



# 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



INTERIM REPORT  
2016 中期報告

\* For identification purposes only 僅供識別

心 創 造 新 醫 藥  
LEADING GENUINE INNOVATION



梁國龍先生 - 聯康生物科技執行董事，代表集團接受 <<Hong Kong Business>> 總編輯頒發HKB最佳企業獎創新保健解決方案組別獎項。

Mr. Kingsley Leung, Director of Uni-Bio Science, received the award "High Flyers Outstanding Enterprises Awards – Innovative Healthcare Solutions" from the Chief Editor of "Hong Kong Business" on behalf of the Group



與華潤紫竹進行簽約儀式 - 聯康生物科技中國業務首席執行官許丕華先生(左)與華潤紫竹董事長吳峻先生(右)

Contract Signing Ceremony with CR Zizhu Pharmaceutical – CEO of China Operations of Uni-Bio Science, Mr. KOH Phee Wah (left) and Chairman of CR Zizhu, Mr. WU Jun (right)



於2016年6月27日與華潤紫竹進行簽約儀式  
Contract Signing Ceremony with CR Zizhu Pharmaceutical on 27 June 2016



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

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

#### 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. 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. 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

### AUTHORIZED REPRESENTATIVES

Mr. TONG Kit Shing  
Mr. Kingsley LEUNG

### AUDITORS

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

### REGISTERED OFFICE

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

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

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### LEGAL ADVISERS AS TO HONG KONG LAW

Leung & Lau

### STOCK CODE

0690

### WEBSITE

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

## KEY FINANCIAL HIGHLIGHTS

For the six months ended 30 June (Unaudited)

	2016	2015	Changes (%)
Revenue (HK\$'000)	<b>69,455</b>	58,260	19.2
Gross profit (HK\$'000)	<b>58,604</b>	48,594	20.6
R&D expenses (including capitalization) (HK\$'000)	<b>(10,719)</b>	(3,678)	191.4
Loss before taxation (HK\$'000)	<b>(24,127)</b>	(28,661)	-15.8
LBITA (HK\$'000) <sup>(1)</sup>	<b>(9,176)</b>	(9,211)	-0.4
Gross profit margin (%)	<b>84.4%</b>	83.4%	
R&D costs to revenue (%)	<b>15.4%</b>	6.3%	

As at 30 June/31 December

	2016	2015
Cash ratio (times) <sup>(2)</sup>	<b>2.03</b>	2.23
Current ratio (times) <sup>(3)</sup>	<b>3.24</b>	3.27
Trade payables turnover days (days) <sup>(4)</sup>	<b>31</b>	46
Trade receivables turnover days (days) <sup>(5)</sup>	<b>94</b>	96
Inventory turnover days (days) <sup>(6)</sup>	<b>149</b>	150
Debt-to-equity ratio (%) <sup>(7)</sup>	<b>9.5%</b>	9.9%

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 the number of days of the relevant period
- (5) Trade receivables turnover days: Average of opening and closing balances on trade receivables(exclude VAT)/turnover and multiplied by the number of days of the relevant period
- (6) Inventory turnover days: Average of opening and closing balances on inventory/cost of sales and multiplied by the number of days of the relevant period
- (7) Debt-to-equity ratio: Total liabilities/total equity

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

For the six months ended 30 June 2016

	Notes	Unaudited	
		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
<b>Revenue</b>	3	<b>69,455</b>	58,260
Cost of sales		<b>(10,851)</b>	(9,666)
<b>Gross profit</b>		<b>58,604</b>	48,594
Other income		<b>2,141</b>	2,582
Other gains and losses		<b>(5)</b>	–
Gain on disposal of a subsidiary		–	279
Selling and distribution costs		<b>(33,521)</b>	(28,148)
General and administrative expenses		<b>(38,330)</b>	(43,658)
Research and development expenses		<b>(7,054)</b>	(2,387)
Equity-settled share based payment expenses		<b>(5,809)</b>	(3,996)
<b>Loss from operation</b>		<b>(23,974)</b>	(26,734)
Share of results of an associate		–	(1,927)
Finance costs		<b>(153)</b>	–
<b>Loss before taxation</b>		<b>(24,127)</b>	(28,661)
Income tax expense	6	<b>(990)</b>	(801)
<b>Loss for the period</b>	4	<b>(25,117)</b>	(29,462)

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

For the six months ended 30 June 2016

		Unaudited Six months ended 30 June	
	Notes	2016 HK\$'000	2015 HK\$'000
<b>Other comprehensive expense</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation on foreign operation		(5,465)	1,087
Total comprehensive expenses for the period		(30,582)	(28,375)
<b>Loss per share (HK cents)</b>			
– Basic and diluted	7	(0.50)	(0.60)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	8	113,290	124,777
Investment properties		22,294	22,549
Prepaid lease payments		12,376	12,930
Goodwill		–	–
Intangible assets	9	229,065	230,520
Deposit paid for the acquisition of property, plant and equipment		1,775	1,136
Deposit paid for the acquisition of intangible assets		3,254	3,291
		<b>382,054</b>	395,203
<b>Current assets</b>			
Inventories		8,722	9,064
Trade and other receivables	10	45,042	41,850
Prepaid lease payments		816	825
Bank balances and cash		91,009	110,014
		<b>145,589</b>	161,753
<b>Current liabilities</b>			
Trade and other payables	11	30,677	46,911
Income tax payable		2,726	2,532
Bank loan – amount due within one year		11,510	–
		<b>44,913</b>	49,443
<b>Net current assets</b>		<b>100,676</b>	112,310
<b>Total assets less current liabilities</b>		<b>482,730</b>	507,513

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2016

		Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
	Notes		
<b>Non-current liabilities</b>			
Deferred tax liabilities		843	853
<b>NET ASSETS</b>		<b>481,887</b>	506,660
<b>Capital and reserves</b>			
Share capital	12	50,490	50,490
Reserves		431,397	456,170
<b>TOTAL EQUITY</b>		<b>481,887</b>	506,660

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
<b>Net cash used in operating activities</b>	<b>(26,798)</b>	(13,309)
<b>Net cash used in investing activities</b>	<b>(2,956)</b>	(6,124)
<b>Net cash generated from financing activities</b>	<b>11,357</b>	14,490
<b>Net decrease in cash and cash equivalents</b>	<b>(18,397)</b>	(4,943)
Cash and cash equivalents at the beginning of the period	110,014	138,126
Net effect of foreign exchange rate changes	(608)	273
<b>Cash and cash equivalents at the end of the period</b>	<b>91,009</b>	133,456
<b>Analysis of balances of cash and cash equivalents at the end of the period:</b>		
Bank balances and cash	91,009	133,456

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share-based payment reserve HK\$'000	Distributable reserve (Note a) HK\$'000	Exchange reserve (Note b) HK\$'000	Accumulated losses HK\$'000	
At 1 January 2015 (audited)	49,181	540,569	76,878	1,291,798	77,921	(1,473,222)	563,125
Other comprehensive expense for the period	-	-	-	-	1,087	-	1,087
Loss for the period	-	-	-	-	-	(29,462)	(29,462)
Total comprehensive expense for the period	-	-	-	-	1,087	(29,462)	(28,375)
Recognition of equity-settled share based payments	-	-	3,996	-	-	-	3,996
Issue of shares upon:							
– exercise of warrants	43	830	-	-	-	-	873
– exercise of share options	1,264	38,219	(11,806)	-	-	-	27,677
At 30 June 2015 (unaudited)	50,488	579,618	69,068	1,291,798	79,008	(1,502,684)	567,296
At 1 January 2016 (audited)	50,490	579,654	69,678	1,291,798	48,061	(1,533,021)	506,660
Other comprehensive expense for the period	-	-	-	-	(5,465)	-	(5,465)
Loss for the period	-	-	-	-	-	(25,117)	(25,117)
Total comprehensive expense for the period	-	-	-	-	(5,465)	(25,117)	(30,582)
Recognition of equity-settled share based payments	-	-	5,809	-	-	-	5,809
At 30 June 2016 (unaudited)	50,490	579,654	75,487	1,291,798	42,596	(1,558,138)	481,887

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

*For the six months ended 30 June 2016*

- 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. ORGANISATION

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

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted and the basis of preparation used in the preparation of the condensed consolidated financial statement of the Group are consistent with those followed in the preparation of the Group’s annual financial statements for the twelve months ended 31 December 2015.

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

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts and/or disclosures reported in these condensed consolidated financial statements.

### 3. 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 six months ended 30 June 2016, 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 and (c) industrialization of in-house biological pipeline. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

The information of the reportable segment results are as follows:

#### For the six months ended 30 June 2016 (unaudited)

	In-house chemical pharmaceutical products HK\$'000	In-house biological pharmaceutical products HK\$'000	In-house biological pipeline products HK\$'000	Total HK\$'000
Segment revenue				
External sales	30,362	39,093	–	69,455
Result				
Segment gain/(loss)	10,174	6,359	(15,348)	1,185
Other income				2,141
Finance costs				(153)
Equity-settled share based payment expenses				(5,809)
Unallocated administration expenses				(21,491)
Loss before taxation				(24,127)

### 3. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2015 (unaudited)

	In-home chemical pharmaceutical products HK\$'000	In-home biological pharmaceutical products HK\$'000	In-home biological pipeline products HK\$'000	Total HK\$'000
Segment revenue				
External sales	19,168	39,092	–	58,260
Result				
Segment gain/(loss)	1,846	5,559	(19,865)	(12,460)
Other income				2,582
Equity-settled share based payment expenses				(3,996)
Unallocated administration expenses				(13,139)
Gain on disposal of a subsidiary				279
Share of results of an associate				(1,927)
Loss before taxation				(28,661)

#### 4. LOSS FOR THE PERIOD

Loss for the period is stated after the following:

	Unaudited six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Amortisation of intangible assets	2,499	2,625
Amortisation of prepaid lease payments	415	544
Cost of inventories recognised as an expenses	10,851	9,666
Depreciation	11,884	16,281
Less: Depreciation included in research and development expenses	(2,287)	(160)
	9,597	16,121
Research and development expenses	10,719	3,678
Less: Capitalisation on intangible assets	(3,665)	(1,291)
	7,054	2,387

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

	Unaudited six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Salaries, wages and other benefits	21,620	16,547
Retirement benefit scheme contribution	2,154	2,636
Equity-settled share based payments	5,809	3,996
	29,583	23,179

#### 6. INCOME TAX EXPENSE

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

	Unaudited six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
PRC Enterprise Income Tax ("EIT")	990	801
Deferred taxation	–	–
	990	801

## 6. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong profits tax has been made since the entities operating in Hong Kong had no assessable profit for the six months ended 30 June 2015 and 2016.

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 six months ended 30 June 2015: 15%) for the six months ended 30 June 2016 while Beijing Genetech was eligible to such rate of 15% during the six months ended 30 June 2015 (six months ended 30 June 2016: 25%).

## 7. LOSS PER SHARE

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

	Unaudited six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(25,117)	(29,462)

	Unaudited six months ended 30 June	
	2016 '000	2015 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for basic and diluted loss per share calculation	5,049,030	4,892,212

No adjustment has been made to basic loss per share amounts presented for the six months ended 30 June 2015 and 2016 in respect of a dilution as the impact of the share options and warrants outstanding would decrease basic loss per share.

## 8. PROPERTY, PLANT AND EQUIPMENT

HK\$'000

<b>Cost</b>	
At 1 January 2016	402,010
Additions	1,592
Disposals	(112)
Written off	–
Exchange realignment	(4,592)
At 30 June 2016	398,898
<b>Accumulated depreciation and impairment</b>	
At 1 January 2016	277,233
Charge for the period	11,884
Eliminated on disposals	(107)
Eliminated on written off	–
Exchange realignment	(3,402)
At 30 June 2016	285,608
<b>Net book value</b>	
At 30 June 2016 (unaudited)	113,290
At 31 December 2015 (audited)	124,777

## 9. INTANGIBLE ASSETS

### Carrying amount

	Trademarks and certificates (Note a) HK\$'000	Technical know-how (Note b) HK\$'000	Product development in progress (Note c) HK\$'000	Total HK\$'000
At 30 June 2016 (unaudited)	–	32,209	196,856	229,065
At 31 December 2015 (audited)	–	42,966	187,554	230,520

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

## 9. INTANGIBLE ASSETS (Continued)

### Carrying amount (Continued)

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.
- (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 amortisation charge for the period is included in “general and administrative expenses” in the condensed consolidated statement of profit or loss and other comprehensive income.
- (f) No impairment was made during the period.

## 10. TRADE AND OTHER RECEIVABLES

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Trade receivables	<b>42,013</b>	37,786
Less: Allowance for doubtful debts	<b>(1,325)</b>	(1,729)
	<b>40,688</b>	36,057
Other receivables and prepayment		
Rental deposit	<b>660</b>	665
Rental receivables	<b>622</b>	629
Advance to staff	<b>705</b>	1,463
Prepayments	<b>804</b>	1,310
Other	<b>2,286</b>	2,458
Less: impairment loss recognised	<b>(723)</b>	(732)
	<b>45,042</b>	41,850

## 10. TRADE AND OTHER RECEIVABLES (Continued)

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

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
0 – 60 days	<b>19,982</b>	17,769
61 – 120 days	<b>10,928</b>	11,847
121 – 180 days	<b>6,648</b>	2,940
Over 180 days	<b>3,130</b>	3,501
	<b>40,688</b>	36,057

The Group allows an average credit period of 120 days (31 December 2015: 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.

## 11. TRADE AND OTHER PAYABLES

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Trade payables	<b>1,633</b>	2,679
Accrued expenses and other payables		
Advance and deposits from customers	<b>15,336</b>	14,335
Payables for acquisition of equipment	<b>2,113</b>	3,134
Payables for research and development expenses	<b>680</b>	1,787
Other tax payables	<b>1,427</b>	638
Accrued audit fee	<b>1,298</b>	1,727
Accrued payroll	<b>1,252</b>	2,495
Accrued selling expenses	<b>4,557</b>	6,213
Short term advance from independent third parties	–	9,662
Others	<b>2,381</b>	4,241
	<b>30,677</b>	46,911

## 11. TRADE AND OTHER PAYABLES (Continued)

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

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
0 – 30 days	1,303	873
31 – 60 days	42	1,204
61 – 90 days	6	38
Over 90 days	282	564
	<b>1,633</b>	2,679

The average credit period on purchases of goods is 120 days (31 December 2015: 120 days). The Group has in place financial risk management policies to ensure that all payables are settled within the credit time frame.

## 12. SHARE CAPITAL

Ordinary share of HK\$0.01 each

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>		
At 31 December 2015 and 30 June 2016	500,000,000,000	5,000,000
<b>Issued and fully paid:</b>		
At 1 January 2016	5,049,030,129	50,490
Exercise of warrants	–	–
Exercise of share options	–	–
At 30 June 2016	5,049,030,129	50,490

### 13. SHARE OPTIONS

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

Under the 2006 Scheme, which is valid for a period of ten years, the board of directors of the Company may, at its discretion grant options to subscribe for shares in the Company to eligible participants (“**Eligible Participants**”) who contribute to the long-term growth and profitability of the Company. Eligible Participants include (i) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) (the “**Eligible Employee**”) of the Company, any of its subsidiaries or any entity (“**Invested Entity**”) in which any member of the Group holds an equity interest; (ii) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any other group or class of participants who has contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group. The subscription price for the Company’s shares shall be a price at least equal to the highest of the nominal value of the Company’s shares, the average of the closing prices of the Company’s shares quoted on the Stock Exchange on the 5 trading days immediately preceding the date of an offer of the grant of the options and the closing price of the Company’s shares quoted on the Stock Exchange on the date of an offer of the grant of the options.

The options must be taken up within 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.

### 13. SHARE OPTIONS (Continued)

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

At 30 June 2016, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 613,666,000 (At 31 December 2015: 594,666,000), representing 12.15% (At 31 December 2015: 11.78%) of the ordinary shares in issue at that date.

Details of the share option movements during the six months ended 30 June 2015 and 2016 are as follows:

Share options grant date	Outstanding at 1.1.2016 '000	Granted during the period '000	Exercised during the period '000	Lapsed during the period '000	Cancelled during the period '000 (Note 1)	Outstanding at 30.06.2016 '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	313,940	-	-	-	(3,000)	310,940
12 September 2014 Directors	8,560	-	-	-	-	8,560
12 September 2014 Others	360	-	-	-	-	360
23 January 2015 Employees	10,880	-	-	-	-	10,880
23 January 2015 Others	33,100	-	-	-	-	33,100
10 July 2015 Directors	7,260	-	-	-	-	7,260
17 August 2015 Others	120,000	-	-	-	-	120,000
27 January 2016 Employees	-	22,000	-	-	-	22,000
	<b>594,666</b>	<b>22,000</b>	<b>-</b>	<b>-</b>	<b>(3,000)</b>	<b>613,666</b>
Exercisable at the end of the period						<b>466,736</b>
Weighted average exercise price	<b>HK\$0.31</b>	<b>HK\$0.23</b>	<b>-</b>	<b>-</b>	<b>HK\$0.22</b>	<b>HK\$0.30</b>

Note 1: The number of share options vested in prior years and cancelled during the six months ended 30 June 2016 as agreed between the Group and the grantees.

### 13. SHARE OPTIONS (Continued)

Share options grant date	Outstanding at 1.1.2015 '000	Granted during the period '000	Exercised during the period '000	Lapsed during the period '000	Cancelled during the period '000	Outstanding at 30.06.2015 '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	8,560	-	-	-	-	8,560
12 September 2014 Others	360	-	-	-	-	360
23 January 2015 Employees	-	10,880	-	-	-	10,880
23 January 2015 Others	-	33,100	-	-	-	33,100
	549,806	43,980	(126,380)	-	-	467,406
Exercisable at the end of the period						444,006
Weighted average exercise price	HK\$0.31	HK\$0.23	HK\$0.22	-	-	HK\$0.33

### 14. COMMITMENTS

#### (a) Operating lease commitment

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:

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Within one year	<b>3,060</b>	1,360
In the second to fifth years inclusive	<b>2,241</b>	1,652
	<b>5,301</b>	3,012

#### 14. COMMITMENTS (Continued)

##### (b) Capital commitments

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

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of purchase of property, plant and equipment	<b>2,381</b>	1,666
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of purchase of intangible asset	<b>17,461</b>	17,660

#### 15. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the period under review (six months ended 30 June 2015: Nil).

#### 16. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

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

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

## 17. EVENTS AFTER THE REPORTING PERIOD

On 27 June 2016, the Company entered into a subscription agreement (the “**Subscription Agreement**”) with an independent third party which incorporated in Singapore with limited liability (the “**Subscriber**”) pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, an aggregate of 88,280,000 shares (“**Subscription Shares**”) at the subscription price of HK\$0.170 per Subscription Share (the “**Subscription**”). The Subscription Shares would be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM held on 8 May 2015. Details of the Subscription are disclosed in the announcement released by the Company on 27 June 2016.

All conditions precedent of the Subscription as set out in the Subscription Agreement have been satisfied, and the Subscription was completed on 8 July 2016. An aggregate of 88,280,000 new shares, representing approximately 1.72% of the issued share capital (as enlarged by the Subscription Shares) of the Company as at the date of completion, have been allotted and issued by the Company to the Subscriber.

The aggregate gross proceeds from the Subscription of HK\$15 million have been satisfied by cash payment by the Subscriber and it will be used for development of future generations of the Group’s pipeline products, in-licensing new products for the China market, and general working capital.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL PERFORMANCE AND REVIEW

### Sales Developments

During the Period under Review, the Group recorded a consolidated turnover of approximately HK\$69,455,000 representing an increase of 19.2% compared with approximately HK\$58,260,000 recorded in the six months ended 30 June 2015. During the Period, the RMB devalued against the HKD, therefore the sales growth adjusted for forex fluctuations (the “**normalized growth**”) was 25.6%.

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 9.0%, according to IMS (May YTD). 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%+ two years ago to 5% just last year. 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. The Group’s 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 its financial performance in the Period. 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 and the Period under Review. As a result, the tendering outcomes were managed well and the Group enjoyed consistent access to key provinces without significant impact to pricing. Currently, there are still a number of provinces undergoing tendering and it is expected to be completed by the end of 2016.

In addition, the Group continued to implement its strategy of establishing a highly qualified and experienced Sales and Marketing team and observes the benefits of this in the strong and transparent relationships the teams are forging with healthcare professionals throughout China. In the previous financial year, the Group grew its overall direct sales force by over 43% 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 7.8% to a total of 152. These expansion efforts normally result in sales contribution 6-12 months after initiation, thus such efforts have partly contributed to the strong sales growth in the Period. The Group continues to invest heavily in expanding the direct and regional distributors over the Period under Review.

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 Period 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 Period, sales of proprietary biological pharmaceutical products reached HK\$39,093,000, which is flat when compared with HK\$39,092,000 recorded in the last corresponding Period and represent 56.3% of total consolidated sales. Accounting for forex fluctuations, the biological normalized growth was 5.0%.

### **GeneTime®**

During the Period, GeneTime® continued to see success as an effective and safe product for use in a new therapeutic area, Obstetrics and Gynecology. Moreover, GeneTime® has shown strong growth of 14% in the south by adding new distributors in Fujian, and Chongqing. In these areas, they were able to place our product in new hospitals and secure new patients and prescriptions.

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.

Finally, more stringent cold chain requirements from the backlash of the recent vaccine scandal in April has made it uneconomical for smaller hospitals and private clinics to sell GeneTime®, as they are unable to absorb the price of new cold chain compliance. Even though GeneTime® is extremely safe product if it was delivered in non-cold chain conditions, GeneTime® was approved as a refrigerated product, and it is a mandatory requirement to engage a CFDA approved GSP (“**Good Sales Practice**”) logistic companies to ensure that the product is delivered in refrigerated conditions.

Due to these setbacks, the company is implementing a recovery plan, which will accelerate the growth of the product, through more field activities, work with new hospitals and new distributors.

## **GeneSoft®**

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. As a result, GeneSoft® sales growth has rebounded during the Period to approximately 10% in the local basis versus the corresponding period.

In the end of the Period, the Group successfully inked our first national sales partnership with China Resources Zizhu Pharmaceutical Co., Ltd. (“**China Resource ZiZhu**”). China Resource Zizhu is a pharmaceutical subsidiary of China Resources Pharmaceuticals Group focused in ophthalmology and reproductive health drugs in China. The partnership is an important part of the Group strategy of expanding the commercial reach of the Group. The key terms and benefits of the partnership are highlighted in the business update section. With the partnership, the Group is expected to see strong growth in GeneSoft® sales volume in the near future. Currently, the Group is focused in transitioning the existing distributors to our partners; a full transition is expected in the end of 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\$30,362,000 in the Period, representing growth of 58.4% versus the corresponding annual sales of HK\$19,168,000. Accounting for forex fluctuations, the chemical normalized growth is 66.4%. Chemical pharmaceutical products represented approximately 43.7% of total consolidated sales compared to 32.9% in the last corresponding Period.

Pinapu® sales performance has outgrown the Group's expectation over the Period, and is the key driver of overall strong sales growth for the Group. More than half of the growth of Pinapu® is attributed from successful and well-managed tenders of the Group's tendering team. The Group has successfully won Guangdong and Fujian tenders over the Period. The remaining growth of Pinapu® is a result of excellent field work by the sales team, successfully opening new markets in Tianjin (new additional distributor), Shanghai (new team), as well as motivating the Group's distributors in Jiangsu and Jilin to increase sales.

## Development costs, EBITDA & EBT

Gross profit for the Period was approximately HK\$58,604,000, representing an increase of 20.6% as compared with approximately HK\$48,594,000 recorded in the last corresponding Period. Gross profit margin expanded by 1.0% to 84.4%. 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 improve gross margins for a number of following reasons: 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. In addition, the sales team has been more successful in selling the 15ml GeneTime® specification than 5ml GeneTime® specification, the change in sales mix has also impacted our gross margins.

Even in the presence of a number of additional expense items related to the misappropriation event that occurred in late 2015, General and Administrative (“**G&A**”) expenses (which excludes research and development expenses) decreased by 12.2%, 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 during the Period. In order to increase the effectiveness and efficiency of the organization, the Group underwent a transformation with net changes over headcount from 289 employees to 279 employees as of 30 June 2016. Equally important, the Group’s HR continues to roll out a number of new initiatives during the Period with the objective to raise employee 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 Research and Development (“**R&D**”) expenses (including capitalization) increased to HK\$10,719,000 (six months ended 30 June 2015: HK\$3,678,000), representing a change from 6.3% to 15.4% of total revenue. 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 Period 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**”). 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 end of 2016. 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\$33,521,000 from HK\$28,148,000 in the last corresponding Period. 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 (at 48.3%) because of the change in sales mix of the Group's marketed product to product specifications that are more profitable. In addition, the equity-settled based payment increased in this Period versus the corresponding Period as a result from additional share options granted 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 by 17.1% from HK\$2,582,000 in the previous Period to HK\$2,141,000 in the Period under Review. Other income represents income from non-core businesses, such as leasing and interest from bank. The decrease in other income is mainly attributed to the decrease of average fixed deposit rate in China from 2.4% to 1.9% during the Period, and this is within expectation as the government continues to loosen monetary policy to spur economic growth. The Group continues to put emphasis on maximizing the return on idle cash; currently 75% of its cash are in 3-6 month bank deposit.

Total loss narrowed 14.7% from HK\$29,462,000 in the last corresponding Period to HK\$25,117,000 during the Period. On the other hand, loss of recurring operations decreased 10.3% from HK\$26,734,000 in the last corresponding Period to HK\$23,974,000 during the Period. The discrepancy between total loss and loss of recurring operation is due to an additional loss from share of associate recorded in the last corresponding Period. On 30 November 2015, one of the Group's associate underwent deregistration in order to cut operating cost since several co-operated R&D projects have reached completion. In addition, the Group also recorded a new finance cost of HK\$153,000, representing the interest expenses of a RMB10,000,000 loan facility drawn out on 30 March 2016. The net interest cost of the loan is very attractive due to subsidies received from local authority of Shenzhen Nanshan District. The facility will help with the Group's daily working capital needs.

The Group is still showing a loss mainly due to depreciation on fixed assets and amortization of intangible assets, totaling HK\$14,798,000. 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 (“**cGMP**”) 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 LBITDA**”) will give an indication of the Group's cash burn. Adjusted LBITDA narrowed by 35.4% from HK\$5,215,000 to HK\$3,367,000 during the Period under review. Considering a cash and cash equivalent of HK\$91,009,000 is recorded in the end of the Period, the Group can continue to support its near term operations and investment.

## **BUSINESS REVIEW**

The Group's overall business strategy employs two specific elements – one focused internally (solidifying foundations) 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 end of 2015, 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 following table which summarizes the recent business updates, opportunities and challenges in regards to key functions of the Group during the Period.

Functions	Items	Description	Updates	Opportunities	Challenges
Sales and Marketing	Provincial tendering	2016 continues to be an important tendering year for the industry. It was mandatory for all provinces in China to complete tender before the end of 2015, but many provinces have delayed this action till this 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 Period end, Pinapu® covers 21 provinces and military hospitals, GeneTime® covers 29 provinces and military hospitals and GeneSoft® covers 23 provinces. Overall, the results of the tendering in the Period has been satisfactory. The Group was able to preserve many provinces at a sustainable price level and this has helped us alleviate the impact of price erosion within the China market	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. As mentioned above, new tenders represent half the high growth of Pinapu® sales during the Period. Unfortunately, we lost the smaller market of Guangxi. We are now listed in 21 provinces for Pinapu.	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 withdrew from the tender of 2 provinces for GeneTime® and GeneSoft® during the Period. This is one of the reason why GeneTime® sales growth has stayed relatively flat over the period. Nevertheless, we do believe that the growth trend will pick up again because we secured a new major provincial tender for GeneTime® and GeneSoft® during the Period. Most importantly, we were able to largely preserve pricing. Also, as mentioned in 2015, we gained reimbursement for 3 new provinces for GeneSoft®, which will positively affect sales volume.

Functions	Items	Description	Updates	Opportunities	Challenges
Sales and Marketing	Commercial platform expansion	<p>One of the Group's priorities 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 and regional distributors.</p> <p>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.</p>	<p>On June 27th, 2016, the Group partnered with China Resource Zizhu to commercialize GeneSoft® nationally for a minimum of five years, with option to extend this.</p> <p>The commercial collaboration model consist of <b>Base</b> and <b>Incremental</b>.</p> <p><b>Base</b> – China Resource Zizhu will inherit the Group's existing GeneSoft® business. This is at a price level which will preserve The Group's profitability of this business.</p> <p><b>Incremental</b> – China Resource Zizhu will help the Group quickly realize growth through going deeper and broader to areas not currently covered by the Group. The structure of this deal will allow the Group to realize this growth quickly without significant additional outlay.</p>	<p>There are a number of key opportunities with the partnership:</p> <ol style="list-style-type: none"> <li>1. China Resource Zizhu can potentially access 5 times the number of hospitals versus Group's current network in a short time frame</li> <li>2. China Resource Zizhu has strong track record of beating competitors in the ophthalmology space (e.g. sales of their Latanoprost outgrew market by 15% according to IMS 2015)</li> <li>3. China Resource Zizhu has a larger share-of-voice in the market that may help with winning tenders and expanding reimbursement of GeneSoft®</li> <li>4. The Group plans to increase investment in Pinaup®, Gene Time® and Mitiglinide. The partnership enables the Group to improve returns from these additional investment.</li> </ol>	<p>As at the time of reporting, we have started the transition and this is going well.</p> <p>The 3 major parties (the Group, China Resource Zizhu and the Group's current distributors) all agree this is a win-win development for all. The Group feels GeneSoft® now has a stronger platform and we expect GeneSoft® to grow even faster and become a strong competitor in the market.</p>

Functions	Items	Description	Updates	Opportunities	Challenges
Sales and Marketing	Mitiglinide Launch	As part of the partnership model launched in 2014, the Group successfully closed its first domestic partnership with (Jiangsu Hansoh Pharmaceutical Co., Ltd. ("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.	<p>The Group is in preparation of Mitiglinide launch, targeting launch in 1Q2017.</p> <p>During the Period, the Group hired a new product manager to manage the product. Marketing analysis, training and plan are being conducted. The box design of the product has been set and the product will be sold under the Chinese trade name of 博康泰* (the English trade name is still pending). The Group is also working closely with our partners Jiangsu Hansoh for the first supply of the product.</p>	<p>Mitiglinide has demonstrated strong clinical advantages against other glinides:</p> <ul style="list-style-type: none"> <li>• Short onset of action (decrease in blood sugar within 5 mins versus 10-15 mins of peers)</li> <li>• Low risk of hypoglycemia &amp; dyslipidemia</li> </ul> <p>Mitiglinide has a number of pending catalysts to gain market share:</p> <ul style="list-style-type: none"> <li>• Potential NPD listing in 2016</li> <li>• Merck Serono in-licensed China rights for Mitiglinide in late 2014 which we expect to benefit us as a result of raising product awareness</li> </ul> <p>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.</p>	<p>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.</p> <p>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.</p>

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.	In the Period under Review, the Group has also made progress on EPO-Fc by completing the phase Ia 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.  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.	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. Uni-EPO-Fc met predetermined timelines in the Period, and the Group is cautiously optimistic to launch the product in 2025.  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 guideline 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 2015, 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
Corporate Development	Subscription Agreement	The Group continues to scan for lucrative products in the market to commercialize and develop products internally to add long term value to the Group's shareholders and society.	On 27 June 2016, the Group entered into a subscription agreement with an investment company incorporated in Singapore (the "Subscriber"). The Subscriber agreed to subscribe for an aggregate of 88.3M shares at a price of HK\$0.17. Aggregate gross proceed of the subscription was approximately HK\$15 million.	The Group are of the view that the subscription proceed can strengthen the financial position of the Group and provide working capital to meet any future development and obligations.  It also represents a good opportunity to broaden the shareholders' base and the capital base of the Company. The Group understands that the Subscriber intends to hold a long-term interest in the Company.	No challenges since the subscription agreement is completed.
		From time-to-time, the Group may seek for extra funding in order to effectively monetize on these opportunities.		Finally, the agreement was priced at a 3.0% premium to the last trading day, indicating that the Subscriber is bullish on the current business and performance of the Group.	

Functions	Items	Description	Updates	Opportunities	Challenges
Others	Investor Relations ("IR") 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 Period, the Group presided multiple roadshows and one-on-one investor meetings in Hong Kong and China, as well as attended several corporate days (reverse roadshow), including Morgan Stanley and Everbright, etc. The team also participated in leading and industry conferences, namely Asia Biotech Invest (HK) in Hong Kong and China Bio Partnering Forum in Suzhou. 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.	The Group prioritizes strong corporate governance and has proactively enhanced it over the last 24 months. Such enhancement has been recognized by HKB. 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 Group is a high-tech enterprise, and, as is common in the industry, can be considered difficult for generalist investors to understand. The IR team observed a specific gap in understanding 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. For example, the Group organized a sophisticated press conference for the partnership between the Group and China Resource Zizhu. Shortly after the event, the news of the partnership was covered by over 10 well-known PRC financial media outlets, including China Securities Journal and China Economic Times.
			Moreover, the Group launched an official IR communication channel targeted at providing Chinese-reading investors updated information regarding the Group via popular smartphone apps.	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 is already incorporated in many of the Group's external and internal communication packages.	The Group believes its strong product portfolio and unique business model will resonate well to PRC investors.
			Finally, the Group also launched a new website that provides users with high-quality content to better educate prospective and current investors of the Group. Such enhancements include a high definition corporate introduction video and dedicated investor tools that will help the analysis of the Group's financial position and keep up-to-date with our latest breakthroughs.		

## 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
<b>IN-HOUSE</b>								
<b>Metabolic</b>								
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 $\beta$ -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 (Exendin-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 convenience to patients.	▶					

Products/ Compound	Indication	Description	Pre- clinical	Phase 1	Phase 2	Phase 3	Pre- registration	Marketed
<b>IN-HOUSE</b>								
<b>Ophthalmology</b>								
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.	▶	▶	▶	▶	▶	▶
<b>Dermatology</b>								
GeneTime	Dermatological 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.	▶	▶	▶	▶	▶	▶
<b>Infectious Disease</b>								
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.	▶	▶	▶	▶	▶	▶
<b>Hematology</b>								
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 convenience 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, inhibits 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  $\beta$ -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. In 2015, 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 new drug application ("**NDA**") to the CFDA in 2H2016. Once submitted, the Board hopes to obtain market approval in mid- 2018, 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 patients' 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. During the Period, 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 the 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 qualities 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 Central Drug Evaluation center (“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 six 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\$91,009,000 of cash and cash equivalent as at 30 June 2016.

2016 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 on 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 the Group continues its 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 during 2016, we are confident that Uni-Bio will navigate the changing environment and emerge as an industry leader.

## Government Reforms

Not much change has occurred since the review in Group's 2015 annual report, the key opportunity and risk will be related to 1) successfully guiding the Group's generic portfolio through the new conformity study requirements of the CFDA, 2) continue to manage the remaining tendering of the Group's product portfolio, and 3) ensure that both Uni-PTH and Uni-E4 products transverse properly across the new clinical requirements and NDA (new drug application) workflow. All three points can be described in more detail in the Group's 2015 annual report. In addition to these key points, during the Period under Review, the MoHRSS (Ministry of Human Resources and Social Security of China) announced that the NRDL (National Reimbursement drug list) review will complete before the end of this year. Currently, the MoHRSS is performing research on the adjustment plan, and NRDL listing process will commence shortly.

Historically speaking, NRDL has been reviewed every four years since year of 2000, but the last review performed was on 2009. There were 2,196 drugs listed on 2009 version NRDL, meeting the basic employees medical, work injury and maternity insurance patient treatment needs. The rules of review this year are expected to be similar as previous cycles; taking into the new drugs that approved after 2009, giving priority to products that have already listed in PRDL, and engaging KOL voting system.

Pinapu® and GeneTime® are already listed on the NRDL, while GeneSoft® has not been listed. There will be challenges in listing GeneSoft® as it is a mature product, but there are also opportunities, such as adequate KOL recommendations and the provincial level 15% additional permission. The cooperation with CR Zizhu will also be beneficial by expanding our KOL reach.

In addition, drugs listed in over 17 provincial PRDL have priority to be listed in the NRDL. Mitiglinide is already listed in 15 provincial PRDL, and has a high probability to list on the NRDL this year, KOLs support will be a key factor of success.

## Second half of 2016 Priorities

To conclude from the recent regulatory changes and updates on the Group's businesses in the Period under Review, our priorities in the second half of 2016 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 partnerships, either through a regional or national network.
- 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
- Submission of Uni-E4 NDA to CFDA
- Complete phase I clinical trial of Uni-EPO-Fc
- Successfully complete Bioequivalent ("**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

As at 30 June 2016, the Group's bank deposits, bank balances and cash amounted to approximately HK\$91,009,000 (31 December 2015: HK\$110,014,000). The Group has total assets of approximately HK\$527,643,000 (31 December 2015: HK\$556,956,000), current assets of the Group at 30 June 2016 amounted to approximately HK\$145,589,000 (31 December 2015: HK\$161,753,000) while current liabilities were HK\$44,913,000 (31 December 2015: HK\$49,443,000). The total liabilities to total assets ratio is 8.7% (31 December 2015: 9.0%).

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.

The Group has always pursued a prudent treasury management policy, and a strong liquidity position with standby banking facilities, in order to cope with daily operations and future development demands for capital. As of 30 June 2016, including the banking facilities that are secured by the Group's pledged asset, total available banking facilities of the Group amounted to RMB20 million (equivalent to HK\$23 million), among which a 1-year term loan of RMB10 million (equivalent to HK\$11.5 million) was utilised by the Group. The ratio of outstanding bank loans to total assets is 2.2% (31 December 2015: Nil).

## PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As of 30 June 2016, the Group secured its bank loans by a charge over leasehold buildings with net book value of HK\$3.6 million (31 December 2015: Nil).

As of 30 June 2016, the Group had no material contingent liabilities.

## EMPLOYMENT AND REMUNERATION POLICY

At 30 June 2016, the Group employed 279 staff (31 December 2015: 289 staff), including 40 staff in the PRC R&D, 53 staff in the PRC sales offices, 159 staff in the PRC production, 19 staff in the PRC headquarters and 8 staff in Hong Kong headquarters. Apart from the full time employees in the PRC sales offices, the Group also has 152 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.

## OTHER INFORMATION

### DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2016, 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)	2,260,000 (L)	0.04%
Carl Aslan Jason Morton FIRTH	Beneficial owner (Note 5)	–	2,720,000 (L)	2,720,000 (L)	0.05%
ZHAO Zhi Gang	Beneficial owner (Note 5)	–	2,720,000 (L)	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) 932,256,532 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. Kingsley 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 30 June 2016.

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executive of the Company, or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

## SUBSTANTIAL SHAREHOLDERS INTERESTS IN SECURITIES

To the best knowledge of the Directors after making reasonable enquiry, as at 30 June 2016, 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 of 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 30 June 2016.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any other persons who have relevant interests or short positions in the Shares or underlying Shares in the Company as at 30 June 2016 which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

## **PURCHASE, SALES OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s shares during the Period.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

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

## COMPLIANCE WITH MODEL CODE

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

## REVIEW OF INTERIM REPORT

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

Hong Kong, 26 August 2016



**Uni-Bio Science Group Ltd.**

**聯康生物科技集團有限公司\***

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