.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following amendment to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current reporting period:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of amendment to HKFRSs in the current reporting period has had no material impact on the Group's financial performance and positions for the current and prior reporting period and/or disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2019.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group based on the Group's financial assets and financial liabilities as at 31 December 2015 are described below:

* All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 *Financial Instruments* (Continued)

* In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and liabilities, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i. e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 *Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 *Intangible Assets* introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of amendments to HKAS 16 and HKAS 38 may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. It is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

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

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated 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") and by the Hong Kong Companies Ordinance ("CO").

The provision of the new CO (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial years ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial have been prepared on the historical cost basis, except for investment properties 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.

Basis of preparation

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, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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 (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls and investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for good sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised on the date of delivery, net of estimated customer return, rebates and other similar allowance.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's policy for recognition of rental income from operating leases in described in the accounting policy for leasing below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity-settled share-based payment transactions

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 share options at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 36 to the Group's consolidated financial statements.

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expenses on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based payments reserve).

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to vest. 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.

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.

Share options granted to others

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based payments reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Retirement benefits costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Taxation

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 ‘loss before tax’ 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, 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.

Current and deferred tax is recognised in profit or loss, except when it 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interests becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the supply of goods or services, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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.

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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Internally-generated intangible assets – research and development expenditures

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditures (Continued)

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.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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. 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.

Financial assets

Financial assets are classified into the following specified categories: held-to-maturity investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Held-to-maturity investment

"Held-to-maturity investment" are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. The Group has designated the investment in trust as held-to-maturity investments because the trusts have fixed payments and maturity and the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment (see accounting policy on impairment losses on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from an associate and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on receivables and financial difficulties found in respective debts.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity interests are equity instruments. The warrants are recognised initially at the net proceeds received.

Other financial liabilities

Financial liabilities including trade and other payables and amounts due to a director are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

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 entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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.

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.

Recoverable amount is the higher of fair value less costs to sell 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. 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. 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.

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.

Keys sources of estimation uncertainty

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 property, plant and equipment

The Group determines whether an item of property, plant and equipment is impaired at least on an annual basis or more frequently where an indication of impairment exists. When there is an indicator of impairment, the Group determines the extent to which property, plant and equipment is impaired, which requires an estimation of the value in use of the cash-generating units (''CGUs") to which they have been allocated or the fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

At 31 December 2015, the carrying amount of property, plant and equipment is HK$124,777,000 (31 December 2014: HK$134,715,000), and management of the Group determined that no impairment loss should be recognised for the year ended 31 December 2015 and the nine months ended 31 December 2014. Details of impairment assessment are disclosed in Note 22.

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 2015, the carrying amount of investment properties measured at fair value was approximately HK$22,549,000 (31 December 2014: HK$20,880,000).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Keys sources of estimation uncertainty (Continued)

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 2015, the carrying amount of intangible assets with definite useful life is HK$42,966,000 (31 December 2014: HK$42,436,000), and amortisation of the intangible assets of HK$5,186,000 (nine months ended 31 December 2014: HK$12,877,000) was recognised for the year ended 31 December 2015.

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the recoverable amount which is higher of the fair value less costs to sell, or value in use of the CGU to which the intangible asset has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or there is downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a further impairment loss may arise. Details of such impairment testing are set out in Note 22.

At 31 December 2015, the carrying amount technical know-how and product development in progress is approximately HK$42,966,000 and HK$187,554,000 respectively (31 December 2014: Nil, HK$42,436,000 and HK$187,809,000 respectively). During the year ended 31 December 2015 and the nine months ended 31 December 2014, no impairment loss on trademarks and certificates technical know-how and product development in progress was recognised to profit and loss.

Estimated impairment loss on trade and other receivables

Impairment of trade receivables is made based on assessment of the recoverability of trade receivables. The assessment involves reviewing aging of trade and other receivables and assessing the payment history of the debtor. The identification of impairment requires management judgment and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as impairment or write-back of impairment in the period in which such estimate has been changed.

At 31 December 2015, the carrying amounts of trade receivables was HK$36,057,000 (31 December 2014: HK$33,742,000), net of allowance for doubtful debts of HK$1,729,000 (31 December 2014: HK$2,178,000).

6. REVENUE

Revenue represents the gross invoiced value of goods sold, net of value added tax, sales returns and discounts, to outside customers. Sales of pharmaceutical products is the sole revenue of the Group.

7. SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision makers, for the purpose of allocating resources to segments and assessing their performance are organised on the basis of the revenue streams. During the year ended 31 December 2015, the Group's operating and reporting segments are (a) manufacture and sale of in-house chemical pharmaceutical products, (b) manufacture and sale of in-house biological pharmaceutical products, (c) industrialization of in-house biological pipeline and (d) third party pharmaceutical products. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

The Group did not engaged in trading of third party pharmaceutical products for the year ended 31 December 2015 and for the nine months ended 31 December 2014, thus no financial information related to this segment is presented. The management of the Group has not considered discontinuation of the segment of third party pharmaceutical products as the Group entered into a strategic alliance with an independent third party to sell third party pharmaceutical products in coming years.

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 2015

	Third party pharmaceutical products HK$'000	In-house chemical pharmaceutical products HK$'000	In-house biological pharmaceutical products HK$'000	In-house biological pipeline products HK$'000	Consolidated HK$'000
Segment revenue					
External sales	–	41,351	82,013	–	123,364
Result					
Segment gain (loss)	–	7,517	11,575	(37,100)	(18,008)
Other income					5,333
Change in fair value of investment properties					2,523
Loss arising due to misappropriation of funds					(9,991)
Equity-settled share based payment expense					(4,606)
Unallocated administration expenses					(27,716)
Gain on disposal of a subsidiary					279
Share of results of an associate					(5,044)
Loss before taxation					(57,230)

7. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the nine months ended 31 December 2014

	Third party pharmaceutical products HK$'000	In-house chemical pharmaceutical products HK$'000	In-house biological pharmaceutical products HK$'000	In-house biological pipeline products HK$'000	Consolidated HK$'000
Segment revenue					
External sales	–	25,770	66,023	–	91,793
Result					
Segment loss	–	2,477	(17)	(35,313)	(32,853)
Other income					6,351
Change in fair value of investment properties					393
Equity-settled share based payment expense					(277)
Unallocated administration expenses					(14,235)
Share of results of an associate					(422)
Loss before taxation					(41,043)

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, loss arising due to misappropriation of funds, gain on disposal of a subsidiary, central administration costs, directors' remuneration, equity-settled share based payment expenses and share of results of associates. This is the measure reported to the chief operating decision makers of the Group for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

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

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

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

As at 31 December 2015

	Third Party pharmaceutical products HK$'000	In-house chemical pharmaceutical products HK$'000	In-house biological pharmaceutical products HK$'000	In-house biological pipeline products HK$'000	Consolidated HK$'000
Segment assets	–	55,554	68,827	294,980	419,361
Unallocated assets					137,595
Total assets					556,956
Segment liabilities	–	17,874	22,541	3,440	43,855
Unallocated liabilities					6,441
Total liabilities					50,296

As at 31 December 2014

	Third Party pharmaceutical products HK$'000	In-house chemical pharmaceutical products HK$'000	In-house biological pharmaceutical products HK$'000	In-house biological pipeline products HK$'000	Consolidated HK$'000
Segment assets	–	55,644	60,060	313,640	429,344
Unallocated assets					167,324
Total assets					596,668
Segment liabilities	–	6,130	20,334	2,341	28,805
Unallocated liabilities					4,738
Total liabilities					33,543

7. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2015

	Third party pharmaceutical products HK$'000	In-house chemical pharmaceutical products HK$'000	In-house biological pharmaceutical products HK$'000	In-house biological pipeline products HK$'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	–	4,419	15,368	2,579	2,122	24,488
Additions to intangible assets	–	–	–	19,132	–	19,132
Amortisation of intangible assets	–	–	–	5,186	–	5,186
Amortisation of prepaid lease payments	–	310	552	–	–	862
Depreciation of property, plant and equipment	–	3,361	4,911	11,762	780	20,814
Loss on disposal of property, plant and equipment	–	131	4	–	–	135
Equity-settled share based payment	–	–	–	–	4,606	4,606
Research and development cost	–	–	2,033	15,127	–	17,160
Reversal of impairment loss on trade receivables	–	–	(339)	–	–	(339)
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss or segment assets						
Interest income on bank deposits	–	(10)	(481)	(2,325)	(137)	(2,953)

7. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the nine months ended 31 December 2014

	Third party pharmaceutical products HK$'000	In-house chemical pharmaceutical products HK$'000	In-house biological pharmaceutical products HK$'000	In-house biological pipeline products HK$'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	–	11,302	2,460	5,016	1,520	20,298
Additions to intangible assets	–	–	–	3,472	–	3,472
Amortisation of intangible assets	–	1,157	–	11,720	–	12,877
Amortisation of prepaid lease payments	–	237	584	–	–	821
Depreciation of property, plant and equipment	–	2,318	3,167	18,232	389	24,106
Loss on disposal of property, plant and equipment	–	–	47	–	–	47
Equity-settled share based payment	–	–	–	–	277	277
Research and development cost	–	–	634	4,616	–	5,250
Reversal of impairment loss on trade receivables	–	–	(72)	–	–	(72)
Reversal of impairment loss on other receivables	–	–	(13)	–	–	(13)
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss or segment assets						
Interest income on bank deposits	–	(17)	(201)	–	(75)	(293)
Interest income on held to maturity investment	–	–	–	(4,135)	–	(4,135)

Geographical segments

For the year/period ended 31 December 2015 and 31 December 2014 all of the Group's revenue were derived from the People's Republic of China ("PRC"). 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**	
	1.1.2015 to 31.12.2015 HK$'000	1.4.2014 to 31.12.2014 HK$'000	**As at 31.12.2015 HK$'000**	As at 31.12.2014 HK$'000
Hong Kong	**–**	–	**3,763**	2,319
PRC	**123,364**	91,793	**391,440**	409,998
	123,364	91,793	**395,203**	412,317

7. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding year/period contributing over 10% of the total revenue of the Group are as follows:

	1.1.2015 to 31.12.2015 HK$'000	1.4.2014 to 31.12.2014 HK$'000
Customer A (Note)	**13,911**	11,228

Note: Revenue generated from in-house chemical pharmaceutical products.

8. OTHER INCOME

	1.1.2015 to 31.12.2015 HK$'000	1.4.2014 to 31.12.2014 HK$'000
Interest income on:		
Held to maturity investment	**–**	4,135
Bank deposits	**2,953**	293
Total interest income	**2,953**	4,428
Rental income	**2,315**	1,532
Sundry income	**65**	391
	5,333	6,351

9. OTHER GAINS AND LOSSES

	1.1.2015 to 31.12.2015 HK$'000	1.4.2014 to 31.12.2014 HK$'000
Gain from changes in fair value of investment properties (Note 18)	**2,523**	393
Exchange loss, net	**(95)**	–
Reversal of impairment loss on trade receivables	**339**	72
Reversal of impairment loss on other receivables	**–**	13
Loss on disposal of property, plant and equipment	**(135)**	(47)
	2,632	431

10. LOSS ARISING DUE TO MISAPPROPRIATION OF FUNDS

During the year end 31 December 2015, a case of fraud relating to misappropriated funds by a cashier of a subsidiary in PRC was discovered by the management and reported to the police, resulting in an arrest of this cashier. The Company engaged two independent forensic experts to conduct investigation on this fraud incident. Based on the report from forensic expert, the management of the Company concluded this fraud incident resulted a loss of HK$9,991,000, as in their view that it would be unlikely the Company could recover the lost funds from the cashier.

11. LOSS BEFORE TAXATION

	1.1.2015 to 31.12.2015 HK$'000	1.4.2014 to 31.12.2014 HK$'000
Loss before taxation is arrived at after charging:		
Staff costs (including directors' emoluments)		
Salaries, wages and other benefit	**29,581**	16,702
Retirement benefit scheme contribution	**2,995**	3,310
Equity-settled share based payment	**4,606**	277
	37,182	20,289
Amortisation of intangible assets	**5,186**	12,877
Amortisation of prepaid lease payments	**862**	821
Auditor's remuneration	**1,700**	1,400
Cost of inventories recognised as an expense	**20,608**	15,129
Operating lease rentals in respect of offices	**2,953**	1,253
Depreciation	**26,529**	24,349
Less: Depreciation included in research and development costs	**(5,715)**	(243)
	20,814	24,106
Research and development costs	**36,292**	8,722
Less: Capitalisation on intangible assets	**(19,132)**	(3,472)
	17,160	5,250
After crediting:		
Equipment rental income	**249**	181
Property rental income less outgoing	**2,066**	1,351

12. INCOME TAX EXPENSE

	1.1.2015 to 31.12.2015 HK$'000	1.4.2014 to 31.12.2014 HK$'000
PRC Enterprise Income Tax ("EIT")		
– Current year/period	**1,746**	1,360
– Under-provision in prior period	**444**	–
	2,190	1,360
Deferred taxation (Note 30)		
– Current year/period	**379**	31
	2,569	1,391

No provision for Hong Kong profits tax has been made since the entities operating in Hong Kong had no assessable profit for the year/period ended 31 December 2015 and 31 December 2014.

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.

For Beijing Genetech Pharmaceutical Co., Limited ("Beijing Genetech"), a wholly owned subsidiary of the Company, it was approved as "high technology enterprises" since May 2012 but the status was expired on 23 May 2015. For Shenzhen Watsin Genetech Limited ("Shenzhen Watsin"), a wholly owned subsidiary of the Company, it was approved as high-new technology enterprise during the nine months ended 31 December 2014. Pursuant to the relevant laws and regulations in the PRC, Shenzhen Watsin was eligible to enjoy a preferential enterprise income tax rate of 15% (the nine months ended 31 December 2014: 15%) for the year ended 31 December 2015 while Beijing Genetech was eligible to such rate of 15% for the nine months ended 31 December 2014 (year ended 31 December 2015: 25%).

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

	1.1.2015 to 31.12.2015 HK$'000	1.4.2014 to 31.12.2014 HK$'000
Loss before taxation	**(57,230)**	(41,043)
Tax at the preferential enterprise income tax rate of 15% (31 December 2014: enterprise income tax rate of 15%)	**(8,585)**	(6,156)
Tax effect of non-taxable income	**(32)**	(95)
Tax effect of non-deductible expenses	**5,534**	2,992
Tax effect of deductible temporary difference not recognised	**378**	–
Tax effect of tax losses not recognised	**9,477**	6,984
Under-provision in prior periods	**444**	–
Effect of different tax rates of group entities	**(4,647)**	(2,334)
Income tax expense for the year/period	**2,569**	1,391

13. LOSS PER SHARE

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

	1.1.2015 to 31.12.2015 HK$'000	1.4.2014 to 31.12.2014 HK$'000
Loss		
Loss for the year/period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(59,799)**	(42,434)

	1.1.2015 to 31.12.2015 '000	1.4.2014 to 31.12.2014 '000
Number shares		
Weighted average number of ordinary shares for Basic and diluted loss per share calculation	**4,997,990**	4,865,201

No adjustment has been made to basic loss per share amounts presented for the year/period ended 31 December 2015 and 31 December 2014 in respect of a dilution as the impact of the share options and warrants outstanding would decrease basic loss per share.

14. DIVIDEND

No dividend was paid, declared or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (nine months ended 31 December 2014: Nil).

15. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENTS' EMOLUMENTS

(a) Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

For the year ended 31 December 2015

	Tong Kit Sing (Chairman) HK$'000	**Kingsley Leung** HK$'000	**Total** HK$'000
Executive Directors			
Fee	144	618	762
Other emoluments			
Salaries, allowance and benefits in kind	–	–	–
Performance related bonuses	–	–	–
Equity settled share payment	65	196	261
Retirement benefit scheme contribution	7	18	25
Any other benefits received	–	–	–
	216	832	1,048

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.

	Fung Kwok Leung (Note a) HK$'000	Total HK$'000
Non-executive Directors		
Fee	**86**	86
Other emoluments		
Salaries, allowance and benefits in kind	**–**	–
Performance related bonuses	**–**	–
Equity settled share payment	**64**	64
Retirement benefit scheme contribution	**–**	–
Any other benefits received	**–**	–
	150	150

15. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

(a) Directors' and chief executive's remuneration (Continued)

The non-executive directors' emoluments shown above were mainly for their services as directors of the affairs of the Company or its subsidiaries.

For the year ended 31 December 2015

	Tsao Hoi Ho, Terry (Note b) HK$'000	Dr. Carl Aslan Jason Morton HK$'000	Zhao Zhi Gang HK$'000	Total HK$'000
Independent Non-executive Directors				
Fee	144	240	240	624
Other emoluments				
Salaries, allowance and benefits in kind	–	–	–	–
Performance related bonuses	–	–	–	–
Equity settled share payment	104	77	104	285
Retirement benefit scheme contribution	–	–	–	–
Any other benefits received	–	–	–	–
	248	317	344	909

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

For the nine months ended 31 December 2014

	Tong Kit Sing (Chairman) HK$'000	Kingsley Leung HK$'000	Total HK$'000
Executive Directors			
Fee	90	450	540
Other emoluments	–	–	–
Salaries, allowance and benefits in kind	–	–	–
Performance related bonuses	–	–	–
Equity settled share payment	81	–	81
Retirement benefit scheme contribution	5	14	19
Any other benefits received	–	–	–
	176	464	640

15. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

(a) Directors' and chief executive's remuneration (Continued)

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.

For the nine months ended 31 December 2014

	Fung Kwok Leung (Note a) HK$'000	Total HK$'000
Non-executive Directors		
Fee	**90**	90
Other emoluments		
Salaries, allowance and benefits in kind	**–**	–
Performance related bonuses	**–**	–
Equity settled share payment	**81**	81
Retirement benefit scheme contribution	**–**	–
Any other benefits received	**–**	–
	171	171

The non-executive directors' emoluments shown above were mainly for their services as directors of the affairs of the Company or its subsidiaries.

	TsaoHoi Ho, Terry (Note b) HK$'000	**Dr. Carl Aslan Jason Morton** HK$'000	**Zhao Zhi Gang** HK$'000	**Total** HK$'000
Independent Non-executive Directors				
Fee	106	180	180	466
Other emoluments	–	–	–	–
Salaries, allowance and benefits in kind	–	–	–	–
Performance related bonuses	–	–	–	–
Equity settled share payment	98	–	–	98
Retirement benefit scheme contribution	–	–	–	–
Any other benefits received	–	–	–	–
	204	180	180	564

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

15. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

(a) Directors' and chief executive's remuneration (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year/period.

Note a: Mr. Fung Kwok Leung was resigned as non-executive director on 18 September 2015.

Note b: Mr. Tsao Hoi Ho, Terry was resigned as independent non-executive director on 18 March 2016.

During the year/period, certain directors 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 36 to the Group's consolidated financial statements.

(b) Senior management's remuneration

Of the five individuals with highest emoluments in the Group, none (period ended 31 December 2014: none) were directors of the Company. The emoluments of the remaining five (year ended 31 December 2014: five) highest paid individuals were as follows:

	1.1.2015 to 31.12.2015 HK$'000	1.4.2014 to 31.12.2014 HK$'000
Salaries and other benefits	**5,537**	4,161
Performance related bonus	**–**	–
Retirement benefit scheme contributions	**288**	110
Equity-settled share based payments	**598**	–
	6,423	4,271

Their emoluments were within the following bands:

	1.1.2015 to 31.12.2015 No. of employees	1.4.2014 to 31.12.2014 No. of employees
Nil to HK$1,000,000	**2**	4
HK$1,000,001 to HK$2,000,000	**2**	1
HK$2,000,001 to HK$5,000,000	**1**	–
	5	5

15. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

(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 during the year/period ended 31 December 2015 and 31 December 2014.

16. STAFF COSTS (EXCLUDING DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENTS' REMUNERATION)

	1.1.2015 to 31.12.2015 HK$'000	1.4.2014 to 31.12.2014 HK$'000
Salaries and other benefits	**22,572**	11,445
Retirement benefit scheme contributions	**2,682**	3,181
Equity-settled share based payments	**3,398**	17
	28,652	14,643

Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$30,000 from 1 June 2014 onward. Apart from the mandatory contributions, the employer would make monthly voluntary contributions. The aggregate of the mandatory and voluntary contributions made by the employer represents 5% of the basic salary of the employees. Mandatory contributions to the plan vest immediately. Where there are employees who leave the Group prior to vesting fully in the voluntary contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. During the year ended 31 December 2015, a total contribution of approximately HK$121,000 (nine months ended 31 December 2014: HK$80,000) was made by the Group in respect of this scheme.

PRC

The employees employed in China subsidiaries are members of the state-managed retirement benefits schemes operated by the China government. The China subsidiaries are required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes. During the year ended 31 December 2015, a total contribution of approximately HK$2,561,000 (nine months ended 31 December 2014: HK$3,101,000) was made by the Group in respect of this scheme.

The Group has no other material obligation for payment of retirement benefits beyond the annual contributions as described above.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings HK$'000	Plant and machinery HK$'000	Fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 April 2014	47,759	231,854	32,870	57,182	4,871	18,493	393,029
Exchange realignment	(999)	(5,387)	(216)	(838)	(96)	(366)	(7,902)
Additions	–	5,690	5,012	2,128	310	7,158	20,298
Disposals	–	(135)	(274)	–	(141)	–	(550)
Written off (Note c)	–	–	(238)	–	–	–	(238)
At 31 December 2014	46,760	232,022	37,154	58,472	4,944	25,285	404,637
Exchange realignment	(2,785)	(16,074)	(588)	(3,190)	(282)	(1,207)	(24,126)
Additions	–	12,303	5,764	5,147	–	1,274	24,488
Disposals	–	(2,181)	(51)	–	–	–	(2,232)
Disposals of a subsidiary	–	–	(14)	–	–	–	(14)
Transfer from construction in progress	–	–	–	6,670	–	(6,670)	–
Transfer to investment properties	(743)	–	–	–	–	–	(743)
At 31 December 2015	43,232	226,070	42,265	67,099	4,662	18,682	402,010
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 April 2014	27,239	162,900	27,308	30,324	3,759	–	251,530
Exchange realignment	(504)	(3,906)	(136)	(606)	(74)	–	(5,226)
Provided for the period	1,771	19,100	1,132	2,220	126	–	24,349
Eliminated on disposals	–	(122)	(244)	–	(127)	–	(493)
Eliminated on written off	–	–	(238)	–	–	–	(238)
At 31 December 2014	28,506	177,972	27,822	31,938	3,684	–	269,922
Exchange realignment	(1,577)	(12,672)	(235)	(2,047)	(221)	–	(16,752)
Provided for the year	2,288	18,435	2,364	3,226	216	–	26,529
Eliminated on disposals	–	(1,946)	(36)	–	–	–	(1,982)
Eliminated on disposals of a subsidiary	–	–	(2)	–	–	–	(2)
Transfer to investment properties	(482)	–	–	–	–	–	(482)
At 31 December 2015	28,735	181,789	29,913	33,117	3,679	–	277,233
CARRYING VALUES							
At 31 December 2015	14,497	44,281	12,352	33,982	983	18,682	124,777
At 31 December 2014	18,254	54,050	9,332	26,534	1,260	25,285	134,715

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The leasehold buildings are held in the PRC under short and medium-term leases.

(b) 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:

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

(c) As at 31 December 2015 and 2014, due to the continued losses incurred by the Group, the management of the Group assessed that the property, plant and equipment related to those CGUs in Note 22, for impairment. Detail of such impairment testing for the year ended 31 December 2015 and period ended 31 December 2014 is set out in Note 22.

18. INVESTMENT PROPERTIES

	31.12.2015 HK$'000	31.12.2014 HK$'000
FAIR VALUE		
At the beginning of the year/period	**20,880**	20,902
Exchange realignment	**(1,312)**	(415)
Transfer from property, plant and equipment (Note 17)	**261**	–
Transfer from prepaid lease payment (Note 19)	**197**	–
Net increase in fair value recognised in profit and loss	**2,523**	393
At the end of the year/period	**22,549**	20,880

(a) The investment properties shown above are situated in the PRC and held under short and medium-term lease.

(b) All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

18. INVESTMENT PROPERTIES (Continued)

(c) Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 31 December 2015 and 31 December 2014 has been arrived at on the basis of a valuation carried out on the respective dates by Roma Appraisal Limited, independent qualified professional valuers not connected to the Group.

The fair value was determined based on the income approach, where the market rental of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair value measurements for all of the Group's investment properties are categorised as Level 3 (see Note 4). There were no transfers into or out of Level 3 during the year/period.

As at 31 December 2015, the key inputs used in valuing the investment properties was the term yield of 6% (31 December 2014: 6%) and reversionary yield of 6.5% (31 December 2014: 6.5%). A slight increase in the term yield and reversion yield used would result in a significant decrease in fair value measurement of the investment properties, and vice versa.

(d) During the year ended 31 December 2015, certain leasehold buildings and prepaid lease payment were transferred to investment properties as they were leased out during the year.

19. PREPAID LEASE PAYMENTS

	31.12.2015 **HK$'000**	31.12.2014 HK$'000
The Group's prepaid lease payments are held under in the PRC as follows:		
Medium-term lease	**9,571**	10,462
Short-term lease	**4,184**	5,197
	13,755	15,659

19. PREPAID LEASE PAYMENTS (Continued)

	31.12.2015 HK$'000	31.12.2014 HK$'000
Analysed for reporting purposes as:		
Current assets	**825**	1,090
Non-current assets	**12,930**	14,569
	13,755	15,659

20. GOODWILL

	HK$'000
COST	
At 1 April 2014, 31 December 2014 and 31 December 2015	573,552
ACCUMULATED IMPAIRMENT	
At 1 April 2014, 31 December 2014 and 31 December 2015	573,552
CARRYING VALUES	
At 31 December 2015	–
At 31 December 2014	–

The goodwill was attributed to the CGU of drugs that were at early development stage and was fully impaired in prior years when the Group decided to terminate the development of these drugs.

21. INTANGIBLE ASSETS

	Trademarks and certificates HK$'000 (Note a)	Technical know-how HK$'000 (Note b)	Product development in progress HK$'000 (Note c)	Total HK$'000
COST				
At 1 April 2014	269,109	126,334	188,954	584,397
Exchange realignment	(5,314)	(2,494)	(3,748)	(11,556)
Additions	–	–	3,472	3,472
At 31 December 2014	263,795	123,840	188,678	576,313
Exchange realignment	(14,987)	(7,386)	(11,179)	(33,552)
Additions (Note f)	–	8,256	10,876	19,132
At 31 December 2015	248,808	124,710	188,375	561,893
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 April 2014	260,058	79,015	889	339,962
Exchange realignment	(5,173)	(1,578)	(20)	(6,771)
Provided for the period	8,910	3,967	–	12,877
At 31 December 2014	263,795	81,404	869	346,068
Exchange realignment	(14,987)	(4,846)	(48)	(19,881)
Provided for the year	–	5,186	–	5,186
At 31 December 2015	248,808	81,744	821	331,373
CARRYING VALUES				
At 31 December 2015	–	42,966	187,554	230,520
At 31 December 2014	–	42,436	187,809	230,245

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

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

Notes:

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

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

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

21. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(d) Except for the product development in progress, the respective intangible assets have finite lives and are subsequently amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Product development in progress is assessed for impairment annually, being an intangible assets with indefinite useful life.

(e) The directors of the Company conducted an impairment review of the Group's intangible assets during the year/period ended 31 December 2015 and 31 December 2014 in view of the continued losses incurred by the Group. During the year/period ended 31 December 2015 and 31 December 2014, no impairment loss on trademark and certificate, technical know-how and product development in progress was recognised to profit or loss. Details of such impairment testing are set out in Note 22.

(f) During the year ended 31 December 2015, the addition of HK$8,256,000 represents the acquisition of technical know-how of Drug 3 from a former associate as set out in Note 23. For the addition of HK$10,876,000, it represents the additional product development cost capitalized for Drug 1 and Drug 2. These product development cost capitalized represents the salaries, laboratory cost, examination fee for trial test of these drugs.

22. IMPAIRMENT TESTING ON INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

For the purpose of impairment testing, intangible assets and property, plant and equipment set out in Note 21 and 17(c) have been allocated to individual cash generating units (CGUs), comprising of 2 drugs under final development stage, 1 drug under early development stage and the existing drugs. The carrying amounts of intangible assets (net of accumulated amortization and impairment losses) and property, plant and equipment (net of accumulated depreciation and impairment losses) as at 31 December 2015 allocated to these units are as follows:

	Intangible assets	
	31.12.2015	31.12.2014
	HK$'000	HK$'000
CGUs		
Drug 1 – final development stage	**133,509**	140,652
Drug 2 – final development stage	**55,406**	54,205
Drug 3 – early development stage	**41,605**	35,388
Existing drugs	**–**	–
	230,520	230,245

22. IMPAIRMENT TESTING ON INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

	Property, plant and equipment	
	31.12.2015	31.12.2014
	HK$'000	HK$'000
CGUs		
Drug 1 – final development stage	**53,414**	64,135
Drug 2 – final development stage	**7,525**	14,672
Drug 3 – early development stage	**2,735**	3,645
Existing drugs	**57,807**	50,296
Unallocated	**3,296**	1,967
	124,777	134,715

During the year ended 31 December 2015 and the nine months ended 31 December 2014, management of the Group determines that there are no impairments of any of the above CGUs because the recoverable amount of the CGUs to which these intangible assets belong was higher than the carrying value.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Drug 1 and drug 2 – final development stage

The recoverable amounts of these two units have been determined based on a value in use calculation. That calculation was based on the cash flow forecasts derived from the most recent financial budgets for the next 9 years approved by the management using the discount rate of 16.5% (31 December 2014: 15.7%) which reflects current market assessments of the time value of money and the risk specific to these two CGUs. The cash flows beyond the 9-year-period are extrapolated for 15 years assuming 7.4% (31 December 2014: 8.03%) growth. There is no impairment loss on intangible assets, property, plant and equipment and goodwill for the year/period ended 31 December 2015 and 31 December 2014 for these 2 CGUs.

Drug 3 – early development stage

There is no impairment loss on intangible assets, property, plant and equipment and goodwill for the year/period ended 31 December 2015 and 31 December 2014 for this CGU.

Existing drugs

The recoverable amount of this unit has been determined based on a value in use calculation. There is no impairment loss on intangible assets, property, plant and equipment for the year/period ended 31 December 2015 and 31 December 2014 for this CGU.

23. INTERESTS IN AN ASSOCIATE

	31.12.2015 HK$'000	31.12.2014 HK$'000
Unlisted shares, at cost	–	11,108
Share of post-acquisition results	–	(5,987)
	–	5,121

(a) At 31 December 2015 and 31 December 2014, the Group had interests in the following associate:

Name of associate	Places of incorporation/ registration/operation	Proportion of ownership interests and voting rights held by the Group 31 December 2015	31 December 2014	Principal activity
Guangdong Lian Kang Biological and Pharmaceutical Limited ("Guangdong Lian Kang")	The PRC	–	45%	Research and development of pharmaceutical products

Pursuant to the shareholders' resolution dated 30 August 2015, Guangdong Lian Kang transferred the technical know-how on Drug 3 to the Company for a consideration for RMB6,800,000 (equivalent to approximately HK$8,256,000). Upon completion of the transfer, Guangdong Lian Kang underwent deregistration, which was completed on 30 November 2015. The movements of the interests in an associate up to the date of deregistration is as follows:

	HK$'000
At 1 January 2015	5,121
Share of post-acquisition results for the year	(5,044)
Exchange realignment	(77)
At 30 November 2015	–

23. INTERESTS IN AN ASSOCIATE (Continued)

(b) Summarised financial information in respect of the only associate as at 31 December 2014 is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	31.12.2014 HK$'000
Current assets	8,034
Non-current assets	3,813
Current liabilities	(461)
Non-current liabilities	(5)

	HK$'000
Revenue	2,702
Loss and total comprehensive expense for the period	(937)

24. DEPOSIT PAID FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 31 December 2015, 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$1,136,000 (31 December 2014: HK$6,787,000).

25. DEPOSIT PAID FOR THE ACQUISITION OF INTANGIBLE ASSETS

As at 31 December 2015, the carrying amount of deposits paid for the acquisition of intangible assets relates to an acquisition of the manufacturing technology and exclusive rights to distribute this antidiabetic drug from an independent third party of RMB2,826,800 (equivalent to approximately HK$3,291,000), including consultancy fee of RMB826,800 directly attributed to the acquisition of intangible assets. The total consideration of this acquisition is RMB16,000,000 (equivalent to HK$20,486,800). The remaining unpaid consideration and consultancy fee were disclosed as capital commitment in Note 39.

26. INVENTORIES

	31.12.2015 HK$'000	31.12.2014 HK$'000
Raw materials	**2,140**	1,910
Work in progress	**2,691**	4,035
Finished goods	**4,233**	1,954
	9,064	7,899

27. TRADE AND OTHER RECEIVABLES

	31.12.2015 HK$'000	31.12.2014 HK$'000
Trade receivables	**37,786**	35,920
Less: Allowance for doubtful debts	**(1,729)**	(2,178)
	36,057	33,742
Other receivables and prepayment		
Rental deposit	**665**	372
Rental receivables	**629**	765
Advance to staff	**1,463**	536
Prepayments	**1,310**	1,074
Other	**2,458**	1,523
Less: impairment loss recognised	**(732)**	(776)
	41,850	37,236

(i) The Group allows an average credit period of 120 days (31 December 2014: 120 days) to its customers. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted.

27. TRADE AND OTHER RECEIVABLES (Continued)

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

	31.12.2015 HK$'000	31.12.2014 HK$'000
0 – 60 days	**17,769**	15,758
61 – 120 days	**11,847**	11,023
121 – 180 days	**2,940**	4,129
Over 180 days	**3,501**	2,832
	36,057	33,742

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for the customer. Limits attributed to customers are reviewed once a year. As at 31 December 2015, approximately 83% (31 December 2014: 81%) of the trade receivables is neither past due nor impaired.

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

As at 31 December 2015, included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK$6,441,000 (31 December 2014: HK$6,961,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered fully recoverable. The Group does not hold any collateral over these balances.

Aging analysis of trade receivables which are past due but not impaired:

	31.12.2015 HK$'000	31.12.2014 HK$'000
120 to 180 days	**2,940**	4,129
Over 180 days	**3,501**	2,832
Total	**6,441**	6,961

27. TRADE AND OTHER RECEIVABLES (Continued)

(iii) Movements in the impairment losses recognised in respect of trade receivables are as follows:

	31.12.2015 HK$'000	31.12.2014 HK$'000
At the beginning of the year/period	**2,178**	2,295
Exchange realignment	**(110)**	(45)
Reversed during the year/period	**(339)**	(72)
At the end of the year/period	**1,729**	2,178

Included in the allowance for doubtful debts made for the year are individually impaired trade receivables with a balance of approximately HK$1,729,000 (2014: HK$2,178,000) which might be in financial difficulties. The Group does not hold any collateral over these balances.

28. BANK BALANCES AND CASH

For the year ended 31 December 2015, bank balances represented short-term deposits with a maturity of three months or less. The interest rates ranged from 0.01% to 2.05% per annum (31 December 2014: 0.01% to 1% per annum).

29. TRADE AND OTHER PAYABLES

	Notes	31.12.2015 HK$'000	31.12.2014 HK$'000
Trade payables	i & ii	**2,679**	3,448
Accrued expenses and other payables			
Advance and deposits from customers		**14,335**	12,101
Payables for acquisition of equipment		**3,134**	4,706
Payables for research and development expense		**1,787**	1,033
Other tax payables		**638**	461
Accrued audit fee		**1,727**	980
Accrued payroll		**2,495**	1,041
Accrued selling expenses		**6,213**	5,294
Short term advance from independent third parties	iii	**9,662**	–
Others		**4,241**	1,151
		46,911	30,215

29. TRADE AND OTHER PAYABLES (Continued)

Notes:

(i) The average credit period on purchases of goods is 120 days (31 December 2014: 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:

	31.12.2015 HK$'000	31.12.2014 HK$'000
0 – 30 days	**873**	2,945
31 – 60 days	**1,204**	166
61 – 90 days	**38**	103
Over 90 days	**564**	234
	2,679	3,448

(iii) The advances are unsecured, interest bearing at 7% p.a. and repayable on or before 31 January 2016. The advances were subsequently fully repaid.

30. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised from the revaluation of investment properties and movements thereon during the current year and prior period:

	31.12.2015 HK$'000	31.12.2014 HK$'000
At beginning of the year/period	**520**	498
Exchange realignment	**(46)**	(9)
Credit to profit or loss	**379**	31
At the end of the year/period	**853**	520

At 31 December 2015, the Group has unrecognised tax loss of HK$417,846,000 (31 December 2014: HK$384,664,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits streams. The losses will expire within five years from the year in which they arose.

Under the EIT Law of PRC, withholding tax is imposed on dividends in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the "Post-2008 Earnings" as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31. SHARE CAPITAL

	Notes	Number of shares	Amount HK$'000
Ordinary share of HK$0.01 each			
Authorised:			
At 1 April 2014, 31 December 2014 and 31 December 2015		500,000,000,000	5,000,000
Issued and fully paid:			
At 1 April 2014		4,825,211,424	48,252
Exercise of warrants	(i)	92,880,057	929
At 31 December 2014		4,918,091,481	49,181
Exercise of warrants	(i)	4,558,648	45
Exercise of share options	(ii)	126,380,000	1,264
At 31 December 2015		5,049,030,129	50,490

Notes:

(i) During the year ended 31 December 2015, 4,558,648 (nine months ended 31 December 2014: 92,880,057) warrants were exercised at a price of HK$0.20 into 4,558,648 (nine months ended 31 December 2014: 92,880,057) ordinary shares of HK$0.01 each in the Company. The proceeds from the exercise of warrants was approximately HK$864,000 (nine months ended 31 December 2014: HK$18,621,000), net of issue expenses approximately HK$47,000 (nine months ended 31 December 2014: HK$45,000).

(ii) During the year ended 31 December 2015, 126,380,000 share options were exercised at a price of HK$0.219 into 126,380,000 ordinary shares of HK$0.01 each in the company. The proceeds from the exercise of share options was approximately HK$27,677,000.

(iii) All shares issued during the year rank pari passu with the existing shares in all respects.

32. FINANCIAL INFORMATION OF THE COMPANY

	31.12.2015 HK$'000	31.12.2014 HK$'000
ASSETS AND LIABILITIES		
NON-CURRENT ASSETS		
Investment in a subsidiary	–	–
Amounts due from subsidiaries	624,994	604,152
	624,994	604,152
CURRENT ASSETS		
Deposits and prepayments	614	451
Bank balances and cash	13,903	6,726
	14,517	7,177
CURRENT LIABILITY		
Amounts due to subsidiaries	1,100	1,100
Other payables and accruals	2,148	1,083
	3,248	2,183
NET CURRENT ASSETS	11,269	4,994
NET ASSETS	636,263	609,146
CAPITAL AND RESERVES		
Share capital	50,490	49,181
Reserves	585,773	559,965
TOTAL EQUITY	636,263	609,146

Mr. Tong Kit Shing
DIRECTOR

Mr. Kingsley Leung
DIRECTOR

32. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Movement in reserves

	Share premium HK$'000	Share-based payment reserve HK$'000	Distributable reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2014	522,922	84,204	1,291,798	(1,352,202)	546,722
Total comprehensive income for the period	–	–	–	(4,681)	(4,681)
Equity-settled share based payment	–	277	–	–	277
Lapsed of share options	–	(3,741)	–	3,741	–
Cancellation of share options	–	(3,862)	–	3,862	–
Issue of shares upon:					
– exercise of warrants	17,647	–	–	–	17,647
At 31 December 2014	540,569	76,878	1,291,798	(1,349,280)	559,965
Total comprehensive income for the period	–	–	–	(6,077)	(6,077)
Equity-settled share based payment	–	4,606	–	–	4,606
Exercise of share options	38,219	(11,806)	–	–	26,413
Issue of shares upon:					
– exercise of warrants	866	–	–	–	866
At 31 December 2015	579,654	69,678	1,291,798	(1,355,357)	585,773

33. WARRANT

On 4 October 2013, the Company completed the open offer ("Open Offer") on the basis of 1 offer share for every 1 existing share held on the record date with 1 bonus share for every 1 offer share taken up, for every two offer shares taken up in the Open Offer one bonus warrant would be issued. A total of 782,423,147 units of the warrants ("Warrants") with an aggregate subscription amount of HK$156,484,629 were issued on 4 October 2013. Each of the warrants confers rights to the registered holder to subscribe for one new share of the Company in cash at an initial subscription price of HK$0.20 per share, subject to anti-dilutive adjustment, at any time from the date of issue up to and including 21 September 2016.

During the year ended 31 December 2015, 4,558,648 (nine months ended 31 December 2014: 92,880,057) new shares of the Company of HK$0.01 (31 December 2014: HK$0.01) each were issued upon the exercise of the Warrants. At 31 December 2015, the Company had 554,311,896 (31 December 2014: 558,870,544) outstanding Warrants. Exercise in full of such outstanding Warrants would result in the issue of additional 554,311,896 (31 December 2014: 558,870,544) shares.

34. 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.

35. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	31.12.2015 **HK$'000**	31.12.2014 HK$'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**150,554**	173,678
Financial liabilities		
Liabilities at amortised cost	**40,832**	27,391

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables. 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.

35. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

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's fair value interest rate risk relates primarily to bank deposits. 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.

Credit risk

As at 31 December 2015 and 31 December 2014, 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, credit approvals and other monitoring procedures to ensure that the follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that Group's credit risk is significantly reduced.

The credit risk on liquid funds and concentration of credit risk are limited because the counterparties are banks with high credit ratings.

As at 31 December 2015, the Group has concentration of credit risk of approximately 14% (31 December 2014: 17%) and 27% (31 December 2014:36%) of the total trade receivables due from the Group's largest customer and the five largest customers respectively. As at 31 December 2015 and 31 December 2014, all trade receivables were from customers located in the PRC.

35. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

The Group has net current assets amounting to approximately HK$112,310,000 at 31 December 2015 (31 December 2014: HK$151,328,000).

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 contractual maturity dates for all non-derivative financial liabilities as at 31 December 2015 and 31 December 2014 are less than 1 year or on demand. The carrying amount of non-derivative financial liabilities is approximately to their total undiscounted cash flows.

c. Fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. SHARE OPTIONS

A share option scheme was adopted by the Company on 22 October 2001 ("2001 Scheme"). The 2001 Scheme was replaced by the shareholder on 22 September 2006 ("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.

36. SHARE OPTIONS (Continued)

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 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 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 ("10% General Limit") and thereafter, if refreshed, shall not exceed 10% of the shares in issue as at the date of approval of the proposed refreshment of the 10% General Limit by the shareholders.

The limit on the number of the Company's shares which may be issued upon exercise of all outstanding option granted and 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.

At 31 December 2015, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 594,666,000 (31 December 2014: 549,806,000), representing 11.78% (31 December 2014: 11.18%) of the ordinary shares in issue at that date.

Details of the share option movements during the year/period ended 31 December 2015 and 31 December 2014 are as follows:

Share options grant date	Outstanding at 1.1.2015 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Cancelled during the year '000	Outstanding at 31.12.2015 '000
26 May 2009 Others	72,986	–	–	–	–	72,986
27 November 2013 Directors	600	–	–	–	–	600
27 November 2013 Employees	26,980	–	–	–	–	26,980
27 November 2013 Others	440,320	–	(126,380)	–	–	313,940
12 September 2014 Directors	8,650	–	–	–	–	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
	549,806	171,240	(126,380)	–	–	594,666
Exercisable at the end of the year						451,986
Weighted average exercise price	HK$0.31	HK$0.23	HK$0.22	–	–	HK$0.31

36. SHARE OPTIONS (Continued)

Share options grant date	Outstanding at 1.4.2014 '000	Granted during the period '000	Exercised during the period '000	Lapsed during the period '000 (Note 1)	Cancelled during the period '000 (Note 2)	Outstanding at 31.12.2014 '000
28 January 2008 Employees	1,695	–	–	(1,633)	(62)	–
28 January 2008 Others	4,508	–	–	–	(4,508)	–
26 May 2009 Others	78,121	–	–	(5,135)	–	72,986
27 November 2013 Directors	600	–	–	–	–	600
27 November 2013 Employees	27,420	–	–	(440)	–	26,980
27 November 2013 Others	440,320	–	–	–	–	440,320
12 September 2014 Directors	–	8,560	–	–	–	8,560
12 September 2014 Others	–	360	–	–	–	360
	552,664	8,920	–	(7,208)	(4,570)	549,806
Exercisable at the end of the year						543,506
Weighted average exercise price	HK$0.36	HK$0.23	–	HK$1.60	HK$4.13	HK$0.31

Note 1: The number of vested share options was lapsed due to resignation of the grantee.

Note 2: The number of share options vested in prior years and cancelled during the year ended 31 December 2014 as agreed between the Group and the grantees as the exercise price is out-of-money.

(i) Share options granted on 17 August 2015

On 17 August 2015, 120,000,000 share options were granted to certain selected external participants who have contributed to the business development and growth of the Group and the estimated fair value of the options granted was approximately HK$16,112,400. All the share options will be vested from 1 January 2016 to 17 August 2017, provided the directors determine that this consultant continue to make contribution to the Group's business development starting from 1 January 2016. The share options will be exercisable from the vesting date, i.e. 17 August 2017, to 16 August 2025.

The fair values of the share options granted on 17 August 2015 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.233 per share
Exercise price	HK$0.237 per share
Expected volatility	56.303%
Expected Life	9.998 years
Risk-free rate	1.752%
Expected dividend rate	0%

36. SHARE OPTIONS (Continued)

(ii) Share options granted on 10 July 2015

On 10 July 2015, 7,260,000 were granted to the Directors and the estimated fair value of the options granted was approximately HK$654,000. The share option will be exercisable from 10 July 2015 to 9 July 2025. Among the aggregate of 7,260,000 share options granted, 1,920,000 share options were vested immediately during the year ended 31 December 2015. The remaining shares options will be vested in 2 tranches with 2,670,000 and 2,670,000 share options to be vested on 10 July 2016 and 10 July 2017 respectively. The share options will vest automatically provided that the directors still remain in office on the vesting date.

The fair values of the share options granted on 10 July 2015 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.215 per share
Exercise price	HK$0.215 per share
Expected volatility	57.020%
Expected Life	9.998 years
Risk-free rate	1.827%
Expected dividend rate	0%

(iii) Share options granted on 23 January 2015

On 23 January 2015, 43,980,000 were granted and the estimated fair value of the options granted was approximately HK$5,648,000. Among the aggregate of 43,980,000 share options granted, 10,880,000 share options are granted to the employees of the Company and 33,100,000 share options are granted to others who provides business alliance and development advice to the Group. The share options will be exercisable from 23 January 2015 to 22 January 2025.

For the 10,880,000 share options granted to employees, 5,520,000 share options were vested immediately during the year ended 31 December 2015. The remaining share options will be vested in 2 tranches with 3,500,000 and 1,860,000 share options to be vested on 23 January 2016 and 23 January 2017 respectively.

For the 33,100,000 share options granted to the other participant, 21,120,000 share options were vested immediately during the year ended 31 December 2015. The remaining share options will be vested in 2 tranches with 9,880,000 and 2,100,000 share options to be vested on 23 January 2016 and 23 January 2017 respectively, provided the directors determine that this consultant continue to make contribution to the Group's business development on the vesting date. The vesting date for the share options granted to this consultant was determined by the directors with the aim to provide incentive and rewards for the consultant's contribution to the Group and to allow the directors to review the consultant's contribution to the business from time to time.

36. SHARE OPTIONS (Continued)

(iii) Share options granted on 23 January 2015 (Continued)

The fair values of the share options granted on 23 January 2015 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.230 per share
Exercise price	HK$0.230 per share
Expected volatility	57.575%
Expected Life	9.998 years
Risk-free rate	1.445%
Expected dividend rate	0%

(iv) Share options granted on 12 September 2014

During the nine months ended 31 December 2014, 8,920,000 share options were granted on 12 September 2014 ("the Grant Date") and the estimated fair value of the options granted was approximately HK$1,188,000. Among the aggregate of 8,920,000 shares options granted, 8,560,000 share options are granted to the Directors of the Company and 360,000 share options are granted to one external consultant who provides business alliance and development advice to the Group. The share option will be exercisable until 11 September 2024.

For the 8,560,000 share options granted to directors, 3,030,000 and 2,500,000 share options were vested during the year ended 31 December 2015 and nine months ended 31 December 2014 respectively. 3,030,000 remaining share options will be vested in 12 September 2016. The share options will vest automatically provided that the directors still remain in office on the vesting date.

For the 360,000 share options granted to the others, 240,000 and 120,000 share options were vested during the year ended 31 December 2015 and nine months ended 31 December 2014 respectively. Others represent those selected external participants who provided business alliance and business development advice and contributed to the long-term business development and growth of the Group.

The fair values of the share options granted on 12 September 2014 were calculated using the binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.221 per share
Exercise price	HK$0.230 per share
Expected volatility	115.443%
Expected Life	9.998 years
Risk-free rate	2.018%
Expected dividend rate	0%

The share options granted in 2008, 2009 and 2013 vest immediately on grant date.

The Group recognised expenses of HK$4,606,000 for the year ended 31 December 2015 (nine months ended 31 December 2014: HK$277,000) in relation to share options granted by the Company.

37. DISPOSAL OF A SUBSIDIARY

On 13 February 2015, the Company disposed to an independent third party, its entire interest in World Alliance Finance Limited, a subsidiary of the Group, at a consideration of approximately HK$388,000 resulting a gain on disposal of approximately HK$279,000. This subsidiary was engaged in money lending business in the past, but was inactive at the time of disposal.

Analysis of assets and liabilities over which control was loss:

	13.2.2015 HK$'000
Plant and equipments	12
Other receivables	57
Bank balance	40
Net assets disposed of	109

Gain on disposal of a subsidiary:

	13.2.2015 HK$'000
Cash consideration received	388
Net assets disposed of	(109)
Gain on disposal	279

Net cash inflow on disposal of a subsidiary:

	13.2.2015 HK$'000
Cash consideration	388
Less: bank balance disposed of	(40)
	348

38. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2015, the Company acquired an intangible asset from its associate for a consideration of approximately HK$8,256,000. The consideration is fully offset with the amount due to associate.

39. CAPITAL COMMITMENT

	31.12.2015 HK$'000	31.12.2014 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of purchase of property, plant and equipment	**1,666**	3,669
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of purchase of intangible asset (Note 25)	**17,660**	–

40. OPERATING LEASE

The Group as lessor

Property rental income earned during the year ended 31 December 2015 was approximately HK$2,066,000 (nine months ended 31 December 2014: HK$1,351,000). The investment properties held have committed tenants for the next one year (31 December 2014: one to two years).

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	31.12.2015 HK$'000	31.12.2014 HK$'000
Within one year	**475**	554
In the second to fifth years inclusive	**–**	–
	475	554

The Group as lessee

The Group leases certain of its office premises under operating lease arrangements. Leases are negotiated for a term ranging from one to three years (31 December 2014: one to two years). The Group does not have an option to purchase the leased asset at the expiry of the lease period.

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due are as follows:

	31.12.2015 HK$'000	31.12.2014 HK$'000
Within one year	**1,360**	1,226
In the second to fifth years inclusive	**1,652**	1,928
	3,012	3,154

41. RELATED PARTY TRANSACTIONS

(a) The balances with related parties at the end of the reporting period are disclosed elsewhere in the consolidated financial statements.

(b) Key management compensation

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 15.

(c) During the year ended 31 December 2015, the Company acquired an intangible asset from its associate for a consideration of approximately HK$8,256,000. Details of the transactions are set out in Note 23.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of major subsidiaries at 31 December 2015 and 31 December 2014 are as disclosed follows:

Name	Place of incorporation/ establishment and operation	Principal activities	Percentage of equity attributable to the Company		Particulars of issued and paid up share capital
			31 December 2015	31 December 2014	
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
World Alliance Finance Limited (Note i)	British Virgin Islands/ Hong Kong	Money lending	–	100%	1 Ordinary share of HK$1
Dongguan Taili Biotech Co., Limited 東莞太力生物工程有限公司	The PRC	Research and development	**100%**	100%	Contributed capital of HK$120,000,000
Beijing Genetech Pharmaceutical Co., Limited 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

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name	Place of incorporation/ establishment and operation	Principal activities	Percentage of equity attributable to the Company 31 December 2015	Percentage of equity attributable to the Company 31 December 2014	Particulars of issued and paid up share capital
Indirectly held (Continued)					
Shenzhen Watsin Genetech Limited 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 聯康永泰生物科技（北京）有限公司 (Note ii)	The PRC	Sales and marketing	**100%**	–	Contributed capital of RMB500,000

Notes

i. World Alliance Finance Limited was disposed of on 13 February 2015.

ii Uni-Bio Science Healthcare (Beijing) Co. Limited was newly set up on 20 August 2016.

43. RECLASSIFICATION

Certain comparative figures have been reclassified to conform with the current year's presentation.

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 twelve months ended 31.12.2015 HK$'000	For the nine months ended 31.12.2014 HK$'000	For the year ended 31 March 2014 HK$'000	2013 HK$'000	2012 HK$'000
TURNOVER	**123,364**	91,793	102,624	83,333	57,026
(LOSS) BEFORE TAXATION	**(57,230)**	(41,043)	(364,197)	(68,263)	(102,408)
INCOME TAX EXPENSE	**(2,569)**	(1,391)	(1,933)	(1,045)	(456)
(LOSS) FOR THE YEAR	**(59,799)**	(42,434)	(366,130)	(69,308)	(102,864)
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**(59,799)**	(42,434)	(366,130)	(69,308)	(102,864)
LOSS FOR THE YEAR/PERIOD	**(59,799)**	(42,434)	(366,130)	(69,308)	(102,864)

ASSETS AND LIABILITIES

	As at 31 December		**As at 31 March**		
	2015	2014	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**556,956**	596,668	692,915	873,939	896,695
TOTAL LIABILITIES	**(50,296)**	(33,543)	(94,693)	(174,431)	(129,393)
EQUITY	**506,660**	563,125	598,222	699,508	767,302

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. FUNG Kwok Leung (resigned on 18 September 2015)

Independent Non-Executive Directors

Dr. Carl Aslan Jason Morton FIRTH
Mr. ZHAO Zhi Gang
Mr. CHOW Kai Ming (appointed on 1 April 2016)
Mr. TSAO Hoi Ho, Terry (resigned on 18 March 2016)

AUDIT COMMITTEE

Mr. CHOW Kai Ming (appointed on 1 April 2016)
(Chairman of the Audit Committee)
Dr. Carl Aslan Jason Morton FIRTH
Mr. ZHAO Zhi Gang
Mr. FUNG Kwok Leung (resigned on 18 September 2015)
Mr. TSAO Hoi Ho, Terry (resigned on 18 March 2016)

REMUNERATION COMMITTEE

Dr. Carl Aslan Jason Morton FIRTH
(Chairman of the Remuneration Committee)
Mr. TONG Kit Shing
Mr. ZHAO Zhi Gang
Mr. CHOW Kai Ming (appointed on 1 April 2016)
Mr. FUNG Kwok Leung (resigned on 18 September 2015)
Mr. TSAO Hoi Ho, Terry (resigned on 18 March 2016)

NOMINATION COMMITTEE

Mr. TONG Kit Shing
(Chairman of the Nomination Committee)
Dr. Carl Aslan Jason Morton FIRTH
Mr. ZHAO Zhi Gang
Mr. CHOW Kai Ming (appointed on 1 April 2016)
Mr. TSAO Hoi Ho, Terry (resigned on 18 March 2016)

COMPANY SECRETARY

Ms. YAU Suk Yan (appointed on 14 August 2015)

AUTHORIZED REPRESENTATIVES

Mr. TONG Kit Shing
Mr. Kingsley LEUNG

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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LEGAL ADVISERS AS TO HONG KONG LAW

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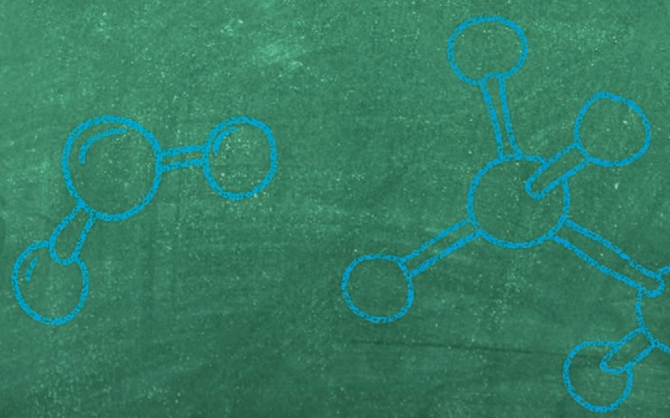

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