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 2017

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2017

- Strategic alliance with HeungKong Group, a top 50 PRC private enterprise gaining access to their medical network and explore international M&A projects in order to maximize the Group's innovation capabilities
- Completed two subscription agreements for a gross proceed of approximately HK$141.8 million, including a HK$120 million investment by HeungKong Great Health Fund I during the year
- Through refining and expanding salesforce to comply with latest regulations, it strengthened the Group's competitive edges in the market and laid solid foundation for future development
- With expanded reimbursement scope and wider applications, optimized marketing structure and expanded tendering coverage boosted the overall sale volume of GeneTime® which enjoy double-digit growth for the year
- Launched best-in-class oral anti-diabetic drug Bokangtai (Mitiglinide tablets) which was listed in the 2017 NRDL, and shipped to over 100 hospitals in Fujian province during the year

* *For identification purposes only*

- Successful transition of GeneSoft® distribution to China Resources Zizhu, increasing hospital coverage whilst reducing sales and distribution costs
- Revised pipeline projects' sales forecast with recent changes in market competitive landscape and led to impairment losses on respective intangible assets, property, plant and equipment with HK$167.7 million and HK$34.0 million are recognised
- Net loss widened due to increased spend on strategic initiatives in Research and Development and impairment loss recognized over intangible asset and property, plant and equipment
- Adjusted LBITDA is approximately HK$38.5 million, consistent with widened net loss

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 2017 as follows:

KEY FINANCIAL HIGHLIGHTS

For the year ended 31 December

	2017	2016
Revenue *(HK$'000)*	**156,477**	146,489
LBITA *(HK$'000)*	**(247,056)**	(24,659)
Gross profit margin *(%)*	**85.4%**	84.6%
R&D costs to revenue *(%)*	**27.2%**	18.2%
As at 31 December		
Current ratio *(times)*	**4.51**	2.65
Debt-to-equity ratio *(%)*	**13.7%**	11.4%
Total assets turnover *(%)*	**40.1%**	29.5%

FINANCIAL FIGURES BASED ON REPORTABLE SEGMENT FOR THE YEAR ENDED 31 DECEMBER 2016 AND 2017

	Year ended 31 December		
	2017	2016	Change
	HK$'000	*HK$'000*	
Revenue from sales of in-house pharmaceutical products	**156,477**	146,489	**6.8%**
Cost of sales	**(22,849)**	(22,625)	**1.0%**
Gross profit	**133,628**	123,864	**7.9%**
Other gains and losses	**(2,330)**	576	**-504.5%**
Selling and distribution expenses	**(76,446)**	(81,148)	**5.8%**
General and administrative and other expenses	**(23,540)**	(19,279)	**22.1%**
Operating income from marketed biological and chemical pharmaceutical products	**31,312**	24,013	**30.4%**
Other income & other loss	**5,057**	4,068	**24.3%**
Expenses incurred for pipeline products and future projects	**(68,218)**	(39,052)	**74.7%**
Other administration expenses	**(40,454)**	(36,317)	**11.4%**
Finance costs	**(177)**	(497)	**-64.4%**
Equity-settled share based payment expenses	**(6,864)**	(7,038)	**-2.5%**
Loss before impairment losses and others	**(79,344)**	(54,823)	**44.7%**
Change in fair value of investment properties	**2,707**	1,003	**169.9%**
Impairment losses on intangible assets	**(167,705)**	–	**n/a**
Impairment losses on property, plant and equipment	**(33,955)**	–	**n/a**
Loss before taxation	**(278,297)**	(53,820)	**417.1%**

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 30.4% for the year ended 31 December 2017. This is a result of our team's combined efforts in cost reduction strategy while significantly expanding our salesforce and customer base. Despite pricing pressure on drugs from provincial tenders, our gross profits held stable with slightly increased by 7.9%, 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 arose from conducting listco's legal and compliance action and increasing staff cost with new initiatives performances reward system.

Further details of business performance of the Group for the year ended 31 December 2017 are summarized in the following "MANAGEMENT DISCUSSION AND ANALYSIS" section.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Uni-Bio Science – A Fully Integrated Biopharmaceutical Company

Uni-Bio Science Group Limited ("**Company**", together with its subsidiaries, the "**Group**", "**Uni-Bio**") is a fully integrated biopharmaceutical company focusing on diabetes and related metabolic disorders, dermatological regeneration and ophthalmological healing. From research and development ("**R&D**"), production and manufacturing to sales and distribution of biopharmaceutical and chemical medicines, the Group has established a fully integrated business platform in the value chain. As at 31 December 2017, the Group has commercially launched 4 products, namely GeneTime®, GeneSoft®, Pinup® and Bokangtai. Currently, Pinup® has obtained the Trademark License in with its name officially changed from "Pinapu" to "Pinup®".

MARKET OVERVIEW

With the increasing disposable income and a population over 1.3 billion, China is the second largest pharmaceutical market in the world, just behind the United State of America. According to the statistics published on the International Journal of Health Policy and Manager, China's pharmaceutical industry achieved a total sales of US$116 billion, representing approximately US$89.3 per capita expenditure in 2016. China is already the second largest pharmaceutical market in the world, however, with a population over 1.3 billion, the per capita spending on pharmaceuticals is comparatively at a very low level. With the increasing disposable income and continuous urbanization, it is expected that the pharmaceutical industry will continue to grow. Adding on top is the fast expanding aging population. With over 140 million people at and over the age of 65 in 2017 in the People's Republic of China ("**PRC**"), the pharmaceutical industry was in favor of a promising future.

In the meantime, medical reform policies launched from 2015 to 2017 have been focusing on the optimization of both the pharmaceutical system and distribution system, which addresses the issues of pharmaceutical and medical service availability and affordability. Rooted in such an industry that is highly regulated by the government policies, Uni-Bio paid closed attention to the latest regulations in order to adapt to the new circumstances for sustainable development. On 24 January 2017, the State Council issued "Several Opinions on Further Reform and Improvement of Drug Production, Circulation and Use Policies" ("**Opinions on the Two-invoice system**"). The Two-invoice system aims to improve transparency in drug prices and optimized multi-tier distribution models as well as to fully implement the two-invoice system across China by the end of 2018. It emphasized that distributors and downstream hospitals must retain detailed medicine sales and purchase records to ensure consistency across invoices and payments. Pharmaceutical companies are taking measures such as consolidating marketing and distribution team, establishing relationships to hospitals and end users and forming partnerships with top-tier distributors in order to comply with this changing market environment. In addition, the zero mark-up policy, which aims to completely

remove drug sales as a source of revenue for hospitals, continued to affect the order book and profit of pharmaceutical companies. These tightened regulations partially influenced the profitability of pharmaceutical industry as the regulations have removed the incentive of hospitals to sell more drugs and reduced hospitals demand from pharmaceutical companies.

KEY ACCOMPLISHMENTS IN 2017

Against such backdrop, Uni-Bio has taken strategic actions in 2017. By refining sales and marketing team as well as expanding salesforce to in compliance with the latest regulations, focusing on the development of innovative and proprietary products and forming strategic partnership with well-known enterprises, the Group has strengthened its competitive edges in the market, expanded its sales channel and laid solid foundation for future development.

New Drug Launched

Under the brand name Bokangtai, the Group launched a new oral antidiabetic drug mitiglinide in Fujian province in April 2017, subsequent to the drug being included in the 2017 National Reimbursment Drug List ("**NRDL**") published in February 2017. Mitiglinide belongs to the glinide class of blood glucose-lowering drugs for the treatment of type 2 diabetes. In addition to its antidiabetic efficacy, Mitiglinide also plays a potentially beneficial role in raising blood glucose level after meal, rendering itself promising to become a best-in-class drug. Bokangtai has secured New Drug Approval for first and/or second-line therapy from China Food and Drug Administration ("**CFDA**"). During the year ended 31 December 2017 (the "**Year Under Review**" or "**Year**"), Bokangtai was shipped to over 100 hospitals in Fujian and the sales team is reaching out to a large number of new hospitals. As at 31 December 2017, the Group has won tenders in 9 provinces besides Fujian. With the paid efforts in promotion and market entry, even in a year of sales force transition and hospital listing of Bokangtai, it contributed nearly HK$1 million gross profit for the Year.

Strategic cooperation and integration during the Year

In July 2017, Uni-Bio formed a strategic alliance with the HeungKong Group, a mainland conglomerate among the Top 50 private enterprises in the PRC. The Group has already setup a joint committee with HeungKong Group for connecting Uni-Bio's sales team with HeungKong's procurement team for sales channel initiation. This partnership enables the Group to expand distribution channels through HeungKong's medical network in China, in-license and acquire complementary drugs and technologies as well as having a Big Data Domain which collaborates on the healthcare services and chronic disease management with advanced technological initiatives. The alliance will also evaluate developing bio-pharmaceutical incubation centers and explore international M&A projects in order to maximize Uni-Bio's innovation capabilities.

Meanwhile, the Group's integrations with China Resources Zizhu Pharmaceutical Co., Ltd. ("**China Resources Zizhu**") and Sun-Novo Pharmaceuticals ("**Sun-Novo**") have borne fruit in 2017. The successful transition of the distribution of GeneSoft® to China Resources Zizhu resulted in the broadening of hospital coverage while achieving significant savings in sales and distribution expenses during the Year. Leverage on China Resources Zizhu's strong track records and market presence, the Group's ophthalmology hospitals coverage has been doubled the numbers of hospital compare to that at the beginning of 2017; In order to have a better preparation of entering diabetic market , the Group forged a partnership with Sun-Novo to co-develop promising oral anti-diabetic drugs ("**OAD**"). Acarbose is the first product developed together under the partnership and both companies will explore development of additional two to three OADs. The Group believes that cooperation between Uni-Bio and other experienced pharmaceutical companies could strengthens our capability in external innovation and further enriching our product portfolio.

Refined Sales and Marketing Team Structure

During the Year, the Group continues to expand and restructure sales and marketing team to seize the market opportunity. Following the appointment of Mr. Winston Xue as the General Manager of the commercial platform, the Group has appointed additional senior positions across China. The Sales and Marketing function was further refined into 3 major divisions, namely Sales Operation Management, Distributor Management and Salesforce Management, to consolidate responsibilities and function across the organization. Sales Operation Management oversees the distribution of goods across all channels such that the Group can ensure good control of each sales channels. Distributor Management focuses on managing distributor contracts and standardizing workflows to shorten information and order feedback loop. Last, but not least, the Salesforce Management leads the in-house salesforce to nurture long-term key opinion leader (KOL) resources.

By the end of 2017, the number of employees located at commercial office of the Group increased by 24.8% year-on-year ("**YOY**") to 171. The refinement of the Sales and Marketing function will provide a clearer scope of responsibilities and enable the strategies to be executed in an efficient and effective way. This will certainly unlock more opportunities and profitability from the existing partnerships.

As a result, key marketed drugs of the Group, for example, Pinup®, GeneSoft®, GeneTime® and Bokangtai, have made steady progress on provincial tendering amid of the heightened pressure on pricing. Moreover, with the strong taskforce that has been put in place and the optimized marketing structure, the Group gained strong market access with new Pinup® tender awarded in Ningxia, Hunan and Hubei, new GeneTime® tender awarded in Shanxi, Ningxia, Sichuan and new Bokangtai tender awarded in 9 provinces. The Group believes that the optimized sales and marketing team can achieve more flexibility and in-depth management of the functions after refinement, which assists the Group to achieve full compliance to the Two-invoice system and improving profitability to achieve high business growth.

R&D and Pipeline Progress

The Group continues to concentrate on the development of innovative and proprietary products with the potential to deliver significant commercial value to its business and has identified three therapeutic areas to focus on for enriching product portfolio, endocrinology, ophthalmology and dermatology. As a result, the Group is continuing the development of below new patent drugs:

Products/ Compound	Indication	Description	Pre-clinical	Phase 1	Phase 2	Phase 3	Pre-registration	Marketed
IN-HOUSE								
Endocrinology								
Bokangtai	Type 2 diabetes	Bokangtai (oral antidiabetic drug - Mitiglinide) belongs to the meglitinide (glinide) class of blood glucose-lowering drugs. Mitiglinide modulates blood glucose level by binding to and blocking certain potassium channels in pancreatic cells. Closure of potassium channels causes a series of electrochemical reactions which effectively triggers the secretion of insulin from pancreas.	▶	▶	▶	▶	▶	▶
Uni-E4 – Innovative liquid formulation	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 – Powder formulation	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-PTH – Innovative liquid formulation	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								
Pinup®	Fungal infection	Pinup® (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. Pinup® is administered twice daily and is mainly used in immune compromised patients after chemotherapy or organ transplant.	▶	▶	▶	▶	▶	▶
Hematology								
rhEPO-Fc	Anemia	rhEPO-Fc (Recombinant Human Erythropoietin-Fc) can be used for treatment of anemia associated with renal diseases, cancer related therapies and surgical blood loss. rhEPO-Fc is a next generation EPO treatment. rhEPO half-life in the body is significantly extended by attaching a FC fragment. As a result, rhEPO-Fc will only require injection once biweekly, greatly improving the treatment convenience to patients.	▶	▶				

PARTNERING			STATUS	PARTNER
Endocrinology				
Acarbose	Type 2 diabetes	Acarbose is a small molecule drug used to treat diabetes mellitus type 2 and, in some countries, prediabetes. Acarbose inhibits a class of enzymes, known as glycoside hydrolases, required for digesting carbohydrates into glucoses. With the inhibition of enzyme, the patient would effectively absorb less glucose because the carbohydrates are not broken down into glucose molecules. For patients with Type II Diabetes, the therapeutic effect of Acarbose decreases blood glucose levels, achieving a reduction in HbA1c levels.	Undergoing Chemical Manufacturing Control (CMC) study	SUNSHINE

Uni-PTH

Uni-PTH is oriented to osteoporosis with huge market potential of USD1.3 billion. It is more effective in managing pain in bones when compared with peers and is the only class of anabolic agent to actively increases bone mass density at present. At current stage, it proceeded to CFDA for further verification and on-site inspections. The product is expected to be launched as early as the first half of 2019, aiming at becoming the 2nd venture to launch Uni-PTH.

During the Year, lyophilized powder formulation of Uni-PTH, one of the Group's key product in pipeline, its New Drug Application ("**NDA**") has been re-submitted and supplementary data was given to the Beijing Food and Drug Administration on December 1, 2017 and is currently under Center for Drug Evaluation ("**CDE**")'s technical reviewing. Meanwhile, liquid formulation of Uni-PTH has successfully completed preparation process validation in 2017. It is expected that the CDE communication meeting will be held in second half of 2018.

Uni-E4

Uni-E4 is a GLP-1 receptor agonists, a proprietary innovative drug for the treatment of Type 2 diabetes developed by the Group. With the peculiar efficacy, Uni-E4 was expected to hit a new high in sales once marketed.

In 2017, the development status of liquid formulation of Uni-E4 is on progress. The CDE communication meeting will be held in first half of 2018. The Group plans to commence clinical Phase III study in second half of 2019. The Group wishes to market Uni-E4 by 2023.

Uni-EPO-Fc

EPO is a glycoprotein that can increase the maturation of red blood cell. As a long acting version of EPO treatment, EPO-Fc greatly improves delivery convenience to patients who live with Anemia associated with Chronic kidney disease (CKD). The market size of EPO-Fc is estimated to reach USD539 million and demonstrates rapid growth globally.

The Group had completed Pre-clinical trials of Uni-EPO-Fc and will continue the clinical Phase I Study as soon as CDE conducts drug review in second half 2018. Due to the change of R&D plan, the Group would set priority and first allocate technical and financial resources over the development of Uni-PTH and Uni-E4, but the Group still wishes to be one of the earliest domestic long acting Uni-EPO-Fc products provider in China.

Acarbose tablets

Acarbose is a supplement OAD co-developed by the Group and Sun-Novo. Suitable for Asians' carbohydrate-rich diet, Acarbose is targeted to incredibly large market of USD3.2 billion. As a small molecule drug used to treat Type 2 diabetes, Acarbose has few competitors in China market. The Group's Acarbose project has completed processing verification in 2017 and is expected to submit Abbreviated New Drug Application ("**ANDA**") in first half of 2019.

RESULTS OVERVIEW

For the Year under Review, the Group recorded a turnover of HK$156.5 million, representing a YOY increase of approximately 6.8% (2016: HK$146.5 million). The increment was mainly attributable to the significant revenue contribution from GeneTime® 15ml and Pinup®. Cost of sales slightly increased by 1.0% from HK$22.6 million for the year ended 31 December 2016 to HK$22.8 million for the year ended 31 December 2017. Driven by the momentum of revenue growth, gross profit for the Year amounted to HK$133.6 million, increasing by 7.9% on a YOY basis, and gross profit margin remaining at a relatively high level, rising by 0.8% to 85.4% compared with 84.6% of 2016

For total sales revenue of the year (all marketed products), the Group has strong performance with 15% growth in its core market which are the top 5 provinces in sales (Beijing, Guangdong, Fujian, Jiangsu, Jilin). Top 5 provinces cover 36% of the Uni-Bio's total sales in China. It aligned with the purpose of refining sales & marketing team structure that expand own sales team in core market to better seize market opportunities as well as compliance with government policy. In addition, some provinces with high growth achieved 290% for example Liaoning. It's also due to the advantage of new structure of sales team that each function can be more concentrated on its own expertise.

The substantial investment in R&D capability and talents resulted in a surge in R&D expenses, with it notably growing by 126.0% to HK$42.5 million (2016: HK$18.8 million). General and administrative expenses rose 18.3% to HK$89.7 million, led by the extraordinary professional expenses, and IT infrastructure to enhance office operation efficiency and data organization and security. During the Year, the Group continued to consolidate and restructure its sales channels for more effective promotion, thus leading to the decrease in selling and distribution expenses to HK$76.4 million, or 48.9% of the overall revenue (2016: HK$81.1 million, 55.4%).

Marketed drugs sales

GeneTime®

GeneTime®, one of the Group's core products, is a prescription biological drug for wound healing. Its indication was progressively expanded from mere burns and dermatology to obstetrics and plastic surgery. During the Year, revenue generated from GeneTime® totalled HK$66.4 million, representing a YOY growth of 7.0%, in which revenue of GeneTime® 15ml recorded a growth of approximately 16.2%. Wider applications, optimized marketing structure and expanded tendering coverage have boosted the sales volume of GeneTime® 15ml, allowing it to enjoy a double-digit growth of approximately 11.6%. With its sales channel shifting from distributor to self-owned sales team, the average unit price of GeneTime® 15ml has increased by 5.2% . Nevertheless, the increment was mildly encroached by the sales decline of GeneTime® 5 ml, as the Group strategically focused on the sales of GeneTime® 15ml which enjoy a higher margin when compare to GeneTime® 5 ml. Furthermore, claim restriction of GeneTime® has been lifted in NRDL in 2017, which enables wider usage scope of GeneTime®

including all surgeries, of which the Group took advantages through progressively recruiting experienced salespersons and reaching out for more potential hospitals. In addition, benefited from the reform of provincial essential medicine system, GeneTime® has been allowed to be sold in primary healthcare centres and community hospitals, further spurring its revenue growth.

GeneSoft®

GeneSoft®, mainly used for the treatment of corneal ulcer in the field of ophthalmology, has recorded a modest decrease in revenue during the Year due to the drop of unit price under government price cut pressure. It generated a turnover of HK$20.9 million, representing a drop of approximately 12.9% YoY. But this does not translate to a drop in profitability. According to the agreed model, as a share of revenue, sales and distribution expenses has also dropped accordingly, demonstrating potential for increase profitability of this partnership. Moreover, the Group's relentless efforts in expanding tendering provinces partially tamed the unfavorable trend, with the drug covering over 77% of all provinces in China with 7 provinces' inclusion to Provincial Reimbursement Drug List ("**PRDL**"). As a result, the Group has achieved its sales target with the support of China Resource Zizhu's expansive network. The Group is always seeking opportunities to gain more tenders and to capture untapped markets through increasing competitiveness.

Pinup®

Tailored to treat severe fungal infection, the Group's self-developed proprietary chemical pharmaceutical product Pinup® (Voriconazole tablets) contributed HK$68.2 million to the Group's turnover, indicating an increase of approximately 12.8% when compared with the HK$60.5 million of 2016. The outstanding performance of Pinup® was led by the 3 newly tendered provinces, including Ningxia, Hunan and Hubei, with its national sales volume increased by approximately 26% as compared with 2016. Average unit selling price has seen a modest decrease by 9.3%, under the impact of a general price fall in chemical pharmaceutical industry, yet profitability of this product remain unchanged compare to that of 2016 by the lower unit manufacturing cost owing to capacity ramp-up and efficient internal control. Its competition landscape in China remains promising given the limited number of competitors and restrictive market access.

Bokangtai

The Group's newly launched drug Bokangtai (mitiglinide tablets) concentrated on the treatment of Type 2 diabetes. This is the first year of launch and the Group paid great efforts on building ongoing momentum of Bokangtai to establish market share in chronic diabetes managements. During the Year, Bokangtai generated almost HK$1 million in overall margin. It was encouraging that Bokangtai was listed in the latest NRDL (2017), and since then, the marketing team was continuously looking for potential tendering opportunities nationwide.

FINANCIAL PERFORMANCE REVIEW

Revenue

Sales Developments

During the Year, Uni-Bio recorded a consolidated turnover of approximately HK$156,477,000 representing an increase of 6.8% when compared with approximately HK$146,489,000 recorded in the Year ended 31 December 2016. During the Year, with RMB appreciating against the HKD, total turnover has enjoyed a 7.9% upward adjustment due to foreign exchange fluctuations.

Proprietary biological pharmaceutical products

The Group's proprietary biological pharmaceutical products include GeneTime® (EGF spray indicated for wound healing) and GeneSoft® (EGF-derivative eye drop indicated for corneal damage and post-operative healing). During the Year, sales of proprietary biological pharmaceutical products increased by 1.5% to HK$87,286,000. Proprietary biological pharmaceutical products represented approximately 55.8% of total consolidated sales in the Year under review.

Proprietary Chemical Pharmaceutical Products

The Group's proprietary chemical pharmaceutical product sales includes the sales of Pinup® (voriconazole tablet to treat severe fungal infections) and Bokangtai (mitiglinide tablets for the treatment of Type 2 diabetes). The segment achieved a turnover of HK$69,191,000 in the Year, reflecting a significant increase of 12.8% versus the corresponding sales of HK$60,488,000 as per that of 2016. Chemical pharmaceutical products represented approximately 44.2% of total consolidated sales, comparing to 41.3% during last year.

Gross Profit and Gross Profit Margin

Gross profit for the Year was approximately HK$133,628,000, representing an increase of 7.9% as compared with approximately HK$123,864,000 in 2016. Gross profit margin slightly increased by 0.8% to 85.4%. Such increase in gross profit margin arose from increased unit sales price of GeneTime® 15ml, with it slightly net off by the negative effect from GeneSoft® together with the major change in GeneSoft®'s sales model under the new partnership with China Resource Zizhu. However, this does not translate to a drop in profitability since the sales and distribution expenses of the product has also significant dropped (see ***GeneSoft®*** section).

Despite pricing pressure on drugs from provincial tenders and rapidly growing wages in Beijing and Shenzhen, the Group held gross margins stable during the Year. The Group remains proactive in its approach to improve profitability by reducing costs across its businesses while increasing its operational efficiency. For example, the Group has broadened

the number of active pharmaceutical ingredient ("**API**") suppliers used in order to strengthen its competitiveness in raw materials procurement, as well as remaining focused on growing sales volumes to achieve economies of scale.

Sales and Distribution Expenses

Sales and distribution expenses decreased from HK$81,148,000 in the previous year, to HK$76,446,000 in 2017. As a percentage to revenue, it has decreased from 55.4% in the last year to 48.9% this year. The decrease was primarily attributable to the change in GeneSoft®'s sales model optimization under the new partnership with China Resource Zizhu together with more efficient internal cost control. It is also the merit of restructuring sales team that, the new structure force each function to be more concentrated on its own expertise.

R&D Expenses

Total R&D expenses increased by 126.0% to HK$42,519,000, comparing with HK$18,813,000 of last year. The significant increase in R&D expenses was mainly due to the establishment of new research initiatives in developing the liquid formulation of the Group's pipeline products. The first co-development project with Sun-Novo on Acarbose tablets began in the Year under review, which incurred extra development and industrialization cost. In biologics, the Group's proprietary Recombinant Exendin-4 ("**Uni-E4**") and Recombinant Human Parathyroid Hormone (1-34) ("**Uni-PTH**") programs continued to progress towards preparations for market approval, and the Group has started to deploy resources to develop liquid formulations in order to increase the competitive advantage of the products. These developments have increased the R&D expenses to revenue ratio significantly to 27.2% during the Year, compared with 18.2% in 2016. As the Group develops its pipeline, R&D expenses may fluctuate on a YOY basis due to the different stages of the respective development projects. The Group will continue to build on its strategy of focusing on endocrinology, including diabetes and osteoporosis.

General and Administrative Expenses

The General and Administrative expenses (which excludes Research and Development costs) has increased by 18.3%, mainly led by the increased staff cost and additional one-off charge for legal and professional fee including recruitment fee, IT infrastructure to enhance office operation efficiency, data organisation and security and expenses arose from conducting listco's legal and compliance action (i.e. Share Subscription).

The impact was lessened by the continuous emphasis on stringent cost control, including the introduction of new travel policies, along with the effective operational streamlining, such as the new IT communication tools, which would reduce the frequency to travel. The Group's salesforce expansion plan has continued and the total number of employees of the Group was around 350 as of 31 December 2017. To complement the expansion plan, the Group's Department of Human Resources continued to implement new initiatives to raise employee standards and elevate their performances using a reward system, with a new variable bonus scheme including cash and stock rewards available to key employees.

Other Income

Other income increased by 24.3%, from HK$4,068,000 last year to HK$5,057,000 during the Year under Review. Other income represents income from non-core businesses, such as leasing and interest received from bank deposit, income from the business of contract manufacturing organization (CMO) in the Group's subsidiary Beijing GeneTech Pharm, as well as the receipt of the Beijing Science and Technology Commission High-End Generic Drugs Subsidies, a one-off government grant for Pinup®. This grant represents an important validation and government support for Pinup®, for recognizing it as a high quality product which would address a significant need.

Total Loss

Total loss widened by 401.2% from HK$55,727,000 last year to HK$279,309,000 during the Year. This significant increase in loss was partly due to the increase in R&D spending, together with the enhanced salary and benefits packages to attract talents into the Company, one-off expenses for example legal and professional fee incurred for the financing activities carried during the Year and IT infrastructure to enhance office operation efficiency and data organization and security. The Group recognized such costs as essential investment into the future growth of the Company. Among the total loss incurred, it included a HK$177,000 interest payment for a RMB10,000,000 loan which was settled March 2017.

Meanwhile, due to the recent changes in the regulations of the pharmaceutical industry in the PRC and changes in the competitive landscape of the Group's pipeline projects, including a number of new players successfully entered into the market, the Group has therefore made relevant adjustments to the sales forecast of the current pipeline projects. This led to a significant impairment losses over the fair value of the Group's intangible assets and property, plant and equipment generated from the development of pipeline products and product technology. with total HK$201,660,000 recorded for the Year.

Adding back depreciation and amortization, and other non-cash items ("**Adjusted LBITDA**"), the Group's Adjusted LBITDA widened from HK$17,621,000 to HK$38,532,000 during the Year under review. Considering a total of HK$121,281,000 comprised with time and structured deposits, bank balances and cash was recorded at the end of the Year, the Group can continue to support its near-term operations and investment.

PROSPECT

Outlook

Previously, the lack of periodic reviews assessing newer therapies for reimbursement has been a serious concern for pharmaceutical companies with newly-launched drugs. However, from the observation that an update on the NRDL was only released in February 2017, with it soon replaced by another update in July with 36 additional drugs on list, this indicates that there

will be frequent updates in future NRDL, which will allow newly-covered drugs to contribute meaningful sales volume growth starting in 2018, while providing significant growth momentum to the Group as well as to the sector.

Meanwhile, latest policies are also showing strong backing to domestic high-quality generics and innovative drugs. On 30th November 2017, CFDA issued guidance for the review and approval of drug registration concerning various drugs such as chemical drugs, biological products, Chinese medicine and imported drugs. On the same day, CFDA issued a notice on modifying the review and approval of APIs, excipients and packaging materials, which will eliminate the separate approval procedure for pharmaceutical excipients, as well as packaging materials and containers in direct contact with drugs. The APIs, excipients and packaging materials will be reviewed and approved at one go along with the drug formulation registration process, and the latest drug registration updates will speed up the entire drug registration procedure in China, offering an optimal business environment to the Group and other drug makers with strong R&D capability.

Under such favorable demographic changes and government policies, the Group have taken concrete steps in capturing the blue ocean market. Looking forward to 2018, Uni-Bio will continue to solidify its distribution platform through channel expansion, in which the Group will keep a keen eye on M&A opportunities to expand into new regions such as Northeast and Central China. In addition, the Group will enhance the corporate governance and deepen partnership with professional partners.

Liquidity and Financial Resources

As at 31 December 2017, the Group's bank deposits, bank balances and cash amounted to approximately HK$121,281,000. The Group had total assets of approximately HK$390,189,000 (as at 31 December 2016: HK$497,321,000), and current assets of approximately HK$205,822,000 (as at 31 December 2016: HK$132,198,000), while current liabilities were at HK$45,628,000 as at 31 December 2017 (as at 31 December 2016: HK$49,968,000). The total liabilities to total assets ratio is 12.1% (as at 31 December 2016: 10.2%).

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

Pledge of Assets and Contingent Liabilities

As of 31 December 2017, the Group did not have any assets pledged for any loan facilities granted to the Group and any material contingent liabilities.

Employment and Remuneration Policy

As of 31 December 2017, the Group employed 349 staff, including 87 staff in the PRC R&D department, 81 staff in the PRC production department, 171 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 177 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.

Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2017 (For the year ended 31 December 2016: Nil).

AUDIT COMMITTEE

The audit committee currently comprises the three independent non-executive Directors, namely Mr. Zhao Zhi Gang, Mr. Chow Kai Ming and Mr. Ren Qimin. The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2017.

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 2017.

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 2017.

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 2017.

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

During the year ended 31 December 2017, 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 2017, the total number of issued shares of the Company was 6,164,968,147. A total of 1,027,480,000 new shares were issued during the year.

- On 20 September 2017, 1,027,480,000 new shares were issued at the price of HK$0.138 per share pursuant to subscription agreement which details of which are set out in the circular of the Company dated 24 August 2017.

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 2017 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, 29 March 2018

As at the date of this announcement, the Board comprises two executive directors, namely, Mr. Kingsley Leung (Chairman) and Mr. Chen Dawei (Vice-chairman); one non-executive director, Ms. Lau Chau In and three independent non-executive directors, namely, Mr. Zhao Zhi Gang, Mr. Chow Kai Ming and Mr. Ren Qimin.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Revenue	3	**156,477**	146,489
Cost of sales		**(22,849)**	(22,625)
Gross profit		**133,628**	123,864
Other income	3	**5,057**	4,068
Other gains and losses		**377**	1,579
Selling and distribution costs		**(76,446)**	(81,148)
General and administrative expenses		**(89,693)**	(75,835)
Research and development cost		**(42,519)**	(18,813)
Equity-settled share based payment expenses		**(6,864)**	(7,038)
Impairment losses on intangible assets		**(167,705)**	–
Impairment losses on property, plant and equipment		**(33,955)**	–
Finance costs		**(177)**	(497)
Loss before taxation	4	**278,297**	(53,820)
Income tax expense	5	**(1,012)**	(1,907)
Loss for the year		**(279,309)**	(55,727)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profits or loss:			
Exchange differences arising on translation on foreign operations		**27,402**	(26,610)
Total other comprehensive expenses for the year		**27,402**	(26,610)
Total comprehensive expenses for the year		**(251,907)**	(82,337)
Loss per share	6		
Basic and diluted *(HK cents)*		**(5.15)**	(1.09)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**60,257**	103,328
Investment properties		**26,605**	22,245
Prepaid lease payments		**11,398**	11,427
Intangible assets	9	**63,313**	220,471
Deposits paid for the acquisition of property, plant and equipment		**17,855**	4,216
Deposits paid for the acquisition of intangible assets	11	**4,939**	3,436
		184,367	365,123
Current assets			
Inventories		**13,548**	13,052
Trade and other receivables	12	**70,159**	40,250
Prepaid lease payments		**834**	779
Time deposits		**87,104**	30,773
Structured deposit		**11,412**	-
Bank balances and cash		**22,765**	47,344
		205,822	132,198
Current liabilities			
Trade and other payables	13	**43,206**	36,697
Income tax payable		**2,422**	2,281
Bank borrowings		**–**	10,990
		45,628	49,968
Net current assets		**160,194**	82,230
Total assets less current liabilities		**344,561**	447,353

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Non-current liability			
Deferred tax liability		**1,408**	949
Net assets		**343,153**	446,404
Capital and reserves			
Share capital		**61,650**	51,375
Reserves		**281,503**	395,029
Total equity		**343,153**	446,404

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

Uni-Bio Science Group Limited (the "**Company**") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are 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$**") and the functional currency of the PRC subsidiaries is Renminbi ("**RMB**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") for the conveniences of the financial statements users 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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. 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 cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following 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.

New and revised HKFRSs in issue but not yet effective

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[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 9	Prepayment Features with Negative Compensation[2]
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 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

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 2021

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 financial assets 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 are of the view that the expected credit loss model may result in early and additional provision of credit losses which are not yet incurred for the Group's financial assets measured at amortised costs. However, the directors of the Company do not expect the adoption of HKFRS 9 would result in significant impact on the amounts recognised in the Group's consolidated financial statements.

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 2017, 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 by the Group.

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 2017, the Group as lessee has non-cancellable operating lease commitments of approximately HK$10,587,000. 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.

In addition, the Group currently considers refundable rental deposits paid of HK$1,292,000 as at 31 December 2017, as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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. Sales of pharmaceutical products is the sole revenue of the Group.

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

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sales of pharmaceutical products	**156,477**	146,489
Other income		
Interest on bank deposits	**744**	1,372
Rental income	**2,625**	2,281
Government grants *(Note(i))*	**1,304**	313
Sundry income	**384**	102
	5,057	4,068
Total income	**161,534**	150,557

Note:

(i) During the year ended 31 December 2017, the Group received two government grants amounted to RMB1,130,000 (approximately HK$1,304,000) as a subsidy of research and development expenditures incurred in 2017 and the conditions have been fulfilled upon the grant.

4. LOSS BEFORE TAXATION

	2017	2016
	HK$'000	*HK$'000*
Loss before taxation is arrived at after charging:		
Staff costs (including directors' emoluments)		
Salaries, wages and other benefit	**35,690**	34,343
Retirement benefit scheme contribution	**7,147**	3,324
Equity-settled share based payment to staff	**6,714**	1,878
	49,551	39,545
Equity-settled share based payment to consultants	**150**	5,160
Amortisation of intangible assets	**4,837**	4,914
Amortisation of prepaid lease payments	**808**	817
Auditor's remuneration	**1,877**	1,870
Cost of inventories recognised as an expense	**22,849**	22,625
Operating lease rentals in respect of offices	**3,587**	2,965
Depreciation	**25,419**	22,933
Less: Depreciation included in research and development costs	**(6,390)**	(4,252)
	19,029	18,681
Research and development costs	**42,519**	26,710
Less: Capitalisation on intangible assets *(Note 9)*	**–**	(7,897)
	42,519	18,813
After crediting:		
Equipment rental income	**–**	236
Property rental income less outgoing	**2,625**	2,045

5. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
PRC Enterprise Income Tax ("**EIT**")		
– Current year	**555**	1,599
– Under-provision in prior years	**51**	157
	606	1,756
Deferred taxation		
– Current year	**406**	151
	1,012	1,907

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.

Beijing Genetech Pharmaceutical Co., Limited and Shenzhen Watsin Genetech Pharmaceutical Co., Limited, wholly owned subsidiaries of the Company, were approved as "high-new technology enterprise" and were eligible to enjoy a preferential enterprise income tax rate of 15% (2016: 15%) for the years ended 31 December 2016 and 2017.

6. LOSS PER SHARE

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

	2017	2016
	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	**(279,309)**	(55,727)

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**5,426,650**	5,091,770

No adjustment has been made to basic loss per share amounts presented for the years ended 31 December 2017 and 31 December 2016 in respect of a dilution as the impact of the share options and warrants outstanding would decrease basic loss per share.

7. SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision makers ("**CODM**"), for the purpose 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 chemical pharmaceutical products, (b) manufacture and sale of biological pharmaceutical products and (c) industrialisation of pipeline 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 2017

	Chemical pharmaceutical products *HK$'000*	Biological pharmaceutical products *HK$'000*	Pipeline products *HK$'000*	Consolidated *HK$'000*
Segment revenue				
External sales	**69,191**	**87,286**	**–**	**156,477**
Result				
Segment gain (loss)	**18,568**	**13,377**	**(261,569)**	**(229,624)**
Other income				**5,057**
Change in fair value of investment properties				**2,707**
Equity-settled share based payment expenses				**(6,864)**
Unallocated administration expenses				**(49,396)**
Finance costs				**(177)**
Loss before taxation				**(278,297)**

For the year ended 31 December 2016

	Chemical pharmaceutical products *HK$'000*	Biological pharmaceutical products *HK$'000*	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)

Segment result represents the results of each segment without allocation of other income, change in fair value of investment properties, equity-settled share based payment expenses, unallocated administration expenses and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

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

- all assets are allocated to operating segments other than 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.

As at 31 December 2017

	Chemical pharmaceutical products *HK$'000*	**Biological pharmaceutical products** *HK$'000*	**Pipeline products** *HK$'000*	**Consolidated** *HK$'000*
Segment assets	**109,881**	**65,332**	**59,958**	**235,171**
Unallocated assets				**155,018**
Total assets				**390,189**
Segment liabilities	**16,911**	**24,464**	**3,187**	**44,562**
Unallocated liabilities				**2,474**
Total liabilities				**47,036**

As at 31 December 2016

	Chemical pharmaceutical products *HK$'000*	Biological pharmaceutical products *HK$'000*	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

(c) Other segment information

For the year ended 31 December 2017

	Chemical pharmaceutical products *HK$'000*	Biological pharmaceutical products *HK$'000*	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	**1,850**	**1,212**	**3,725**	**3,420**	**10,207**
Amortisation of intangible assets	**–**	**–**	**4,837**	**–**	**4,837**
Amortisation of prepaid lease payments	**291**	**517**	**–**	**–**	**808**
Depreciation of property, plant and equipment	**3,604**	**8,170**	**12,192**	**1,453**	**25,419**
Loss on disposal of property, plant and equipment	**100**	**–**	**–**	**–**	**100**
Research and development cost	**–**	**6,683**	**35,836**	**–**	**42,519**
Impairment losses on intangible assets	**–**	**–**	**167,705**	**–**	**167,705**
Impairment losses on property, plant and equipment	**–**	**–**	**33,955**	**–**	**33,955**
Impairment losses on trade receivables	**2,545**	**–**	**–**	**–**	**2,545**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets					
Interest on bank deposits	**–**	**(262)**	**(366)**	**(116)**	**(744)**

For the year ended 31 December 2016

	Chemical pharmaceutical products *HK$'000*	Biological pharmaceutical products *HK$'000*	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 cost	–	1,707	17,106	–	18,813
Reversal of impairment losses 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 on bank deposits	–	(623)	(707)	(42)	(1,372)

(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	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**5,933**	4,377
People's Republic of China ("**PRC**")	**156,477**	146,489	**178,434**	360,746
	156,477	146,489	**184,367**	365,123

(e) Information about major customers

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

	2017	2016
	HK$'000	*HK$'000*
Customer A *(Note)*	**18,240**	15,378

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

8. DIVIDEND

No dividend was paid, declared or proposed during 2017, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

9. 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 2016	248,808	124,710	188,375	561,893
Exchange realignment	(13,918)	(6,976)	(10,900)	(31,794)
Additions	–	–	7,897	7,897
At 31 December 2016	234,890	117,734	185,372	537,996
Exchange realignment	16,552	8,296	13,064	37,912
At 31 December 2017	251,442	126,030	198,436	575,908
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 January 2016	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
Exchange realignment	16,552	5,921	55	22,528
Provided for the year	–	4,837	–	4,837
Impairment losses in profit or loss *(Note e)*	–	–	167,705	167,705
At 31 December 2017	251,442	92,618	168,535	512,595
CARRYING VALUES				
At 31 December 2017	–	33,412	29,901	63,313
At 31 December 2016	–	35,874	184,597	220,471

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

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

Notes:

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

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

(c) 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 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 impairment review of the Group's intangible assets annually. During the year ended 31 December 2017, impairment losses of HK167,705,000 were recognised in profit or loss. Details of such impairment testing are set out in Note 10.

10. IMPAIRMENT TESTING ON INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT RELATED TO DRUGS AT DEVELOPMENT STAGE

For the purpose of impairment testing, intangible assets and property, plant and equipment related to drugs at development stage have been allocated to three individual cash generating units (CGUs). The carrying amounts of intangible assets (net of accumulated amortisation and impairment losses) and property, plant and equipment (net of accumulated depreciation and impairment losses) as at 31 December 2017 allocated to these units are as follows:

	Property, plant and equipment		**Intangible assets**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
CGUs				
Drug 1	**7,212**	42,259	**23,376**	122,412
Drug 2	**3,890**	6,667	**39,937**	58,946
Drug 3	**1,356**	1,757	**–**	39,113
	12,458	50,683	**63,313**	220,471

Drug 1:

Due to changes in the competitive landscape of this drug, including the successful introduction of a number of new players into the market, the Group has therefore made adjustments to the development plan of this drug. Instead of submitting new drug application for this drug at original formulation, the directors of the Company has decided to direct all the existing resources to develop an advanced formulation of this drug for new drug application. The directors of the Company consider that the drug can be launched in 2023 and sales forecast has been updated accordingly. The changes result in a significant decline in the recoverable amount of the CGU. Impairment loss of HK$102,764,000 and HK$31,707,000 on intangible assets and property, plant and equipment are recognised.

Drug 2:

The Group filed formal new drug application of this drug to the China Food and Drug Administration in 2015. Due to the recent changes in the regulations of the pharmaceutical industry in the PRC, the Group has to conduct an evaluation to all clinical studies and submit supplementary filing in 2017. The directors of the Company consider that the application will be approved and the drug can be launched in 2019. The postponement of expected launch date results in a decline in the recoverable amount of the CGU. Impairment loss of HK$23,091,000 and HK$2,248,000 on intangible assets and property, plant and equipment are recognised.

Drug 3:

Taken into accounts (1) the current year's adjustment of strategy on Drug 1, which requires significantly resources and times for its development in coming few years; (2) the prolonged delay on the new drug application of Drug 2 due to the tightened regulatory environment of the pharmaceutical industry in the PRC, which had an impact on the Group's cash inflow, (3) the current progress on developing Drug 3, it is in the opinion of the management that the Group might not have the required technical, financial and other resources to complete the development of Drug 3. As a result, an impairment loss of HK$41,850,000 on intangible assets of Drug 3 is made.

11. DEPOSITS PAID FOR THE ACQUISITION OF INTANGIBLE ASSETS

As at 31 December 2017, the deposits paid for the acquisition of intangible assets represent deposits paid for (1) an acquisition of manufacturing technology and exclusive rights to distribute an antidiabetic drug and the corresponding consulting fee, and (2) a co-development project to develop high quality tablets for treatment of diabetes with independent third parties. The remaining unpaid consideration is disclosed as capital commitment.

Acquisition of intangible assets	Deposits paid for the acquisition	Contract sum
As at 31 December 2017		
Antidiabetic drug from an independent third party *(Note)*	RMB3,298,498 (equivalent to approximately HK$3,881,000) including consultancy fee of RMB827,000 (equivalent to approximately HK$973,000)	RMB16,826,800 (equivalent to approximately HK$19,796,000)
Co-development project with an independent third party	RMB900,000 (equivalent to approximately HK$1,058,000)	RMB6,500,000 (equivalent to approximately HK$7,647,000)
As at 31 December 2016		
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)
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)

12. TRADE AND OTHER RECEIVABLES

	Notes	2017 *HK$'000*	2016 *HK$'000*
Trade receivables	(i) & (ii)	**66,119**	35,179
Less: Allowance for doubtful debts	(iii)	**(3,813)**	(1,109)
		62,306	34,070
Bill receivables	(iv)	**1,600**	–
Rental deposit		**1,291**	653
Rental receivables		**–**	802
Advance to staff		**906**	773
Prepayments		**1,539**	1,016
Other		**3,326**	3,627
Less: Impairment loss recognised		**(809)**	(691)
		70,159	40,250

Notes:

(i) The Group allows an average credit period of 120 days (31 December 2016: 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 invoice date which approximated the respective revenue recognition dates, is as follows:

	2017 *HK$'000*	2016 *HK$'000*
0–60 days	**42,466**	17,358
61–120 days	**13,094**	7,395
121–180 days	**3,896**	7,172
Over 180 days	**2,850**	2,145
	62,306	34,070

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 2017, approximately 84% (31 December 2016: 73%) of the trade receivables is neither past due nor impaired. The trade receivables that are neither past due nor impaired mainly comprise the receivables from large PRC distributors with no recent history of default.

As at 31 December 2017, included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK$6,746,000 (31 December 2016: HK$9,317,000) 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:

	2017	2016
	HK$'000	*HK$'000*
121 to 180 days	**3,896**	7,172
Over 180 days	**2,850**	2,145
Total	**6,746**	9,317

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

	2017	2016
	HK$'000	*HK$'000*
At the beginning of the year	**1,109**	1,729
Exchange realignment	**159**	(71)
Recognised (reversed) during the year	**2,545**	(549)
At the end of the year	**3,813**	1,109

Included in the allowance for doubtful debts made for the year are individually impaired trade receivables with a balance of approximately HK$3,813,000 (2016: HK$1,109,000) which might be in financial difficulties. The Group does not hold any collateral over these balances.

(iv) An aged analysis of bill receivables presented based on invoice date, which approximated the respective revenue recognition dates, is as follows:

	2017	2016
	HK$'000	*HK$'000*
0–60 days	**780**	–
61–120 days	**820**	–
	1,600	–

13. TRADE AND OTHER PAYABLES

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Trade payables	(i) & (ii)	**9,002**	7,188
Accrued expenses and other payables:			
Advance and deposits from customers		**14,082**	15,382
Payables for acquisition of equipment		**918**	1,264
Payables for research and development expense		**3,319**	89
Other tax payables		**1,628**	631
Accrued audit fee		**1,787**	1,758
Accrued payroll		**4,462**	2,780
Accrued selling expenses		**7,107**	3,145
Others		**901**	4,460
		43,206	36,697

Notes:

(i) The average credit period on purchases of goods is 120 days (2016: 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:

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**7,648**	6,698
31–60 days	**1,043**	88
61–90 days	**61**	66
Over 90 days	**250**	336
	9,002	7,188