**Uni-Bio Science Group Ltd.**
**聯康生物科技集團有限公司***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 0690)**

# ANNOUNCEMENT OF FINAL RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2015

The unaudited financial data of the twelve months ended 31 December 2014 was presented as direct data comparator with the audited financial data of the twelve months ended 31 December 2015 in the sections of "HIGHLIGHTS FOR TWELVE MONTHS ENDED 31 DECEMBER 2015" and "MANAGEMENT DISCUSSION AND ANALYSIS", in order to assess the trend of the activities and performance of Uni-Bio Science Group Limited ("**Company**", together with its subsidiaries, the "**Group**"). Shareholders and potential investors should exercise caution when dealing in the shares of the Company and should not rely solely on such information.

## HIGHLIGHTS FOR TWELVE MONTHS ENDED 31 DECEMBER 2015

- Normalized period (adjusted for forex fluctuations) of sales grew 11.8%, significantly beating industry growth of 5.0%
- Loss from operations narrowed by 30.5% as a result of increase in sales and reduction of general and administrative expenses
- Total research and development costs charged for year (included capitalization to intangible assets) represent 29.4% of total revenue
- Successful, well managed tenders for all marketed products preserve sales continuity and momentum for 2016
- Reimbursement secured in 3 new provinces for GeneSoft®
- Expanded size of direct sales force by approximately 30% and regional distributor network by 20%
- New Drug Application successfully accepted for review of Uni-PTH by the China Food and Drug Administration ("**CFDA**")
- Uni-E4 successfully met primary and other secondary endpoint in phase III clinical study
- Beijing chemical manufacturing line awarded new cGMP certification, ensuring freedom-to-operate in the chemical drug market
- Completion of first domestic partnership with 江蘇豪森藥業股份有限公司 (Jiangsu Hansoh Pharmaceutical Co., Ltd.*) ("**Jiangsu Hansoh**") for the commercialization of new oral anti-diabetes drug, *Mitiglinide*
- Garners three corporate awards from prestigious organizations
- Business remains strong despite strong headwinds from changing industry landscape

* *For identification purpose only*

The board (the "Board") of directors (the "Directors") of the Company is pleased to announce the audited consolidated results of the Group for the twelve months ended 31 December 2015 together with the results for the nine months ended 31 December 2014 as follows:

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

| | Notes | **1.1.2015 to 31.12.2015** ***HK$'000*** | 1.4.2014 to 31.12.2014 *HK$'000* |
|---|---|---|---|
| Revenue | *4* | **123,364** | 91,793 |
| Cost of sales | | **(20,608)** | (15,129) |
| Gross profit | | **102,756** | 76,664 |
| Other income | *4* | **5,333** | 6,351 |
| Other gains and losses | | **2,632** | 431 |
| Gain on disposal of a subsidiary | *5* | **279** | – |
| Selling and distribution costs | | **(64,940)** | (49,753) |
| General and administrative expenses | | **(66,489)** | (68,787) |
| Research and development costs | | **(17,160)** | (5,250) |
| Equity-settled share based payment expenses | | **(4,606)** | (277) |
| Loss arising due to misappropriation of funds | *6* | **(9,991)** | – |
| Share of results of an associate | | **(5,044)** | (422) |
| **Loss before taxation** | *7* | **(57,230)** | (41,043) |
| Income tax expense | *8* | **(2,569)** | (1,391) |
| **Loss for the year/period** | | **(59,799)** | (42,434) |
| ***Other comprehensive expenses*** | | | |
| Exchange differences arising on translation on foreign operation | | **(29,860)** | (11,516) |
| Total other comprehensive expenses for the year/period | | **(29,860)** | (11,516) |
| **Total comprehensive expenses for the year/period** | | **(89,659)** | (53,950) |
| **Loss per share** | | | |
| Basic and diluted (HK cents) | *9* | **(1.20)** | (0.87) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **31.12.2015** ***HK$'000*** | 31.12.2014 *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **124,777** | 134,715 |
| Investment properties | | **22,549** | 20,880 |
| Prepaid lease payments | | **12,930** | 14,569 |
| Goodwill | | **–** | – |
| Intangible assets | *12* | **230,520** | 230,245 |
| Interests in an associate | | **–** | 5,121 |
| Deposit paid for the acquisition of property, plant and equipment | | **1,136** | 6,787 |
| Deposit paid for the acquisition of an intangible asset | *13* | **3,291** | – |
| | | **395,203** | 412,317 |
| **Current assets** | | | |
| Inventories | | **9,064** | 7,899 |
| Trade and other receivables | *14* | **41,850** | 37,236 |
| Prepaid lease payments | | **825** | 1,090 |
| Bank balances and cash | | **110,014** | 138,126 |
| | | **161,753** | 184,351 |
| **Current liabilities** | | | |
| Trade and other payables | *15* | **46,911** | 30,215 |
| Income tax payable | | **2,532** | 2,808 |
| | | **49,443** | 33,023 |
| **Net current assets** | | **112,310** | 151,328 |
| **Total assets less current liabilities** | | **507,513** | 563,645 |

| | **31.12.2015** | 31.12.2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Non-current liabilities** | | |
| Deferred tax liabilities | **853** | 520 |
| | **853** | 520 |
| **Net assets** | **506,660** | 563,125 |
| **Capital and reserves** | | |
| Share capital | **50,490** | 49,181 |
| Reserves | **456,170** | 513,944 |
| **Total equity** | **506,660** | 563,125 |

*NOTES:*

## 1. GENERAL INFORMATION

Uni-Bio Science Group Limited (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 Company acts as investment holding company and its subsidiaries (collectively referred to as the "Group") are principally engaged in bioscience related business (with focus on the research, development and commercialisation of biopharmaceuticals through recombinant DNA and other technologies), and the manufacture, sale and trading of pharmaceutical products.

The functional currency of the Company is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in HK$ for the convenience of users of the consolidated financial statements as the Company is listed in Hong Kong.

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

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

The Group has applied the following amendment to HKFRSs issued by the HKICPA for the first time in the current reporting period:

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

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

**New and revised HKFRSs issued but not yet effective**

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

| | |
|---|---|
| HKFRS 9 | Financial Instruments[2] |
| HKFRS 14 | Regulatory Deferral Accounts[5] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| HKFRS 16 | Leases[4] |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[1] |
| Amendments to HKAS 1 | Disclosure Initiative[1] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[1] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle[1] |

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

**HKFRS 9 *Financial Instruments***

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

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

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

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

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

**HKFRS 15 *Revenue from Contracts with Customers***

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

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

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

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

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

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

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

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

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

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

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

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

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

## 4. REVENUE AND OTHER INCOME

Revenue represents the gross invoiced value of goods sold, net of value added tax, sales returns and discounts, to outside customers.

An analysis of the Group's income for the year/period is as follows:

| | **1.1.2015 to 31.12.2015** | 1.4.2014 to 31.12.2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue | | |
| Sales of pharmaceutical products | **123,364** | 91,793 |
| Other income | | |
| Interest income | | |
| Held to maturity investment | **–** | 4,135 |
| Bank deposits | **2,953** | 293 |
| | **2,953** | 4,428 |
| Rental income | **2,315** | 1,532 |
| Sundry income | **65** | 391 |
| | **5,333** | 6,351 |
| Total income | **128,697** | 98,144 |

## 5. DISPOSAL OF A SUBSIDIARY

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

Analysis of assets and liabilities over which control was loss:

| | **13.2.2015**<br>*HK$'000* |
|---|---|
| Plant and equipments | 12 |
| Other receivables | 57 |
| Bank balance | 40 |
| Net assets disposed of | 109 |

Gain on disposal of a subsidiary:

| | **13.2.2015**<br>*HK$'000* |
|---|---|
| Cash consideration received | 388 |
| Net assets disposed of | (109) |
| Gain on disposal | 279 |

## 6. LOSS ARISING DUE TO MISAPPROPRIATIONS OF FUNDS

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

## 7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

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

## 8. INCOME TAX EXPENSE

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

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

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

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

## 9. LOSS PER SHARE

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

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

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

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

## 10. SEGMENT INFORMATION

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

**a) Segment revenues and results**

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

**For the twelve months ended 31 December 2015**

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

**For the nine months ended ended 31 December 2014**

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

Segment results represents the results of each segment without allocation of other income, gain on disposal of a subsidiary, central administration costs, directors' remuneration, equity-settled share based payment expenses, share of results of an associate and finance costs. This is the measure reported to the chief operating decision makers of the Group for the purposes of resources allocation and performance assessment.

**b) Segment assets and liabilities**

**As at 31 December 2015**

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

**As at 31 December 2014**

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

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

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

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

**c) Other segment information**

**For the twelve months ended 31 December 2015**

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

## For the nine months ended 31 December 2014

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

**d) Geographical segments**

For the twelve months ended 31 December 2015 and the nine months ended 31 December 2014, all of the Group's revenue were derived from the PRC. Information about the Group's sales to external customers presented based on the locations of customers, and information about the Group's non-current assets presented based on the geographical location of the non-current assets are summarised below:

| | **Sales to external customers** | | **Non-current assets** | |
|---|---|---|---|---|
| | **1.1.2015 to 31.12.2015** | 1.4.2014 to 31.12.2014 | **31.12.2015** | 31.12.2014 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **–** | – | **3,763** | 2,319 |
| PRC | **123,364** | 91,793 | **391,440** | 409,998 |
| | **123,364** | 91,793 | **395,203** | 412,317 |

**e) Information about major customers**

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

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

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

## 11. DIVIDEND

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

## 12. INTANGIBLE ASSETS

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

*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 useful 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 intangible asset with indefinite useful life.

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

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

## 13. DEPOSIT PAID FOR THE ACQUISITION OF A INTANGIBLE ASSET

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

## 14. TRADE AND OTHER RECEIVABLES

| | **31.12.2015** | 31.12.2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **37,786** | 35,920 |
| Less: Allowance for doubtful debts | **(1,729)** | (2,178) |
| | **36,057** | 33,742 |
| Other receivables and prepayments | **6,525** | 4,270 |
| Less: Impairment loss recognised | **(732)** | (776) |
| | **5,793** | 3,494 |
| | **41,850** | 37,236 |

*Notes:*

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

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

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for the customer. Limits attributed to customers are reviewed once a year. As at 31 December 2015, approximately 78% (31 December 2014: 75%) of the trade receivables is neither past due nor impaired.

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

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

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

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

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

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

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

## 15. TRADE AND OTHER PAYABLES

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

*Notes:*

i) The average credit period on purchases of goods is 120 days (31 December 2014: 120 days). The Group has in place financial risk management policies to ensure that all payables are settled within the credit time frame.

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

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

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

| | **(Audited) Twelve months ended 31 December 2015** | (Unaudited) Twelve months ended 31 December 2014 | (Audited) Nine months ended 31 December 2014 |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Turnover | **123,364** | 112,581 | 91,793 |
| Cost of sales | **(20,608)** | (18,922) | (15,129) |
| Gross profit | **102,756** | 93,659 | 76,664 |
| Selling and distribution expenses | **(64,940)** | (61,774) | (49,753) |
| General and administrative expenses | **(66,489)** | (90,019) | (68,787) |
| Research and development cost | **(17,160)** | (6,567) | (5,250) |
| Equity-settled share based payment expenses | **(4,606)** | (277) | (277) |
| Loss from core business | **(50,439)** | (64,978) | (47,403) |
| Gain on disposal of a subsidiary | **279** | – | – |
| Other income | **5,333** | 8,217 | 6,351 |
| Other gains and losses | **2,632** | (3,950) | 431 |
| Loss from operation | **(42,195)** | (60,711) | (40,621) |

*NOTE – Due to the change of financial year end from 31 March to 31 December on 26 November 2014, the annual results of 2014 only represents nine months of performance. In order for financial performances to be directly comparative, the Company has listed out unaudited twelve months ended 31 December 2014 in the extract above. In the sections "Financial Performance and review", "Business Review" and "Business Outlook" stated below, commentary uses twelve months ended 31 December 2014 as the comparator.

## FINANCIAL PERFORMANCE AND REVIEW

### Sales Developments

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

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

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

In addition, the Group continued to implement its strategy of establishing a highly qualified and experienced Sales and Marketing team and sees the benefits of this in the strong and transparent relationships the teams are forging with healthcare professionals throughout China. During the Year, the Group grew its overall sales force by approximately 30% and established a commercial department to oversee the management and growth of the regional distributors it works with. The Group successfully increased the number of regional distributors it works with by 20% to a total of 141.

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

**Proprietary biological pharmaceutical products**

The Group's proprietary biological pharmaceutical products include GeneTime® (EGF spray indicated for wound healing) and GeneSoft® (EGF-derivative eye drop indicated for corneal damage and post-operative healing). During the Year, sales of proprietary biological pharmaceutical products reached HK$82,013,000, representing an increase of 1.7% compared with HK$80,681,000 recorded in the last corresponding year and 66.5% of total consolidated sales. Accounting for forex fluctuations, the biological normalized growth was 3.8%, principally benefitting from the launch of our products in new indications.

**GeneTime®**

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

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

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

**GeneSoft®**

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

**Proprietary chemical pharmaceutical products**

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

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

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

**Development costs, EBITDA & EBT**

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

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

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

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

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

Total operating loss narrowed from HK$60,711,000 in the last corresponding year to HK$42,195,000 during the Year representing a decrease of 30.5% between both year. The magnitude of decreases is very significant, mainly attributed from the growth of sales and reduction of general and administrative expenses. The Group is still showing a loss from operations mostly due to depreciation on fixed assets and amortization of intangible assets and prepaid lease payment, totaling HK$32,577,000. The majority of these expenses relate to the Group's heavy investment in plant and machinery to adhere to the new China Good Manufacturing Practice standards, and development in advance of the commercialization of its pipeline products (Uni-PTH and Uni-E4). Adding back depreciation and amortization, and other non-cash items ("**Adjusted EBITDA**"), total operational loss is HK$9,618,000 during the Year. Considering a cash and cash equivalent of HK$110,014,000 is recorded in the end of the Year, the Group can continue to support its near term operations and investment.

**Loss arising due to Misappropriations of Funds**

Post period end, the Group discovered a suspected misappropriation of funds by a former employee, who was employed by the Group's Beijing subsidiary (Beijing Genetech Pharmaceutical Co. Limited, "**Beijing Genetech**") ("**Suspected Misappropriation**"). Through its regular internal control operation, discovered certain unusual payment transaction records with its suppliers and business partners. After internal investigation, Beijing Genetech has reported the Suspected Misappropriation to the PRC police authorities. The Company has been given to understand that up to the date of this announcement, the former employee involved is under criminal detention by the relevant PRC police authority, and that certain forged chops and documents relating to Beijing Genetech have been discovered in the respective former employee's residence.

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

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

**BUSINESS REVIEW**

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

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

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

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

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

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

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

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

## RESEARCH AND DEVELOPMENT

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

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

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

**Uni-E4**

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

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

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

**rhEPO-Fc**

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

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

**Uni-PTH**

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

In June 2014, the Group announced positive results from a phase III trial of Uni-PTH for the treatment of osteoporosis. The phase III results showed that Uni-PTH is safe and efficacious in post-menopausal women. Moreover, the biochemical biomarker results clearly indicate calcitonin has a different mechanism of action from parathyroid hormone. Being anti-resorptive, calcitonin decreases uNTX/UCr and a reduction in urinary NTx secretion provides evidence of compliance and drug efficacy. On the other hand, biomarkers of BSAP and resorption (uNTX/UCr) were increased by Uni-PTH, supporting its role as an anabolic agent to promote bone growth. Accurate to previous stated timelines, the Group successfully filed the formal NDA to the CFDA in April 2015. The application has completed review by provincial FDA and will soon be transferred for technical review by the 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 twelve months to bolster the economy. However, recent economic data has indicated that the economy has not been growing at the pace originally expected by analysts. The macro factors of the healthcare industry remain strong, for example the increased health awareness amongst the public, China's aging population and an increase in healthcare access, and the Group is optimistic that these will continue to create attractive business opportunities in the pharmaceutical and healthcare industry in the PRC. However, the biggest potential impact the Group can foresee is the uncertainty of liquidity from the capital markets if fund raising is ever required, an uncertainty faced by all capital market participants. At the moment, the Group is well funded with HK$110,014,000 of cash and cash equivalent as at 31 December 2015.

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

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

**Government Reforms**

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

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

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

**2016 Priorities**

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

- Expand our commercialization platform by increasing both our Sales Team as well as through regional or national partnerships
- Preparing and ensuring a successful and strong launch for *Mitiglinide*
- In-licensing or acquiring products/technologies that complement our existing pipeline and support our long term vision of becoming an expert in the Group's core therapeutic focus
- Guiding Uni-PTH through the regulatory landscape changing
- Submission of Uni-E4 NDA to CFDA
- Complete phase I clinical trial of Uni-EPO-Fc
- Kick off BE study for Pinapu® (work with Jiangsu Hansoh to do the same for *Mitiglinide*)
- Roll out of new HR and IT strategies across all subsidiaries to create a culture focusing on international quality of execution and performance
- Further enhancement of group corporate governance

## LIQUIDITY AND FINANCIAL RESOURCES

During the Year under Review, 4,558,648 ordinary shares of HK$0.01 each were issued resulting from the exercise of bonus warrant at a subscription price of HK$0.20 per share amounting to HK$912,000. In addition, 126,380,000 ordinary shares of HK$0.01 each were issued resulting from the exercise of share options at a subscription price of HK$0.219 per share amounting to HK$27,677,000. The proceeds from exercising both bonus warrant and share options were used as general working capital of the Group.

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

The Group's major interest and operations are in the PRC. The Group also contracts with suppliers for goods and services that are denominated in Renminbi ("RMB"). The Group does not hedge its foreign currency risks as the rate of exchange between Hong Kong dollar and RMB is managed within a narrow range.

### Pledge of Assets and Contingent Liabilities

As at 31 December 2015 and 31 December 2014, the Group did not have any assets pledged for any loan facilities granted to the Group and any material contingent liabilities.

## EMPLOYMENT AND REMUNERATION POLICY

At 31 December 2015, the Group employed 289 staff (31 December 2014: 255 staff), including 37 staff in the PRC R&D centres, 53 staff in the PRC sales offices, 173 staff in the PRC production sites, 17 staff in PRC headquarters and 9 staff in Hong Kong headquarters. Apart from the full time employees in the PRC sales offices, the Group also has 141 regional distributors. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on performance. Share options may also be granted to staff with reference to the individual's performance.

## AUDIT COMMITTEE

The audit committee currently comprises the three independent non-executive Directors, namely Dr. Carl Aslan Jason Morton Firth, Mr. Zhao Zhi Gang and Mr. Chow Kai Ming. The audit committee has reviewed the audited consolidated financial statements of the Group for the twelve months ended 31 December 2015.

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

## CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the twelve months ended 31 December 2015.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Specific enquiry has been made of all the directors of the Company and the directors have confirmed that they have complied with the Model Code throughout the twelve months ended 31 December 2015.

## SUFFICIENCY OF PUBLIC FLOAT

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

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Other than the disposal of a subsidiary as mentioned in Note 5 above, the Group had no material acquisition or disposal of any subsidiaries and associated companies for the twelve months ended 31 December 2015.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

## PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

A copy of this announcement will be found on the Company's website (http://www.uni-bioscience.com) and the Stock Exchange's website (http://www.hkex.com.hk). The Annual Report 2015 will be made available on the respective websites of the Company and the Stock Exchange in due course.

By order of the board of directors of
**Uni-Bio Science Group Limited**
**Tong Kit Shing**
*Chairman*

Hong Kong, 13 June 2016

*As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Tong Kit Shing (Chairman) and Mr. Kingsley Leung; and three independent non-executive Directors, namely, Dr. Carl Aslan Jason Morton Firth, Mr. Zhao Zhi Gang and Mr. Chow Kai Ming.*