UNI-BIO SCIENCE GROUP LIMITED

聯康生物科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0690)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2016

- Normalized sales grew 25.3%, significantly outperforming industry growth of 8.1%
- Net losses narrowed by 6.8% through an increase in sales and rigorous cost control
- Successfully secured more provincial tenders at favourable prices compared to the same period last year, alleviating impact of price erosion compared to the overall Chinese market
- Post-year end, updated NRDL list includes Mitiglinide and expands GeneTime® reimbursement scope, providing strong drivers to future growth
- Collaboration with China Resources ZiZhu Pharmaceutical Co., Ltd. begin operation in January 2017 after a smooth transition. This collaboration will expand the reach of GeneSoft® into new territories
- Announced strategic partnerships with LUQA Pharmaceuticals and Sun-Novo to enhance the Group's sales and development capabilities
- Announced completion of phase I tolerability study for Uni-EPO-Fc in the treatment of anaemia
- Announced Mr. Chen Dawei as Vice-chairman and Executive Director of the Group, strengthening the Group's PRC investor network and execution capabilities
- Completed HK$15M private placement at premium to an institutional investor
- Launched a new website and IR WeChat platform to enhance transparency for investors
- On track to launch Mitiglinide in the first half of 2017
- Business remains strong despite headwinds from changing industry landscape

* *For identification purpose only*

The board (the "**Board**") of directors (the "**Directors**") of the Uni-Bio Science Group Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2016 as follows:

Key Financial Highlights
For the year ended 31 December

	2016	2015
LBITA *(HK$'000)*	**(24,675)**	(24,653)
Gross profit margin *(%)*	**84.6%**	83.3%
R&D costs to revenue *(%)*	**18.2%**	29.4%
As at 31 December		
Current ratio *(times)*	**2.65**	3.27
Debt-to-equity ratio *(%)*	**11.4%**	9.9%
Total assets turnover *(%)*	**29.5%**	22.1%

Financial Figures based on reportable segment for the year ended 31 December 2015 and 2016

	Year ended 31 December		
	2016	2015	**Change**
	HK$'000	*HK$'000*	
Revenue from sales of in-house pharmaceutical products	**146,489**	123,364	18.7%
Cost of sales	**(22,625)**	(20,608)	9.8%
Gross profit	**123,864**	102,756	20.5%
Other net gain/(loss)	**576**	204	182.4%
Selling and distribution expenses	**(81,148)**	(64,940)	25.0%
General and administrative and other expenses	**(19,279)**	(18,928)	1.9%
Operating income from marketed biological and chemical pharmaceutical products	**24,013**	19,092	25.8%
Other income & other loss	**4,068**	5,238	–22.3%
Expenses incurred for pipeline products and future projects	**(39,052)**	(37,100)	5.3%
Other administration expenses	**(36,317)**	(27,621)	31.5%
Finance costs	**(497)**	–	100%
Equity-settled share based payment expenses	**(7,038)**	(4,606)	52.8%
Loss from recurring business	**(54,823)**	(44,997)	21.8%
Change in fair value of investment properties	**1,003**	2,523	– 60.2%
Gain on disposal of a subsidiary	**–**	279	– 100%
Share of results of an associate	**–**	(5,044)	– 100%
Loss arising due to misappropriation of funds	**–**	(9,991)	– 100%
Loss before taxation	**(53,820)**	(57,230)	-6.0%

OVERVIEW

As the financial figures in the above table shows, our operating income from marketed biological and chemical pharmaceutical products has continued to grow strongly at 25.8% for the year ended 31 December 2016. This is a result of our team's combined efforts in cost reduction strategy while significantly expanding our salesforce and customer base. With the averaged cost significantly lowered, our gross profits has further increased by 20.5%, reflecting a positive outlook for the coming years.

In line with the lifecycle of a biotech company, the Group still recorded a loss over the period because of the continuous investment in its pipeline and future project. In addition, other administrative expenses grew significantly mainly due to one-off professional and legal expenses due to the misappropriation event announced at the beginning of 2016.

Further details of business performance of the Group for the year ended 31 December 2016 are summarized in the following "MANAGEMENT DISCUSSION AND ANALYSIS" section.

FINANCIAL PERFORMANCE AND REVIEW

Sales Developments

During the year ended 31 December 2016 (the "**Year under Review**" or "**Year**"), the Company recorded a consolidated turnover of approximately HK$146,489,000 representing an increase of 18.7% compared with approximately HK$123,364,000 recorded in the year ended 31 December 2015. During the Year, the renminbi (RMB) devalued substantially against the Hong Kong Dollar (HK$), thus sales growth adjusted for forex fluctuations (the "**normalized growth**") is 25.3%.

The Group's topline normalized growth compares very favourably to the overall People's Republic of China's ("**PRC**") hospital drug sales growth of approximately 8.1%, according to recent IMS data. The Group demonstrated strong financial and operational performance as a result of implementing a number of strategic initiatives including 1) well managed tenders led by its tendering taskforce, 2) strengthening of its commercial platform, and 3) successful penetration into new growth provinces such as Fujian, Tianjin and Zhejiang.

The Group's portfolio 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 continuing to exert negative pressure on pricing. For this reason, industry growth has considerably decelerated to single digits in the recent years, down from over 20.0% two years ago. These changes have caused companies to be more discretionary about the provincial tenders in which they participate, even exiting from some provincial tenders if the prices demanded by the provincial authorities are deemed to be unsustainable. The Group's portfolio strategy has been focused on developing innovative therapies, which benefit from a strong competitive profile, and as a result, the new tendering mechanisms and price revisions had minimal impact on its financial performance during the Year. Moreover, the Market Access department, with a team of experienced tendering professionals, closely monitored and managed all tenders during 2015 and the Year under Review, resulting in the Group gaining access to key provinces without significant impact to pricing. Currently, there are still several provinces undergoing tendering which is expected to be completed in 2017.

In addition, the Group continued to implement its strategy of establishing a highly qualified and experienced Sales and Marketing team and observes the benefits of this in the strong and transparent relationships the teams are forging with healthcare professionals throughout China. During the Year, the Group grew its overall direct sales force significantly and established a commercial department to oversee the management and growth of the regional distributors. The Group successfully increased the number of regional distributors it works with to a total of 171. The Group will continue to seek opportunities to invest in expanding direct sales and its regional distribution network.

In 2014, Uni-Bio realigned its sales team into North and South regions to create smaller geographical areas for sales directors and commercial leaders to effectively leverage their local expertise and knowledge. The opening of Tianjin, Jiangsu and Shanghai markets for Pinapu and the success of the Guangdong tender during the Year are examples of the Group's achievements resulting from this realignment. By specifically targeting new markets with high gross domestic product, 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). With a solid increase of 4.9% compared to the previous year, EGF products contributed HK$86,001,000 to the total consolidated sales comprising 58.7% of the total amount, a normalized growth of 10.7%.

GeneTime®

GeneTime® grew steadily by 5.6% during the Year, a normalized growth of 11.4%. GeneTime® showed particularly strong growth in the South by adding new distributors in Fujian and Chongqing, placing GeneTime® in new hospitals and securing new patients and prescriptions.

One of the challenges for the Sales and Marketing team is reacting to the constantly changing landscape of the provincial tenders. Due to pricing restrictions, the Group had to refrain from participating in some tenders. This has mitigated the growth of GeneTime® and has offset some of the progress the Group has been making in launching GeneTime® in new therapeutic areas and territories.

Finally, more stringent cold chain requirements as a result of the recent vaccine scandal in April 2016 has made it uneconomical for smaller hospitals and private clinics to sell GeneTime®, as they are unable to absorb the price of new cold chain compliance. GeneTime® was approved as a refrigerated product and is required to be transported by the Chinese Food and Drug Administration ("**CFDA**") approved Good Sales Practice ("**GSP**") logistics companies to ensure that the product is delivered according to the updated supply chain requirements. Due to these setbacks, the Group is implementing a recovery plan, which will accelerate the growth of the product through increased field activities and identifying new hospitals and distributors. Post–year end, the updated National Reimbursement Drug List ("**NRDL**") has removed "employment injury insurance" restrictions from the reimbursement scope of GeneTime®, meaning it can be used in additional indications and not only where wounds are caused by industrial or work-related accidents. GeneTime® can treat wounds in a wide range of clinical settings for example chronic wounds, skin burns, plastic surgery and surgical incisions, including in gynaecologic and orthopaedic surgeries. The Group expects to see growth in the gynaecology space especially, given the repeal of China's one-child policy and increasing occurrence of high-risk pregnancies. A recent study reported that Caesarean section delivery rate in China was as high as 34.0%, an average of 11 babies delivered by Caesarean sections per minute and the increased frequency of this procedure will strengthen the demand for GeneTime®.

GeneSoft®

In 2015, The Group recruited a highly-experienced Government Affairs specialist who is managing a plan to seek reimbursement for GeneSoft® and the Group's other products. Currently, GeneSoft® is reimbursed in 4 provinces: Yunnan, Tianjin, Tibet, and Jilin.

During the Year, the Group successfully signed the first national sales partnership with China Resources Zizhu Pharmaceutical Co., Ltd. ("**China Resources ZiZhu**"), the subsidiary of China Resources Pharmaceuticals Group which focuses on ophthalmology and reproductive health drugs in China. The partnership is a key component of the Group's strategy to expand its commercial reach in the PRC. The key terms and benefits of the partnership are highlighted in the "BUSINESS REVIEW" section.

As the new partnership drove strong growth in several existing key provinces such as Jiangsu 15.0%, Ningxia 20.9% and Fujian 68.9% in 2016, all contributed around 10.0% of the total GeneSoft® sales. It is expected that after the transition to the new partnership with China Resources ZiZhu, the success can be extended to more provinces.

GeneSoft® total sales grew by 3.1% during the Year under Review, a normalized growth of 8.8%. With the partnership and the continued efforts of GeneSoft® reimbursement listing, the Group expects to see strong growth in GeneSoft® sales volume in the near future.

Proprietary chemical pharmaceutical products

The Group's proprietary chemical pharmaceutical product, Pinapu (voriconazole tablet to treat severe fungal infections) saw strong growth during the Year, with total sales of HK$60,488,000, an increase of 46.3% from HK$41,351,000 in the previous year, a normalized growth of 54.4%. Chemical pharmaceutical products represented approximately 41.3% of total consolidated sales compared to 33.5% in the last corresponding year.

Pinapu sales have outperformed the Group's expectations over the Year, and it is the key driver of the overall strong sales growth reported. More than half of the growth of Pinapu is attributed to successful and well-managed tenders in Guangdong and Fujian over the Year. The remaining growth of Pinapu is a result of the diligent field work by the sales team, including successfully adding a new distributor in Tianjin, a new sales team in Shanghai, and motivating the Group's existing distributors in Jiangsu and Jilin to increase sales.

The exceptional growth performance of Pinapu can be attributed to its unique mechanism of action, positioning it strongly against other anti-fungal treatments on the market. The Group intends to invest more resources into the Pinapu sales force to further encourage this growth.

Development costs, LBITA & loss for year

Gross profit for the Year was approximately HK$123,864,000, representing an increase of 20.5% as compared with approximately HK$102,756,000 recorded in the last corresponding year. Gross profit margin grew to 84.6%, an increase of 1.3%. Despite pricing pressure on drugs from provincial tenders and fast growing wages in Beijing and Shenzhen, which negatively impacted the Group's cost of sales and gross margins, the Group was able to improve gross margins by remaining proactive in its approach to improving profitability. For example, the Group carefully broadened the number of active pharmaceutical ingredient ("**API**") suppliers which maintained the Group's competitiveness regarding cost of raw materials and focusing on growing sales volumes to lower the per unit cost of production. The Group also continues to focus on containing costs across its businesses and increasing operational efficiency. In addition, the growth in sales of the 15ml GeneTime® specification relative to the 5ml GeneTime® specification also positively impacted gross margins.

General and Administrative expenses (which excludes R&D expenses) increased by 14.1% compared to the previous year. This is mainly due to increased salary and social security expenses for the non-sales positions such as human resources ("**HR**") and additional legal & professional fees for forensic auditing in handling the misappropriation of funds reported in the previous year.

Over the Year, the Group's headcount increased to 311, up from 289 in the previous year. The increase in employee numbers is primarily from the planned expansion of commercial support functions in Beijing. However, recruitment was slower this Year compared to 2015 as the labour market for experienced medical professionals has grown more competitive, with more healthcare companies have expanded into mature provinces and cities, such as Beijing. In response, the Group's HR introduced a number of new initiatives to attract and retain experienced talent, such as a new variable bonus scheme, which includes both variable cash and equity rewards. Extra resources were also spent on promoting a performance-based reward system to improve employee standards and productivity. Moreover, due to the misappropriation events and execution of three business development deals, summarized in the "BUSINESS REVIEW" section, the Group significantly increased its legal & professional fees to provide professional advice to senior management and the Board.

Total Research and Development ("**R&D**") expenses charged for the Year, including HK$7,897,000 capitalized as intangible assets were approximately HK$26,710,000 (compared to HK$36,292,000 in the year ended 31 December 2015, which included HK$19,132,000 was capitalized as intangible assets). Total R&D expenses represents 18.2% of the total revenue, maintaining a steady double digit level.

As the Group's proprietary Recombinant Exendin-4 ("**Uni-E4**") and Recombinant Human Parathyroid Hormone (1-34) ("**Uni-PTH**") programs continue to progress, with most development costs related to the final phase III clinical trial payments and costs to commercialize. Most of the resources allocated during the Year is related to the Group's initiative to develop drug delivery devices and innovative formulation technology of Uni-E4 and Uni-PTH, broadening its endocrinology portfolio in order to ensure the long-term sustainable growth in this area. The Group also continues to develop its proprietary long-acting EPO-Fc Fusion Protein Injection ("**Uni-EPO-Fc**"), which has completed phase I single ascending dose studies (SAD) during the year under review. The key updates are highlighted in the "BUSINESS REVIEW" and "R&D" sections.

As the Group develops its pipeline, R&D costs may fluctuate year-to-year due to the stage of the respective development project. During the Year, the Group signed a co-development agreement with Sun-Novo initially to develop Acarbose, a lucrative oral antidiabetic (OAD) product, supporting the Group's broader strategy to focus on metabolic diseases, especially diabetes and osteoporosis.

Sales and Distribution expenses increased by 25.0% to HK$81,148,000 from HK$64,940,000 in the previous year. The majority of the increase in Sales and Distribution expenses can be attributed to service fees paid to distributors, following the Group's commitment to expand sales channels in China.

The Sales and Distribution expenses remained steady as a percentage of revenue, 55.4%, compared to the previous year. The Group's sales mix this year has shifted towards distributor networks and away from individual sales representatives due to difficulties of hiring, as described above. However, the Group's long-term strategy to expand internal sales capabilities remains an area of focus. As a result, the equity-settled based payment increased in the Year versus the previous corresponding period. Additional share options have been granted under the new HR scheme, which is designed to reward senior managers with company share options, motivating them to meet Group targets rather than subsidiary targets.

Income from non-core businesses, such as leasing and interest from banks, decreased from HK$5,333,000 in the previous year to HK$4,068,000 in the Year under Review. The decrease is due to the lowered fixed deposit rate from around 2.4% to 1.5% in China. This is in line with broader market trends and within expectations as the government continues to loosen monetary policy to spur economic growth. The Group continues to put emphasis on maximizing the return on idle cash and currently around 52.4% of its cash are in time deposit.

For the Year under Review, the net loss narrowed by 6.8% from HK$59,799,000 to HK$55,727,000 while the Group has continued to increase investment to safeguard and expand its growth in the near future. With the sales force expansion and increased R&D spending, total loss from recurring business widened from HK$44,997,000 to HK$54,823,000, or 21.8%. LBITA for the year amounted to HK$24,675,000 which is comparable to that for 2015, indicating our operational cash burn was maintained in a steady level. Given this stable burn rate and a healthy balance sheet, the Group is in a strong position to execute on its strategies this year and beyond.

BUSINESS REVIEW

The Group's overall business strategy employs two specific elements – one focused internally (solidifying foundations) and the other focused externally (maximizing value). Solidifying foundations include 1) functionalization and virtualization, 2) human capital investment, 3) compliance with cGMP manufacturing standards, and 4) upgrading IT infrastructure. Maximizing value includes 1) expanding commercialization platforms, and 2) implementing the new partnership model. The details regarding the strategy can be found in the Group's 2014 Annual Report, under Business Strategy. At the end of 2015, the Group reaffirmed its strategy to all employees by launching Operation **A.G.I.L.E.**, (**A**ccelerate **G**rowth and **I**nternational **E**xecution), which encompasses "maximizing value" and "solidifying foundations". Operation A.G.I.L.E. supports the Group's long-term vision of becoming an internationally respected healthcare company specializing in metabolic diseases, ophthalmology and dermatology. The Group is focused on executing to international standards across all its operations, whilst solidifying its financial performance to maximize shareholder value. Management strongly believes that good communication and a transparent development strategy for its employees are essential to efficiently execute on the Group's strategic plan.

The Year represents the first year of the Group's five-year strategic plan. In light of the milestones achieved over the Year, management is glad to announce that steady progress has been made in implementing these strategies across its various operational functions, effectively strengthening competitiveness and ensuring operational excellence. The following table summarizes the recent business updates, opportunities and challenges with regard to key functions of the Group during the Year:

Functions	Items	Description	Updates	Opportunities	Challenges
Sales and Marketing	Provincial tendering	2016 was an important year for tendering, the process which determines which drugs can be sold and at what price. It was mandatory for all provinces in China to complete tender before the end of 2015, but many provinces have delayed this action through to 2017. The Group established a dedicated multi-functional task force, including its Market Access and senior management teams. This task force reviewed 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 was effectively managed.	As of the Year end, Pinapu covers 21 provinces and military hospitals, GeneTime® covers 30 provinces and military hospitals and GeneSoft® covers 23 provinces. Overall, the results of the tendering in the Year were satisfactory, and the Group was able to sell in more provinces over the Year versus the last corresponding year. In addition, the Group preserved many provinces at a sustainable price level alleviating the impact of price erosion within the China market.	Progress on provincial tendering has been favourable, especially for Pinapu. In 2016, the Group secured two new major markets, as well as a critical market for future growth but lost on smaller market. These new tenders represent half of the growth of Pinapu sales during the Year. The Group's success in tendering is a result of the task force put in place to manage the tendering process. The team has a strong track record and solid understanding of the process, coupled with broad experience of working with local distributors in securing tenders.	As a result of measures to contain healthcare expenditure, there is likely to be negative pricing pressure in every successive tendering round. Moreover, successive tendering rounds will reference the lowest drug price of the previous round. Therefore, the Group will have to manage tenders carefully to prevent significant price drops in the future and forgo tenders in those provinces where the resultant price is too low.
	Commercial platform expansion	One of the Group's priorities was to expand its commercial platform in preparation for the launch of two new next generation products. Firstly, the Group plans to significantly expand the size of its in-house sales team and regional distributors. Secondly, the Group plans to partner with contract sales organizations ("**CSO**") or larger pharmaceutical companies to expand its sales and marketing reach across China.	On 27th June 2016, the Group partnered with China Resources Zizhu to commercialize GeneSoft® in China for a minimum of five years, with the option to extend the agreement. The commercial collaboration model consists of **Base** and **Incremental**: **Base** – China Resources Zizhu will inherit the Group's existing GeneSoft® business at a price level which will preserve the Group's profitability of the business. **Incremental** – China Resources Zizhu will help improve growth by gaining access to areas not currently covered by the Group. The structure of this deal will allow the Group to realize this growth quickly without significant additional outlay.	There are a number of key opportunities with the partnership: 1. China Resources Zizhu can potentially access five times the number of hospitals versus Group's current network. 2. China Resources Zizhu has a strong track record of outperforming competitors in the ophthalmology space (e.g. sales of their Latanoprost outgrew market by 15.0% according to IMS 2015) 3. China Resources Zizhu has a larger share-of-voice in the market that may help with winning tenders and expanding reimbursement. 4. The Group plans to increase investment in Pinapu, GeneTime® and Mitiglinide. The partnership enables the Group to improve returns from these additional investments.	A smooth and successful transition is the biggest challenge of the partnership. Any large disruption in the transition may disturb field activity in the coming years. At the end of the Year, we have successfully transferred all existing distributors from the Group to China Resources Zizhu. The three major parties (the Group, China Resources Zizhu and the Group's current distributors) agree this is a win-win development for all. The Group feels GeneSoft® has a stronger platform now and expects GeneSoft® to become a strong competitor in the market. Overall EGF products' annual growth rate is 10.7% in 2016, much stronger than 3.8% in 2015, indicating a successful transition and a healthy start to the collaboration.

Functions	Items	Description	Updates	Opportunities	Challenges
	Mitiglinide Launch	As part of the partnership model launched in 2014, the Group successfully closed its first domestic partnership with Jiangsu Hansoh Pharmaceutical Co., Ltd.* ("**Jiangsu Hansoh**") in November 2015. Under the agreement, the Group will acquire and commercialize Mitiglinide, a potential best-in-class OAD.	The Group is preparing the launch of Mitiglinide, targeting the first half of 2017. During the Year, the Group hired a new Product Manager for Mitiglinide. Marketing analysis, training and launch planning are underway. The box design of the product has been set and the product will be sold under the Chinese trade name of 博康泰® (the English trade name is still pending). The Group is also working closely with our partners Jiangsu Hansoh for the first supply of the product. Post-year end, the tendering task force has begun tendering activity for Mitiglinide in preparation of the product launch. The Group has submitted bids to various provinces, including Fujian.	Mitiglinide has demonstrated strong clinical advantages against other glinides: • Short onset of action (decrease in blood sugar within five minutes compared to other treatments in the same class which can take up to 15 minutes) • Low risk of hypoglycaemia and dyslipidaemia Mitiglinide has several catalysts which may help to gain market share: • Officially listed in the latest NRDL 2017 • Merck Serono in-licensed China rights for Mitiglinide in late 2014. The Group expects to see benefits from the increased product awareness in the market. Mitiglinide supplements Uni-Bio's current endocrinology pipeline. Commercial experience with Mitiglinide will benefit the Group ahead of the launch of Uni-E4 and Uni-PTH.	Mitiglinide is a relatively new product in China, first launched in 2009. The originator molecule was initially marketed by a Japanese pharmaceutical company but achieved limited penetration into the diabetes space in China and there is limited share-of-voice of the product to date. However, the Group believes there is a lucrative opportunity for the product, as it is already the bestselling glinide product on the market in Japan. The challenge will be educating Key Opinion Leaders (KOLs) and Chinese Healthcare Providers on the clinical advantages of Mitiglinide, in order for the product to realize its true potential.
Market Access	NRDL Updates	In the PRC, the Ministry of Human Resources and Social Security ("**MoHRSS**") manages the NRDL. Introduced in 2000, last updated in 2009; Broader reimbursement with class A (~100.0% reimbursement) and class B (different co-payments depending on the province) medications. The 2009 version contains 1140 western and 987 TCM medications.	Post-year end, MoHRSS published the updated version (2017) of the NRDL. A number of positive changes since the 2009 version of the NRDL has been made. Mitiglinide is now to be officially included in the list B of the NRDL. Meanwhile, GeneTime® already included on the 2009 NRDL, lifted from the restricted use in only occupational injury claims. Therefore, both drugs are now accessible to all patients under general medical claims	The lifting of restrictions limiting use only for occupational injury claims is expected to be a great driver of expanding GeneTime® use in new departments where wounds are not caused by industrial or work-related accidents. GeneTime® can treat wounds in a wide range of clinical settings, for example chronic wounds, skin burns, plastic surgery and surgical incisions, including gynaecologic and orthopaedics surgeries. Mitiglinide is a new, potentially best-in-class OAD which belongs to the glinides class of blood glucose-lowering compounds, with sales growth rates already exceeding 50.0% in recent years. Inclusion in the NRDL greatly enhances the uptake of this new compound by physicians through increase ease of market access (e.g. wining tenders and listing in hospitals) and better cost-effectiveness for patients. The Group expects Mitiglinide to grow even quicker in the coming years.	While being put on the reimbursement lists is a positive for patient adoption of a drug, it also means higher scrutiny on drug prices, given that the government shoulders part of the cost burden. The Group's tendering taskforce and Market Access team will have to continuously monitor and communicate consistently with regulatory officials to protect the floor price of the drug.

Functions	Items	Description	Updates	Opportunities	Challenges
Business Development	LUQA Pharmaceutical strategic alliance	On 14 November 2016, Uni-Bio Science Healthcare (a wholly owned subsidiary of Uni-Bio Science Group) entered into a strategic agreement with LQUA Pharmaceuticals ("**LUQA**") to conduct co-promotion of selected dermatology products from both company's current and future portfolio. The initial length of agreement is three years with an option to renew for two additional years. Uni-Bio Science will cover in all channels in certain territories (depending on the product).	Over the Year, both companies are discussing two products for collaboration: 1. A scar-healing product, which can be co-promoted with GeneTime® to provide a comprehensive solution for patients in terms of wound and scar management. The companies have agreed on pricing and territory, and the Group expects a first sale as early as first quarter of 2017. 2. A next generation fungal cream. The Group's commercial team is particularly impressed with the product's unique mechanism of action, and the product's attractive competitive position. Both companies have agreed on territory and are finalizing details on pricing. Finally, both companies are also exploring new products in other important dermatological areas, such as psoriasis, with high unmet needs in China.	The agreement with LUQA is an important collaboration to strengthen the Group's dermatology portfolio. LUQA has a strong track record in business development and a highly-experienced management team. Over the past two years, LUQA has closed a total of seven deals, bringing various, high-end dermatology-related pharmaceuticals and medical devices into China. However, as a small company, their sales reach is limited to the Shanghai and Jiangsu regions. Under this agreement, both companies can benefit by leveraging each company's existing capabilities: the Group's promotional strengths in Beijing and Guangdong will help LUQA penetrate previously difficult markets and LUQA provides the Group with access to their attractive dermatological portfolio and future products to sell through the existing sales network built for GeneTime®.	The primary challenge will be preventing cross selling between territories. In order to prevent this, both companies will need to clearly define the territory for each product and carefully manage and track the product supply chain. With the advent of the new national medicine barcode system and GSP regulations, manufacturers can more easily track where the products end up. Finally, both companies will also implement strict clauses and penalties for distributors who fail to sell within their territories.
Business Development	Sun-Novo Deal	On 1 December 2016, Beijing Genetech (a wholly owned subsidiary of Uni-Bio Science Group) entered into a strategic agreement with Sun-Novo Pharmaceuticals ("**Sun-Novo**") to co-develop promising oral anti-diabetic drugs (OAD). Acarbose will be the first product developed together and both companies will explore development of additional two to three OADs.	The development timeline of Acarbose is on track. Post-year end, both companies kicked off Chemistry, Manufacturing & Control (CMC) development for Acarbose. At the same time, Beijing Genetech has confirmed the designs and procurement of manufacturing equipment required to adapt future Acarbose manufacturing into their cGMP-ready tablet manufacturing line. Meanwhile, the business development team is also exploring other suitable OADs to start developing.	Small molecules are important for diabetes market in China, representing 49.4% of the diabetes market. Working with Sun-Novo gives the Group access to high-quality small molecule R&D, with an established track record, including successful approvals of 65 INDs, two New Drug Applications ("**NDA**") for API and two NDAs for finished drugs. Acarbose was the first product chosen for this collaboration because it is a lucrative franchise with limited competitors in China. Currently, the market only has two available therapies in China and Acarbose represents RMB3.1B in value (approximately 18.0% of the entire type 2 diabetes market).	Because of the lucrative nature of small molecule drugs in the diabetes space, there are many competitors developing similar drugs. The Group estimates more than 20 players developing Acarbose. However, with the recent heightened quality requirement of small molecule generic products, the Group strongly believes the collaboration with Sun-Novo will provide the Group with an edge to develop small molecule products that can meet higher quality standards and beat competitors in the market.

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 leading products, Uni-E4 and Uni-PTH, have successfully completed phase III studies, the last major stage of clinical development, and the Group is undertaking the final preparations necessary for pre-approval and commercialization.	In the Year under Review, the Group has also made progress on EPO-Fc by completing the phase Ia 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. As Uni-EPO-Fc was starting the phase Ib trials, the clinical team discovered certain clinical data quality issues with another product in the hospital where the phase Ia was conducted. In response to recent reforms in clinical trial quality, the team concluded it would be prudent to change the investigator hospital to prevent any future challenges by the CFDA on the quality of the trials. Over the Period, the team sourced, evaluated and identified potential new sites to conduct the trial. In the meantime, the team redesigned the phase I trial to shorten future trials and catch up with original timelines. 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. Uni-EPO-Fc met predetermined timelines in the Year, and based on the current progress, the Group expects to launch EPO-Fc in 2025. With several changes in the CFDA system, we are reviewing our pipeline with the possibility of accelerating the development of our new generation of products, 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 formula or guidance from the PRC regulators. The Group has used historical approval timelines from other biologic product approvals and input from industry associations and industry experts as a basis for our forecasts. In 2015, major changes were made to the clinical trial data requirements by the CFDA. Effective from July 2015, regulators require many active drug registration filings to carry out self-audit of dossiers, or voluntarily withdraw applications with data discrepancies. The Group is cautiously optimistic of the current situation. Over 77.0% of registration filings lodged with the CFDA were automatically retracted, significantly reducing the backlog of filings for review. Whilst Uni-Bio does not believe that any of its filings should be retracted, there remains a risk that the CFDA may require further data from the Group during review due to the increased requirements. Therefore, there is uncertainty to the exact impact recent regulatory changes might have on approval timelines but we continue to monitor the progress of our applications closely.
Corporate Development	Board Change	The Group continues to enhance corporate management by promoting and appointing top talent at every level of the Group.	Post-year end, Mr. Kingsley Leung, previously Executive Director of the Board, was promoted to Chairman and Executive Director, while Mr. Chen Dawei has been appointed as Vice Chairman and Executive Director of the Group, effective 13 January, 2017. Meanwhile, the Board also announced that the former Chairman and Executive Director, Mr. Tong Kit Shing, decided to retire after a distinguished career of more than 11 years with the company	Mr. Leung and Mr. Chen both share very strong professional and academic experiences. For the full profile, please visit the section of the annual report under "Profile of Directors and Senior Management". Mr. Leung joined Uni-Bio Science as an Executive Director in 2014. Prior to that, Mr. Leung has extensive experience in investment banking and business development in biotechnology industry. Mr. Chen has extensive experience with and insight into China's enterprises and capital markets, which will support the Group in building a broad network and accelerating the expansion of business in China.	With the shift of power and change in leaders, this always elicit a sense of uncertainty within the organization. In order to resolve this, the board made the transition very clear and quick. The new leadership introduced themselves during the annual dinner to the entire organization, and a separate virtual introduction was made on the Group's intranet system. Overall, it is made clear that there are no plans of restructuring and the priorities and strategies of the Group remain the same.

Functions	Items	Description	Updates	Opportunities	Challenges
Corporate Development	Subscription Agreement	The Group continues to scan for lucrative opportunities to commercialize and develop products internally which will add long-term value to the Group's shareholders and patients. In order to effectively pursue these opportunities, the Group may seek additional funding.	On 27 June 2016, the Group entered into a Subscription Agreement with an investment company incorporated in Singapore (the "**Subscriber**"). The Subscriber agreed to subscribe for an aggregate of 88,280,000 subscription shares at a price of HK$0.17 per subscription share. Aggregate gross proceeds of the subscription were approximately HK$15 million.	The Group is of the view that the subscription proceeds can strengthen the financial position of the Group and provide working capital to meet any future development and obligations. It also represents a good opportunity to broaden the shareholders' base and strengthen the balance sheet of the Company. The Group understands that the Subscriber intends to hold a long-term interest in the Group. Finally, the agreement was priced at a 11.11% premium to the closing market price of the immediately preceding business day, indicating that the subscriber is bullish on the current business and performance of the Group.	No challenges since the Subscription Agreement was completed.
Others	Investor Relations ("**IR**") and Public Relations ("**PR**")	Due to the technical nature of the Group's business, IR has become an integral part of the Group's operations. Effective IR and communications enable 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, the Group presided multiple roadshows and one-on-one investor meetings in Hong Kong and China, and attended several corporate access days (reverse roadshows), organized by major securities houses, including Morgan Stanley and Everbright Securities. The team also participated in leading industry conferences, namely Asia Biotech Invest in Hong Kong and China Bio Partnering Forum in Suzhou. To enhance corporate transparency, the Group issued voluntary announcements on corporate and business updates regularly, keeping investors and the media abreast of the latest developments. To support this transparency, the Group launched an official IR communications channel to update Chinese-reading investors via popular smartphone apps. Finally, the Group launched a new website that provides high-quality content to better educate prospective and current investors on the Group. Such enhancements include a high definition corporate introduction video and dedicated investor tools that will help the analysis of the Group's financial positon and keep up-to-date with our latest breakthroughs.	The Group prioritizes strong corporate governance and has proactively enhanced it over the last 24 months. Such enhancement has been recognized by Hong Kong Business Magazine (HKB). The Group was awarded HKB's "High Flyers Award", which recognizes the Group's track record of leadership in the field and continuous innovation of its products. The Group also launched a new corporate slogan to reflect its commitment to developing novel healthcare treatments and solutions that address unmet medical needs: "Leading Genuine Innovation". The slogan is already incorporated in many of the Group's external and internal communications. The slogan will continue to guide all stakeholders on the Group's aspirations to become a trusted provider of healthcare internationally.	The Group is a high-tech enterprise, and, as is common in the industry, can be considered difficult for generalist investors to understand. The IR team observed a specific gap in understanding amongst some investors domiciled in Hong Kong. To address this, the Group has altered its IR strategy to proactively educate investors via frequent one-on-one meetings. In addition, the Group has also deployed resources to capture the strong interest in H-share listed healthcare companies in the region amongst PRC investors. For example, the Group organized a sophisticated press conference for the partnership between the Group and China Resources Zizhu. Shortly after the event, the news of the partnership was covered by over 10 well-known PRC financial media outlets, including China Securities Journal and China Economic Times. The Group believes its strong product portfolio and unique business model will resonate well with PRC investors.

Research and Development

The Board and management regularly perform competitive intelligence reviews in order to ensure that all products being marketed and developed by the Group remain commercially competitive. The most recent strategic review, conducted in early 2014, identified three key therapeutic areas to focus on for future development of its product portfolio: metabolic diseases, especially diabetes and osteoporosis, ophthalmology and dermatology. Pursuant to this review, the Group is continuing the development of three new patent protected Class I and VII prescription drugs in its proprietary pipeline: new Class I prescription drugs Uni-E4 and rhEPO-Fc and new Class VII prescription drug Uni-PTH.

The PRC biopharmaceutical industry has undergone significant fiscal and regulatory changes since 2014. Given the Group's commitment to innovation, The Group expects that these policy changes will prove to be positive in the mid– to long-term, particularly as regulators support 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 9.0% of total industry value by 2020 (compared to 5.0% in 2011). To capitalize on this opportunity, the Group continues to bolster its portfolio of novel products through in-house development and by assessing potential partnerships.

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, inhibits the release of glucagon following meals, physiologically regulates appetite, and slows down the rate at which glucose is absorbed into the bloodstream. This class of drug has been shown to be effective and well accepted in the treatment of Type 2 diabetes mellitus ("**T2DM**") in the West and is one of the only classes of diabetic drugs shown to also cause weight loss. As obesity is a common comorbidity of T2DM, this class is effective in T2DM patients who are overweight, accounting for at least 30.0% of all diabetes patients in the PRC, according to IMS primary research. Moreover, this class of drugs has other beneficial effects that are expected to drive physician prescription, such as lowering the risk of hypoglycaemia and promoting β-cell regeneration.

China's diabetes drugs market is expected to grow at over 10.0% annually and reaching US$3.5B in 2017, 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 United States in 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 options.

Classified as a Class I new prescription drug by the CFDA, Uni-E4 is a well-established GLP-1 agonist. Its potential as a new treatment has been recognised by the State's Major Science and Technology Project under the "Eleventh Five-Year Plan" through its selection as a "New Key Drug Formulation". Uni-E4 was also awarded the "Specialty Contract of the State's Major Science and Technology Project" grant by the PRC's Ministry of Science and Technology. The targets required for the grant have been successfully met and all clinical trials have been completed, including additional trials to supplement phase III data in the event that CFDA harmonizes biostatistical analysis standards with international standards. In 2015, the Group announced positive results from a phase III trial of Uni-E4 for the treatment of T2DM. In the non-inferiority study, Uni-E4 showed that it can reduce glycosylated haemoglobin (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 hypoglycaemic reactions. The results are in line with other GLP-1 agonist treatments and support long-term use of the drug, especially in overweight patients. The Group originally aimed to file a NDA to the CFDA in the second half of 2016. However, due to recent clinical trial data reforms, the Group re-evaluated the dossier package with an external CRO to ensure the quality of the package is up to standard. The updated submission date is expected to be within first half of 2017. Once submitted, the Board hopes to obtain market approval by early 2019, based on past regulatory approval timelines. The Group continues to investigate a long acting version of Uni-E4, Exendin-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 pre-operative 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$477M by 2018, growing at 18.5% per year, and the global anaemia therapeutics market is worth more than US$12B. Despite the large market, current EPO therapies usually last for only six to eight hours within the human body's half-life blood serum loop which often results in long-term treatment and frequent dosing. This significantly increases patients' treatment costs and seriously lowers the patients' quality of life due to their high dependence on medicines, thus, a long-acting EPO treatment is an urgent clinical need.

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 has been supported by the PRC Ministry of Science and Technology following its selection as a 'New Key Drug Formulation' in the State's Major Science and Technology Project under the 'Eleventh Five-Year' Plan. Pre-clinical trials of rhEPO-Fc have been completed and the Group is now undertaking a phase I study in the PRC. During the Year, the Group announced that it has completed a SAD 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 40 participants who completed the 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 remaining phase Ib trial was expected to be completed by the first half of 2017, but the clinical team discovered that the hospital where the phase Ia was conducted had clinical data quality issues related to a product of another company. In view of reforms on clinical trial quality, the team concluded it would be prudent to change the investigator hospital to prevent future challenges by the CFDA on the clinical trial data quality. Over the Year, the team sourced, evaluated and identified potential new sites to conduct the trial. In the meantime, the Group redesigned the phase I trial to shorten future trials and catch up with original timelines. The Group expects to complete the remaining phase I clinical trials by early 2019.

Uni-PTH

The Group's Uni-PTH is a Class VII new prescription drug that has shown to be an effective anabolic (bone growing) agent used to treat osteoporosis. Currently, the PRC osteoporosis market is expected to be worth RMB15.5B, (representing approximately one fifth of the global osteoporosis market) and is expected to grow quickly, largely due to increasing prevalence of osteoporosis among female and elderly populations, rising standards of living and increased awareness and education in bone health. All available treatments used for osteoporosis are anti-resorptives, which prevent further loss of bone density by decreasing bone remodelling. In comparison, Uni-PTH has been shown to be effective in stimulating new bone formation on quiescent bone surface in clinical trials. By stimulating bone formation, Uni-PTH has the potential to reduce fracture incidence by improving bone quality and 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 biomarker results clearly indicated that 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. Biomarkers of bone-specific alkaline phosphatase (BSAP) and resorption (uNTX/UCr) were increased by Uni-PTH, supporting its role as an anabolic agent to promote bone growth. In line with previously stated timelines, the Group successfully filed the formal NDA to the CFDA in April 2015. The application has completed review by the provincial FDA and will soon be transferred for technical review by the CDE. The Board hopes to obtain market approval as early as mid-2018, but approval timelines are highly variable and limited by the review timelines set by regulators.

Acarbose

Acarbose is an oral anti-diabetic drug which belongs to the Alpha-Glucosidase Inhibitors ("**AGI**") class. It is used to treat Type 2 diabetes and is reimbursed under the National Reimbursement Drug List ("**NRDL**"). Acarbose inhibits digestive enzymes in the small intestine and pancreas thereby preventing the digestion of complex carbohydrates, and allowing less glucose to be absorbed into the bloodstream. Acarbose has shown very effective lowering of HbA1c values in many diabetes studies and controlling postprandial hyperglycaemia.

Alpha-Glucosidase Inhibitors is uniquely positioned within China's diabetes guidelines, maintaining around 18% of China's anti-diabetes drug market in 2012 to 2015, which is especially effective for Asian patients with a high-carbohydrate diet content. Acarbose has the largest market share at 87.8% in China's AGI market in 2015, which represents a market size of RMB3.4 billion.

The Group has entered an agreement with Beijing Sun-Novo Pharma to co-develop multiple oral small molecule treatments for diabetes since December 2016. Uni-Bio's professional teams are working closely on completing CMC study, acquiring manufacturing equipment and aims to complete all required works by early 2018 for BE study. The Group expects the product to enter the China market by 2020.

Technical Expertise

The Group has established broad expertise in gene cloning, genetic engineering expression, fermentation, purification and examination technology systems deployed in 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 method, the protein purity is up to 98% after purification, 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 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, such as increased health awareness amongst the public, China's ageing population and an increase in access. The Group is optimistic that these changes will create attractive business opportunities in the PRC. Currently, the Group is well funded with HK$78,117,000 of cash and cash equivalent as at 31 December 2016. However, the biggest potential challenge is the uncertainty of access to liquidity from the capital markets if fund raising is ever required, an uncertainty faced by all capital market participants.

The Year was marked by significant changes for the industry, driven by the increasing action by regulators to achieve their goal of upgrading the Chinese pharmaceutical sector 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. For patients, the reforms are meant to increase access whilst lowering the overall cost to the 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 authorities in the year ahead.

The Chinese healthcare system is evolving quickly and this is putting significant strain on all players across the industry; those who adapt quickly and survive the changes will emerge stronger. Following the principles for the pharmaceutical industry set in the "Thirteenth Five Year Plan" dated March 2016, the government further elaborated the principles into the "Pharma Industry Development Blueprint" which was released in September 2016. The blueprint specified recombinant protein drugs such as GLP-1 for diabetes and advanced protein purification techniques as key biologics drug development targets, which aligns with the Group's ongoing strategy for drug discovery and development and ensures it is well positioned to be successful and sustainable. On the ground, the Group's new Market Access and Medical teams, together with an expanding Sales and Marketing team, will ensure the Group continues to grow in this environment. Meanwhile the Group's Clinical team will focus on successfully navigating the regulatory process for its new products. Led by its highly-experienced, international management team and building upon its excellent performance during the Year, senior management, together with the Board, is confident that Uni-Bio will navigate the changing environment and emerge as an industry leader.

Government Reforms

Post-year end, the State Council issued Document 13 to solicit public opinion on a range of policies and to give a more detailed view on expected changes for the pharmaceutical industry in the coming years. The document focuses on three key areas:

- Improving drug quality and efficacy to bring quality generics to the market faster and reward therapies that are innovative or address a critical clinical need;

- Reforming and improving China's drug distribution system through the implementation of strengthened GSP and the "two invoice system" which will consolidate the fragmented drug distributor sector;

- Regulating medical behaviour and drug use to contain costs by eliminating mark ups and encouraging providers to prescribe based on the national essential drug list.

These priorities pose challenges to the entire pharmaceutical industry but the Group's core capabilities leave it well positioned to respond to regulatory changes. Uni-Bio will take this as an opportunity to increase market share, especially in key regions.

In response to the updated regulatory requirements and access policies in the PRC, the key opportunities and risks will be related to successfully guiding the Group's generic portfolio (Pinapu and Mitiglinide) through the new conformity and quality requirements of the CFDA and ensuring that both Uni-PTH and Uni-E4 products transverse properly across the new clinical requirements and NDA workflow which is in-line with the regulator's direction to improve drug quality and efficacy. Lastly, the Group will continue to expand the internal salesforce in key regions and partner with a large distributer to cover the remaining regions to respond to the directive aimed at improving China's drug distribution system.

Post-year end, MoHRSS announced the most recent NRDL, which was last updated in 2009. As mentioned in the "BUSINESS REVIEW" section of the annual report, the Group is very glad to announce that Mitiglinide was included in the updated NRDL list and GeneTime® is now widely available, with major restriction of use in only occupational injury claims lifted. These will be strong growth drivers to the Group's revenue in the coming future. However, it will take around 6 months for such reimbursement change to take effect. The Group will still require to visit each province to ensure such NRDL updates are incorporated in their provincial list and determine a reimbursement percentage within each province. Moreover, Mitiglinide, Pinapu and GeneTime® are already listed on the NRDL, while GeneSoft® is currently not listed. There will be challenges in listing GeneSoft® as it is a mature product, but it has adequate KOL recommendations. The cooperation with China Resources Zizhu will also be beneficial in expanding KOL reach. With these two points in mind, the Market Access team is working on a strategy to expand GeneSoft® PRDL listing over the course of 2017 and 2018.

Finally, with the NDRC formally setting out a list of development targets for biologic drugs in its latest emerging strategic industry targets, the Group is committed to capturing upcoming opportunities to expand its portfolio with its solid technical foundation as well as various strategic partnerships.

Priorities for the First Half of 2017

To conclude from the recent regulatory changes and updates on the Group's businesses in the Year under Review, our priorities for the first half of 2017 continue to focus on executing Operation A.G.I.L.E. by:

- Expanding the commercialization platform by growing the internal salesforce capabilities and through strategic partnerships
- Preparing and ensuring a successful launch of Mitiglinide
- In-licensing or acquiring products/technologies that complement the existing pipeline and fall within the Group's core therapeutic areas
- Submission of Uni-E4 NDA to CFDA
- Successfully initiating a BE study for Pinapu
- Successfully initiating a BE study for Mitiglinide alongside Jiangsu Hansoh
- Executing PRDL listing of GeneSoft®
- Rolling out new HR and IT strategies across all subsidiaries to create a culture focusing on international quality standards of execution and performance
- Further enhancing the Group's corporate governance

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2016, the Group's bank time deposits, bank balances and cash amounted to approximately HK$78,117,000 (as of 31 December 2015: HK$110,014,000). The Group has total assets of approximately HK$497,321,000 (as of 31 December 2015: HK$556,956,000), current assets of the Group as of 31 December 2016, amounted to approximately HK$132,198,000 (as of 31 December 2015: HK$161,753,000) while current liabilities were HK$49,968,000 (as of 31 December 2015: HK$49,443,000). The total liabilities to total assets ratio is 10.2% (as of 31 December 2015: 9.0%).

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

The Group has always pursued a prudent treasury management policy and a strong liquidity position with standby banking facilities to manage daily operations and future development demands for capital. As of 31 December 2016, including the banking facilities that are secured by the Group's pledged asset, total available banking facilities of the Group amounted to RMB20.0 million (equivalent to HK$22.0 million), among which a one-year term loan of RMB10.0 million (equivalent to HK$11.0 million) was utilised by the Group. The ratio of outstanding bank loans to total assets is 2.2% (31 December 2015: Nil).

Pledge of Assets and Contingent Liabilities

As of 31 December 2016, the Group secured its bank loans through a charge over leasehold buildings with net book value of HK$2.1 million (31 December 2015: Nil).

As of 31 December 2016, the Group had no material contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICY

As of 31 December 2016, the Group employed 311 staff, versus 289 staff as of 31 December 2015, including 76 staff in the PRC R&D department, 88 staff in the PRC production department, 137 staff in the PRC commercial office and 10 staff in the Hong Kong headquarters. In addition to the full-time employees in the PRC sales offices, the Group has 171 regional distributors. The Group has adopted a competitive remuneration package for its employees to attract and retain top talent. Promotion and salary increments are assessed based on performance. Share options may also be granted to staff with reference to the individual's performance.

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 year ended 31 December 2016.

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

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year ended 31 December 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Specific enquiry has been made of all the directors of the Company and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

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

The Group had no material acquisition or disposal of any subsidiaries and associated companies for the year ended 31 December 2016.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

NEW SHARES ISSUED

As at 31 December 2016, the total number of issued shares of the Company was 5,137,488,147. A total of 88,458,018 new shares were issued during the year.

- On 8 July 2016, 88,280,000 new shares were issued at the price of HK$0.17 per share pursuant to subscription agreement which details of which are set out in the announcement of the Company dated 27 June 2016.

- During the year ended 31 December 2016, 178,018 new shares were issued pursuant to exercise of 2016 unlisted warrants. The subscription rights to the unlisted warrants of the Company expired at 4:00 p.m. on 2 October 2016.

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 2016 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
Kingsley Leung
Chairman

Hong Kong, 24 March 2017

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
Revenue	*3*	**146,489**	123,364
Cost of sales		**(22,625)**	(20,608)
Gross profit		**123,864**	102,756
Other income	*3*	**4,068**	5,333
Other gains and losses		**1,579**	2,632
Gain on disposal of a subsidiary	*4*	**–**	279
Selling and distribution costs		**(81,148)**	(64,940)
General and administrative expenses		**(75,835)**	(66,489)
Research and development costs		**(18,813)**	(17,160)
Equity-settled share based payment expenses		**(7,038)**	(4,606)
Loss arising due to misappropriation of funds	*5*	**–**	(9,991)
Share of results of an associate		**–**	(5,044)
Finance costs		**(497)**	–
Loss before taxation	*6*	**(53,820)**	(57,230)
Income tax expense	*7*	**(1,907)**	(2,569)
Loss for the year		**(55,727)**	(59,799)
Other comprehensive expenses			
Exchange differences arising on translation on foreign operation		**(26,610)**	(29,860)
Total other comprehensive expenses for the year		**(26,610)**	(29,860)
Total comprehensive expenses for the year		**(82,337)**	(89,659)
Loss per share			
Basic and diluted (HK cents)	*8*	**(1.09)**	(1.20)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
Non-current assets			
Property, plant and equipment		**103,328**	124,777
Investment properties		**22,245**	22,549
Prepaid lease payments		**11,427**	12,930
Goodwill		**–**	–
Intangible assets	*11*	**220,471**	230,520
Deposits paid for the acquisition of property, plant and equipment		**4,216**	1,136
Deposits paid for the acquisition of intangible assets	*12*	**3,436**	3,291
		365,123	395,203
Current assets			
Inventories		**13,052**	9,064
Trade and other receivables	*13*	**40,250**	41,850
Prepaid lease payments		**779**	825
Time deposits		**30,773**	–
Bank balances and cash		**47,344**	110,014
		132,198	161,753
Current liabilities			
Trade and other payables	*14*	**36,697**	46,911
Income tax payable		**2,281**	2,532
Bank borrowings		**10,990**	–
		49,968	49,443
Net current assets		**82,230**	112,310
Total assets less current liabilities		**447,353**	507,513

	Notes	2016 *HK$'000*	2015 *HK$'000*
Non-current liabilities			
Deferred tax liabilities		**949**	853
		949	853
Net assets		**446,404**	506,660
Capital and reserves			
Share capital		**51,375**	50,490
Reserves		**395,029**	456,170
Total equity		**446,404**	506,660

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years 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[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share– based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[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 HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
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 2017.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investment 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 contracting cash flows and selling financial assets, and that have contractual terms of the financial asset that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. 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 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 expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

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.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group as lessee has non-cancellable operating lease commitments of approximately HK$3,044,000 as disclosed in note 39. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Amendments to HKAS 7 *Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as described above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will not have material impact on the Group's financial performance and positions and/or the disclosures to the consolidated financial statements of the Group.

3. 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 is as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Sales of pharmaceutical products	**146,489**	123,364
Other income		
Interest on bank deposits	**1,372**	2,953
Rental income	**2,281**	2,315
Sundry income	**415**	65
	4,068	5,333
Total income	**150,557**	128,697

4. 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 Company, at a consideration of approximately HK$388,000 resulting a gain on disposal of approximately HK$279,000. This subsidiary was engaged in money lending business in the past, but was inactive at the time of disposal.

Analysis of assets and liabilities over which control was loss:

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

Gain on disposal of a subsidiary:

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

5. LOSS ARISING DUE TO MISAPPROPRIATION OF FUNDS

During the year end 31 December 2015, a case of fraud relating to misappropriated funds by a cashier of a subsidiary in PRC was discovered by the management and reported to the police, resulting in an arrest of this cashier. The Company engaged two independent forensic experts to conduct investigation on this fraud incident. Based on the report from forensic experts, 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.

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2016	2015
	HK$'000	*HK$'000*
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**34,343**	29,581
Retirement benefit scheme contribution	**3,324**	2,995
Equity-settled share based payments to staff	**1,878**	1,506
	39,545	34,082
Equity – settled share based payments to consultants	**5,160**	3,100
Amortisation of intangible assets	**4,914**	5,186
Amortisation of prepaid lease payments	**817**	862
Auditor's remuneration	**1,870**	1,700
Cost of inventories recognised as an expense	**22,625**	20,608
Depreciation	**22,933**	26,529
Less: Depreciation included in research and development costs	**(4,252)**	(5,715)
	18,681	20,814
Operating lease rentals in respect of offices	**2,965**	2,953
Research and development costs	**26,710**	36,292
Less: Capitalisation on intangible assets	**(7,897)**	(19,132)
	18,813	17,160
After crediting:		
Equipment rental income	**236**	249
Property rental income less outgoing	**2,045**	2,066

7. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
PRC Enterprise Income Tax ("EIT")		
– Current year	**1,599**	1,746
– Under-provision in prior years	**157**	444
	1,756	2,190
Deferred taxation		
– Current year	**151**	379
	1,907	2,569

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

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

For Beijing Genetech Pharmaceutical Co., Limited ("Beijing Genetech"), a wholly owned subsidiary of the Company, it was approved as "high-new technology enterprise" on 22 December 2016 valid for 3 years. For Shenzhen Watsin Genetech Pharmaceutical Co., Limited ("Shenzhen Watsin"), a wholly owned subsidiary of the Company, it was approved as "high-new technology enterprise" on 30 September 2014 valid for 3 years. Pursuant to the relevant laws and regulations in the PRC, Shenzhen Watsin became eligible to enjoy a preferential EIT rate of 15% (2015: 15%) for the year ended 31 December 2016 while Beijing Genetech was eligible to such rate of 15% for the year ended 31 December 2016 (2015: 25%).

8. LOSS PER SHARE

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

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(55,727)**	(59,799)

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for basic and diluted loss per share	**5,091,770**	4,997,990

No adjustment has been made to basic loss per share amounts presented for the years ended 31 December 2016 and 31 December 2015 in respect of a dilution as the impact of the share options and warrants outstanding would decrease basic loss per share.

9. SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision maker ("CODM"), for the purposes of allocating resources to segments and assessing their performance are organised on the basis of the revenue streams. 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 CODM 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 year ended 31 December 2016

	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	–	**60,488**	**86,001**	**–**	**146,489**
Result					
Segment gain/(loss)	–	**11,199**	**12,814**	**(39,052)**	**(15,039)**
Other income					**4,068**
Change in fair value of investment properties					**1,003**
Equity-settled share based payment expenses					**(7,038)**
Unallocated administration expenses					**(36,317)**
Finance costs					**(497)**
Loss before taxation					**(53,820)**

For the year ended 31 December 2015

	Third party pharmaceutical products *HK$'000*	In-house chemical pharmaceutical products *HK$'000*	In-house biological pharmaceutical products *HK$'000*	In-house biological pipeline products *HK$'000*	Consolidated *HK$'000*
Segment revenue					
External sales	–	41,351	82,013	–	123,364
Result					
Segment gain/(loss)	–	7,517	11,575	(37,100)	(18,008)
Other income					5,333
Change in fair value of investment properties					2,523
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)

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 CODM of the Group for the purposes of resources allocation and performance assessment.

b) Segment assets and liabilities

As at 31 December 2016

	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	**–**	**73,446**	**60,557**	**256,746**	**390,749**
Unallocated assets					**106,572**
Total assets					**497,321**
Segment liabilities	**–**	**(11,584)**	**(19,621)**	**(2,607)**	**(33,812)**
Unallocated liabilities					**(17,105)**
Total liabilities					**(50,917)**

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)

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

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

- all liabilities are allocated to operating segments other than income tax payable, deferred tax liabilities, bank borrowing 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 year ended 31 December 2016

	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	**–**	**1,006**	**1,368**	**2,792**	**2,420**	**7,586**
Additions to intangible assets	**–**	**–**	**–**	**7,897**	**–**	**7,897**
Amortisation of intangible assets	**–**	**–**	**–**	**4,914**	**–**	**4,914**
Amortisation of prepaid lease payments	**–**	**294**	**523**	**–**	**–**	**817**
Depreciation of property, plant and equipment	**–**	**3,497**	**5,293**	**8,773**	**1,118**	**18,681**
Gain on disposal of property, plant and equipment	**–**	**(1)**	**(26)**	**–**	**–**	**(27)**
Research and development costs	**–**	**–**	**1,707**	**17,106**	**–**	**18,813**
Reversal of impairment loss on trade receivables	**–**	**–**	**(549)**	**–**	**–**	**(549)**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets						
Interest income on bank deposits	**–**	**–**	**(623)**	**(707)**	**(42)**	**(1,372)**

For the year ended 31 December 2015

	Third party pharmaceutical products *HK$'000*	In-house chemical pharmaceutical products *HK$'000*	In-house biological pharmaceutical products *HK$'000*	In-house biological pipeline products *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets						
Additions to property, plant and equipment	–	4,419	15,368	2,579	2,122	24,488
Additions to intangible assets	–	–	–	19,132	–	19,132
Amortisation of intangible assets	–	–	–	5,186	–	5,186
Amortisation of prepaid lease payments	–	310	552	–	–	862
Depreciation of property, plant and equipment	–	3,361	4,911	11,762	780	20,814
Loss on disposal of property, plant and equipment	–	131	4	–	–	135
Research and development costs	–	–	2,033	15,127	–	17,160
Reversal of impairment loss on trade receivables	–	–	(339)	–	–	(339)
Amounts regularly provided to the CODM 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)

d) Geographical information

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

	Sales to external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**4,377**	3,763
People's Republic of China ("PRC")	**146,489**	123,364	**360,746**	391,440
	146,489	123,364	**365,123**	395,203

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:

	2016	2015
	HK$'000	*HK$'000*
Customer A *(Note)*	**15,378**	13,911

Note: Revenue generated from in-house chemical pharmaceutical products

10. DIVIDEND

No dividend was paid, declared or proposed during 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

11. INTANGIBLE ASSETS

	Trademarks and certificates *HK$'000* *(Note a)*	Technical know-how *HK$'000* *(Note b)*	Capitalised development costs *HK$'000* *(Note c)*	Total *HK$'000*
COST				
At 1 January 2015	263,795	123,840	188,678	576,313
Exchange realignment	(14,987)	(7,386)	(11,179)	(33,552)
Additions	–	8,256	10,876	19,132
At 31 December 2015	248,808	124,710	188,375	561,893
Exchange realignment	(13,918)	(6,976)	(10,900)	(31,794)
Additions *(Note f)*	–	–	7,897	7,897
At 31 December 2016	234,890	117,734	185,372	537,996
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 Januray 2015	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
Exchange realignment	(13,918)	(4,798)	(46)	(18,762)
Provided for the year	–	4,914	–	4,914
At 31 December 2016	234,890	81,860	775	317,525
CARRYING VALUES				
At 31 December 2016	–	35,874	184,597	220,471
At 31 December 2015	–	42,966	187,554	230,520

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) Capitalised development costs mainly represent costs generated internally for the development of products and product technology.

(d) Except for the capitalised development costs, 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. Capitalised development costs are not amortised as the development of products and the technology is in the registration or clinical trial process stage and are assessed for impairment annually.

(e) The directors of the Company conducted an impairment review of the Group's intangible assets at the end of the year in view of the recurring losses incurred by the Group. During the years ended 31 December 2016 and 31 December 2015, no impairment loss on technical know-how and capitalised development costs were recognised to profit or loss.

(f) During the year ended 31 December 2016, the additions of HK$7,897,000 (2015: HK$10,876,000) represent the additional capitalised development costs for Drug 1 and Drug 2. These capitalised development costs are salaries and laboratory cost of these drugs. The addition of HK$8,256,000 during the year ended 31 December 2015 represented the acquisition of technical know-how of Drug 3 from a former associate.

12. DEPOSITS PAID FOR THE ACQUISITION OF INTANGIBLE ASSETS

As at 31 December 2016, the deposits paid for the acquisition of intangible assets represent an acquisition of manufacturing technology and exclusive rights to distribute an antidiabetic drug and the corresponding consulting fee and a co-development project to develop high quality tablets for treatment of diabetes with independent third parties. The following tables give information about the carrying amount of deposits paid for the acquisition of intangible assets as at 31 December 2015 and 2016 and the total consideration of those acquisitions.

Acquisition of the intangible assets	**Deposits paid for the acquisition**	**Contract sum**
As at 31 December 2016		
Antidiabetic drug from an independent third party *(note)*	RMB2,826,800 (equivalent to approximately HK$3,106,000) including consultancy fee of RMB826,800 (equivalent to approximately HK$909,000)	RMB16,826,800 (equivalent to approximately HK$18,492,000)
Co-development project with an independent third party	RMB300,000 (equivalent to approximately HK$330,000)	RMB6,500,000 (equivalent to approximately HK$7,144,000)
As at 31 December 2015		
Antidiabetic drug from an independent third party *(note)*	RMB2,826,800 (equivalent to approximately HK$3,291,000) including consultancy fee of RMB826,800 (equivalent to approximately HK$1,058,600)	RMB16,826,800 (equivalent to approximately HK$21,545,000)

Note: The drug related to these intangible assets has been listed on the National Reimbursement Drug List made by Ministry of Human Resources and Social Security on 23 February 2017.

13. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables *(Note i & ii)*	**35,179**	37,786
Less: Allowance for doubtful debts *(Note iii)*	**(1,109)**	(1,729)
	34,070	36,057
Other receivables and prepayments	**6,871**	6,525
Less: Impairment loss recognised	**(691)**	(732)
	6,180	5,793
	40,250	41,850

Notes:

i) The Group allows an average credit period of 120 days (31 December 2015: 120 days) to its customers. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted.

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:

	2016	2015
	HK$'000	*HK$'000*
0 – 60 days	**17,358**	17,769
61 – 120 days	**7,395**	11,847
121 – 180 days	**7,172**	2,940
Over 180 days	**2,145**	3,501
	34,070	36,057

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 2016, approximately 73% (31 December 2015: 82%) 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 2016, included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK$9,317,000 (31 December 2015: HK$6,441,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

	2016	2015
	HK$'000	*HK$'000*
120 to 180 days	**7,172**	2,940
Over 180 days	**2,145**	3,501
Total	**9,317**	6,441

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

	2016	2015
	HK$'000	*HK$'000*
At the beginning of the year	**1,729**	2,178
Exchange realignment	**(71)**	(110)
Reversed during the year	**(549)**	(339)
At the end of the year	**1,109**	1,729

Included in the allowance for doubtful debts made for the year are individually impaired trade receivables with a balance of approximately HK$1,109,000 (2015: HK$1,729,000) which might be in financial difficulties. The Group does not hold any collateral over these balances.

14. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables *(Note i & ii)*	**7,188**	2,679
Accrued expenses and other payables		
Advance and deposits from customers	**15,382**	14,335
Short term advance from independent third parties *(Note iii)*	**–**	9,662
Payables for acquisition of equipment	**1,264**	3,134
Payables for research and development expenses	**89**	1,787
Other tax payables	**631**	638
Accrued selling expenses	**3,145**	6,213
Accrued audit fee	**1,758**	1,727
Accrued payroll	**2,780**	2,495
Others	**4,460**	4,241
	36,697	46,911

Notes:

i) The average credit period on purchases of goods is 120 days (2015: 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:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**6,698**	873
31 – 60 days	**88**	1,204
61 – 90 days	**66**	38
Over 90 days	**336**	564
	7,188	2,679

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