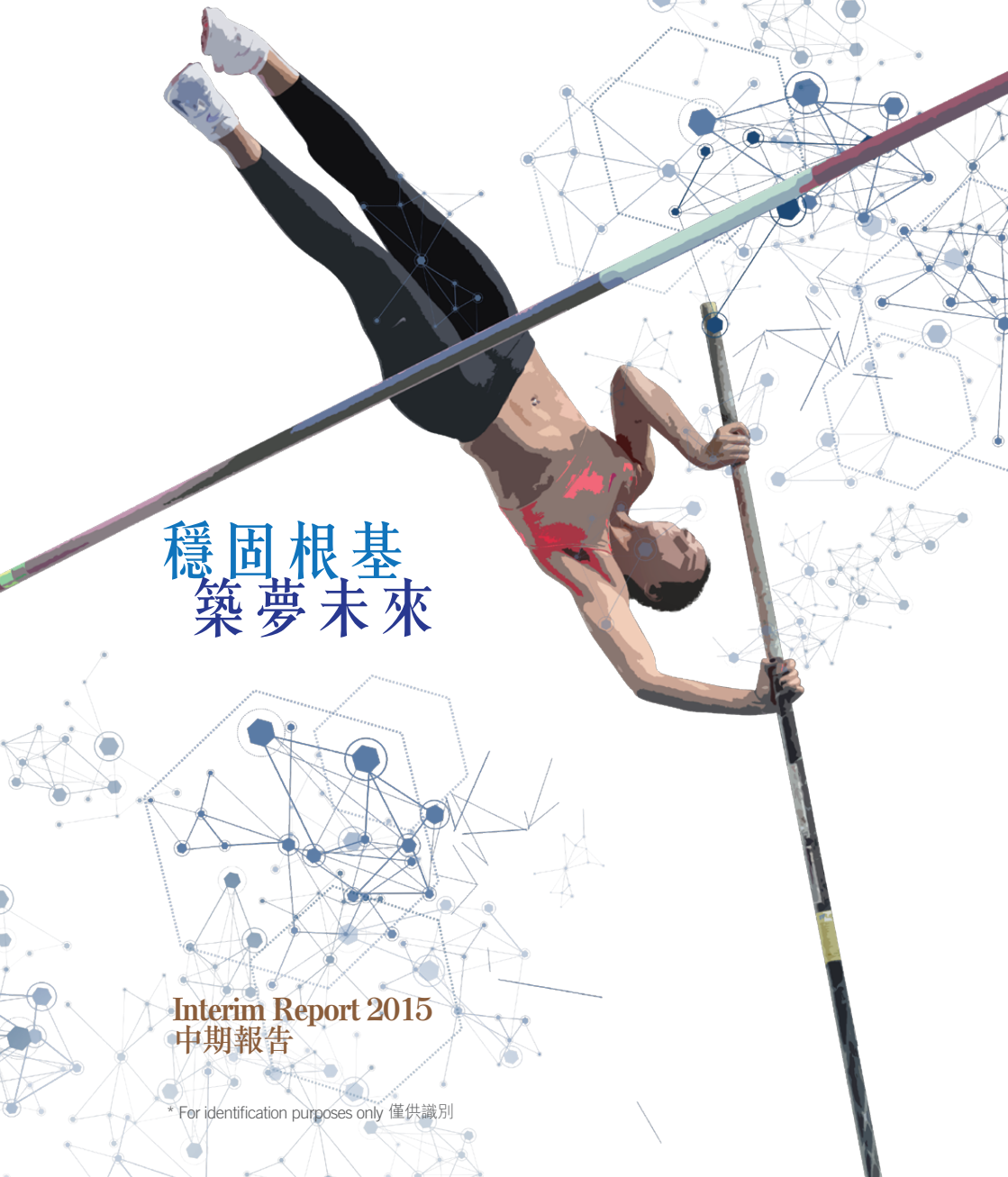
Uni-Bio Science Group Ltd.
聯康生物科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 0690



穩固根基
築夢未來

Interim Report 2015
中期報告

* For identification purposes only 僅供識別

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. FUNG Kwok Leung

Independent Non-Executive Directors

Mr. TSAO Hoi Ho, Terry
Dr. Carl Aslan Jason Morton FIRTH
Mr. ZHAO Zhi Gang

AUDIT COMMITTEE

Mr. TSAO Hoi Ho, Terry
(Chairman of the Audit Committee)
Mr. FUNG Kwok Leung
Dr. Carl Aslan Jason Morton FIRTH
Mr. ZHAO Zhi Gang

REMUNERATION COMMITTEE

Dr. Carl Aslan Jason Morton FIRTH
(Chairman of the Remuneration Committee)
Mr. TONG Kit Shing
Mr. TSAO Hoi Ho, Terry
Mr. FUNG Kwok Leung
Mr. ZHAO Zhi Gang

NOMINATION COMMITTEE

Mr. TONG Kit Shing
(Chairman of the Nomination Committee)
Mr. TSAO Hoi Ho, Terry
Dr. Carl Aslan Jason Morton FIRTH
Mr. ZHAO Zhi Gang

COMPANY SECRETARY

Mr. SHUM Chi Chung
(resigned on 14 August 2015)
Ms. YAU Suk Yan
(appointed on 14 August 2015)

AUTHORIZED REPRESENTATIVES

Mr. TONG Kit Shing
Mr. Kingsley LEUNG

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

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

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISERS AS TO HONG KONG LAW

Leung & Lau

STOCK CODE

0690

WEBSITE

www.uni-bioscience.com

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	**Six months ended 30 June 2015 (Unaudited)**	Six months ended 30 September 2014 (Unaudited) (Restated)
		HK$'000	HK$'000
Revenue	3	**58,260**	62,911
Cost of sales		**(9,666)**	(10,580)
Gross profit		**48,594**	52,331
Other income		**2,582**	4,898
Gain on disposal of a subsidiary	6	**279**	–
Selling and distribution costs		**(28,148)**	(30,245)
General and administrative expenses		**(46,045)**	(44,259)
Equity-settled share based payment expenses		**(3,996)**	(260)
Loss from operation		**(26,734)**	(17,535)
Share of results of an associate		**(1,927)**	(792)
Loss before taxation		**(28,661)**	(18,327)
Income tax expense	7	**(801)**	(1,236)
Loss for the period	4	**(29,462)**	(19,563)

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

For the six months ended 30 June 2015

	Notes	**Six months ended 30 June 2015 (Unaudited)**	Six months ended 30 September 2014 (Unaudited) (Restated)
		HK$'000	HK$'000
Loss for the period		**(29,462)**	(19,563)
Other comprehensive income/(expenses)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation on foreign operations		**1,087**	(6,682)
Total comprehensive expenses for the period		**(28,375)**	(26,245)
Loss per share (HK' cents)			
– Basic and diluted	8	**(0.6)**	(0.4)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	**Unaudited 30 June 2015 HK$'000**	Audited 31 December 2014 HK$'000
Non-current assets			
Property, plant and equipment	9	**128,573**	134,715
Investment properties		**20,929**	20,880
Prepaid lease payments		**14,057**	14,569
Goodwill		**–**	–
Intangible assets	10	**229,445**	230,245
Interests in an associate		**3,197**	5,121
Deposit paid for the acquisition of property, plant and equipment		**1,694**	6,787
		397,895	412,317
Current assets			
Inventories		**8,693**	7,899
Trade and other receivables	11	**42,076**	37,236
Prepaid lease payments		**1,093**	1,090
Amount due from an associate		**14,060**	–
Bank balances and cash		**133,456**	138,126
		199,378	184,351
Current liabilities			
Trade and other payables	12	**26,559**	30,215
Income tax payable		**2,897**	2,808
		29,456	33,023
Net current assets		**169,922**	151,328
Total assets less current liabilities		**567,817**	563,645

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2015

	Notes	Unaudited 30 June 2015 HK$'000	Audited 31 December 2014 HK$'000
Non-current liabilities			
Deferred tax liabilities		**521**	520
		521	520
NET ASSETS		**567,296**	563,125
Capital and reserves			
Share capital	13	**50,488**	49,181
Reserves		**516,808**	513,944
TOTAL EQUITY		**567,296**	563,125

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June 2015 (Unaudited) HK$'000	Six months ended 30 September 2014 (Unaudited) HK$'000
Net cash (used in)/generated from operating activities	**(13,309)**	2,424
Net cash used in investing activities	**(5,851)**	(11,916)
Net cash generated from financing activities	**14,490**	11,875
(Decrease)/increase in cash and cash equivalents	**(4,670)**	2,383
Cash and cash equivalents at the beginning of the period	**138,126**	56,227
Cash and cash equivalents at the end of the period	**133,456**	58,610
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**133,456**	58,610

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Equity attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Share-based payment reserve HK$'000	Distributable reserve (Note) HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2014 (Audited)	48,252	522,922	84,204	1,291,798	89,437	(1,438,391)	598,222
Recognition of equity-settled share based payments	–	–	260	–	–	–	260
Lapse of share options	–	–	(3,605)	–	–	3,605	–
Cancellation of share options	–	–	(3,862)	–	–	3,862	–
Issue of shares upon:							
– exercise of warrants	927	17,617	–	–	–	–	18,544
Total comprehensive expenses for the period	–	–	–	–	(6,682)	(19,563)	(26,245)
At 30 September 2014 (Unaudited)	49,179	540,539	76,997	1,291,798	82,755	(1,450,487)	590,781
At 1 January 2015 (Audited)	49,181	540,569	76,878	1,291,798	77,921	(1,473,222)	563,125
Recognition of equity-settled share based payments	–	–	3,996	–	–	–	3,996
Issue of shares upon:							
– exercise of warrants	43	831	–	–	–	–	874
– exercise of share options	1,264	38,218	(11,806)	–	–	–	27,676
Total comprehensive expenses for the period	–	–	–	–	1,087	(29,462)	(28,375)
At 30 June 2015 (Unaudited)	50,488	579,618	69,068	1,291,798	79,008	(1,502,684)	567,296

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

NOTES TO CONDENSED ACCOUNTS

1. ORGANISATION

Uni-Bio Science Group Limited was incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in bioscience related business with focus on the research, development and commercialization of biopharmaceutical products through recombinant DNA and other technologies.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

From the financial period ended 31 December 2014, the reporting period end date of the Group was changed from 31 March to 31 December because the Group would like to align with the financial year end date of its subsidiaries incorporated in the PRC as their accounts are statutorily required to be closed with the financial year end date of 31 December. Accordingly, the condensed consolidated financial statements for the current period cover the six month period ended 30 June 2015. The corresponding comparative amounts shown for the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and related notes cover a six months period from 1 April 2014 to 30 September 2014 and therefore may not be comparable with amounts shown for the current period.

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

The accounting policies adopted and the basis of preparation used in the preparation of the condensed consolidated financial statement of the Group are consistent with those followed in the preparation of the Group's annual financial statements for the nine months ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle

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

3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

An analysis of the Group's by operating segments is as follows:

For the six months ended 30 June 2015 (unaudited)

	Proprietary chemical pharmaceutical products HK$'000	Proprietary biological pharmaceutical products HK$'000	Total HK$'000
Segment revenue	**19,168**	**39,092**	**58,260**
Segment results – gross	**16,598**	**31,996**	**48,594**
Operating income & expenses	**(18,836)**	**(39,724)**	**(58,560)**
Segment results	**(2,238)**	**(7,728)**	**(9,966)**
Unallocated operating income and expenses			**(16,768)**
Loss from operation			**(26,734)**
Share of results of an associate			**(1,927)**
Loss before taxation			**(28,661)**
Income tax expense			**(801)**
Loss for the period			**(29,462)**
Segment assets	**101,073**	**320,979**	**422,052**
Unallocated corporate assets			**175,221**
Total assets			**597,273**
Segment liabilities	**3,722**	**21,634**	**25,356**
Unallocated corporate liabilities			**4,621**
Total liabilities			**29,977**
Capital expenditure	**3,748**	**5,568**	**9,316**
Amortisation – Intangible asset	**–**	**2,625**	**2,625**
Amortisation – Prepaid lease payments	**157**	**387**	**544**
Depreciation	**4,527**	**11,424**	**15,951**

3. SEGMENT INFORMATION (Continued)

For the six months ended 30 September 2014 (unaudited)

	Proprietary chemical pharmaceutical products HK$'000	Proprietary biological pharmaceutical products HK$'000	Total HK$'000
Segment revenue	16,534	46,377	62,911
Segment results – gross	13,905	38,426	52,331
Operating income & expenses	(18,967)	(42,406)	(61,373)
Segment results	(5,062)	(3,980)	(9,042)
Unallocated operating income and expenses			(8,493)
Loss from operation			(17,535)
Share of results of an associate			(792)
Loss before taxation			(18,327)
Income tax expense			(1,236)
Loss for the period			(19,563)
Segment assets	102,449	338,082	440,531
Unallocated corporate assets			233,320
Total assets			673,851
Segment liabilities	6,130	22,675	28,805
Unallocated corporate liabilities			4,738
Total liabilities			33,543
Capital expenditure	8,775	909	9,684
Amortisation – Intangible assets	1,154	10,378	11,532
Amortisation – Prepaid lease payments	158	389	547
Depreciation	1,522	9,777	11,299

There are no income, sales or other transactions between the operating segments. Unallocated operating income and expenses represent corporate expenses.

All the Group's revenue from external customers are attributed to the country of domicile of the relevant group entities, which is the PRC, during the six months ended 30 June 2015 and 30 September 2014 respectively.

None of the customers accounted for 10% or more of the total turnover of the Group during the six months ended 30 June 2015 and 30 September 2014 respectively.

4. LOSS FOR THE PERIOD

Loss for the period is stated after the following:

	Unaudited six months ended	
	30 June 2015	30 September 2014
	HK$'000	HK$'000
After charging:		
Cost of inventories sold	**9,666**	10,580
Depreciation of fixed assets		
– owned assets	**16,281**	11,438
Research and development costs	**2,387**	990

5. STAFF COSTS INCLUDING DIRECTORS' REMUNERATION

	Unaudited six months ended	
	30 June 2015	30 September 2014
	HK$'000	HK$'000
Salaries, wages and other benefits	**16,547**	12,434
Retirement benefit scheme contribution	**2,636**	2,025
Equity-settled share based payments	**3,996**	260
	23,179	14,719

6. GAIN ON DISPOSAL OF A SUBSIDIARY

On 13 February 2015, the Group disposed to an independent third party its entire interest in World Alliance Finance Limited, a subsidiary of the Group, at a consideration of approximately HK$388,000. The subsidiary was engaged in money lending activities, but there was no money lending in the past few years. A gain on disposal of HK$279,000 was recognized in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2015.

	HK$'000
Net assets disposed of	
Plant and equipment	12
Other receivables	57
Cash	40
	109
Total consideration received	388

7. INCOME TAX EXPENSE

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

	Unaudited six months ended	
	30 June 2015 HK$'000	30 September 2014 HK$'000
PRC Enterprise Income Tax ("EIT")	**801**	1,236
Deferred taxation	**–**	–
	801	1,236

No provision for Hong Kong profits tax has been made since the entities operating in Hong Kong had no assessable profit for the six-month periods ended 30 June 2015 and 30 September 2014.

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

Beijing Genetech Pharmaceutical Co., Limited ("Beijing Genetech"), a wholly-owned subsidiary of the Company, it was approved as high-new technology enterprises since May 2012 and the status will expire in 2015. For Shenzhen Watsin Genetech Pharmaceutical Co., Limited ("Shenzhen Watsin"), a wholly-owned subsidiary of the Company, was approved as high-new technology enterprise during the period ended 31 December 2014. Pursuant to the relevant laws and regulations in the PRC, Beijing Genetech and Shenzhen Watsin both eligible for a preferential enterprise income tax rate of 15% for the period ended 30 June 2015.

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:

	Unaudited six months ended	
	30 June 2015 HK$'000	30 September 2014 HK$'000
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(29,462)**	(19,563)

8. LOSS PER SHARE (Continued)

	Unaudited six months ended 30 June 2015 '000	30 September 2014 '000
Number of shares		
Weighted average number of ordinary shares for basic loss per share calculation	**4,892,212**	4,838,636

No adjustment has been made to basic loss per share amounts presented for the six months ended 30 June 2015 and 30 September 2014 in respect of a dilution as the impact of the share options and warrants outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

9. PROPERTY, PLANT AND EQUIPMENT

	HK$'000
Cost	
At 1 January 2015	404,637
Additions	9,929
Disposals	(54)
Written off	(12)
Exchange adjustment	968
At 30 June 2015	415,468
Accumulated depreciation and impairment	
At 1 January 2015	269,922
Charge for the period	16,281
Eliminated on disposals	(37)
Eliminated on written off	(9)
Exchange adjustment	738
At 30 June 2015	286,895
Net book value	
At 30 June 2015 (unaudited)	128,573
At 31 December 2014 (audited)	134,715

10. INTANGIBLE ASSETS

Carrying amount

	Trademarks and certificates HK$'000	Technical know-how HK$'000	Product development in progress HK$'000	Total HK$'000
At 30 June 2015 (unaudited)	–	39,897	189,548	229,445
At 31 December 2014 (audited)	–	42,436	187,809	230,245

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

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

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

Except for the product development in progress, the respective intangible assets have finite lives and are subsequently amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation charge for the period is included in "general and administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

No impairment was made during the period.

11. TRADE AND OTHER RECEIVABLES

The ageing analysis of trade receivables, net of impairment loss recognised is as follows:

	Unaudited 30 June 2015 HK$'000	Audited 31 December 2014 HK$'000
0 – 60 days	**18,055**	15,758
61 – 120 days	**12,038**	11,023
121 – 180 days	**3,870**	4,129
Over 180 days	**3,194**	2,832
	37,157	33,742

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

12. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables is as follows:

	Unaudited 30 June 2015 HK$'000	Audited 31 December 2014 HK$'000
0 – 30 days	**931**	2,945
31 – 60 days	**276**	166
61 – 90 days	**473**	103
Over 90 days	**281**	234
	1,961	3,448

13. SHARE CAPITAL

	Nominal value per share HK$	Number of Shares '000	Amount HK$'000
Authorised:			
At 1 January 2015	0.01	500,000,000	5,000,000
Increase in capital	0.01	–	–
At 30 June 2015	0.01	500,000,000	5,000,000

	Nominal value per share HK$	Number of Shares '000	Amount HK$'000
Issued and fully paid up:			
At 1 January 2015	0.01	4,918,091	49,181
Exercise of warrants (note a)	0.01	4,375	44
Exercise of share options (note b)		126,380	1,264
At 30 June 2015	0.01	5,048,846	50,489

Note:

(a) During the six months ended 30 June 2015, 4,374,449 warrants were exercised at a price of HK$0.20 into 4,374,449 ordinary shares of HK$0.01 each in the Company. The net proceeds from the exercise of warrants was approximately HK$875,000.

(b) During the six months ended 30 June 2015, 126,380,000 share options were exercised at a price of HK$0.219 into 126,380,000 ordinary shares of HK$0.01 each in the Company. The net proceeds from the exercise of share options was approximately HK$27,677,000.

14. SHARE OPTIONS

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

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

The options must be taken up within 21 days from the date of grant upon payment of HK$1 and are exercisable over a period to be determined and notified by the directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than 10 years from the date of adoption of the 2006 Scheme.

The total number of the Company's shares which may be issued upon exercise of all options to be granted under the 2006 Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the 2006 Scheme and any other schemes of the Group) must not in aggregate exceed 10% of the Company's shares in issue as at the date of adoption of the 2006 Scheme ("10% General Limit") and thereafter, if refreshed, shall not exceed 10% of the shares in issue as at the date of approval of the proposed refreshment of the 10% General Limit by the shareholders.

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

14. SHARE OPTIONS (Continued)

The directors of the Company consider the 2006 Scheme, with its broadened basis of participation, will enable the Group to reward the employees, directors and other selected participants for their contributions to the Group and will also assist the Group in its recruitment and retention of high caliber professionals, executives and employees who are instrumental to the growth and stability of the Group.

At 30 June 2015, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 467,405,680 (At 31 December 2014: 549,805,680), representing 9.26% (At 31 December 2014: 11.18%) of the ordinary shares in issue at that date.

On 23 January 2015, 43,980,000 share options were granted and the estimated fair value of the options granted was approximately HK$3,865,000 in the six months period ended 30 June 2015.

Details of the share option movements during the six months ended 30 June 2015 under 2006 Scheme are as follows:

	Number of share options							
	Outstanding 31 December 2014 and 1 January 2015 '000	Granted during the period '000	Exercised during the period '000	Outstanding at 30 June 2015 '000	Exercised price HK$	Date of grant	Exercise period	Remaining contractual life
Directors	600	–	–	600	0.2190	27 November 2013	27 November 2013 to 21 September 2016	1.22 years
Directors	8,560	–	–	8,560	0.2300	12 September 2014	12 September 2014 to 11 September 2024	9.20 years
Employees	26,980	–	–	26,980	0.2190	27 November 2013	27 November 2013 to 21 September 2016	1.22 years
Employees	–	10,880	–	10,880	0.2300	23 January 2015	23 January 2015 to 22 January 2025	9.56 years
Others	72,986	–	–	72,986	0.9152	26 May 2009	26 May 2009 to 21 September 2016	1.22 years
Others	440,320	–	(126,380)	313,940	0.2190	27 November 2013	27 November 2013 to 21 September 2016	1.22 years
Others	360	–	–	360	0.2300	12 September 2014	12 October 2014 to 11 September 2024	9.20 years
Others	–	33,100	–	33,100	0.2300	23 January 2015	23 January 2015 to 22 January 2025	9.56 years
	549,806	43,980	(126,380)	467,406				
Exercisable at the end of the period				444,006				
Weighted average exercise price (HK$)	0.3116	0.2300	0.2190	0.3290				

14. SHARE OPTIONS (Continued)

Details of the share option movements during the six months ended 30 September 2014 under the 2006 Scheme are as follows:

	Number of share options								
	Outstanding 31 March 2014 and 1 April 2014 '000	Granted during the period '000	Cancelled during the period '000	Lapsed during the period '000	Outstanding at 30 September 2014 '000	Exercised price HK$	Date of grant	Exercise period	Remaining contractual life
Directors	600	–	–	–	600	0.2190	27 November 2013	27 November 2013 to 21 September 2016	1.98 years
Directors	–	8,560	–	–	8,560	0.2300	12 September 2014	12 September 2014 to 11 September 2024	9.95 years
Employees	1,695	–	(62)	(1,633)	–	4.1278	28 January 2008	28 January 2008 to 21 September 2016	1.98 years
Employees	27,420	–	–	–	27,420	0.2190	27 November 2013	27 November 2013 to 21 September 2016	1.98 years
Others	4,508	–	(4,508)	–	–	4.1278	28 January 2008	28 January 2008 to 21 September 2016	1.98 years
Others	78,121	–	–	(5,135)	72,986	0.9152	26 May 2009	26 May 2009 to 21 September 2016	1.98 years
Others	440,320	–	–	–	440,320	0.2190	27 November 2013	27 November 2013 to 21 September 2016	1.98 years
Others	–	360	–	–	360	0.2300	12 September 2014	12 October 2014 to 11 September 2024	9.95 years
	552,664	8,920	(4,570)	(6,768)	550,246				
Exercisable at the end of the period					544,186				
Weighted average exercise price (HK$)	0.3613	0.2300	4.1278	1.6903	0.3115				

15. COMMITMENTS

(a) Operating lease commitments

At 30 June 2015, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2015 HK$'000	Audited 31 December 2014 HK$'000
Within one year	**3,229**	1,226
In the second to fifth years inclusive	**5,603**	1,928
	8,832	3,154

(b) Capital commitments

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

	Unaudited 30 June 2015 HK$'000	Audited 31 December 2014 HK$'000
Contracted for:		
– Purchases of property, plant and equipment	**2,557**	3,669

16. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the period under review (Six months ended 30 September 2014: Nil).

17. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Extract of Statement of Profit or Loss:

	Unaudited		
	Six months ended 30 June 2015	Six months ended 30 June 2014	Six months ended 30 September 2014
Turnover	**58,260**	49,228	62,911
Cost of sales	**(9,666)**	(8,819)	(10,580)
Gross profit	**48,594**	40,409	52,331
Selling and distribution expenses	**(28,148)**	(26,746)	(30,245)
General and administrative expenses	**(46,045)**	(55,640)	(44,259)
Equity-settled share based payment expenses	**(3,996)**	–	(260)
Loss from core business	**(29,595)**	(41,977)	(22,433)

Note: The differences between the six months period ending 30 June 2015 versus the six months period ending 30 September 2014 are mainly due to seasonal fluctuations. In order for financial performances to be directly comparative, the Group has extracted comparable items in the Statement of Profit or Loss of six months ended 30 June 2014 above. In the sections "Financial Performance and Review", "Business Review" and "Business Outlook" stated below, commentary uses six months ended 30 June 2014 as the comparator.

On the basis of core business, figures included turnover and gross profit generated from pharmaceutical business, as well as respective operational expenses incurred in selling and distribution, general and administrative function.

FINANCIAL PERFORMANCE AND REVIEW

SALES DEVELOPMENTS

During the six months ended 30 June 2015 (the "**Period under Review**" or the "**Period**"), the Company (together with its subsidiaries, the "Group") recorded a consolidated turnover of approximately HK$58,260,000 representing an increase of 18.3% compared with approximately HK$49,228,000 recorded in the six months ended 30 June 2014 (the "**Last Corresponding Period**"). The Group's topline growth compares very favorably to the overall People's Republic of China's ("PRC") hospital drug sales growth of approximately 8.6% (May 2015 MAT), according to IMS. The Group achieved its strong financial and operational performance during the Period as a result of the implementation of a number of strategic initiatives.

As a result of the completion of the realignment of our sales team into North and South regions last year, our Sales Directors and leaders have benefitted from being able to focus on smaller geographical areas and to leverage their local expertise and knowledge. The opening of Tianjin and Shanghai markets for Pinapu®, and our success in the Guangdong tender are examples of the achievements of the Group resulting from this realignment during the Period. These new markets are generating strong growth for a number of our products, including those which were newly launched during the Period, including our EGF products in new therapeutic areas.

Whilst the Group's product range includes a number of products with market-leading positions, the government's ongoing tender program for the pricing of drugs in all provinces and municipals is exerting negative pressure on pricing in the industry amongst all participants. These changes have caused companies to be more discretionary about the provincial tenders in which they participate, and even exiting from some provincial tenders if the prices demanded by the provincial authorities are not deemed to be sustainable. Our portfolio strategy has been focused on developing innovative therapies which benefit from a strong competitive profile, as a result we are optimistic that the new tendering mechanisms and price revisions will have minimal impact on our financial performance in 2015.

In addition, the Group has continued to implement its strategy of establishing a highly qualified and experienced sales team and we see the benefits of this in the strong and transparent relationships our teams are forging with healthcare professionals. This has also enabled us to minimise any disruption to sales following the challenges faced by other industry participants in recent years.

PROPRIETARY BIOLOGICAL PHARMACEUTICAL PRODUCTS

The Group's proprietary biological pharmaceutical products include GeneTime® (EGF spray indicated for wound healing) and GeneSoft® (EGF-derivative eye drop indicated for corneal damage and post-operative healing). During the Period, sales of our proprietary biological pharmaceutical products reached HK$39,092,000, representing an increase of 11.1% compared with HK$35,179,000 recorded in the last corresponding period and 67% of total consolidated sales, principally benefitting from the launch of our products in new indications. Overall, sales in the North grew strongly, increasing by 26%. However, this was offset by the loss of Zhejiang province due to the pricing policies imposed on us, resulting in a net growth of 2% for the North. In the South revenue grew strongly, increasing by 20%, as a result of an improvement in direct sales and through our network of distributors.

The majority of the growth in proprietary biological pharmaceutical products can be attributed to increasing sales of GeneTime®, GeneSoft® sales growth remains relatively limited mainly due to its current less favorable reimbursement status in the PRC. To address this, the Group has recruited a highly experienced Government Affairs specialist, with particular experience in the pharmaceuticals industry, to coordinate efforts in executing a plan to seek reimbursement for GeneSoft® and to explore opportunities for our other existing products. We continue to believe that biologics represent one of the fastest growing therapeutic sectors in the healthcare industry.

PROPRIETARY CHEMICAL PHARMACEUTICAL PRODUCTS

The Group's proprietary chemical pharmaceutical product sales represent the sales of Pinapu® (voriconazole tablet to treat severe fungal infections). This segment achieved a turnover of HK$19,168,000 in the Period, representing growth of 36.4% versus the corresponding period sales of HK$14,049,000. Chemical pharmaceutical products represented approximately 33% of total consolidated sales compared to 28% in the last corresponding period.

Following the Group's decision to focus on opening new accounts in new territories, the Sales and Marketing team successfully opened new accounts in Shanghai and Tianjin. We are very pleased with this success as these cities have great potential for significant growth in the future. In the South, our teams were successful in the provincial tender in the key Guangdong province which has already made an important contribution to our growth and will continue to do so.

DEVELOPMENT COSTS, EBITDA & EBT

Gross profit for the Period was approximately HK$48,594,000, representing an increase of 20.3% as compared with approximately HK$40,409,000 recorded in the last corresponding period. Gross profit margin increased to 83.4% from 82.1%, outperforming the median of 11 close industry peers (~71.0%) according to Thomson Reuters. The Group remains proactive in its approach to improve profitability further, for example by carefully broadening the number of active pharmaceutical ingredient (API) suppliers used to maintain competitiveness for the cost of raw materials and remaining focused on growing sales volumes to lower the unit cost of production. The Group also continues to focus on containing costs across the businesses where possible.

General and Administrative expenses decreased by 17.2% from last corresponding period. There was an amortisation charge amounted to HK$8,357,000 for trademark and certificates in last corresponding period but trademark and certificates were fully amortised in 2014 and no more charge in the period under review. Development costs of HK$1,291,000 (six months ended 30 June 2014: HK$1,820,000) were capitalized as intangible assets to reflect the late-stage development of the Group's proprietary projects including Recombinant Exendin-4 ("**Uni-E4**") and Recombinant Human Parathyroid Hormone (1-34) ("**Uni-PTH**"). Most development costs are related to the final phase 3 clinical trial payments and industrialization cost before commercialization. Going forward, the Group will explore drug delivery devices, innovative formulation technology, new indications and improvements to other aspects of the products in order to maximize the value of the Group's portfolio. As the Group develops new technology and its pipeline, R&D costs may fluctuate year-to-year due to the cost stage of the respective development project. Currently, all of our developmental costs are invested in biologics. We continue to build on our expertise and experience in this field, with a focus on metabolic diseases, including diabetes and osteoporosis.

Selling and distribution expenses increased from HK$26,746,000 in the last corresponding period to HK$28,148,000. The increase is attributed to the increase in sales and the proportion is in line with industry peers. In addition, there was a grant of 43,980,000 share options in January 2015 and a higher amount of equity-settled based payment expenses was charged in during the Period under Review versus the last corresponding period. The higher equity-settled based payment result from a new HR scheme of awarding senior managers with company share options, motivating them to complete Group targets, as opposed to complete targets only relevant to their subsidiaries.

Total loss from core business narrowed significantly from HK$41,977,000 in the last corresponding period to HK$29,595,000 during the Period as a result of increased sales of pharmaceutical products and decreased general and administrative expenses. The Group is still showing a loss from core business mostly due to depreciation on fixed assets and amortization of intangible assets, totaling HK$18,906,000. The majority of these expenses relate to the Group's heavy investment in plant and machinery to adhere to the new cGMP standards, and development in advance of the commercialisation of its pipeline products (Uni-PTH and Uni-E4).

BUSINESS REVIEW

The Group's overall business strategy employs two specific elements – one focused internally (solidifying foundation) and the other focused externally (maximizing value). Solidifying foundations include 1) functionalization and virtualization, 2) human capital investment, 3) compliance with cGMP manufacturing standards, and 4) upgrading our IT infrastructure. Maximizing value includes 1) expanding our commercialization platform, and 2) implementing our new partnership model. The details regarding the strategy can be found in the Group's 2014 Annual Report, under Business Strategy. In the Period under Review, the Group has been making solid progress on implementing these strategies across the various operational functions of the Group, effectively strengthening the competitiveness of the Group in the industry and ensuring operational excellence. The table which follows summarizes the recent business updates, opportunities and challenges in regards to key functions of the Group.

Functions	Items	Updates	Opportunities	Challenges
Sales and Marketing	Provincial tendering	2015 is an important tendering year for the industry. It is mandatory for all provinces in China to open up for tender before the end of the year. Tendering is a very important process determining the price at which the drug is sold and whether the drugs are allowed to be sold in the first place. The Group has set up a dedicated task force with the support of its Market Access team to ensure tendering process for three of its marketed products is effectively managed. Currently, Pinapu® covers 20 provinces and military hospitals, GeneTime® covers 22 provinces and military hospitals and GeneSoft® covers 23 provinces. To date, approximately 7 provinces have been or are open for tender renewal. Another 8 provinces are expected to open very shortly.	Progress on provincial tendering has been favorable. This is especially apparent for Pinapu®. Out of the 7 provinces open for tender in 2015, Pinapu® has already won 3 provinces, including two large markets for Pinapu® (i.e. Guangdong and Zhejiang), as well as new markets for future growth (i.e. Sichuan). Such success is due to a strong task force, which has a good understanding of the tendering process and experience of working with local distributors in securing tenders.	As a result of measures to contain healthcare expenditure, there are likely to be negative pricing pressures in every successive tendering round. Moreover, successive tendering rounds will reference the drug price of the lowest price of the previous tendering round. Therefore, the Group will have to manage the tender carefully to prevent significant price drops in the future. In some instances, the Group will not participate in those provinces where the resultant price is too low. Most recently we exited from Zhejiang (EGF products) as the price imposed on us was not sustainable for our business.

Functions	Items	Updates	Opportunities	Challenges
Sales and Marketing	Commercial platform expansion	One of the Group's priorities in the Period was to expand its commercial platform in preparation for the launch of two new, next generation products. By the end of 2015, the Group plans to double the size of its in-house sales team and also partner with contract sales organizations (CSO) or larger pharmaceutical companies to expand its sales and marketing reach across China. In the Period under Review, the Group has already expanded the in-house sales team by half the budgeted headcount. Moreover, the Group continues to be in discussions with various large sales organizations exploring partnerships for current marketed products.	Co-promotion will allow the Group to leverage the existing sales network of the partner. By doing so, the Group can quickly broaden its reach into parts of China where it previously has limited coverage. For Pinapu® and GeneTime®, 80% of our sales come from 8 provinces or less, and approx. 55% from Beijing and Guangdong. This reflects our focus & success in the key territories. With Tianjin and Shanghai now added (see Pinapu®, above) we have broadened our base of major cities and we believe we can realize strong growth from them. However, there still remains a significant opportunity for us to penetrate new territories and grow our business. Where there is a good fit we will seek collaboration with a major company. We can leverage the scale of our partners to reach areas that would not be economically viable for us to do it independently. At the same time, such sales will also increase our market share and visibility in the marketplace. Last but not least the Group will ensure it is financially attractive.	The Group realizes that there are challenges to these collaborations, i.e. allocation of territories, potential cross-selling, and logistics. Our team is very experienced and will ensure we address the issues of territorial management, pricing, target setting, logistics and overview. Furthermore, to guarantee smooth execution, the Group plans to set up joint sales committee with partners and hiring dedicated alliance managers to ensure information is communicated seamlessly between both parties.

Functions	Items	Updates	Opportunities	Challenges
Market Access	Reimbursement of GeneSoft®	Currently, GeneSoft® is the only product in the Group's marketed portfolio not reimbursed by the national reimbursement drug list (NRDL). Being in the NRDL allows patients to access the product more easily, leading to greater sales volumes. Therefore, it is a priority of the Group for GeneSoft® to be included on the NRDL. In the Period, the Group set up a dedicated market access function to tackle this priority. Within this department, we have two senior managers with MNC experience in Government Affairs. The team has already set out a comprehensive plan in order to efficiently have the product listed in different reimbursement list. The Group plans 2 to 3 promotional events to provincial government in the next 6 months.	GeneSoft® has already been on the market for almost a decade. Most doctors have many years' experience using GeneSoft® in their clinics and understand that the product is both very safe and efficacious. Moreover, GeneSoft® has a large database of clinical publications to support its use in multiple indications. These are all major factors in determining whether a product can be listed in the reimbursement list.	There are two key challenges in the reimbursement of GeneSoft®. Firstly, there are no official dates on which reimbursement agencies allow new products to be added. Therefore, there is no certain timeline for a GeneSoft® listing; this project may be a multi-year initiative. Based on past experience and timelines, the Group believes there is a possibility that the reimbursement list will open in 2015. The Group has already started work to prepare for such an occurrence. Secondly, if GeneSoft® is successfully listed on the reimbursement list, the Group believes there will be an immediate price cut on the product. However, the growth expected from listing should greatly compensate any discount of the product.

Functions	Items	Updates	Opportunities	Challenges
Manufacturing	New GMP status	The CFDA will require all drug manufacturers to comply with the latest GMP upgrade by the end of the year. As of end of the reported period, the Group has successfully received new GMP status for its manufacturing subsidiary in Shenzhen (Shenzhen Watsin Co. Ltd). The Group's manufacturing subsidiary in Beijing (Beijing Genetech Co. Ltd) is in the process of upgrading its chemical manufacturing lines to comply with the latest GMP standards. Inspections from local authorities have already been successfully completed and the Group believes it is on track to receive new GMP certification within the next few months.	Upgrading to the latest GMP will provide a number of advantages to the Group, including ensuring our freedom to operate, improve product quality, upgrade manufacturing capacity, and prevent disruption of drug supply to the market. In addition, the GMP upgrade has changed the competitive landscape of the drug industry. A number of industry players may choose not to upgrade their manufacturing lines due to cash flow constriction. Therefore, this provides an opportunity for the Group to acquire additional drug licenses. The Group's business development team is actively monitoring the situation.	Leveraging the Group's experienced and professional team, the challenges of upgrading the Group's manufacturing facilities to the new GMP standards has not been difficult. The Group believes there is no significant risk in terms of meeting such new standards. However, there may be variability in the time point of certification as the decision is in the hands of the local authorities. Any delays in the certification of the Beijing plant may cause disruptions in drug supply of Pinapu®, as well as mildly affect tendering results of Pinapu®.

Functions	Items	Updates	Opportunities	Challenges
R&D	Pipeline progress	The Group has made significant progress for Uni-PTH and Uni-E4 in the Period under Review. Uni-PTH has been officially accepted by the CFDA for review and Uni-E4 met the primary efficacy and safety endpoints in a phase 3 study. In recognition of this achievements, the Group was granted the "Pharmaceuticals Award" for Best Innovation for Uni-E4 project at the inaugural Hong Kong Business Listed Companies Awards, strong testimony to the Group's approach to innovation. For full details of the Group's pipeline products, please refer to the section under "Research and Development".	The Group has created new systems in order to ensure R&D progress adheres to strict timelines and to allow more accurate forecasting of development timelines. Both Uni-PTH and Uni-E4 met predetermined timelines in the Period, and the Group is still cautiously optimistic to launch both products in mid to late 2017. Moreover, the Group has engaged a leading CRO in the PRC to help audit the final submission package (dossier package) for both pipeline products to the CFDA, ensuring no additional delays during the registration process. Finally, Uni-E4 is eligible for Green Channel registration because it is a Class I drug. Such registration route will give priority status for regulators to review the drug and therefore hasten registration timelines. The Group is currently reviewing the actions required in order to register Uni-E4 through such channel.	Forecasting approval dates is always a challenge in China. There is no formulae or guidance from PRC regulators. The Group has used historical approval timelines from other biologic product approvals as a basis of our forecast as well as referenced to industry association and industry experts. However, industry registration conditions have changed drastically in recent years and there is an increasing number of products in queue for review. For such reasons, Uni-E4 and Uni-PTH approval timelines may extend to 2018 or beyond. In the Period under Review, the CDE has pledged to add more resources in order to hasten review timelines. Moreover, the national CFDA has also outsourced certain review processes to provincial level FDA and the private sector. The Group is optimistic that such action will streamline registration timelines and counteract the large backlog of registrations currently in the system. Nevertheless, the Group will continue to closely follow changes in the registration landscape and update timelines accordingly.

Functions	Items	Updates	Opportunities	Challenges
Business Development	Partnership model	In 2014, the Group implemented a partnership model in order to strengthen its product offering in Diabetes, Ophthalmology and Dermatology. In the Period under Review, the Group attended numerous international and domestic partnering conferences, including BioAsia and BioChina. The Group continues to be very well received by industry peers due to its unique development capabilities in the PRC and international team and is currently evaluating a broad number of potential partnership opportunities.	Internal R&D normally takes a decade in order to move a drug from development to the market. This process also requires large upfront investment and substantial risk taking. Via the partnership model, the Group hopes to share part of the risk with partners, as well as shorten development timelines. The Group continues to be optimistic in closing deals in the remainder of 2015.	As a result of the overwhelmingly positive interest in partnering with the Group, we are diligently reviewing a large number of prospective partnership opportunities. The Group is conducting due diligence for some projects but we also need to match the timelines and priorities of our potential partners.

Functions	Items	Updates	Opportunities	Challenges
Others	HR and IT	A large part of the Group's strategy of solidifying foundation relates closely to human resources (HR) and information technology (IT). As mentioned in the Group's 2014 Annual Report, the Group initiated a number of HR and IT projects at the end of the last financial year. In the Period under Review, a number of these projects were completed. For example, the Group completed the plan for a new unified compensation scheme, and it will be rolled out to all subsidiaries in the coming months. In IT, the Group successfully rolled out a new state-of-the-art communication platform that allows free video and audio conferencing capabilities across all locations. In the next 6 months, the Group will focus on completing a number of other projects, as well as seamlessly incorporating these new changes into the organization.	One major HR initiative is to integrate the HR policies of all our entities. The second is to roll out a compensation and benefits (C&B) program that emphasizes the benchmark against the market, as well as to raise the importance of performance-linked rewards. In Q2 2015, the Company awarded its first CEO Awards to 8 employees, and invited them to Thailand. The company-wide award recognizes outstanding contributions by employees and effectively represent the top 3% of our employees. In addition to improving efficiency, this is a critical step in raising performance of the Group and will be an ongoing initiative. We have also analysed our IT investments and observed that they have increased communications (including face-to-face video meetings) while improving efficiency. The Group also believes this increased level of communications will enhance levels of team work, so that we perform as one unit.	There are two key challenges of any HR and IT initiative. First is user acceptance, users normally take time and resources in order for them to fully integrate into the new changes and systems. In some cases, users may refuse to integrate because they don't see the immediate benefits. The Group will continue to educate users to accept such changes and systems in order for the Group to fully benefit from these projects. The second challenge is measurement. Although it is apparent that such projects will improve the productivity and effectiveness of employees, quantifying such improvements are generally very difficult. The Board is currently exploring different approaches to measure these data points.

Functions	Items	Updates	Opportunities	Challenges
Others	Investor Relations	Due to the technical nature of the Group's business, IR has become an integral part of the Group's operations. Effective IR and communication enables generalist investors to better understand the Group's high tech products and unique business model. In turn, this may support greater liquidity from the capital markets which can be used to support future growth. In the Period under Review, the Group attended multiple corporate days and industry conferences, organized reverse roadshows and enhanced voluntary announcements in both Hong Kong and the PRC. Moreover, the Group also launched a new IR communication channel targeted at providing PRC investors updated information regarding the Group via popular smartphone apps.	The Group prioritizes strong corporate governance and has proactively enhanced it over the last 18 months. Such enhancement has been recognized by the HKIRA and the Group has successfully garnered the "Best Small Cap IR award". The accolade is a testimony to the Group's dedicated efforts to excellence in corporate governance, effective policies and best practices in investor relations.	The Group is a high tech enterprise, and, as is common in the industry, is generally difficult for generalist investors to understand. The IR team observed a specific gap in understanding amongst some investors domiciled in Hong Kong. To address this, the Group has altered its IR strategy to proactively educate investors via frequent one-to-one meetings. In addition, the Group has also deployed resources to capture the strong interest in H-share listed healthcare companies in the region amongst PRC investors. The Group believes its strong product portfolio and unique business model will resonate well to these investors.

RESEARCH AND DEVELOPMENT

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

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

Products/ Compound	Indication	Description	Pre-clinical	Phase 1	Phase 2	Phase 3	Pre-registration	Marketed
IN-HOUSE								
Metabolic								
Uni-E4	Type 2 diabetes	A class of anti-diabetic treatments called GLP-1 agonists, is a non-insulin treatment candidate that stimulates the incretin pathway. It is intended as twice-daily injection. This class of drug has been shown to be effective and well accepted in treatment of Type 2 diabetes and is one of the only classes causing weight loss, lower risk of hypoglycemia and increase in β-cell regeneration						
Uni-PTH	Osteoporosis	Uni-PTH (Parathyroid hormone analogue) is an effective anabolic (bone growing) agent treating osteoporosis. Uni-PTH improves bone density and reduces bone fracture through stimulating new bone formation. It is also effective in managing ostealgia (pain in the bone) when compared with standard treatments. Uni-PTH requires injection once daily.						
Uni-E4-Fc	Type 2 diabetes	Uni-E4-Fc (rExendin-4 Fc) is the long-acting version of Uni-E4 as a next generation rExendin-4 treatment. Uni-E4 half-life in the body is significantly extended by attaching a FC fragment. As a result, Uni-E4-Fc will only require injection once every 2 or 3 weeks, greatly improving the treatment convenience to patients.						

Products/ Compound	Indication	Description	Pre-clinical	Phase 1	Phase 2	Phase 3	Pre-registration	Marketed
IN-HOUSE								
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.						

Products/ Compound	Indication	Description	Pre-clinical	Phase 1	Phase 2	Phase 3	Pre-registration	Marketed
IN-HOUSE								
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.						

PARTNERING			STATUS	PARTNER
Ophthalmology				
Ocucyclo Eyedrop	Mydriasis and cycloplegia	Ocucyclo is an anti-cholinergic agent for mydriasis (dilation of pupil) and cycloplegia (paralysis of ciliary muscle for use in eyesight examination). It blocks sphincter muscle of iris and the accommodative muscle of the ciliary body to cholinergic stimulation. For mydriasis, it has quicker onset and shorter recovery time than Atropine. For cycloplegia, it shows higher strength than Tropicamide, making Ocucyclo more suitable for uveitis	Registration dossier has been submitted to the CFDA	samil PHARM.CO.,LTD.
Lantanoprost Eyedrop	Glaucoma and ocular hypertension	Latanoprost is a prostaglandin analogue for the treatment of open-angle glaucoma and ocular hypertension. It lowers the intra-ocular pressure (IOP) by increasing the outflow of aqueous humor. Latanoprost is effective in reduction of IOP with less side effects.	Dossier preparation and adoption	samil PHARM.CO.,LTD.
Allenol Eyedrop	Allergic conjunctivitis	Allenol is an antihistamine possessing dual properties: antihistamine and anticholinergic, for use in allergic conjunctivitis (eye allergy). Allenol's action has a quick onset with long effective time and high safety. It also shows less side effects than adrenocortico hormones.	Dossier preparation and adoption	samil PHARM.CO.,LTD.
Respiratory				
Rhinex Nasal Spray	Rhinitis	Rhinex is a second generation synthetic corticosteroid for treatment of seasonal and perennial rhinitis with less than 0.1% systemic absorption. Rhinex is believed to be more efficient than oral anti-histamines	Registration dossier has been submitted to the CFDA	samil PHARM.CO.,LTD.

Uni-E4

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

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

Classified as a Class I prescription new drug by the Chinese Food and Drug Administration, Uni-E4 is a well-established GLP-1 agonist. Its potential as a new treatment has been recognised through the selection of Uni-E4 as a "New Key Drug Formulation" of the State's Major Science and Technology Project under the "Eleventh Five-Year Plan". Uni-E4 was also awarded the "Specialty Contract of the State's Major Science and Technology Project"by the Ministry of Science and Technology of the PRC. The targets required for the grant by the Ministry of Science and Technology have been met successfully and all clinical trials have been completed, including additional trials to supplement phase 3 data in the event that CFDA harmonizes biostatistical analysis standards with international standards. During the Period under Review, the Group announced positive results from a phase 3 trial of Uni-E4 for the treatment of T2DM. In the non-inferiority study, Uni-E4 showed that it can reduce Glycosylated Hemoglobin (HbA1c), the primary efficacy endpoint of the study, to levels similar to insulin glargine after 24 weeks of treatment. Uni-E4 also showed significant weight loss and lower rates of hypoglycemic reactions, results in line with other GLP-1 agonist treatments and supportive of long term use of the drug, especially in overweight diabetics. The Group aims to file the formal new drug application ("NDA") to the CFDA in 2Q2016. Once submitted, the Board hopes to obtain market approval in mid-2017, which is based on past regulatory approval timelines. Furthermore, the Group continues to investigate a long acting version of Uni-E4, LExendin-4.

rhEPO-Fc

rhEPO-Fc is a new drug candidate for the treatment of anemia associated with renal diseases, cancer related therapies or surgical blood loss. rhEPO-Fc is a long-acting version of EPO, a currently marketed treatment for anaemia with a worldwide market that exceeds USD12 billion and is growing at an average annual rate of 21%. Pre-clinical trials of rhEPO-Fc have been completed and the Group is now undertaking a phase 1 study in the PRC. rhEPO-Fc's long-acting formulation positions it strongly as a potential once-weekly or once-fortnightly treatment, an important advantage over the daily administration which EPO often requires. The clinical studies of rhEPO-Fc are supported by the PRC Ministry of Science and Technology following its selection as a "New Key Drug Formulation"of the State's Major Science and Technology Project under the "Eleventh Five-Year Plan".

Uni-PTH

The Group's Uni-PTH is a Class VII prescription new drug and has been shown to be an effective anabolic (bone growing) agent used to treat osteoporosis. The PRC osteoporosis market is expected to be worth RMB15.5 billion in 2015 (approximately one fifth of the global osteoporosis market) and will continue to grow quickly largely due to increasing prevalence of osteoporosis among the female and elderly population, rising standards of living and increasing awareness and education in bone health. Currently, all available treatments used for osteoporosis patients are anti-resorptives which restore bone density by decreasing bone remodeling. In comparison, in clinical trials Uni-PTH has been shown to be effective in stimulating new bone formation on quiescent bone surface. By stimulating bone formation, Uni-PTH has the potential to reduce fracture incidence by improving bone qualities in addition to also increasing bone density. Physicians believe that Uni-PTH is more effective in managing ostealgia (pain in the bone) when compared to current treatments, such as calcitonin.

In June 2014, the Group announced positive results from a phase 3 trial of Uni-PTH for the treatment of osteoporosis. The phase 3 results showed that the Uni-PTH is safe and efficacious in post-menopausal women. Moreover, the biochemical biomarker results clearly indicate calcitonin has a different mechanism of action from parathyroid hormone. Being anti-resorptive, calcitonin decreases uNTX/UCr and a reduction in urinary NTx secretion provides evidence of compliance and drug efficacy. On the other hand, biomarkers of BSAP and resorption (uNTX/UCr) were increased by Uni-PTH, supporting its role as an anabolic agent to promote bone growth. Accurate to previous stated timelines, the Group successfully filed the formal NDA to the CFDA on 8 April 2015. The application has completed review by provincial FDA and soon be transferred for technical review by the Central Drug Evaluation center ("CDE"). The Board hopes to obtain market approval as early as mid-2017, but approval timelines are highly variable and limited by the resources available by regulators.

Technical know-how

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

BUSINESS OUTLOOK

The government of the PRC has implemented a series of supportive policies in the last 12 months to bolster the economy. However, recent economic data has indicated that the economy has not been growing at the pace originally expected by analysts. The macro factors of the healthcare industry remain strong, for example the increased health awareness amongst the public, China's aging population and an increase in healthcare access, and the Group is optimistic that these will continue to create attractive business opportunities in the pharmaceutical and healthcare industry in the PRC. However, the biggest potential impact the Group can foresee is the uncertainty of liquidity from the capital markets if fund raising is ever required, an uncertainty faced by all capital market participants. At the moment, the Group is well funded with HK$133,456,000 of cash and cash equivalent in the period under review.

Considering sales & marketing, the Group will continue the momentum of its key initiatives. As mentioned in the earlier business review, strong positioning of our products and an experienced team managing provincial drug tendering has meant that the Group's growth has outperformed the general industry. The Group will continue to work closely with local partners to position itself strongly in upcoming tenders and remains optimistic that tendering and price revision will not severely affect its financial performance. As is the case for all pharmaceutical companies operating in PRC, the Group cannot preclude the fact that the next six months will present certain headwinds and risk as the tendering process continues. To mitigate this risk, other sales & marketing and market access initiatives will continue in full force, including our GeneSoft® reimbursement planning, increase in sales reach (both organic and inorganic), expansion into new therapeutic areas (e.g. women's health for GeneTime®), collaborations with local partners and the contribution of the Medical Team to enable us to reach new patients and grow existing prescription volumes.

As expected, PRC regulators are rolling out the elimination of the 15% price mark-up to agreed tender prices that hospitals have previously been permitted to apply in the provision of drugs to patients. As a result, hospitals are trying to recoup the lost revenue by re-negotiating drug supply price with distributors and manufacturers. In the short term, these negotiations will put a downward pressure on all drug prices, especially generics. Products sold by the Group are mainly innovative and/or play in a less competitive space hence are more resilient to price pressures that other available drugs. For example, both of the Group's EGF products (GeneTime® & GeneSoft®) are Class I products in the PRC. GeneTime® does not compete with any other product as it has an exclusive (spray) formulation for EGF. Similarly, there is only one competitor in the market with the same formulation as GeneSoft®. Therefore, both products resist large pricing cuts (and ensure tendering success). Pinapu® is the only generic sold by the Group, however the number of competitors is relatively limited compared to other generic products in the market. The Group is cautiously optimistic on the impact of such policies to the Group's performance as compared to the general industry. Nonetheless, the elimination of mark-ups will put a negative pressure on future sales growth, which will be required to be carefully managed.

Finally, with effect from 1 June 2015, the NDRC is no longer involved in pricing of pharmaceutical drugs, but will delegate this responsibility to the individual provinces. The immediate impact is that new drugs can now be launched directly into the provinces after CDFA approval – without the pricing approval of NDRC. This will be very favorable to any new products launching into the market as launch timelines may be shortened by as much as half a year. For the Group's Uni-PTH and Uni-E4, faster routes to market will be very favorable and the Group will continue fine-tuning the launch and life cycle development plans for both products upon new intelligence from the market.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period under Review, 4,374,449 ordinary shares of HK$0.01 each were issued resulting from the exercise of bonus warrant at a subscription price of HK$0.20 per share amounting to HK$875,000. In addition, 126,380,000 ordinary shares of HK$0.01 each were issued resulting from the exercise of share options at a subscription price of HK$0.219 per share amounting to HK$27,677,000. The proceeds from exercising both bonus warrant and share options were used as general working capital of the Group.

At 30 June 2015, the Group's bank deposits, bank balances and cash amounted to approximately HK$133,456,000 (As at 31 December 2014: HK$138,126,000). The Group has total assets of approximately HK$597,273,000 (As at 31 December 2014: HK$596,668,000), current assets of the Group at 30 June 2015 amounted to approximately HK$199,378,000 (As at 31 December 2014: HK$184,351,000) while current liabilities were HK$29,456,000 (As at 31 December 2014: HK$33,023,000). The gearing ratio, calculated by dividing the total liabilities over its total assets, was 5.0% (As at 31 December 2014: 5.6%).

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

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2015 and 31 December 2014, the Group did not have any assets pledged for any loan facilities granted to the Group and any material contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICY

At 30 June 2015, the Group employed 267 staff (31 December 2014: 255 staff), including 31 staff in the PRC R&D centre, 51 staff in the PRC sales offices, 166 staff in the PRC production sites, 11 staff in PRC headquarters and 8 staff in Hong Kong. Apart from the full time employees in the PRC sales offices, the Group also has 107 contracted sales agents. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on performance. Share options may also be granted to staff with reference to the individual's performance.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2015, the beneficial interests of the directors and their associates in the issued share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Capacity	Number of issued ordinary shares (L) (Note 1)	Number of Underlying Shares	Total	Approximate percentage of shareholding
TONG Kit Shing	Beneficial owner and interest of a controlled corporation (Note 2)	932,256,532 shares of HK$0.01 each	134,739,422	1,066,995,954	21.13%
Kingsley LEUNG	Beneficial owner and interest of a controlled corporation (Note 3)	914,576,010 shares of HK$0.01 each	144,084,002	1,058,660,012	20.97%
FUNG Kwok Leung	Beneficial owner (Note 4)	–	780,000	780,000	0.02%
TSAO Hoi Ho	Beneficial owner (Note 4)	–	1,540,000	1,540,000	0.03%
Carl Aslan Jason Morton FIRTH	Beneficial owner (Note 4)	–	1,560,000	1,560,000	0.03%
ZHAO Zhi Gang	Beneficial owner (Note 4)	–	1,560,000	1,560,000	0.03%

Notes:

1. The letter "L" denotes the person's long position in the ordinary shares and underlying shares in the Company or its associated corporation(s).

2. These shares and underlying shares are registered in the name of and beneficially owned by Mr. TONG Kit Shing or Automatic Result Limited ("Automatic Result"), which is solely and beneficially owned by Mr. TONG Kit Shing, an executive Director whereas Mr. LIU Guoyao, an executive Director who resigned on 28 February 2014, is the sole director of Automatic Result. As such, Mr. TONG is deemed to be interested in all the interest in shares and underlying shares in the Company held by Automatic Result by virtue of the SFO.

3. These shares and underlying shares are registered in the name of and beneficially owned by Mr. Kingsley LEUNG or Lord Profit Limited ("Lord Profit"), which is beneficially owned as to 90% by Mr. Kingsley LEUNG, an executive Director, and to 10% by Mr. TONG Kit Shing, an executive Director. As such, Mr. LEUNG is deemed to be interested in all the interest in the shares and underlying shares in the Company held by Lord Profit by virtue of the SFO.

4. These underlying shares are share options granted by the Company on 27 November 2013 and 12 September 2014 under the share option scheme adopted by the Company on 22 September 2006 at the exercise price of HK$0.219 and HK$0.230 per share.

5. The percentage of shareholding is calculated on the basis of 5,048,845,930 Shares in issue as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executive of the Company, or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS

At 30 June 2015, shareholders (other than directors or chief executives of the Company) who had interests or short positions in the issued share capital of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company were as follows:

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

Notes:

1. The letter "L" denotes the person's long position in the ordinary shares of the Company.

2. Automatic Result is solely and beneficially owned by Mr. TONG Kit Shing whereas Mr. LIU Guoyao, an executive Director who resigned on 28 February 2014, is the sole director of Automatic Result.

3. Lord Profit is beneficially owned as to 90% by Mr. Kingsley LEUNG, an executive Director, and as to 10% by Mr. TONG Kit Shing, an executive Director.

4. Based on the individual substantial shareholder notice of Overseas Capital Assets Limited filed on 19 June 2014, Overseas Capital Assets Limited is wholly-owned by He Rufeng.

5. The percentage of shareholding is calculated on the basis of 5,048,845,930 Shares in issue as at 30 June 2015.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any other persons who have relevant interests or short positions in the shares or underlying shares in the Company as at 30 June 2015 which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the six months ended 30 June 2015.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2015. All the directors of the Company (including the non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meeting in compliance with the Company's articles of association.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2015.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited consolidated accounts of the Group for the six months ended 30 June 2015 with the directors of the Company.

Hong Kong, 14 August 2015

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