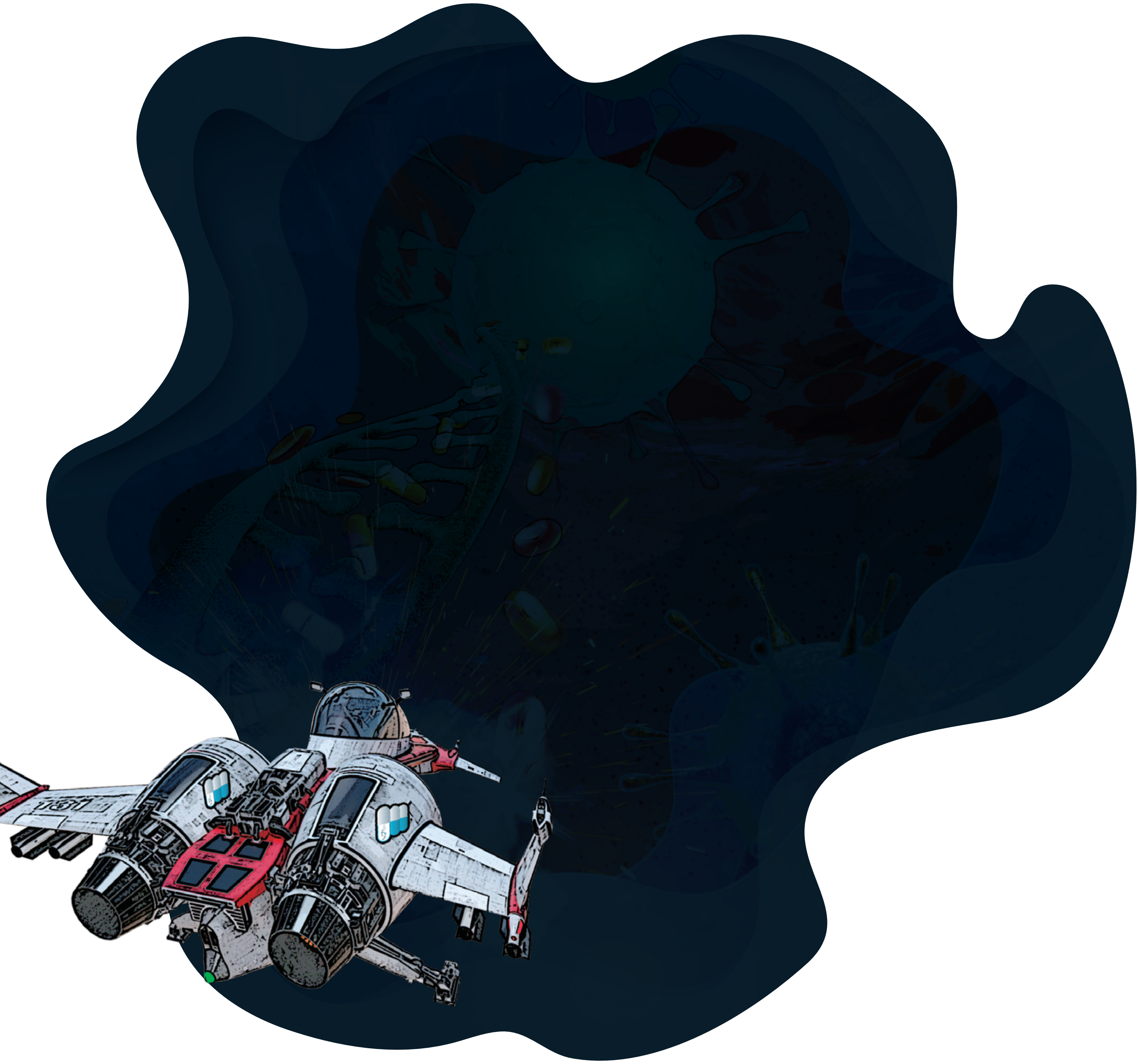
聯康集團
Uni-Bio Science

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

Annual Report 2016 年報



心創造新醫藥
LEADING GENUINE INNOVATION

* For identification purposes only 僅供識別

We put in place a 5 year plan called Operation AGILE. AGILE stands for Accelerated Growth, InternationaL Execution. In Chinese it would be「促進增長，國際視野」.

OUR MISSION

Uni-Bio Science Group is dedicated to delivering innovative, high-quality healthcare solutions for patients throughout China, operating responsibly and generating increasing value for our shareholders.

OUR VISION

Uni-Bio Science Group aspires to be a worldleading biopharmaceutical company, focused on addressing the needs of the Chinese healthcare market through innovation and strategic partnerships.

To be recognised as the leading partner for global pharmaceutical companies to bring novel treatments to patients in China

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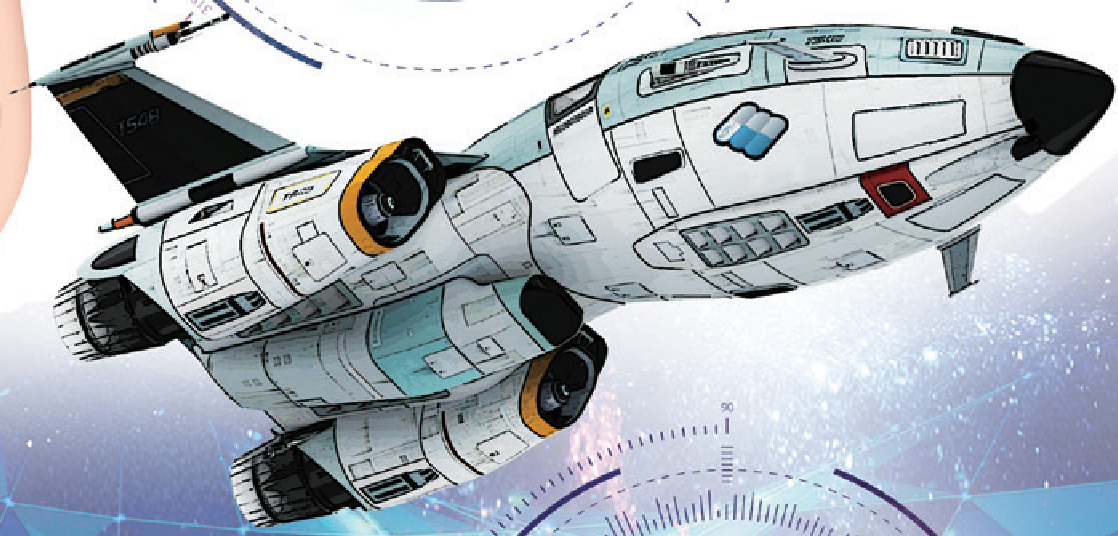
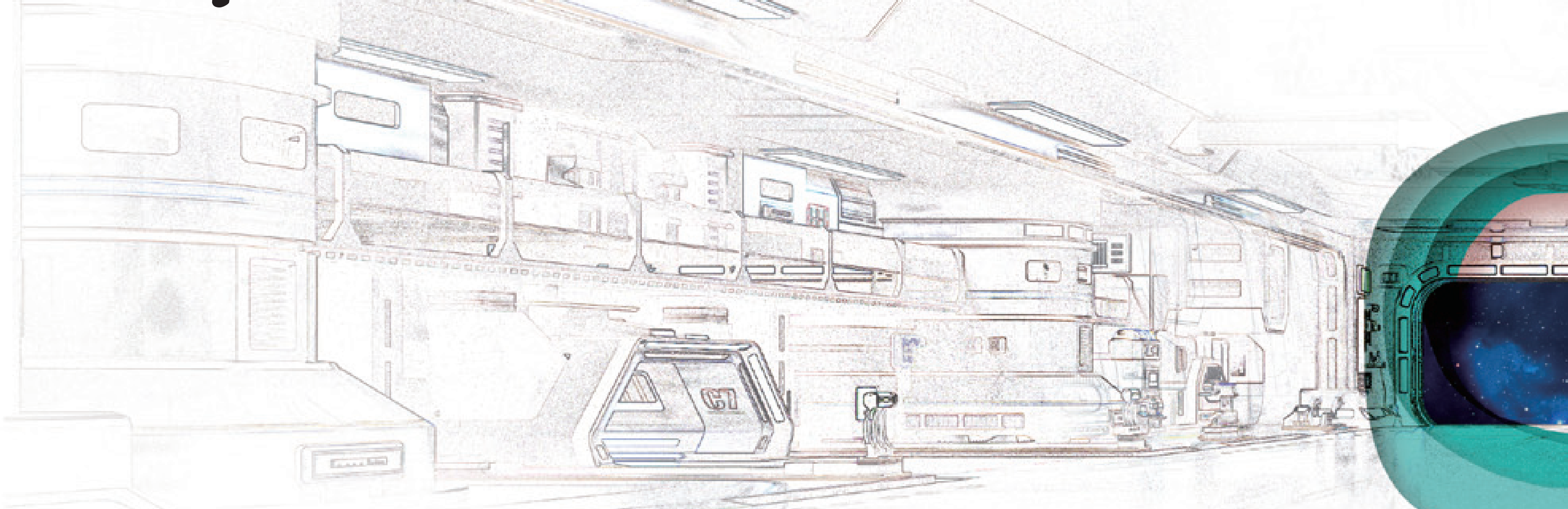


BUILDING ON A STRONG FOUNDATION

Operational excellence is the key theme at Uni-Bio. We will continue to strive to improve and build on top of the Company's existing infrastructure. With a strong foundation, strong growth prospects are sure to follow.

OUR COMMITMENT OF QUALITY



Uni-Bio Science Group Limited (the "Company") is a company listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 0690).

The core business of the Company and its subsidiaries (collectively referred to as "Uni-Bio" or the "Group") is the research, development, manufacturing and sales of innovative biologic products that treat human diseases.

Uni-Bio is headquartered in Hong Kong and its main operations are in mainland China. The Group is strongly focused on research and development ("R&D") and has a highly qualified team in Guangdong Province. The Group also has two GMP ("Good Manufacturing Practices") -certified manufacturing plants in Beijing and Shenzhen, manufacturing our marketed products – Voriconazole and EGF respectively.

Currently, the Group has two new prescription drugs that have completed all clinical trials – rExendin-4 ("Uni-E4") and rhPTH 1-34 ("Uni-PTH").

- Uni-E4 is targeted at the Type 2 diabetic patient population, especially those who are overweight.

- Uni-PTH is a treatment for osteoporosis in postmenopausal women (submitted and accepted for review by the CFDA in April 2015).

The Group's corporate philosophy is to achieve better human health by bringing high quality science and treatments to patients. To this end, the Group is deeply dedicated to serve patients better through partnering. We aspire to be the "Partner of Choice" in China, bringing cost-effective and important treatments into China.


At Uni-Bio, we are dedicated to improving the quality of life of patients through innovative treatments

Key Financial *Highlights*

	Note	Year ended 31 December **2016**	2015
Revenue (HK$'000)		**146,489**	123,364
Gross profit (HK$'000)		**123,864**	102,756
R&D costs (HK$'000)		**(18,813)**	(17,160)
Loss before taxation		**(53,820)**	(57,230)
LBITA (HK$'000)	1	**(24,659)**	(24,653)
Gross profit margin (%)		**84.6%**	83.3%
R&D costs to revenue (%)		**18.2%**	29.4%
		As at 31 December	
		2016	2015
Cash ratio (times)	2	**1.56**	2.23
Current ratio (times)	3	**2.65**	3.27
Trade payables turnover days (days)	4	**58**	46
Trade receivables turnover days (days)	5	**81**	96
Inventory turnover days (days)	6	**179**	150
Debt-to-equity ratio (%)	7	**11.4%**	9.9%
Total assets turnover (%)	8	**29.5%**	22.1%

Notes for key ratios:

1/ LBITA (Loss before interests, taxes, and amortization):
Loss before taxation minus interest expense, impairment loss, depreciation of property, plant and equipment, amortization of intangible assets and prepaid lease payments

2/Cash ratio:
Bank balances and cash/current liabilities

3/ Current ratio:
Current assets/ current liabilities

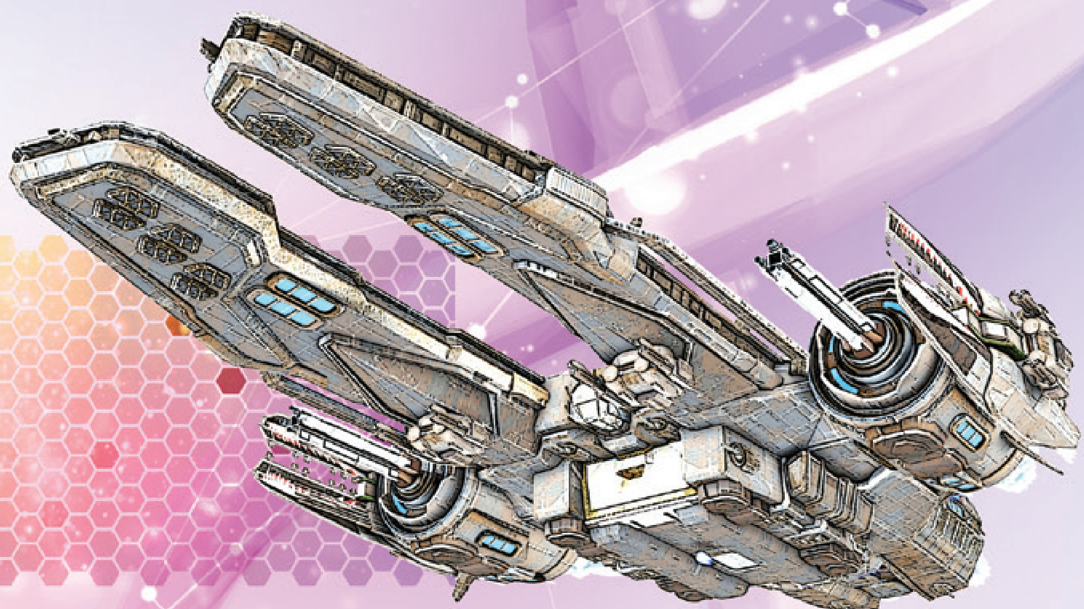
4/ Trade payables turnover days:
Average of opening and closing balances on trade payables (exclude VAT)/ cost of sales and multiplied by 365 days

5/ Trade receivables turnover days:
Average of opening and closing balances on trade receivables(exclude VAT)/ turnover and multiplied by 365 days

6/ Inventory turnover days:
Average of opening and closing balances on inventory/cost of sales and multiplied by 365 days

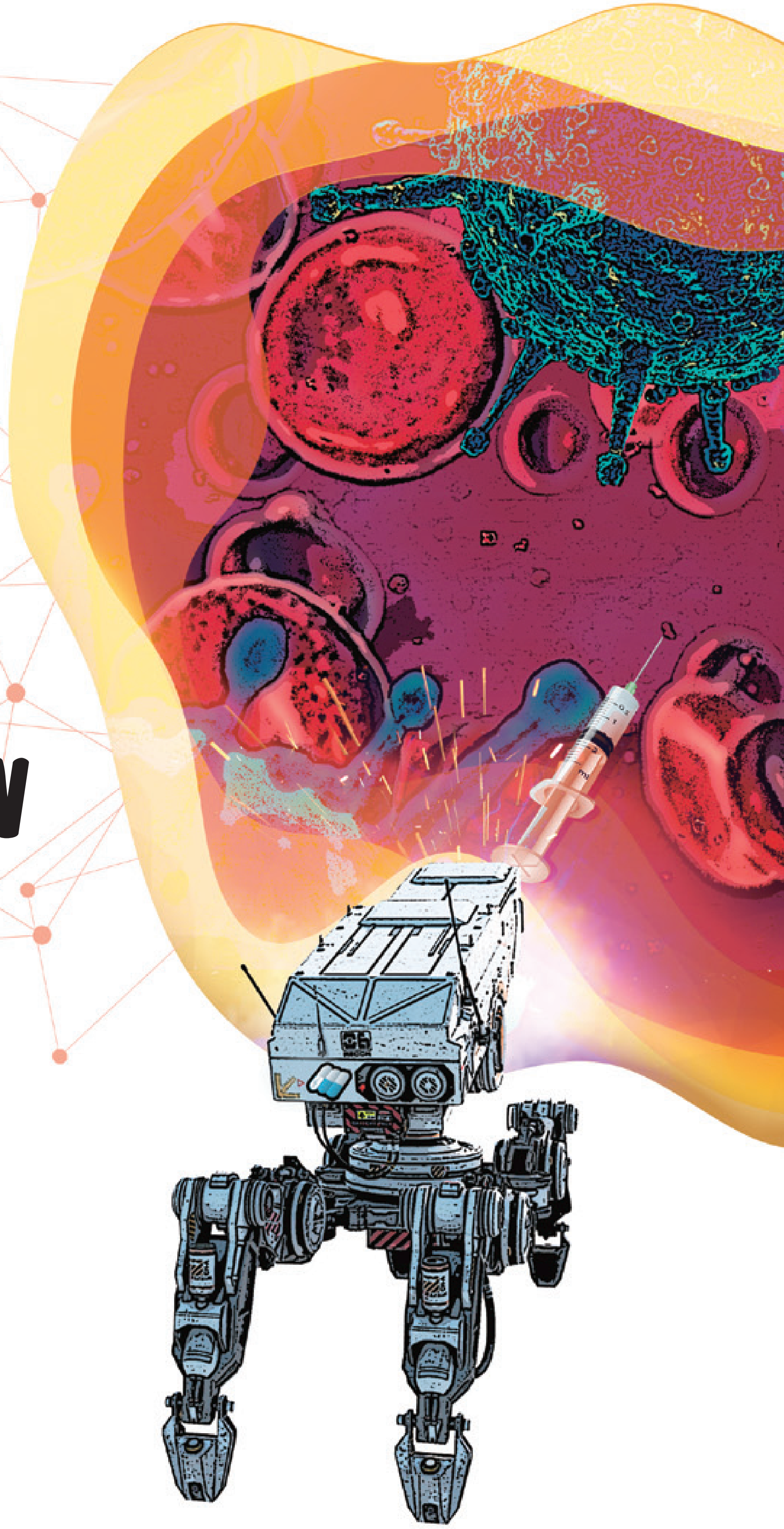
7/ Debt-to-equity ratio:
Total liabilities/total equity

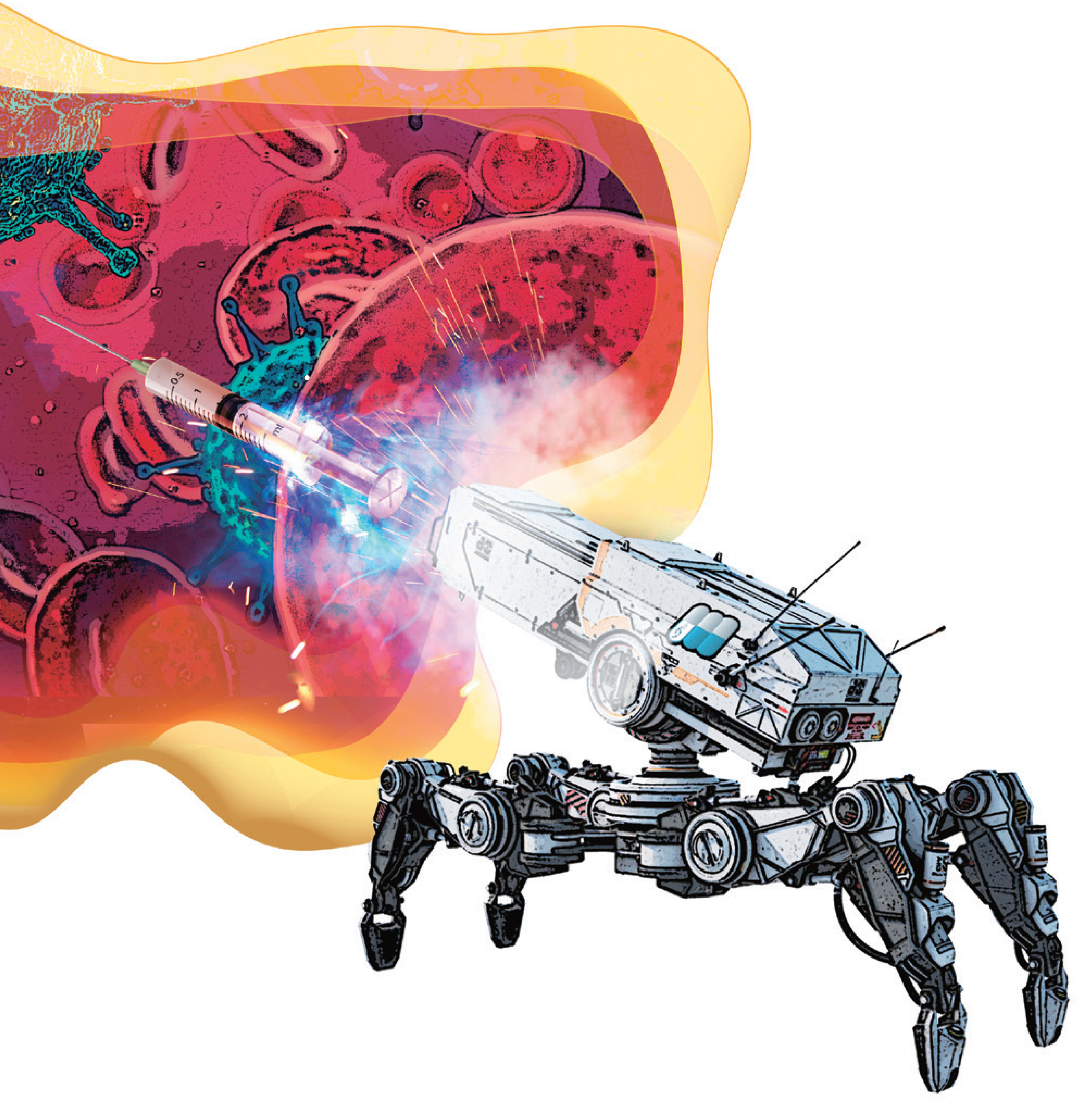
8/ Total assets turnover:
Total revenue/total assets



LEADING GENUINE INNOVATION

Chairman's Statement





Chairman's *Statement*

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

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

Overview

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

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

(left): Kingsley Leung (Chairman) ;
(right): Chen Dawei (Vice-chairman)

Dear Valued Shareholders,

As I began to compose this letter, I realized that 2016 was a year of many surprises, challenges and successes for Uni-Bio Science Group (the "**Group**, "**Uni-Bio**"). Before I share my thoughts on this incredible year, I would like to take the opportunity to introduce some changes to the board. As many of you may know, Mr. Tong Kit Sing has retired after a distinguished tenure as Chairman of the Group for more than 11 years. I would like to thank Mr. Tong for his contributions to Uni-Bio. The success and stability of the Group can be attributed to his leadership, hard work, integrity and determination. Post-year end, his role and responsibilities have been officially taken up by me, and I am very much honored and excited to be addressing our shareholders for the first time. The transition was very successful and our senior management remains focused on our goals in 2017. At the same time, I would like to introduce Mr. David Chen as Vice Chairman and Executive Director of the Group. Mr. Chen has extensive experience in China's enterprises and capital markets, and we look forward to his contributions and insights as we continue to advance our pipeline towards value creating milestones.

On behalf of the Board of Directors, it gives me great pleasure to highlight the Group's financial results for the twelve months ended 31 December 2016 (the "**Year**"). The Group has maintained positive growth during the Year, reflecting the strong performance of our marketed products and growing sales force. Overall net sales increased to HK$154,609,000 (excluding Forex fluctuation), which represents an outstanding normalized growth of 25.3%. The net loss was narrowed to HK$55,727,000, which is 6.8% lower than the last corresponding year. We have a strong cash position of HK$78,117,000 and our balance sheet can support any near-term capital expenditures to meet the milestones presented in the annual report. Full financial results from the Year can be found in our annual report. In summary, we are well positioned to execute on our strategy focused on taking the Group to a new stage of growth.

A year of robust growth

The Group has focused efforts on consolidating and strengthening its infrastructure in previous years, resulting in the establishment of a highly-experienced international leadership team and a scientific-based approach to business management. Operation A.G.I.L.E. – Accelerate Growth InternationaL Execution – was put in place as a five-year strategic plan at the end of 2015. The plan is described in detail in the 2015 annual report, but to summarize, the plan focuses on two important components: 1) building on our core execution capabilities across our value chain to match international standards, and 2) to aggressively expand on our commercial capability. As evidenced in our financial results, we are beginning to realize the gains from these strategies and this Year, the Group's normalized sales have grown by 25.3%, outperforming our historical 2010-2015 five-year sales compound annual growth rate (CAGR) of 14.2% and beating the 2016 industry average by more than three times (IMS hospital growth was 8.0% for domestic companies). Our second-generation anti-fungal product Pinapu had an exceptional year, achieving a normalized growth rate of 54.4% year-over-year and our EGF franchise consisting of GeneTime® and GeneSoft® continued their steady growth at 10.7%.

We are also experiencing great success with our market access strategy, securing new tenders and gaining broader reimbursement across the region with new provincial tenders in major markets. We recently had reimbursement restrictions lifted on GeneTime® which will allow us to expand into new hospital departments and continue this positive momentum. We are very optimistic about the long-term value of our marketed products over the coming year. The existing market share is still relatively low but the expansion of our commercial capability and favorable market access outcome will increase coverage and penetration into sub-markets that are experiencing rapid growth. This is especially evident for Pinapu where market share expanded from 4.6% to 6.9% over the year.

Looking towards 2017, opportunities for our existing products, coupled with the new products we will launch this year and support from our highly effective access taskforce means that this year will be one of accelerated growth.

Partnerships strengthening multiple points of the value chain

In my view, the Group's most valuable milestones in the Year were the execution of three important strategic partnership deals which strengthened our research and development ("**R&D**"), marketing, and distribution capabilities. In June 2016, the Group signed a strategic alliance with China Resources Zizhu Pharmaceutical Co., Ltd., a wholly owned subsidiary of China Resources Pharmaceuticals Group. Through this partnership, we can expand our sales reach of GeneSoft® by up to five times, and expected to significantly bolster growth over the next five years. The partnership also allows the Group to reallocate resources to grow other marketed products, such as Pinapu and GeneTime®, and Mitiglinide, the Group's first product in the endocrinology space, which we will launch the first half of 2017.

In November 2016, the Group forged a strategic alliance with LUQA Pharmaceuticals, a leader in the Chinese dermatology space. With this partnership, both companies are allowed co-promotion and co-marketing rights to our combined dermatology portfolios, effectively strengthening the Group's market position in the dermatology space. The first product chosen for the collaboration is Strataderm™, an effective treatment for scars, which can be co-promoted with GeneTime® to provide a comprehensive wound treatment regimen for patients in hospital departments such as Obstetrics and Gynaecology. The framework of the partnership allows the Group to explore further opportunities for collaboration.

Finally, in December 2016, the Group forged a co-development agreement with Beijing Sun-Novo Pharmaceutical, a China-based company engaged in high quality small molecule drug development. Both companies will work together to co-develop various oral anti-diabetes drugs (OADs), a strategic area of focus for the Group going forward. Acarbose, a small molecule OAD, was chosen to be the first product of this partnership due to its attractive financial profile and high level of efficacy in the Asian Type 2 Diabetes population. With this strategic partnership, the Group can extend its R&D capability to the small molecule space and enhance our competitiveness in this disease, which represents

approximately one half of the total diabetes market in China. The Group's business development and pipeline management team is working closely with Beijing Sun-Novo to identify additional OADs to partner.

Clinical and regulatory challenges

Over the years of 2015 and 2016, regulators continue to roll out new R&D standards in order to harmonize with the standards set in the West. This Year, the Group's management has placed even greater emphasis on Good Clinical Practices (GCP) in response to the implementation of a mandatory clinical trial audit set by the China Food and Drug Administration (CFDA). Starting with Uni-EPO-Fc, the Group completed the phase Ia single ascending dose (SAD) trial in March 2016. The trial showed that Uni-EPO-Fc was well tolerated in all dose groups and enabled us to progress the development of the product into phase Ib multiple ascending dose (MAD) trial. However, we discovered that the trial hospital we used had clinical data issues with another company's product. To get ahead of any concerns raised by the regulators, we decided to move the remaining phase I clinical trials to another hospital and have engaged a leading CRO in the PRC to help audit the final submission package (dossier package) for Uni-E4. This extra step has added extra cost and delayed our original submission to the CFDA, which was originally targeted for the end of 2016, but will allow us to confidently submit for registration. Further, with the significant reduction of regulatory filings backlog, the Group is cautiously optimistic that the original timelines can be met once the products enter the registration stage.

Focus on quality

Guidance from the PRC State Council, National Development and Reform Commission (NDRC), and National People's Congress (NPC) and other high-level government agencies has fortified the message that quality is the highest priority for reform of the Chinese healthcare industry. In 2013, the Group's initiative to strengthen its foundations by rolling out more vigorous risk management systems, greater oversight in Human Resources management, and instilling a culture of quality and urgency for employees means that the Group is well suited in responding to new and modernized regulations. For instance, both of the Group's manufacturing plants have successfully passed the latest Good Manufacturing Practices (GMP) requirements that took effect on December 31st, 2015, a requirement which forced 1,700 other drug and Traditional Chinese Medicine manufacturers to close down due to failure to comply.

This shift towards quality at all levels has made us an industry leader. We are proactive in meeting higher requirements, even before they are officially required by regulators. For example, initiating bioequivalence studies for both Pinapu and Mitiglinide tablets over the Year demonstrates this commitment to quality and international standards. The focus on quality is also heavily promoted across our business and I am optimistic that this message can cascade to every level of the organization, ensuring that our operational execution capabilities are superior to our competitors, benefiting the Group's key stakeholders and ultimately patients.

Values and plans still intact for 2017 – Operation A.G.I.L.E and Leading Genuine Innovation

Founded on the discussions and themes above, the Group believe the five-year plan "Operation A.G.I.L.E." is still effective going forward. We will continue to accelerate the momentum into 2017, focused on expanding the Group's commercial capability, as well as building the ideals of "Quality" and "Excellence" into our operations. Within the context of our slogan, "Leading Genuine Innovation" and "心創造，新醫藥", and the strategic framework we have enhanced over the Year, we can ensure vigorous growth for the future. We remain focused on developing products which are disruptive and truly innovative, while compassionately addressing the real needs of patients.

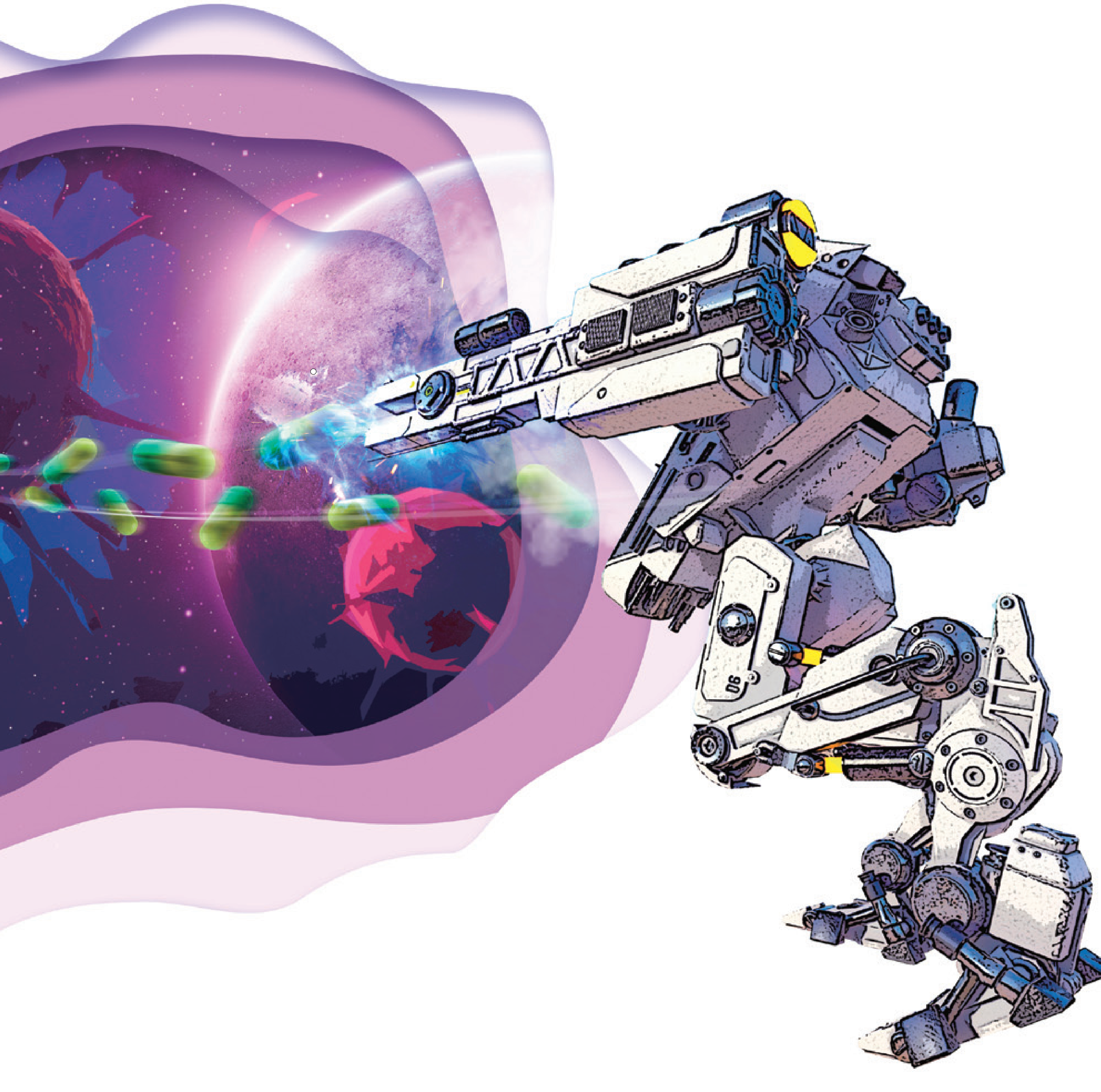
In closing, I thank the Group's employees for their contribution during the Year. I also extend my deepest appreciation to the Group's stakeholders, partners, customers and suppliers for their continued commitment to our ambitions. The Group will continue to forge ahead to achieve its long-term vision of becoming an internationally recognized Chinese healthcare company.

Kingsley Leung
Chairman

24 March 2017

ACCELERATE GROWTH, INTERNATIONAL EXECUTION

Management Discussion and Analysis



Management
Discussion and Analysis

FINANCIAL PERFORMANCE AND REVIEW

Sales Developments

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

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

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

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

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

Proprietary biological pharmaceutical products

The Group's proprietary biological pharmaceutical products include GeneTime® (EGF spray indicated for wound healing) and GeneSoft® (EGF-derivative eye drop indicated for corneal damage and post-operative healing). With a solid increase of 4.9% compared to the previous year, EGF products contributed HK$86,001,000 to the total consolidated sales comprising 58.7% of the total amount, a normalized growth of 10.7%.

GeneTime®

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

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

Finally, more stringent cold chain requirements as a result of the recent vaccine scandal in April 2016 has made it uneconomical for smaller hospitals and private clinics to sell GeneTime®, as they are unable to absorb the price of new cold chain compliance. GeneTime® was approved as a refrigerated product and is required to be transported by the Chinese Food and Drug Administration ("**CFDA**") approved Good Sales Practice ("**GSP**") logistics companies to ensure that the product is delivered according to the updated supply chain requirements. Due to these setbacks, the Group is implementing a recovery plan, which will accelerate the growth of the product through increased field activities and identifying new hospitals and distributors. Post–year end, the updated National Reimbursement Drug List ("**NRDL**") has removed "employment injury insurance" restrictions from the reimbursement scope of GeneTime®, meaning it can be used in additional indications and not

only where wounds are caused by industrial or work-related accidents. GeneTime® can treat wounds in a wide range of clinical settings for example chronic wounds, skin burns, plastic surgery and surgical incisions, including in gynaecologic and orthopaedic surgeries. The Group expects to see growth in the gynaecology space especially, given the repeal of China's one-child policy and increasing occurrence of high-risk pregnancies. A recent study reported that Caesarean section delivery rate in China was as high as 34.0%, an average of 11 babies delivered by Caesarean sections per minute and the increased frequency of this procedure will strengthen the demand for GeneTime®.

GeneSoft®

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

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

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

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

Proprietary chemical pharmaceutical products

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

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

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

Development costs, LBITA & loss for year

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

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

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

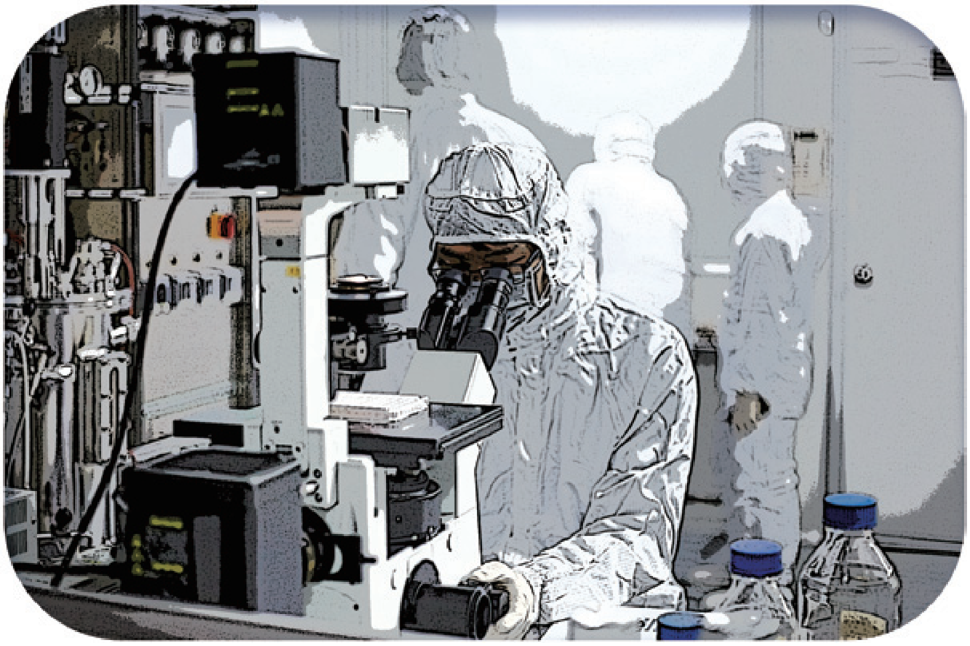
Total R&D expenses charged for the Year, including HK$7,897,000 capitalized as intangible assets were approximately HK$26,710,000 (compared to HK$36,292,000 in the year ended 31 December 2015, which included HK$19,132,000 was capitalized as intangible assets). Total R&D expenses represents 18.2% of the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

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

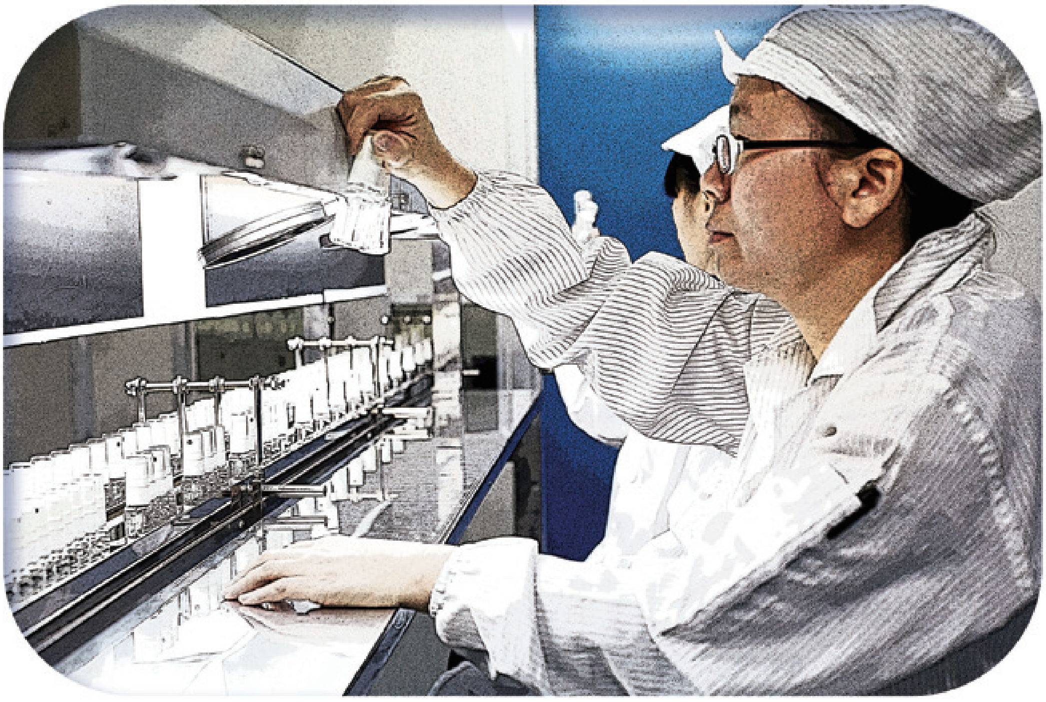
As the Group develops its pipeline, R&D costs may fluctuate year-to-year due to the stage of the respective development project. During the Year, the Group signed a co-development agreement with Sun-Novo initially to develop Acarbose, a lucrative oral antidiabetic (OAD) product, supporting the Group's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

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

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



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



For the Year under Review, the net loss narrowed by 6.8% from HK$59,799,000 to HK$55,727,000 while the Group has continued to increase investment to safeguard and expand its growth in the near future. With the sales force expansion and increased R&D spending, total loss from recurring business widened from HK$44,997,000 to HK$54,823,000, or 21.8%. LBITA for the year amounted to HK$24,659,000 which is comparable to that for 2015, indicating our operational cash burn was maintained in a steady level. Given this stable burn rate and a healthy balance sheet, the Group is in a strong position to execute on its strategies this year and beyond.

BUSINESS REVIEW

The Group's overall business strategy employs two specific elements – one focused internally (solidifying foundations) and the other focused externally (maximizing value). Solidifying foundations include 1) functionalization and virtualization, 2) human capital investment, 3) compliance with cGMP manufacturing standards, and 4) upgrading IT infrastructure. Maximizing value includes 1) expanding commercialization platforms, and 2) implementing the new partnership model. The details regarding the strategy can be found in the Group's 2014 Annual Report, under Business Strategy.

At the end of 2015, the Group reaffirmed its strategy to all employees by launching Operation **A.G.I.L.E.**, (**A**ccelerate **G**rowth and **I**nternational **E**xecution), which encompasses "maximizing value" and "solidifying foundations". Operation A.G.I.L.E. supports the Group's long-term vision of becoming an internationally respected healthcare company specializing in metabolic diseases, ophthalmology and dermatology. The Group is focused on executing to international standards across all its operations, whilst solidifying its financial performance to maximize shareholder value. Management strongly believes that good communication and a transparent development strategy for its employees are essential to efficiently execute on the Group's strategic plan.

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

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

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

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

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

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

Research and Development

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

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

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

Uni-E4

Uni-E4, part of a class of anti-diabetic treatments called GLP-1 agonists, is a non-insulin treatment candidate that stimulates the incretin pathway. GLP-1 agonists stimulate the body's ability to produce insulin in response to elevated levels of blood glucose, inhibits the release of glucagon following meals, physiologically regulates appetite, and slows down the rate at which glucose is absorbed into the bloodstream. This class of drug has been shown to be effective and well accepted in the treatment of Type 2 diabetes mellitus ("**T2DM**") in the West and is one of the only classes of diabetic drugs shown to also cause weight loss. As obesity is a common comorbidity of T2DM, this class is effective in T2DM patients who are overweight, accounting for at least 30.0% of all diabetes patients in the PRC, according to IMS primary research. Moreover, this class of drugs has other beneficial effects that are expected to drive physician prescription, such as lowering the risk of hypoglycaemia and promoting β-cell regeneration.

China's diabetes drugs market is expected to grow at over 10.0% annually and reaching US$3.5B in 2017, becoming one of the largest therapeutic areas in the PRC. According to the International Diabetes Federation, China has the world's largest diabetes epidemic, and it continues to grow rapidly. The most recent research found that China has overtaken the United States in diabetes prevalence. According to the latest data, 11.6% of Chinese adults have diabetes, creating a tremendous strain on the country's public health system and a pressing need for effective treatment options.

Classified as a Class I new prescription drug by the CFDA, Uni-E4 is a well-established GLP-1 agonist. Its potential as a new treatment has been recognised by the State's Major Science and Technology Project under the "Eleventh Five-Year Plan" through its selection as a "New Key Drug Formulation". Uni-E4 was also awarded the "Specialty Contract of the State's Major Science and Technology Project" grant by the PRC's Ministry of Science and Technology. The targets required for the grant have been successfully met and all clinical trials have been completed, including additional trials to supplement phase III data in the event that CFDA harmonizes biostatistical analysis standards with international standards. In 2015, the Group announced positive results from a phase III trial of Uni-E4 for the treatment of T2DM. In the non-inferiority study, Uni-E4 showed that it can reduce glycosylated haemoglobin (HBA1c), the primary efficacy endpoint of the study, to levels similar to insulin glargine after 24 weeks of treatment. Uni-E4 also showed significant weight loss and lower rates of hypoglycaemic reactions. The results are in line with other GLP-1 agonist treatments and support long-term use of the drug, especially in overweight patients. The Group originally aimed to file a NDA to the CFDA in the second half of 2016. However, due to recent clinical trial data reforms, the Group re-evaluated the dossier package with an external CRO to ensure the quality of the package is up to standard. The updated submission date is expected to be within first half of 2017. Once submitted, the Board hopes to obtain market approval by early 2019, based on past regulatory approval timelines. The Group continues to investigate a long acting version of Uni-E4, Exendin-4.

rhEPO-Fc

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

The Group is developing Uni-EPO-Fc by using recombinant DNA techniques, which potentially has once-fortnightly treatment frequency. The fusion protein technique developed by the company has the potential to overcome the shortcomings of the traditional fusion technique using IgG1-Fc. The project has been supported by the PRC Ministry of Science and Technology following its selection as a 'New Key Drug Formulation' in the State's Major Science and Technology Project under the 'Eleventh Five-Year' Plan. Pre-clinical trials of rhEPO-Fc have been completed and the Group is now undertaking a phase I study in the PRC. During the Year, the Group announced that it has completed a SAD component of the phase I clinical study of Uni-EPO-Fc. The study showed that Uni-EPO-Fc was extremely well tolerated with no significant adverse events. Three out of the 40 participants who completed the trial experienced low fever and minor injection site irritation that disappeared within 24 hours. Moreover, Uni-EPO-Fc facilitated the increase both in absolute value and percentage of blood reticulocytes in healthy participants who underwent testing. The remaining phase Ib trial was expected to be completed by the first half of 2017, but the clinical team discovered that the hospital where the phase Ia was conducted had clinical data quality issues related to a product of another company. In view of reforms on clinical trial quality, the team concluded it would be prudent to change the investigator hospital to prevent future challenges by the CFDA on the clinical trial data quality. Over the Year, the team sourced, evaluated and identified potential new sites to conduct the trial. In the meantime, the Group redesigned the phase I trial to shorten future trials and catch up with original timelines. The Group expects to complete the remaining phase I clinical trials by early 2019.

Uni-PTH

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

In June 2014, the Group announced positive results from a phase III trial of Uni-PTH for the treatment of osteoporosis. The phase III results showed that Uni-PTH is safe and efficacious in post-menopausal women. Moreover, the biomarker results clearly indicated that calcitonin has a different mechanism of action from parathyroid hormone. Being anti-resorptive, calcitonin decreases uNTX/UCr and a reduction in urinary NTx secretion provides evidence of compliance and drug efficacy. Biomarkers of bone-specific alkaline phosphatase (BSAP) and resorption (uNTX/UCr) were increased by Uni-PTH, supporting its role as an anabolic agent to promote bone growth. In line with previously stated timelines, the Group successfully filed the formal NDA to the CFDA in April 2015. The application has completed review by the provincial FDA and will soon be transferred for technical review by the CDE. The Board hopes to obtain market approval as early as mid-2018, but approval timelines are highly variable and limited by the review timelines set by regulators.

Acarbose

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

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

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

Technical Expertise

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

BUSINESS OUTLOOK

The government of the PRC has implemented a series of supportive policies in the last twelve months to bolster the economy. However, recent data has indicated that the economy has not been growing at the pace originally expected by analysts. The macro factors of the healthcare industry remain strong, such as increased health awareness amongst the public, China's ageing population and an increase in access. The Group is optimistic that these changes will create attractive business opportunities in the PRC. Currently, the Group is well funded with HK$78,117,000 of cash and cash equivalent as at 31 December 2016. However, the biggest potential challenge is the uncertainty of access to liquidity from the capital markets if fund raising is ever required, an uncertainty faced by all capital market participants.

The Year was marked by significant changes for the industry, driven by the increasing action by regulators to achieve their goal of upgrading the Chinese pharmaceutical sector in order to compete internationally. The objective is to consolidate industry players, concentrate innovators and increase the quality of pharmaceutical products, these are all ambitions which Uni-Bio wholly supports. For patients, the reforms are meant to increase access whilst lowering the overall cost to the health care system. The current reforms will impact different points across the pharmaceutical value chain and we expect to observe more new policies being implemented by the CFDA and provincial tendering authorities in the year ahead.

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

Government Reforms

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

- Improving drug quality and efficacy to bring quality generics to the market faster and reward therapies that are innovative or address a critical clinical need;
- Reforming and improving China's drug distribution system through the implementation of strengthened GSP and the "two invoice system" which will consolidate the fragmented drug distributor sector;
- Regulating medical behaviour and drug use to contain costs by eliminating mark ups and encouraging providers to prescribe based on the national essential drug list.

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

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

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

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

Priorities for the First Half of 2017

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

Pledge of Assets and Contingent Liabilities

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

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

EMPLOYMENT AND REMUNERATION POLICY

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

EXECUTIVE DIRECTORS

Mr. Kingsley LEUNG, aged 30, has been appointed as an executive director since 28 February 2014 and appointed as the chairman ("**Chairman**") of the Board with effect from 13 January 2017. Mr. Leung joined the Company on 8 July 2013 as Business Development Manager. Mr. Leung graduated with honours with a bachelor's degree in Biochemistry from Imperial College London in July 2008 and obtained a master's degree in Pharmacology from the University of Oxford in September 2009. Mr. Leung is currently a Chartered Financial Analyst and a member of The Hong Kong Society of Financial Analysts. He also holds a Professional Diploma in Corporate Governance and Directorship and is an associate member of the Hong Kong Institute of Directors. He is currently admitted to Tsinghua-INSEAD Executive MBA Programme. Mr. Leung has extensive experience in investment banking and business development in the biotechnology industry.

Mr. CHEN Dawei, aged 47, obtained an Executive Master's Degree in Business Administration (major in China-America Finance) from Peking University and a Master's Degree in Business Administration from the National University of Singapore. Mr. Chen has over 20 years of experience in enterprise management, capital market and merger and acquisition. He had been the chairman, chief executive officer, executive director and vice-chairman of China Everbright Water Limited (formerly known as HanKore Environment Tech Group Limited) from May 2011 to February 2016, the shares of which are listed on the Main Board of the Singapore Exchange Limited and the sole water business platform of China Everbright Group Ltd. He is currently the executive partner of a Chinese equity investment fund and the chairman of a Singapore capital management company.

Mr. TONG Kit Shing, aged 56, was the former Chairman and has been appointed as an executive director with effect from 22 September 2005. He has been engaged in metal trading business in the PRC since 1997. Mr. TONG also has extensive investment experience in water treatment business in the PRC using biotechnology.

He was retired and resigned as an executive director, the chairman of the Board, the chairman of the Nomination Committee, a member of the Remuneration Committee and one of the Authorised Representatives with effect from 13 January 2017 due to his decision to pursue other interests.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Carl Aslan Jason Morton FIRTH, aged 44, has been appointed as an independent non-executive director of the Company with effect from 1 April 2014. Dr. Firth is the Chief Executive Officer and Founder of ASLAN Pharmaceuticals Pte Ltd. Dr. Firth was previously the Head of Asia Healthcare at Bank of America Merrill Lynch. He also spent 5 years at AstraZeneca in pharmaceutical research and development and 4 years in business development, strategic projects and the development of new products in Asia. Dr. Firth holds a PhD degree from Cambridge University in Molecular Biology and a Master of Business Administration degree from London Business School.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. ZHAO Zhi Gang, aged 57, has been appointed as an independent non-executive director of the Company with effect from 1 April 2014. Mr. Zhao holds a bachelor's degree in Economics from the Peking University and a master's degree in Professional Accounting from the University of Hartford, Connecticut, United States of America ("U.S."). Mr. Zhao is a U.S. certified public accountant and a fellow of the American Institute of Certified Public Accounts. Mr. Zhao has over 20 years of experience in corporate finance and audit practice with various publicly listed companies and Pricewaterhouse Coopers in the U.S. and in China.

Mr. Zhao is currently the CFO of WOWO Limited, whose shares are listed on the New York Stock Exchange ("NYSE"). Previously, Mr. Zhao was the CFO of Borqs Beijing Limited from 2012 to 2014, the CFO of Kingmed Center for Clinical Laboratories from 2011 to 2012, the CFO of Simcere Pharmaceutical Group (whose shares was listed on the NYSE) from 2006 to 2011, and the independent director of Zuoan Fashion Limited (whose shares was listed on the NYSE) from 2011 to 2015. Prior to that, Mr. Zhao was the CFO of Sun New Media Group Limited, a NASDAQ-listed company, from 2005 to 2006. Mr. Zhao had also held senior financial positions with several publicly listed companies in the U.S. and was an investment consultant with Beijing International Trust and Investment Company.

Mr. CHOW Kai Ming, aged 51, was appointed as independent non-executive director of the Company with effect from 1 April 2016. Mr. Chow has more than 26 years of experience in financial management, auditing and tax planning in accounting firm. He holds a Master Degree in Business Administration from Heriot-Watt University and he is a fellow member of Hong Kong Institute of Certified Public Accountants – Practising since 1994. He is also a fellow member of the Association of Chartered Certified Accountants since 1997, the Taxation Institute of Hong Kong since 1999 and certified Tax Advisor since 2010.

Mr. TSAO Hoi Ho, Terry, aged 52, Mr. Tsao is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants, an associate of The Institute of Chartered Secretaries and Administrators, an associate of the Australasian Institute of Banking & Finance, and an associate of the Bankers' Institute of New Zealand. Mr. Tsao graduated from the University of Warwick with a Master of Business Administration degree. He has over 20 years' extensive experience in auditing, corporate finance and company secretary. He has worked for international accounting firms for 5 years and is currently the Financial Controller, Company Secretary and authorized representative of Ningbo WanHao Holdings Company Limited, a joint stock limited company incorporated in the People's Republic of China whose shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8249). He was also an executive director of Applied Development Holdings Limited whose shares are listed on the main board of the Stock Exchange (stock code: 519) He was the CFO of China Shouguan Mining Corporation, a company incorporated in the state of Nevada, United States whose shares are quoted at the OTCQB market in the United States and he resigned on 28 February 2015.

Mr. Tsao was appointed as an independent non-executive director with effect from 7 May 2010 and resigned as an independent non-executive director on 18 March 2016.

SENIOR MANAGEMENT

Mr. KOH Phee Wah, aged 57, was appointed as the Chief Executive Officer of Uni-Bio Science Healthcare Limited, a wholly-owned subsidiary of the Company in February 2014. Mr. Koh is in charge of managing all the Group's biotech operations. Mr. Koh has more than 15 years of general manager experience in a number of multinational life science companies, such as Becton Dickinson, Pharmacia and Monsanto, and also previously led drug product launches in Southeast Asia and China. Prior to joining the Group, Mr. Koh was the Chief Operating Officer of UCB Biopharma China which is one of the top 15 global biotechnology companies by market capitalization. Mr. Koh graduated from the National University of Singapore and holds an MBA from Washington University. He also qualified as a Chartered Accountant of Australia and New Zealand.

Mr. CHAN Shun Tai, Edward, aged 56, is the Head of Business Development of Uni-Bio Science Healthcare Limited, a wholly-owned subsidiary of the Company. Mr. Chan is a professional pharmacist and has obtained his Pharmacist licenses in Canada and Hong Kong since 1985 and 1987 respectively. Mr. Chan has over 24 years of extensive sales and marketing experience in the pharmaceutical industry. Before joining the Company on 5 March 2012, he was the Director of New Business Development of Xian-Janssen Pharmaceutical Ltd and a General Manager of Jacobson Medical Limited.

Mr. KONG You Hoi, Matthew, aged 50, is the Head of Sales and Marketing of Uni-Bio Science Healthcare Limited. Mr. Kong is in charge of managing the sales and marketing functions of the Group. Mr. Kong has over 20 years of extensive sales and marketing experience with Hong Kong and multinational pharmaceutical companies in China. Mr. Kong graduated from the Chinese University of Hong Kong in Biology.

Dr. WEN Ya Lei, Jacky, aged 56, is the General Manager of Beijing Genetech Pharmaceutical Co., Ltd. Dr. Wen has more than 30 years of extensive experience in biotechnology and the development of GMP and GLP facilities, as well as developing new drugs and clinical research projects. Dr. Wen graduated from the South China University of Technologies.

Mr. HAN Wei Yue, aged 50, is the General Manager of Dongguan Taili Biotech Co., Ltd. Mr. Han has over 20 years of management experience in the development of genetic engineering drugs in large pharmaceutical companies. Mr. Han graduated from Shanghai Medical University.

Ms. LUO Chang Qing, aged 54, is the Deputy General manager of Shenzhen Watsin Genetech Ltd. Ms. Luo has over 30 years of experience in finance, accounting and management. She graduated from the Hunan Radio & TV University.

Ms. LIU Yan, Emily, aged 44, is the Head of Medical of Uni-Bio Science Healthcare Limited. Ms. Liu holds a bachelor's degree (with honours) in Clinical Medicine from Hebei University of Medical Science and obtained a master's degree in Neurology from the Capital University of Medical Science in July 1999. Ms. Liu is a medical practitioner and has been working in Beijing Tongren Hospital for 10 years. She also has more than 7 years of medical experiences in multinational pharmaceutical companies like Pfizer and GE Healthcare.

Ms. YAU Suk Yan, aged 35, is the Financial Controller and Company Secretary of the Company. Ms. Yau graduated with a bachelor's degree in Accountancy from Hong Kong Polytechnic University and she is a fellow member of the Hong Kong Institute of Certified Public Accountants. She has over 11 years financial management, company secretarial practicing, accounting and auditing experience in Hong Kong listed companies and international accounting firm.

Corporate Governance *Report*

The Group is committed to maintaining and improving the quality of corporate governance so as to ensure better transparency and protection of shareholders' interest in general. The directors ("Directors") of the Company believe that good corporate governance practices are increasingly important for maintaining and promoting investor confidence and for stable growth of the Group.

The Directors are of the opinion that the Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on Stock Exchange ("Listing Rules") for the year ended 31 December 2016.

THE BOARD OF DIRECTORS

The Board currently consists of five members, including two executive Directors, one being the Chairman and three independent non-executive Directors. One of the independent non-executive Directors has the professional and accounting qualifications as required by the Listing Rules. The terms of the independent non-executive Directors are as follows:

Independent non-executive Directors

(1) Dr. Carl Aslan Jason Morton FIRTH was appointed for a term of 3 years commencing from 1 April 2014.
(2) Mr. ZHAO Zhi Gang was appointed for a term of 3 years commencing from 1 April 2014.
(3) Mr. CHOW Kai Ming was appointed for a term of 3 years commencing from 1 April 2016.

The Chairman of the Board is Mr. Kinsley LEUNG (appointed on 13 January 2017 after the retirement of Mr. TONG Kit Shing). The principal function of the Board is to formulate strategy and to monitor and control operating and financial performance in pursuit of the strategic objectives of the Group. The Board, led by the Chairman, is vested with full responsibility for setting objective and business development plans, overseeing the processes that management has in place to identify business opportunities and risks, considering and determining major acquisition and disposal and assuming responsibility for corporate governance.

The management is responsible for implementing the strategies and plans adopted by the Board. Executive Directors and management executives meet monthly to review the performance of the businesses of the business units and of the Group as a whole, co-ordinate overall resources and make financial and operational decisions.

There is a segregation of duties between the Chairman's responsibility for leadership and management of the Board and the Group's strategies, and the responsibility of the Chief Executive Officer is to develop business objectives and budgets and to implement the Group's strategies. Such division of responsibilities helps to reinforce their accountability and independence. Upon the resignation of Mr. LIU Guoyao as an executive Director and the Chief Executive Officer on 28 February 2014, the duties of the Chief Executive Officer have been temporarily shared by another executive Director and key executives, except the Chairman, until a suitable successor is appointed. The Board considers that the vesting of the roles of Chief Executive Officer to the other executive Director and key executives in the aforementioned arrangement will not impair the balance of power and authority within the Board as all major decisions are made in consultation with members of the Board.

THE BOARD OF DIRECTORS (Continued)

Mr. Kingsley LEUNG used to be employed by ASLAN Pharmaceuticals Pte Ltd. from June 2011 to March 2014, of which Dr. Carl Aslan Jason Morton FIRTH, an independent non-executive Director, is the chief executive officer and founder, and is currently holding less than 5% interest in ASLAN Pharmaceuticals Pte Ltd. Save as disclosed, there is no other financial, business, family or other material/relevant relationship amongst the Directors. With a wide range of expertise and a balance of skills, the independent non-executive Directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The independent non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive Director an annual confirmation of their independence and is satisfied about their independence up to the date of this report. The independent non-executive Directors are explicitly identified in all corporate communications.

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties. When the Board considers any material proposal or transaction in which a substantial shareholder of the Company or a Director has a conflict of interest, a Board meeting is held and only those executive and independent non-executive Directors who have no interest in the transaction can be counted as quorum and entitled to vote at such board meeting. At the meeting, the Director who has interests shall declare his interest and abstain from voting.

All Directors have participated in appropriate continuous professional development activities by attending training courses and reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

According to the records provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2016 is as follows:

	Type of continuous professional development activities
Kingsley LEUNG (appointed as *Chairman* on 13 January 2017)	A,B,C
CHEN Dawei (appointed as *Vice-chairman* on 13 January 2017)	A,B,C
Carl Aslan Jason Morton FIRTH	A,B,C
ZHAO Zhi Gang	B,C
CHOW Kai Ming (appointed on 1 April 2016)	B,C
TSAO Hoi Ho, Terry (resigned on 18 March 2016)	B,C
TONG Kit Shing (retired on 13 January 2017)	A,B,C

Notes:
A Reading materials, journals and updates relating to the business and industry development
B Reading materials relevant to the latest development of the Listing Rules and other applicable regulatory requirement
C Attending seminars and/or conferences and/or forums

All Directors are committed to devote sufficient time and attention to the affairs of the Group. Directors have also disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organizations and other significant commitments, with the identity of the public companies or organizations. Directors are reminded to notify the Company in a timely manner of any changes of such information.

THE BOARD OF DIRECTORS (Continued)

The Company has arranged for appropriate liability insurance to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

The Board meets regularly throughout the financial period to review the overall strategy and to monitor the operation as well as the financial performance of the Group. The Board is supplied with relevant information by the management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each regular Board meeting. The Chairman is primarily responsible for drawing up and approving the agenda for each Board meeting in consultation with all Directors. Notice of at least 14 days have been given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying materials in respect of regular Board meetings are sent out in full to all Directors within reasonable time before the meeting. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of Board meetings and meetings of the Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to materials and related materials, and are provided with adequate information on a timely manner, which enables the Board to make an informed decision on matters placed before it.

All Board meetings held during the year ended 31 December 2016 involved the active participation, either in person or through other electronic means of communication, of a majority of the Directors.

Set out below is a summary of the attendance of individual Directors at the board meetings and general meetings during the year ended 31 December 2016.

	Number of attendance	
	General meetings	**Board meetings**
Executive Directors		
Kingsley LEUNG (appointed as *Chairman* on 13 January 2017)	1/2	11/11
CHEN Dawei (appointed on as *Vice-chairman* 13 January 2017)	N/A	N/A
TONG Kit Shing (retired on 13 January 2017)	2/2	11/11
Independent Non-executive Directors		
Carl Aslan Jason Morton FIRTH	1/2	9/11
ZHAO Zhi Gang	1/2	9/11
CHOW Kai Ming (appointed on 1 April 2016)	2/2	7/11
TSAO Hoi Ho, Terry (resigned on 18 March 2016)	0/2	0/11

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by all Directors. A copy of the Model Code is sent to each Director first on his appointment and a reminder is sent to each Director to remind him about the blackout period during which he cannot deal in the securities of the Company at the appropriate time prior to board meetings to approve the Company's financial results.

Having made specific enquiry to all Directors, all Directors confirmed they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") was established in 2001. From 1 January 2016 to 17 March 2016, the Audit Committee comprised three independent non-executive Directors, namely, Mr. TSAO Hoi Ho, Terry, Dr. Carl Aslan Jason Morton FIRTH and Mr. ZHAO Zhi Gang. From 18 March 2016 to 31 March 2016, the Audit Committee comprised two independent non-executive Directors, namely Dr. Carl Aslan Jason Morton FIRTH and Mr. ZHAO Zhi Gang. From 1 April 2016 and up to the date of this report, the Audit Committee comprised three independent non-executive Directors, namely Dr. Carl Aslan Jason Morton FIRTH, Mr. ZHAO Zhi Gang and Mr. CHOW Kai Ming. On 18 March 2016, Mr. TSAO Hoi Ho, Terry resigned as the chairman of the Audit Committee. As at the date of this report, Mr. CHOW Kai Ming (appointed on 1 April 2016) was the chairman of the Audit Committee. Mr. CHOW Kai Ming has the appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.21 of the Listing Rules for the purpose of such appointment.

The Audit Committee has adopted written terms of reference to conform to the provisions of the CG Code.

The meetings of the Audit Committee are held not less than twice a year to review and discuss the interim and annual financial statements respectively. Additional meeting may also be held by the Audit Committee from time to time to discuss special projects or other issues which it considers necessary. The external auditors of the Group may request a meeting of the Audit Committee to be convened if they consider that it is necessary.

The main duties of the Audit Committee are as follows:

— To consider the appointment of the external auditors, the audit fee, and any question of resignation or dismissal
— To discuss with the external auditors the nature and scope of the audit
— To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard
— To develop and implement policy on the engagement of an external auditors to supply non-audit services
— To review the Group's interim and annual financial statements before submission to the Board
— To discuss problems and reservations arising from the interim and final audits and any matters that the external auditors may wish to discuss
— To review the external auditors' management letter and the management's response
— To review the Group's statement on risk management and internal control system prior to endorsement by the Board
— To discuss the risk management and internal control system with management to ensure that management has performed its duty to have effective systems.
— To consider the major findings of any internal investigation and the management's response
— To consider other topics, as defined by the Board

AUDIT COMMITTEE (Continued)

The Audit Committee held three meetings during the year ended 31 December 2016. The attendance record of the Audit Committee meetings is as follows:

Members of the Audit Committee	Number of attendance
CHOW Kai Ming *(Chairman)* (appointed on 1 April 2016)	2/3
Carl Aslan Jason Morton FIRTH	3/3
ZHAO Zhi Gang	3/3
TSAO Hoi Ho, Terry (resigned on 18 March 2016)	1/3

Throughout the year under review, the Audit Committee discharged its responsibilities by reviewing and discussing the interim financial results, annual financial results and internal control system of the Group.

REMUNERATION COMMITTEE

The Company established a remuneration committee ("Remuneration Committee") on 4 November 2005 with written terms of reference in compliance with the CG Code. From 1 January 2016 to 17 March 2016, the Remuneration Committee comprised one executive Director, namely, Mr. TONG Kit Shing, and three independent non-executive Directors, namely Dr. Carl Aslan Jason Morton FIRTH, Mr. TSAO Hoi Ho, Terry, and Mr. ZHAO Zhi Gang. From 18 March 2016 to 31 March 2016, the Remuneration Committee comprised one executive Director, namely, Mr. TONG Kit Shing, and two independent non-executive Directors, namely Dr. Carl Aslan Jason Morton FIRTH and Mr. ZHAO Zhi Gang. From 1 April 2016 and up to the date of this report, the Remuneration Committee comprised one executive Director, namely, Mr. Kingsley LEUNG, and three independent non-executive Directors, namely Dr. Carl Aslan Jason Morton FIRTH, Mr. ZHAO Zhi Gang and Mr. CHOW Kai Ming. Dr. Carl Aslan Jason Morton FIRTH has been the chairman of the Remuneration Committee during the year under review and as at the date of this report. No Directors will be involved in any discussion in connection with his own remuneration.

The main duties of the Remuneration Committee are as follows:

— To determine the remuneration policy of the Group
— To make recommendations to the Board on the remuneration package of individual executive Directors and senior management
— To review and approve all equity based plans
— To review the appropriateness and relevance of the remuneration policy
— To approve the performance related pay schemes operated by the Group
— To review all share incentive plans for approval by the Board
— To review annually and take note of the remuneration trends of the Group and obtain reliable and up-to-date information about remuneration packages of other closely comparable companies

It is the Company's policy that the remuneration package of each Director shall be determined by reference to their experience, qualification and the time expected to be devoted by them on the affairs of the Company.

REMUNERATION COMMITTEE (Continued)

The Remuneration Committee meets regularly to determine the policy for the remuneration of the Directors, assess performance of the executive Directors and senior management of the Group and approve the terms of the executive Directors' service contracts. During the year under review, the Remuneration Committee has assessed the performance of the executive Directors, reviewed and discussed the remuneration package of the executive Directors, the remuneration of the non-executive director, independent non-executive Directors and senior management. Three Remuneration Committee meetings were held during the year ended 31 December 2016, The individual attendance of each member is set out below:

Members of the Remuneration Committee	Number of attendance
Carl Aslan Jason Morton FIRTH *(Chairman)*	3/3
Kingsley LEUNG (appointed on 13 January 2017)	N/A
ZHAO Zhi Gang	3/3
CHOW Kai Ming (appointed on 1 April 2016)	2/3
TSAO Hoi Ho, Terry (resigned on 18 March 2016)	0/3
TONG Kit Shing (retired on 13 January 2017)	3/3

NOMINATION COMMITTEE

The Company established a nomination committee ("Nomination Committee") on 4 November 2005. The Nomination Committee has adopted written terms of reference to conform to the CG Code. From 1 January 2016 to 17 March 2016, the Nomination Committee comprised one executive Director, namely, Mr. TONG Kit Shing, and three independent non-executive Directors, namely Mr. TSAO Hoi Ho, Terry, Dr. Carl Aslan Jason Morton FIRTH and Mr. ZHAO Zhi Gang. From 18 March 2016 to 31 March 2016, the Nomination Committee comprised one executive Director, namely, Mr. TONG Kit Shing, and two independent non-executive Directors, namely Dr. Carl Aslan Jason Morton FIRTH and Mr. ZHAO Zhi Gang. From 1 April 2016 and up to the date of this report, the Nomination Committee comprised one executive Director, namely, Mr. Kingsley LEUNG, and three independent non-executive Directors, namely Dr. Carl Aslan Jason Morton FIRTH, Mr. ZHAO Zhi Gang and Mr. CHOW Kai Ming. Mr. Kingsley LEUNG has been the chairman of the Nomination Committee after the retirement of Mr. TONG Kit Shing from 13 January 2017 and up to the date of this report.

The Nomination Committee shall meet before the annual general meeting of the Company, or at other times as required by the chairman of the Nomination Committee.

The main duties of the Nomination Committee are as follows:

— To determine the policy for the nomination of Directors
— To review the structure, size and composition of the Board regularly and to make recommendations to the Board with regard to any changes required
— To evaluate the balance of skills, knowledge and experience of the Board
— To identify and nominate any candidate for the Board's approval
— To make recommendations for the appointment and removal of the Chairman or any Director
— To make recommendations to the Board on the re-appointment of any non-executive Director at the conclusion of his specified term of office
— To report to the Board on its proceedings after each meeting

NOMINATION COMMITTEE (Continued)

During the year under review, the Nomination Committee performed the following work without conducting a formal meeting:

(i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;
(ii) assessed the independence of the independent non-executive Directors; and
(iii) made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

The Company adopted the board diversity policy in June 2014 and is available on the website of the Company on http://www.uni-bioscience.com. In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the integrity, experience, skills and professional knowledge of the candidate, board diversity aspects and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(1) to develop and review the Company's policies and practices on corporate governance and make recommendations;
(2) to review and monitor the training and continuous professional development of directors and senior management;
(3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
(5) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

AUDITORS' REMUNERATION

The Group was charged HK$1,814,000 for audit services provided by Messrs. Deloitte Touche Tohmatsu in respect of the year ended 31 December 2016.

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implement an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. In the opinion of the directors, the size of the Group does not warrant setting up an internal audit department. However, during the year under review, the Board with the assistance of an external professional firm, BDO Limited, has conducted a review on the effectiveness of the internal control system of the Group, namely, management supervision, compliance with the CG Code, and major areas of the internal control systems and procedures to assure the Board that the system of internal control is functioning as intended. The results of the internal control review were submitted to the Board for their consideration.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2016, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. The external auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the consolidated financial statements of the Company for the year ended 31 December 2016.

COMPANY SECRETARY

Ms. YAU Suk Yan was appointed as the company secretary of the Company with effect from 14 August 2015. All Directors have access to the advice and services of the company secretary. During the year ended 31 December 2016, Ms. YAU Suk Yan has taken no less than 15 hours of relevant professional trainings respectively to update her/his skills and knowledge.

COMMUNICATION WITH SHAREHOLDERS OF THE COMPANY ("SHAREHOLDERS")

The Board recognizes the importance of good communications with all Shareholders. The Company's annual general meeting for the year ended 31 December 2015 ("AGM") was a valuable forum for the Board to communicate directly with the Shareholders. The Chairman of the Board and the chairman of each of the Audit, Remuneration and Nomination Committees together with the external auditors were also present at the AGM to answer Shareholders' questions. The Company has also published a Shareholders communication policy on the website of the Company. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong at Room 3006, 30/F., The Centrium, 60 Wyndham Street, Central, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS OF THE COMPANY ("SHAREHOLDERS") (Continued)

All Shareholders' circulars set out the relevant information of the proposed resolutions to be passed at general meetings. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors.

Pursuant to Article 58 of the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, stating the objects of the meeting and deposited at the principal place of business of the Company in Hong Kong at Room 3006, 30/F., The Centrium, 60 Wyndham Street, Central, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

Save as the procedures for shareholders to convene a general meeting as set out above, there are no other provisions allowing shareholders to put forward proposals at the general meeting under the articles of association of the Company or under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

A key element of effective communication with Shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced all its inside information, announcement, interim and annual results in a timely manner in compliance with the Listing Rules. The Company also maintains a company website as a channel to let Shareholders know the Company's news and raise questions through emails and telephone.

There have been no changes in the Company's constitutional documents during the year ended 31 December 2016 under review.

BUSINESS ETHICS

The Company is committed to high standard of business ethics and integrity. A long established code of conduct is enforced on all employees of the Group. No personal gifts or other forms of advantages from any person or organization doing business with the Group can be accepted by any employee. Business partners and suppliers are reminded from time to time that our company's policy forbids our employees or agents from accepting any gift from them.

The Group has developed a code of business conduct for its vendors and suppliers. All the vendors and suppliers of the Group are required to maintain a safe and healthy workplace, fair and ethical employment practice and ensure that proper environmental protection measures are in place. The Group also closely monitors that all the relevant codes of conduct stipulated by our major licensors and customers are strictly followed by its vendors and suppliers.

The Directors present their annual report and the audited consolidated financial statements of the Group (comprising the Company and its subsidiaries) for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES, SEGMENTAL INFORMATION AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of subsidiaries are set out in Note 41 to the consolidated financial statements. Segmental information of the Group is disclosed in Note 6 to the consolidated financial statements.

Further discussion and analysis of these principal activities and a review of the business and performance of the Group for the year under review, including a discussion of the principal risks and uncertainties facing the Group and an indication of the likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 63.

DIVIDEND

The Directors do not recommend the payment for a dividend for the year ended 31 December 2016.

SHARE CAPITAL AND RESERVES

Details of the movements in share capital of the Company during the year under review are set out in Note 31 to the consolidated financial statements.

Movements in reserves of the Group during the year under review are set out in the consolidated statement of changes in equity on page 65.

In accordance with the Companies 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.

At 31 December 2016, the aggregate amount of the Company's reserves available for distribution to shareholders was approximately HK$579,066,000 (31 December 2015: HK$516,095,000).

Movements in share capital and reserves for the year ended 31 December 2016 are set out in Note 31 and Note 32 to the consolidated financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2016 are set out in Note 41 to the consolidated financial statements respectively.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Kingsley LEUNG (appointed as *Chairman* on 13 January 2017)
Mr. CHEN Dawei (appointed as *Vice-chairman* on 13 January 2017)
Mr. TONG Kit Shing (retired on 13 January 2017)

Independent Non-Executive Directors

Dr. Carl Aslan Jason Morton FIRTH
Mr. ZHAO Zhi Gang
Mr. CHOW Kai Ming (appointed on 1 April 2016)
Mr. TSAO Hoi Ho, Terry (resigned on 18 March 2016)

In accordance with Articles 87(1) and 87(2) of the Company's articles of association, each of Mr. Kingsley LEUNG and Mr. CHOW Kai Ming will retire by rotation at the forthcoming annual general meeting of the Company ("Annual General Meeting") and being eligible, offer themselves for re-election. In accordance with Article 86(3) of the Company's articles of association, Mr. CHEN Dawei shall hold office only until the Annual General Meeting, and being eligible, will offer himself for re-election at the Annual General Meeting.

Biographical information of each of the Directors is set out in the section headed "Profile of Directors and Senior Management" in this annual report.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Kingsley LEUNG, an executive Director, has entered into a service agreement with the Company for a fixed term of 3 years renewal from 28 February 2017.

Mr. CHEN Dawei, an executive Director, has entered in a service agreement with the Company for a term:

(1) in the event that the Company has obtained the necessary approval(s) under the Listing Rules (including Shareholders' approval) on or before 4:00 p.m. on 30 June 2017 (the "**Long Stop Date**"), a term of 5 years commencing on 13 January 2017; or in the event that Company has not obtained the necessary approval(s) under the Listing Rules (including Shareholders' approval) on or before the Long Stop Date, a term of 3 years commencing on 13 January 2017, and is subject to retirement and re-election in accordance with the articles of association of the Company; and

DIRECTORS' SERVICE CONTRACTS (Continued)

(2) entitled to a monthly salary of HK$50,000 and an annual discretionary bonus to be determined by the Board. In addition, under the terms of the service agreement, for every 12 months in which Mr. CHEN served as an executive Director, the Company will, as additional benefit and free of payment by Mr. CHEN, allot and issue 15,000,000 service shares of the Company ("Service Shares") to Mr. CHEN. Mr. CHEN shall not be entitled to any pro rata entitlement of the relevant Service Shares in the event he failed to serve as an executive Director for each such 12 months in full.

The service Shares Issue is subject to the fulfillment of the following conditions precedent on or before 30 June 2017:

(a) the Company having obtained all necessary consents and approvals in connection with the allotment and issue of the Service Shares to Mr. Chen in accordance with the terms of the service agreement (including but not limited to the Shareholders having passed the necessary resolution at an extraordinary general meeting of the Company); and

(b) the Stock Exchange granting the listing of, and permission to deal in, the Service Shares.

The Service Shares will be issued pursuant to the specific mandate to be sought from the Shareholders at an extraordinary general meeting of the Company. Application will be made to the Stock Exchange for the listing and dealing of the Service Shares.

The above conditions precedent are not capable of being waived by any parties to Mr. Chen's service agreement. If they are not satisfied by 30 June 2017, no Service Shares will be allotted and issued to Mr. Chen, and the other terms of his service agreement shall continue to apply.

Each of the non-executive Director and the independent non-executive Directors has been by way of a letter of appointment appointed for a fixed term of 3 years with effect from their respective dates of appointment and subject to renewal upon expiry of the existing term.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments are set out in Note 15 to the consolidated financial statements. The Directors' remunerations, bonuses and other compensation are determined or recommended by the remuneration committee of the Board with reference to the Directors' duties, responsibilities and the Group's performance and results.

PERMITTED INDEMNITY PROVISION

During the year under review and as at the date of this report, an indemnity provision was in force. Under the articles of association of the Company, the Directors for the time being acting in relation to any of the affairs of the Company and every one of them shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

The Company has taken out and maintained directors' liability insurance during the year under review for the Directors.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's listed securities.

REMUNERATION POLICY

The remuneration policy of the Group to reward its employees is based on individual performance, qualifications and competence displayed.

The emoluments of the Directors are reviewed by the Remuneration Committee, having regarded to the Company's operating results, individual performance and comparable market statistics.

The Company has a share option scheme in place, of which share options may be granted to eligible persons. Details of the scheme are set out in the section headed "Share Options" of this Directors' report and Note 36 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the shares ("**Shares**"), underlying Shares and debentures of the Company or any of the its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	**Capacity**	**Number of issued ordinary shares**	**Number of underlying Shares**	**Total**	**Approximate percentage of shareholding** (Note 6)
TONG Kit Shing (retired on 13 January 2017)	Beneficial owner and interest of a controlled corporation (Note 2)	616,301,016 (L)	2,280,000 (L)	618,581,016 (L)	12.04%
Kingsley LEUNG	Beneficial owner and interest of a controlled corporation (Note 3)	914,576,010 (L)	10,600,000 (L)	925,176,010 (L)	18.01%
CHEN Dawei	Beneficial owner	315,955,516 (L)	–	315,955,516 (L)	6.15%
Carl Aslan Jason Morton FIRTH	Beneficial owner (Note 4)	–	4,500,000 (L) (Note 4)	4,500,000 (L)	0.09%
ZHAO Zhi Gang	Beneficial owner (Note 4)	–	4,500,000 (L) (Note 4)	4,500,000 (L)	0.09%
CHOW Kai Ming	Beneficial owner (Note 5)	–	1,780,000 (L) (Note 5)	1,780,000 (L)	0.03%

DIRECTORS' INTERESTS IN SHARES (Continued)

Notes:

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

2. These interests consist of: (i) 616,301,016 Shares held by Automatic Result Limited ("**Automatic Result**") and (ii) 2,280,000 underlying Shares relating to the share options granted by the Company to Mr. TONG Kit Shing on 12 September 2014, 10 July 2015 and 7 October 2016 respectively. As at 31 December 2016, Automatic Result was a company solely and beneficially owned by Mr. TONG Kit Shing, an executive Director. As such, Mr. TONG Kit Shing is deemed to be interested in all the interests in the Shares and underlying Shares in the Company held by Automatic Result by virtue of the SFO. On 19 January 2017, Mr. TONG Kit Shing sold the entire issued share capital of Automatic Result to a family trust of the Leung's family of which Mr. Kingsley LEUNG is one of the discretionary objects.

3. These interests consist of (i) 914,576,010 Shares held by Lord Profit Limited ("**Lord Profit**") and (ii) 10,600,000 underlying Shares relating to the share options granted by the Company to Mr. Kingsley LEUNG on 12 September 2014, 10 July 2015 and 7 October 2016 respectively. As at 31 December 2016, Lord Profit is a company which is beneficially owned as to 90% by Mr. Kinsley LEUNG, an executive Director, and as to 10% by Mr. TONG Kit Shing, an executive Director. As such, Mr. Kingsley LEUNG is deemed to be interested in all the interests in the Shares and underlying Shares in the Company held by Lord Profit by virtue of the SFO. On 19 January 2017, Mr. Kingsley LEUNG acquired 10% of the issued share capital of Lord Profit from Mr. TONG Kit Shing so that Lord Profit became wholly owned by Mr. Kingsley LEUNG.

4. These underlying Shares relate to the share options granted by the Company to the respective Directors on 12 September 2014, 10 July 2015 and 7 October 2016 respectively.

5. These underlying Shares relate to the share options granted by the Company to Mr. CHOW Kai Ming on 7 October 2016.

6. The percentage of shareholding is calculated on the basis of 5,137,488,147 Shares in issue as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company, or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

To the best knowledge of the Directors after making reasonable enquiry, as at 31 December 2016, shareholders (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company were as follows:

Name	Capacity	Number of ordinary shares	Number of underlying Shares	Total	Approximate percentage of shareholding (Note 5)
Automatic Result (Note 2)	Beneficial owner	616,301,016 (L)	–	616,301,016 (L)	12.00%
Lord Profit (Note 3)	Beneficial owner	914,576,010 (L)	–	914,576,000 (L)	17.80%
Overseas Capital Assets Limited (Note 4)	Beneficial owner	657,180,000 (L)	–	657,180,000 (L)	12.79%
Mr. CHEN Dawei	Beneficial owner	315,955,516 (L)	–	315,955,516 (L)	6.15%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (Continued)

Notes:

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

2. As at 31 December 2016, Automatic Result was solely and beneficially owned by Mr. TONG Kit Shing, an executive Director. On 19 January 2017, Mr. TONG Kit Shing sold the entire issued share capital of Automatic Result to a family trust of the Leung's family of which Mr. Kingsley LEUNG is one of the discretionary objects.

3. As at 31 December 2016, 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. On 19 January 2017, Mr. Kingsley LEUNG acquired 10% of the issued share capital of Lord Profit from Mr. TONG Kit Shing so that Lord Profit became wholly owned by Mr. Kingsley LEUNG.

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 5,137,488,147 Shares in issue as at 31 December 2016.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any other persons who had relevant interests or short positions in the shares or underlying shares in the Company as at 31 December 2016 which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in which a director or was materially interested, either directly or indirectly, had subsisted at the end of the year or at any time during the year ended 31 December 2016.

CONTRACTS OF SIGNIFICANCE

No contracts of significance between the Company or one of its subsidiaries, and a controlling shareholder or any of its subsidiaries had subsisted as at the end of the year or at any time during the year ended 31 December 2016.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year under review.

DIRECTORS' INTERESTS IN COMPETING INTERESTS

During the year under review, none of the Directors had an interest in any business which competes or may compete with the business in which the Group is engaged.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended under review, the top five customers of the Group together accounted for approximately 24% (year ended 31 December 2015: 24%) of the Group's total sales for the year while the single largest customer accounted for approximately 11% (year ended 31 December 2015: 11%) of the Group's total sales during the year under review.

The top five suppliers of the Group for the year under review together accounted for approximately 69% (year ended 31 December 2015: 89%) of the Group's total purchases for the year and the single largest supplier accounted for approximately 54% (year ended 31 December 2015: 43%) of the Group's total purchases.

None of the Directors, their respective associates or any shareholders of the Company who owns more than 5% of the issued share capital of the Company has any interests in the Group's five largest customers and suppliers.

CONTINGENT LIABILITIES

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

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement benefits schemes of the Group are set out in Note 16 to the consolidated financial statements.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

On 2 October 2013, the bonus warrants ("Bonus Warrants") entitling the holders thereof to subscribe in cash up to an aggregate of HK$156,484,629.20 for new Shares ("Warrant Shares") to be issued by Company upon exercise of the subscription rights attached to the Bonus Warrants at the initial exercise price of HK$0.20 per Warrant Share (subject to adjustments) were issued on the basis of one Bonus Warrant for every two offer shares taken up under the open offer of the Company, details of which are set out in the prospectus of the Company dated 9 September 2013. The subscription rights attaching to the Bonus Warrants may be exercised at any time between the date of issue of the Bonus Warrants and 3 years after the date of issue of the Bonus Warrants.

During the year ended 31 December 2016, 178,018 Shares were issued for cash at an exercise price of HK$0.20 per Warrant Share. The aggregate net proceeds of HK$36,000 received by the Company from the exercise of subscription rights attached to the Bonus Warrants were used by the Group as working capital. The subscription rights to the Bonus Warrants expired at 4:00 p.m. on 2 October 2016.

Save as disclosed above and in the section headed "Share Options" below, the Company had no outstanding convertible securities, options, warrants or instruments carrying other similar rights as at 31 December 2016.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

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

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

NEW SHARES ISSUED

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

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

- During the year ended 31 December 2016, 178,018 new Shares were issued pursuant to exercise of Bonus Warrants.

SHARE OPTIONS

The Previous Share Option Scheme was adopted pursuant to a resolution passed by the then Shareholders on 22 September 2006 and expired on 22 September 2016. The new share option scheme was approved by the shareholders of the Company on 26 September 2016.

Under the new share option scheme, the Directors may, as their discretion, invite directors and employees of the Group to take up options to subscribe for shares in the Company representing up to 30% of the issued share capital of the Company from time to time.

The subscription price for the Shares in relation to options to be granted under the 2001 Scheme shall be determined by the Board and shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares. The options are exercisable within 10 years from the Offer Date.

SHARE OPTIONS (Continued)

	Number of share options								
	At 1 January 2016	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2016	Date of grant of share options	Validity period of share options	Exercise price of share options HK$ per share
Directors:									
TONG Kit Shing (retired on 13 January 2017)	780,000	–	–	–	–	780,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	600,000	–	–	–	–	600,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
	–	900,000	–	–	–	900,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
Kingsley LEUNG	2,940,000	–	–	–	–	2,940,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	3,020,000	–	–	–	–	3,020,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
	–	4,640,000	–	–	–	4,640,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
TSAO Hoi Ho, Terry (resigned on 18 March 2016)	600,000	–	–	–	(600,000)	–	27 November 2013	27 November 2013 to 21 September 2016	0.219
	940,000	–	–	–	–	940,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	720,000	–		–	–	720,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
Carl Aslan Jason Morton FIRTH	1,560,000	–	–	–	–	1,560,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	1,160,000	–		–	–	1,160,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
	–	1,780,000	–	–	–	1,780,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
ZHAO Zhi Gang	1,560,000	–	–	–	–	1,560,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	1,160,000	–		–	–	1,160,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
	–	1,780,000	–	–	–	1,780,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
CHOW Kai Ming (appointed on 1 April 2016)	–	1,780,000	–	–	–	1,780,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
Employees	26,980,000	–	–	–	(26,980,000)	–	27 November 2013	27 November 2013 to 21 September 2016	0.219
	10,880,000	–	–	–	–	10,880,000	23 January 2015	23 January 2015 to 22 January 2025	0.230
	–	20,700,000	–	–	–	20,700,000	27 January 2016	27 January 2016 to 26 January 2026	0.172
Other eligible participants	72,985,680	–	–	–	(72,985,680)	–	26 May 2009	13 September 2007 to 21 September 2016	0.9152
	313,940,000	–	–	(3,000,000)	(310,940,000)	–	27 November 2013	27 November 2013 to 21 September 2016	0.219
	1,140,000	–	–	–	–	1,140,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	33,100,000	–	–	–	–	33,100,000	23 January 2015	23 January 2015 to 22 January 2025	0.230
	600,000	–	–	–		600,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
	120,000,000	–	–	–		120,000,000	17 August 2015	17 August 2015 to 16 August 2025	0.237
	–	1,300,000	–	–	–	1,300,000	27 January 2016	27 January 2016 to 26 January 2026	0.172
	594,665,680	32,880,000	–	(3,000,000)	(411,505,680)	213,040,000			

SHARE OPTIONS (Continued)

Pursuant to ordinary resolutions passed by the shareholders of the Company on 26 September 2016, the Company terminated the 2006 Scheme and adopted a new share option scheme ("New Share Option Scheme"). Under the New Share Option, which is valid for a period of ten years, the Board may, at its discretion grant options to subscribe for Shares 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) ("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 Shares shall be a price at least equal to the highest of the nominal value of the Shares, the average of the closing prices of the 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 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 New Share Option Scheme.

The total number of the Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the New Share Option Scheme and any other schemes of the Group) must not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the New Share Option Scheme. The limit on the number of the Shares which may be issued upon exercise of all outstanding option granted any yet to be exercised under the New Share Option Scheme and any other schemes of the Group must not exceed 30% of the Shares in issue from time to time. The total number of the Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the New Share Option Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

The Directors consider the New Share Option 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. Further details of share options were set out in Note 36 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The Company's corporate governance principles and practices are set out in the section headed "Corporate Governance Report" of this annual report.

AUDIT COMMITTEE

The Company sets up the audit committee ("Audit Committee") for the purpose of reviewing and providing supervision over the Company's financial reporting procedures and the internal control system, and maintaining an appropriate relationship with the Company's auditors.

Written terms of reference which govern the authority and duties of the Audit Committee were adopted to comply with the requirements of the code provisions of the CG Code set out in the Listing Rules.

The Audit Committee provides an important linkage between the Board and the Company's auditors in relation to audit, financial reporting and internal control matters. The Audit Committee had reviewed with the auditors and the management of the Company the audited results of the Group for the year ended 31 December 2016, the accounting principles and practices adopted by the Company and certain other matters relating to the internal control and financial reporting procedures of the Company.

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 report, the Company has maintained sufficient public float as required under the Listing Rules during the period under review and up to the date of this report.

DONATIONS

The Group makes regular contributions in terms of financial and other supports to various charitable organizations. Employees are also encouraged to have direct and active involvement in fund raising activities for the needs of the society.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2016, the Group had entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards but these transactions were either not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. Details of these related party transactions are disclosed in Note 40 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 17 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises its responsibility to protect the environment while carrying out its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. The Group has adopted green initiatives and measures in its business operations such as recycling of used papers, energy saving measures and water saving practices.

One of the Group's subsidiaries in Shenzhen, Shenzhen Watsin Genetech Limited ("**Shenzhen Watsin**"), utilised safer and more efficient sewage treatments to improve the energy efficiency of its biofilm processes and technologies. Shenzhen Watsin was given an Honorary Clean Production Enterprises award by the Guangdong Provincial government in 2014 and further recognized as the Top Environmentally Friendly Enterprise in 2015.

The Group implemented the "5R" principles which align with our vision of sustainable development and adopting green consumption, and they are:

- Reduce: Reduce unnecessary consumption. Avoid buying unnecessary or excessive goods
- Re-evaluate: Choose products that are natural or made from recycled materials
- Reuse: Consider ways in which to repurpose products
- Recycle: Choose products that can be recycled
- Rescue: Choose reusable designs, reduce usage of disposable products

KEY RELATIONSHIPS

(a) Employees

Human resources are one of the greatest assets of the Group and the Group ensures all staff are reasonably remunerated and also continues to improve and regularly review and update its policies on remuneration, benefits and trainings. The Group is committed to providing its employees with a safe, pleasant and healthy working environment. The Group rewards and recognises employees with competitive remuneration packages and implements a key performance index scheme with appropriate incentives, and promotes career development and progression by providing opportunities for career advancement. During the year under review, recreational activities and team building activities were held to enhance internal communication, reinforce a sense of belonging and promote staff team building.

(b) Suppliers

The Group has developed long-standing relationships with a number of suppliers and taken great care to ensure that they share the Group's commitment to quality and ethics. The Group carefully selects its suppliers and requires them to satisfy certain assessment criteria, including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

(c) Distributors

The Group sells its products through third-party distributors. The Group works closely with its distributors to ensure that they share the Group's view in upholding the Group's brand value and customer services, with a specific focus on attracting and retaining customers in order to drive sales growth. The Group also requires its distributors to comply with the Group's policies and promotional activities standards. The Group monitors the financial condition and repayment history of its distributors.

The Group also provides training to the key sales personnel of its distributors to allow quality and value-added customer services to be provided to the Group's customers.

KEY RELATIONSHIPS (Continued)

(d) Customers

The Group is committed to offer good-quality products to its customers, which are mainly hospitals. The Group has stayed connected and maintained a close relationship with its customers by maintaining a customer information database and having ongoing communications with its customers through various channels, such as telephone calls, direct mails, visits, marketing materials and meetings.

Further discussions on the Group's environmental policy and our relationships with various stakeholders are covered by a separate ESG Report which will be available of the Group's website under the "Corporate Social Responsibility" section and the website of the Stock Exchange on or around mid-July 2017.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out in the PRC while the Company itself is listed on the Stock Exchange. The Group's establishment and operations accordingly shall comply with all PRC and Hong Kong laws and applicable laws in the jurisdictions where it has operations. During the year under review and up to the date of this annual report, the Group has complied with all relevant laws and regulations in the PRC and Hong Kong in all material respects.

AUDITORS

The financial statements for the year ended 31 December 2016 of the Company have been audited by Deloitte Touche Tohmatsu.

On behalf of the Board

Kingsley LEUNG
Chairman

Hong Kong, 24 March 2017

Deloitte. 德勤

TO THE SHAREHOLDERS OF 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)

OPINION

We have audited the consolidated financial statements of Uni-Bio Science Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 63 to 126, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of intangible assets and property, plant and equipment related to drugs at development stage	
We identified the valuation of intangible assets (including technical know-how and capitalised development costs) and property, plant and equipment related to two drugs at final development stage and one drug at early development stage as disclosed in note 22 to the consolidated financial statements as a key audit matter due to significant judgment involved in estimating the recoverable amount of these assets. As at 31 December 2016, the carrying amounts of the intangible assets and property, plant and equipment related to drugs at development stage are HK$220,471,000 and HK$50,688,000, respectively. Determining whether these intangible assets and property, plant and equipment are impaired requires an estimation of the recoverable amount which is higher of the fair value less costs of disposal, or value in use of the cash-generating units ("CGUs") to which the intangible assets and properties, plant and equipment have been allocated. The value in use calculation relies on the management's assumptions and estimates of future operating performance of these drugs and the key data and assumptions applied by the management in the impairment review are: • Discount rates; • Expected long term growth rate; and • Expected launch dates of these new drugs.	Our procedures in relation to valuation of intangible assets and property, plant and equipment related to drugs at development stage included: • Obtaining the valuation reports on the CGUs of these drugs prepared by independent external valuer and evaluating the independent external valuer's competence, and objectivity. • Discussing with the independent external valuer to understand and evaluate the appropriateness of their valuation methodology to determine the recoverable amount. • Checking the management's data and challenging the assumptions used in the valuation report by 1) comparing the inputs with the financial budget approved by the management; 2) assessing the discount rates applied with the support from our internal valuations specialists and comparing the rates to benchmark data; 3) comparing expected long term growth rate to recent industry and economic data and the Group's specific information; 4) challenging the expected launch dates of new drugs by checking the new drugs approval status and the Group's future business plan and 5) evaluating the sensitivity analysis on the cash flow forecast preparing by the management and assessing the impact on the recoverable amount. • Assessing the reasonableness of fair value of drugs at early development stage by comparing recent transaction price of technical know-how of similar drugs at similar development stage in the market.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to significant unobservable inputs and management judgement associated with the determination of the fair value of the investment properties. As disclosed in note 18 to the consolidated financial statements, the carrying amount of the Group's investment properties located in the People's Republic of China was approximately HK$22,245,000 as at 31 December 2016, with a gain arising on change in fair value of investment properties amounting to HK$1,003,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended. In determining the fair value of the relevant properties, the Board of Directors of the Company has set up a valuation team to work with the independent qualified valuer to establish the appropriate valuation techniques and inputs to the model. The fair value of the investment properties were measured using the income approach and the significant unobservable inputs were monthly market rent and term and reversionary yield.	Our procedures in relation to the valuation of investment properties included: • Evaluating the independent qualified valuer's competence, capabilities and objectivity and reviewing their terms of engagement with the Group; • Discussing with the valuer to understand their approaches to determine the fair values of each investment property to assess if the requirements of HKFRS13 Fair Value Measurement and the industry norms have been met; and • Evaluating the appropriateness of monthly market rent used in the valuations of the investment properties comparing the monthly market rent to the term of existing lease or fair market rent for similar properties in similar locations and evaluating whether the term and reversionary yield adopted are comparable to the market.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OTHER INFORMATION (Continued)

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

OTHER INFORMATION (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Sunnie Sy.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
24 March 2017

Consolidated Statement of Profit or Loss and *Other Comprehensive Income*

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	5	**146,489**	123,364
Cost of sales		**(22,625)**	(20,608)
Gross profit		**123,864**	102,756
Other income	7	**4,068**	5,333
Other gains and losses	8	**1,579**	2,632
Gain on disposal of a subsidiary	37	**–**	279
Selling and distribution costs		**(81,148)**	(64,940)
General and administrative expenses		**(75,835)**	(66,489)
Research and development cost		**(18,813)**	(17,160)
Equity-settled share based payment expenses		**(7,038)**	(4,606)
Loss arising due to misappropriation of funds	9	**–**	(9,991)
Share of loss of an associate		**–**	(5,044)
Finance costs	10	**(497)**	–
Loss before taxation	11	**(53,820)**	(57,230)
Income tax expense	12	**(1,907)**	(2,569)
Loss for the year		**(55,727)**	(59,799)
Other comprehensive expense			
Items that may be reclassified subsequently to profits or loss:			
Exchange differences arising on translation on foreign operation		**(26,610)**	(29,860)
Total other comprehensive expenses for the year		**(26,610)**	(29,860)
Total comprehensive expenses for the year		**(82,337)**	(89,659)
Loss per share (HK cents)	13		
Basic		**(1.09)**	(1.20)
Diluted		**(1.09)**	(1.20)

Consolidated Statement of *Financial Position*

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	17	**103,328**	124,777
Investment properties	18	**22,245**	22,549
Prepaid lease payments	19	**11,427**	12,930
Goodwill	20	**–**	–
Intangible assets	21	**220,471**	230,520
Deposits paid for the acquisition of property, plant and equipment	23	**4,216**	1,136
Deposits paid for the acquisition of intangible assets	24	**3,436**	3,291
		365,123	395,203
Current assets			
Inventories	25	**13,052**	9,064
Trade and other receivables	26	**40,250**	41,850
Prepaid lease payments	19	**779**	825
Time deposits	27	**30,773**	–
Bank balances and cash	27	**47,344**	110,014
		132,198	161,753
Current liabilities			
Trade and other payables	28	**36,697**	46,911
Income tax payable		**2,281**	2,532
Bank borrowings	29	**10,990**	–
		49,968	49,443
Net current assets		**82,230**	112,310
Total assets less current liabilities		**447,353**	507,513
Non-current liability			
Deferred tax liability	30	**949**	853
Net assets		**446,404**	506,660
Capital and reserves			
Share capital	31	**51,375**	50,490
Reserves		**395,029**	456,170
Total equity		**446,404**	506,660

The consolidated financial statements on pages 63 to 126 were approved and authorised for issue by the Board of Directors on 24 March 2017 and are signed on its behalf by:

Mr. Kingsley Leung
DIRECTOR

Mr. Chen Dawei
DIRECTOR

Consolidated Statement of *Changes in Equity*

For the year ended 31 December 2016

	Attributable to owners of the Company						
	Share capital HK$'000	**Share premium** HK$'000	**Share-based payment reserve** HK$'000	**Distributable reserve** HK$'000 (Note a)	**Exchange reserve** HK$'000 (Note b)	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 April 2015	49,181	540,569	76,878	1,291,798	77,921	(1,473,222)	563,125
Other comprehensive expense for the year	–	–	–	–	(29,860)	–	(29,860)
Loss for the year	–	–	–	–	–	(59,799)	(59,799)
Total comprehensive expense for the year	–	–	–	–	(29,860)	(59,799)	(89,659)
Recognition of equity-settled share based payments	–	–	4,606	–	–	–	4,606
Issue of ordinary shares upon exercise of share options	1,264	38,219	(11,806)	–	–	–	27,677
Issue of shares upon:							
– exercise of warrants (note 31(i))	45	866	–	–	–	–	911
At 31 December 2015	50,490	579,654	69,678	1,291,798	48,061	(1,533,021)	506,660
Other comprehensive expense for the year	–	–	–	–	(26,610)	–	(26,610)
Loss for the year	–	–	–	–	–	(55,727)	(55,727)
Total comprehensive expense for the year	–	–	–	–	(26,610)	(55,727)	(82,337)
Recognition of equity-settled share based payments	–	–	7,038	–	–	–	7,038
Issue of shares upon:							
– exercise of warrants (note 31(i))	2	33	–	–	–	–	35
– private placement (note 31(ii))	883	14,125	–	–	–	–	15,008
Lapse of vested share options	–	–	(65,126)	–	–	65,126	–
Cancellation of vested share options	–	–	(280)	–	–	280	–
At 31 December 2016	51,375	593,812	11,310	1,291,798	21,451	(1,523,342)	446,404

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

Note b: Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the disposal of the foreign operations.

Consolidated Statement of *Cash Flows*

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000 (restated)
OPERATING ACTIVITIES			
Loss before taxation		**(53,820)**	(57,230)
Adjustments for:			
Amortisation of intangible assets		**4,914**	5,186
Amortisation of prepaid lease payments		**817**	862
Change in fair value of investment properties		**(1,003)**	(2,523)
Depreciation of property, plant and equipment		**22,933**	26,529
Equity-settled share based payment expenses		**7,038**	4,606
Gain on disposal of a subsidiary	37	**–**	(279)
Interest income		**(1,372)**	(2,953)
Interest expense		**497**	–
(Gain) loss on disposal of property, plant and equipment		**(27)**	135
Reversal of impairment on trade receivables		**(549)**	(339)
Share of loss of an associate		**–**	5,044
Operating cash flows before movements in working capital		**(20,572)**	(20,962)
Increase in inventories		**(4,711)**	(1,685)
Decrease (increase) in trade and other receivables		**2,149**	(4,332)
Increase in trade payables and other payables		**1,318**	7,034
Cash used in operations		**(21,816)**	(19,945)
Income tax paid		**(1,875)**	(2,312)
NET CASH USED IN OPERATING ACTIVITIES		**(23,691)**	(22,257)
INVESTING ACTIVITIES			
Funds placed on time deposits		**(30,773)**	–
Purchase of property, plant and equipment		**(12,536)**	(18,837)
Proceeds from disposal of property, plant and equipment		**120**	115
Additions of intangible assets		**(8,042)**	(14,167)
Advance to an associate		**–**	(8,256)
Disposal of a subsidiary	37	**–**	348
Interest received		**1,372**	2,953
NET CASH USED IN INVESTING ACTIVITIES		**(49,859)**	(37,844)
FINANCING ACTIVITIES			
(Repayment to) advance from independent third parties		**(9,662)**	9,662
Proceed from a bank borrowing		**10,990**	–
Proceeds from exercise of warrants		**35**	911
Proceeds from exercise of share options		**–**	27,677
Proceeds from private placement		**15,008**	–
Interest paid		**(497)**	–
NET CASH FROM FINANCING ACTIVITIES		**15,874**	38,250
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(57,676)**	(21,851)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**110,014**	138,126
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(4,994)**	(6,261)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**47,344**	110,014

1. GENERAL

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 address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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.

The Company acts as investment holding company and the principal activities of its subsidiaries are set in note 41.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 *Financial Instruments*

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

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

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

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

HKFRS 9 *Financial Instruments* (Continued)

- 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, the directors of the Company anticipate that the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

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

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

HKFRS 16 *Leases*

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group as lessee has non-cancellable operating lease commitments of approximately HK$1,639,000 as disclosed in note 39. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Amendments to HKAS 7 *Disclosure Initiative*

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

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

Amendments to HKAS 7 *Disclosure Initiative* (Continued)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial have been prepared on the historical cost basis, except for investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls and investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for good sold in the normal course of business, net of discounts and sales related taxes. Revenue is reduced for estimated customer returns and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's policy for recognition of rental income from operating leases is described in the accounting policy for leasing below.

Equity-settled share-based payment transactions

Share options granted to employees/directors

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the share options at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve).

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve.

When the share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the services received at the date the counterparty renders the service, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the counterparty renders the service. The fair values of the services received are recognised as expenses (unless the services qualify for recognition as assets).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs (Continued)

Short-term employee benefits (Continued)

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interests becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Internally-generated intangible assets – research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior reporting periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Effective interest method (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity interests are equity instruments. The warrants are recognised initially at the net proceeds received.

Other financial liabilities

Financial liabilities including trade and other payables and a bank borrowing are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Keys sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of property, plant and equipment

The Group determines whether an item of property, plant and equipment is impaired at least on an annual basis or more frequently where an indication of impairment exists. When there is an indicator of impairment, the Group determines the extent to which property, plant and equipment is impaired, which requires an estimation of the value in use of the cash-generating units (''CGUs") to which they have been allocated or the fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

At 31 December 2016, the carrying amount of property, plant and equipment is HK$103,328,000 (31 December 2015: HK$124,777,000), and management of the Group determined that no impairment loss should be recognised for the years ended 31 December 2016 and 31 December 2015. Details of impairment assessment are disclosed in note 22.

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the recoverable amount which is higher of the fair value less costs of disposal, or value in use of the CGU to which the intangible asset has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or there is downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a further impairment loss may arise. Details of such impairment testing are set out in note 22.

At 31 December 2016, the carrying amount of technical know-how and capitalised development costs are approximately HK$35,874,000 and HK$184,597,000 respectively (31 December 2015: HK$42,966,000 and HK$187,554,000 respectively). During the years ended 31 December 2016 and 31 December 2015, no impairment loss on technical know-how and capitalised development costs were recognised to profit and loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Keys sources of estimation uncertainty (Continued)

Fair value of investment properties

At the end of each reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuer. In determining the fair value, the valuer has used a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. At 31 December 2016, the carrying amount of investment properties measured at fair value was approximately HK$22,245,000 (31 December 2015: HK$22,549,000).

Amortisation of intangible assets

Intangible assets are amortised over their useful lives. The assessment of estimated useful lives is a matter of judgment based on the experience of the Group's management, taking into account factors such as the ability to legally renew the technical know-how, technological progress and changes in market demand. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying value in the period in which the changes take place. As of 31 December 2016, the carrying amount of intangible assets with definite useful life is HK$35,874,000 (31 December 2015: HK$42,966,000), and amortisation of the intangible assets of HK$4,914,000 (31 December 2015: HK$5,186,000) was recognised for the year ended 31 December 2016.

Estimated impairment loss on trade receivables

Impairment of trade receivables is made based on assessment of the recoverability of trade receivables. The assessment involves reviewing aging of trade receivables and assessing the payment history of the debtor. The identification of impairment requires management judgment and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as impairment or write-back of impairment in the period in which such estimate has been changed. At 31 December 2016, the carrying amounts of trade receivables was HK$34,070,000 (31 December 2015: HK$36,057,000), net of allowance for doubtful debts of HK$1,109,000 (31 December 2015: HK$1,729,000).

5. REVENUE

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.

6. 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 in-house chemical pharmaceutical products, (b) manufacture and sale of in-house biological pharmaceutical products, (c) industrialization of in-house biological pipeline and (d) third party pharmaceutical products. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group did not engaged in trading of third party pharmaceutical products for the years ended 31 December 2016 and 31 December 2015, thus no financial information related to this segment is presented. The management of the Group has not considered discontinuation of the segment of third party pharmaceutical products as the Group entered into strategic alliance with independent third parties to sell their pharmaceutical products in coming years.

Segment revenues and results

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

For the year ended 31 December 2016

	Third party pharmaceutical products HK$'000	In-house chemical pharmaceutical products HK$'000	In-house biological pharmaceutical products HK$'000	In-house biological pipeline products HK$'000	Consolidated HK$'000
Segment revenue					
External sales	–	60,488	86,001	–	146,489
Result					
Segment gain (loss)	–	11,199	12,814	(39,052)	(15,039)
Other income					4,068
Change in fair value of investment properties					1,003
Equity-settled share based payment expense					(7,038)
Unallocated administration expenses					(36,317)
Finance costs					(497)
Loss before taxation					(53,820)

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2015

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the results of each segment without allocation of other income, change in fair value of investment properties, loss arising due to misappropriation of funds, gain on disposal of a subsidiary, central administration costs, directors' remuneration, equity-settled share based payment expenses, share of results of an associate and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

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.

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

As at 31 December 2016

	Third Party pharmaceutical products HK$'000	In-house chemical pharmaceutical products HK$'000	In-house biological pharmaceutical products HK$'000	In-house biological pipeline products HK$'000	Consolidated HK$'000
Segment assets	–	73,446	60,557	256,746	390,749
Unallocated assets					106,572
Total assets					497,321
Segment liabilities	–	11,584	19,621	2,607	33,812
Unallocated liabilities					17,105
Total liabilities					50,917

As at 31 December 2015

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

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2016

	Third party pharmaceutical products HK$'000	In-house chemical pharmaceutical products HK$'000	In-house biological pharmaceutical products HK$'000	In-house biological pipeline products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets						
Additions to property, plant and equipment	–	1,006	1,368	2,792	2,420	7,586
Additions to intangible assets	–	–	–	7,897	–	7,897
Amortisation of intangible assets	–	–	–	4,914	–	4,914
Amortisation of prepaid lease payments	–	294	523	–	–	817
Depreciation of property, plant and equipment	–	3,497	5,293	8,773	1,118	18,681
Gain on disposal of property, plant and equipment	–	(1)	(26)	–	–	(27)
Research and development cost	–	–	1,707	17,106	–	18,813
Reversal of impairment loss on trade receivables	–	–	(549)	–	–	(549)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets						
Interest on bank deposits	–	–	(623)	(707)	(42)	(1,372)

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2015

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

Geographical information

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

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

6. SEGMENT INFORMATION (Continued)

Information about major customers

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

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

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

7. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Interest on bank deposits	1,372	2,953
Rental income	2,281	2,315
Sundry income	415	65
	4,068	5,333

8. OTHER GAINS AND LOSSES

	2016 HK$'000	2015 HK$'000
Gain from changes in fair value of investment properties (note 18)	1,003	2,523
Exchange loss, net	–	(95)
Impairment loss reversed on trade receivables	549	339
Gain (loss) on disposal of property, plant and equipment	27	(135)
	1,579	2,632

9. LOSS ARISING DUE TO MISAPPROPRIATION OF FUNDS

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

10. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on bank borrowings	481	–
Interest on advance from independent third parties	16	–
	497	–

11. LOSS BEFORE TAXATION

	2016 HK$'000	2015 HK$'000
Loss before taxation is arrived at after charging:		
Staff costs (including directors' emoluments)		
Salaries, wages and other benefit	34,343	29,581
Retirement benefit scheme contribution	3,324	2,995
Equity-settled share based payment to staff	1,878	1,506
	39,545	34,082
Equity-settled share based payment to consultants	5,160	3,100
Amortisation of intangible assets	4,914	5,186
Amortisation of prepaid lease payments	817	862
Auditor's remuneration	1,870	1,700
Cost of inventories recognised as an expense	22,625	20,608
Operating lease rentals in respect of offices	2,965	2,953
Depreciation	22,933	26,529
Less: Depreciation included in research and development costs	(4,252)	(5,715)
	18,681	20,814
Research and development costs	26,710	36,292
Less: Capitalisation on intangible assets (note 21)	(7,897)	(19,132)
	18,813	17,160
After crediting:		
Equipment rental income	236	249
Property rental income less outgoing	2,045	2,066

12. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
PRC Enterprise Income Tax ("EIT")		
– Current year	**1,599**	1,746
– Under-provision in prior years	**157**	444
	1,756	2,190
Deferred taxation (Note 30)		
– Current year	**151**	379
	1,907	2,569

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

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

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

The income tax expense for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 HK$'000	2015 HK$'000
Loss before taxation	**(53,820)**	(57,230)
Tax at the preferential enterprise income tax rate of 15% (2015: enterprise income tax rate of 15%)	**(8,073)**	(8,585)
Tax effect of non-taxable income	**(6)**	(32)
Tax effect of non-deductible expenses	**4,619**	5,534
Tax effect of deductible temporary difference not recognised	**151**	378
Tax effect of tax losses not recognised	**8,730**	9,477
Under-provision in prior years	**157**	444
Effect of different tax rates of group entities	**(3,671)**	(4,647)
Income tax expense for the year	**1,907**	2,569

13. LOSS PER SHARE

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

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

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

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

14. DIVIDEND

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

15. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

For the year ended 31 December 2016

	Tong Kit Shing (Note a) HK$'000	Kingsley Leung (Note a) HK$'000	Chen Dawei (Note b) HK$'000	Total HK$'000
Executive Directors				
Fee	–	–	–	–
Other emoluments				
Salaries, allowance and benefits in kind	144	618	–	762
Performance related bonuses	12	56	–	68
Equity settled share payment	16	444	–	460
Retirement benefit scheme contribution	8	18	–	26
	180	1,136	–	1,316

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Chow Kai Ming (Note b) HK$'000	Tsao Hoi Ho, Terry (Note c) HK$'000	Dr. Carl Firth HK$'000	Zhao Zhi Gang HK$'000	Total HK$'000
Independent Non-executive Directors					
Fee	180	31	240	240	691
Equity settled share payment	30	–	204	204	438
	210	31	444	444	1,129

15. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

(a) Directors' remuneration (Continued)

For the year ended 31 December 2016 (Continued)

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

For the year ended 31 December 2015

	Tong Kit Shing (Note a) HK$'000	**Kingsley Leung (Note a)** HK$'000	**Total** HK$'000
Executive Directors			
Fee	–	–	–
Other emoluments			
Salaries, allowance and benefits in kind	144	618	762
Equity settled share payment	65	196	261
Retirement benefit scheme contribution	7	18	25
	216	832	1,048

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Fung Kwok Leung (Note d) HK$'000	Total HK$'000
Non-executive Directors		
Fee	**86**	86
Equity settled share payment	**64**	64
	150	150

The non-executive directors' emoluments shown above were mainly for their services as directors of the affairs of the Company.

15. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

(a) Directors' remuneration (Continued)

For the year ended 31 December 2015 (Continued)

	Tsao Hoi Ho, Terry (Note c) HK$'000	Dr. Carl Firth HK$'000	Zhao Zhi Gang HK$'000	Total HK$'000
Independent Non-executive Directors				
Fee	144	240	240	624
Equity settled share payment	104	77	104	285
	248	317	344	909

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Note a: Mr. Tong Kit Shing resigned as chairman and executive director on 13 January 2017. On the same date, Mr. Kingsley Leung was appointed as the chairman.

Note b: Mr. Chow Kai Ming was appointed as independent non-executive director on 1 April 2016.

Note c: Mr. Tsao Hoi Ho, Terry resigned as independent non-executive director on 18 March 2016.

Note d: Mr. Fung Kwok Leung resigned as non-executive director on 18 September 2015.

Subsequent to 31 December 2016, Mr. Chen Da Wei was appointed as executive director on 13 January 2017.

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 36 to the Group's consolidated financial statements.

Upon the resignation of Mr. Liu Guoyao as an executive director and the chief executive officer on 28 February 2014, the duties of the chief executive officer have been temporarily shared by another executive director and key executives, except the chairman, until a suitable successor is appointed.

15. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

(b) Senior management's remuneration

Of the five individuals with highest emoluments in the Group, none (2015: none) were directors of the Company. The emoluments of the remaining five (2015: five) highest paid individuals were as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	**6,225**	5,537
Retirement benefit scheme contributions	**275**	288
Equity-settled share based payments	**630**	598
	7,130	6,423

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2016 No. of employees	2015 No. of employees
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**4**	2
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	1
	5	5

During the year, certain non-director highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 36 to the Group's consolidated financial statements.

(c) No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Company, or as compensation for loss of office for the both years.

16. STAFF COSTS (EXCLUDING DIRECTORS' AND SENIOR MANAGEMENTS' REMUNERATION) AND RETIREMENT BENEFIT PLANS

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	**26,597**	22,572
Retirement benefit scheme contributions	**3,023**	2,682
Equity-settled share based payments	**350**	298
	29,970	25,552

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Group's PRC subsidiaries are members of a state-managed retirement benefit scheme operated by the China government. The subsidiaries are required to contribute based on a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of HK$3,324,000 (2015: HK$2,995,000) represents contributions payable to these plans by the Group for staff (including directors and senior management) at rates specified in the rules of the plans.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings HK$'000	Plant and machinery HK$'000	Fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 April 2015	46,760	232,022	37,154	58,472	4,944	25,285	404,637
Exchange realignment	(2,785)	(16,074)	(588)	(3,190)	(282)	(1,207)	(24,126)
Additions	–	12,303	5,764	5,147	–	1,274	24,488
Disposals	–	(2,181)	(51)	–	–	–	(2,232)
Disposals of a subsidiary	–	–	(14)	–	–	–	(14)
Transfer from construction in progress	–	–	–	6,670	–	(6,670)	–
Transfer to investment properties	(743)	–	–	–	–	–	(743)
At 31 December 2015	43,232	226,070	42,265	67,099	4,662	18,682	402,010
Exchange realignment	(2,577)	(15,042)	(1,025)	(2,951)	(257)	(1,045)	(22,897)
Additions	–	2,362	4,200	668	356	–	7,586
Disposals	–	(39)	(243)	–	(413)	–	(695)
At 31 December 2016	40,655	213,351	45,197	64,816	4,348	17,637	386,004
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 April 2015	28,506	177,972	27,822	31,938	3,684	–	269,922
Exchange realignment	(1,577)	(12,672)	(235)	(2,047)	(221)	–	(16,752)
Provided for the year	2,288	18,435	2,364	3,226	216	–	26,529
Eliminated on disposals	–	(1,946)	(36)	–	–	–	(1,982)
Eliminated on disposals of a subsidiary	–	–	(2)	–	–	–	(2)
Transfer to investment properties	(482)	–	–	–	–	–	(482)
At 31 December 2015	28,735	181,789	29,913	33,117	3,679	–	277,233
Exchange realignment	(1,589)	(12,387)	(476)	(2,302)	(134)	–	(16,888)
Provided for the year	2,159	13,644	3,223	3,760	147	–	22,933
Eliminated on disposals	–	(35)	(207)	–	(360)	–	(602)
At 31 December 2016	29,305	183,011	32,453	34,575	3,332	–	282,676
CARRYING VALUES							
At 31 December 2016	11,350	30,340	12,744	30,241	1,016	17,637	103,328
At 31 December 2015	14,497	44,281	12,352	33,982	983	18,682	124,777

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The leasehold buildings are held in the PRC under short and medium-term leases.

(b) The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis, less their estimated residual value, if any, at the following rates per annum:

Leasehold buildings	Over 5% or the term of lease, if shorter
Plant and machinery	6.6% – 20%
Fixtures and equipment	10% – 20%
Leasehold improvements	5% – 18%
Motor vehicles	15% – 20%

(c) As at 31 December 2016 and 2015, due to the recurring losses incurred by the Group, the management of the Group assessed that the property, plant and equipment for impairment, details of which are set out in note 22.

18. INVESTMENT PROPERTIES

	2016 **HK$'000**	2015 HK$'000
FAIR VALUE		
At the beginning of the year	**22,549**	20,880
Exchange realignment	**(1,307)**	(1,312)
Transfer from property, plant and equipment (Note 17)	**–**	261
Transfer from prepaid lease payment	**–**	197
Net increase in fair value recognised in profit and loss (Note 8)	**1,003**	2,523
At the end of the year	**22,245**	22,549

The investment properties shown above are situated in the PRC (i.e. Shenzhen and Beijing) and held under short and medium-term lease.

The Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

18. INVESTMENT PROPERTIES (Continued)

The fair value of the Group's investment properties as at 31 December 2016 and 31 December 2015 has been arrived at on the basis of a valuation carried out on the respective dates by Roma Appraisal Limited, independent qualified professional valuer not connected to the Group.

In determining the fair value of the relevant properties, the board of directors of the Company has set up a valuation team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

The Group engages third party qualified valuer to perform the valuation. The valuation team works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation team's findings to the board of directors of the Company every year to explain the cause of fluctuations in the fair value of the assets and liabilities.

The fair value was determined based on the income approach, where the market rental of all lettable units of the properties are assessed and discounted at the market yield expected by investors for those type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations.

There has been no change from the valuation technique used in prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair value measurements for all of the Group's investment properties are categorised as level 3 (see note 3). There were no transfers into or out of Level 3 during the year.

As at 31 December 2016, the key inputs used in valuing the investment properties were the term yield of 6% (31 December 2015: 6%), reversionary yield of 6.5% (31 December 2015: 6.5%) and monthly market rent of RMB69 (31 December 2015: RMB67) and RMB24 (31 December 2015: RMB24) per square feet for investment properties in Shenzhen and Beijing respectively. A slight increase in the term yield and reversion yield used would result in a significant decrease in fair value measurement of the investment properties, and vice versa.

During the year ended 31 December 2015, certain leasehold buildings and prepaid lease payment were transferred to investment properties as they were leased out during the year.

19. PREPAID LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
The Group's prepaid lease payments are held under in the PRC as follows:		
Medium-term lease	**8,755**	9,571
Short-term lease	**3,451**	4,184
	12,206	13,755

	2016 HK$'000	2015 HK$'000
Analysed for reporting purposes as:		
Current assets	**779**	825
Non-current assets	**11,427**	12,930
	12,206	13,755

20. GOODWILL

	HK$'000
COST	
At 1 January 2015, 31 December 2015 and 31 December 2016	573,552
ACCUMULATED IMPAIRMENT	
At 1 January 2015, 31 December 2015 and 31 December 2016	573,552
CARRYING VALUES	
At 31 December 2016	–
At 31 December 2015	–

The goodwill was attributed to the CGU of drugs that were at early development stage and was fully impaired in prior years when the Group decided to terminate the development of these drugs.

21. INTANGIBLE ASSETS

	Trademarks and certificates HK$'000 (Note a)	Technical know-how HK$'000 (Note b)	Capitalised development costs HK$'000 (Note c)	Total HK$'000
COST				
At 1 January 2015	263,795	123,840	188,678	576,313
Exchange realignment	(14,987)	(7,386)	(11,179)	(33,552)
Additions	–	8,256	10,876	19,132
At 31 December 2015	248,808	124,710	188,375	561,893
Exchange realignment	(13,918)	(6,976)	(10,900)	(31,794)
Additions (Note f)	–	–	7,897	7,897
At 31 December 2016	234,890	117,734	185,372	537,996
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 January 2015	263,795	81,404	869	346,068
Exchange realignment	(14,987)	(4,846)	(48)	(19,881)
Provided for the year	–	5,186	–	5,186
At 31 December 2015	248,808	81,744	821	331,373
Exchange realignment	(13,918)	(4,798)	(46)	(18,762)
Provided for the year	–	4,914	–	4,914
At 31 December 2016	234,890	81,860	775	317,525
CARRYING VALUES				
At 31 December 2016	–	35,874	184,597	220,471
At 31 December 2015	–	42,966	187,554	230,520

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.

21. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(e) The directors of the Company conducted an impairment review of the Group's intangible assets at the end of the year in view of the recurring losses incurred by the Group. During the years ended 31 December 2016 and 31 December 2015, no impairment loss on technical know-how and capitalised development costs were recognised to profit or loss. Details of such impairment testing are set out in note 22.

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

22. IMPAIRMENT TESTING ON INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

For the purpose of impairment testing, intangible assets and property, plant and equipment set out in notes 21 and 17(c) have been allocated to individual cash generating units (CGUs), comprising of 2 drugs under final development stage, 1 drug under early development stage and the existing drugs. The carrying amounts of intangible assets (net of accumulated amortization and impairment losses) and property, plant and equipment (net of accumulated depreciation and impairment losses) as at 31 December 2016 allocated to these units are as follows:

	Intangible assets	
	2016	2015
	HK$'000	HK$'000
CGUs		
Drug 1 – final development stage	**122,412**	133,509
Drug 2 – final development stage	**58,946**	55,406
Drug 3 – early development stage	**39,113**	41,605
Existing drugs	**–**	–
	220,471	230,520

	Property, plant and equipment	
	2016	2015
	HK$'000	HK$'000
CGUs		
Drug 1 – final development stage	**42,254**	53,414
Drug 2 – final development stage	**6,677**	7,525
Drug 3 – early development stage	**1,757**	2,735
Existing drugs	**48,051**	57,807
Unallocated	**4,589**	3,296
	103,328	124,777

During the years ended 31 December 2016 and 2015, management of the Group determines that there are no impairments of any of the above CGUs because the recoverable amount of the CGUs was higher than their carrying value.

22. IMPAIRMENT TESTING ON INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Drug 1 and drug 2 – final development stage

The recoverable amounts of these two units have been determined based on a value in use calculation. That calculation was based on the cash flow forecasts derived from the most recent financial budgets for the next 9 years approved by the management using the discount rate of 16.62% (31 December 2015: 16.5%) which reflects current market assessments of the time value of money and the risk specific to these two CGUs. The cash flows beyond the 9-year-period are extrapolated for 15 years assuming 3% growth. The directors determine the growth rate based on the management's experience and market data relevant to the pharmaceutical industry, and consider it to be reasonable. There is no impairment loss on intangible assets and property, plant and equipment for the year ended 31 December 2016 and 31 December 2015 for these 2 CGUs.

Drug 3 – early development stage

The recoverable amounts of this unit has been determined based on market approach valuation technique comparing to the transaction price of a similar product currently in the market. There is no impairment loss on intangible assets and property, plant and equipment for the year ended 31 December 2016 and 31 December 2015 for this CGU.

Existing drugs

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation was based on the cash flow forecasts derived from the most recent financial budgets for the next 5 years approved by the management using the discount rate of 14.6% (31 December 2015: 14.5%) which reflects current market assessments of the time value of money and the risk specific to CGUs of existing drugs. There is no impairment loss on intangible assets, property, plant and equipment for the year ended 31 December 2016 and 31 December 2015 for CGUs of existing drugs.

23. DEPOSITS PAID FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 31 December 2016, the carrying amount of deposits paid for the acquisition of property, plant and equipment relates to the purchase of plant and equipment for the expansion of production facilities was approximately HK$4,216,000 (2015: HK$1,136,000).

24. DEPOSITS PAID FOR THE ACQUISITION OF INTANGIBLE ASSETS

As at 31 December 2016, the deposits paid for the acquisition of intangible assets represent an acquisition of manufacturing technology and exclusive rights to distribute an antidiabetic drug and the corresponding consulting fee and a co-development project to develop high quality tablets for treatment of diabetes with independent third parties. The following table gives information about the carrying amount of deposits paid for the acquisition of intangible assets as at 31 December 2016 and 2015 and the total consideration of those acquisitions. The remaining unpaid consideration is disclosed as capital commitment in note 38.

24. DEPOSITS PAID FOR THE ACQUISITION OF INTANGIBLE ASSETS (Continued)

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

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

25. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**6,601**	2,140
Work in progress	**1,223**	2,691
Finished goods	**5,228**	4,233
	13,052	9,064

26. TRADE AND OTHER RECEIVABLES

	Notes	2016 HK$'000	2015 HK$'000
Trade receivables	(i)&(ii)	**35,179**	37,786
Less: Allowance for doubtful debts	(iii)	**(1,109)**	(1,729)
		34,070	36,057
Other receivables and prepayment			
Rental deposit		**653**	665
Rental receivables		**802**	629
Advance to staff		**773**	1,463
Prepayments		**1,016**	1,310
Other		**3,627**	2,458
Less: impairment loss recognised		**(691)**	(732)
		40,250	41,850

Notes:

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

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

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for the customer. Limits attributed to customers are reviewed once a year. As at 31 December 2016, approximately 73% (31 December 2015: 82%) of the trade receivables is neither past due nor impaired.

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

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

26. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(ii) (Continued)

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

	2016 HK$'000	2015 HK$'000
0 to 60 days	**7,172**	2,940
Over 60 days	**2,145**	3,501
Total	**9,317**	6,441

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

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

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

27. TIME DEPOSITS/BANK BALANCES AND CASH

Time deposits with original maturity over three months of HK$30,773,000 as at 31 December 2016 (2015: Nil) carry a fixed interest rate of 2.22% per annum. Bank balances and cash comprised of cash held by the Group and short-term deposits with original maturity of three months or less which carry prevailing deposit interest rate from 0.01% to 1.65% (2015: 0.01% to 2.05%) per annum.

28. TRADE AND OTHER PAYABLES

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

Notes:

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

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

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

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

29. BANK BORROWINGS

	2016 **HK$'000**	2015 HK$'000
Secured bank loan repayable within one year	**10,990**	–

During the year ended 31 December 2016, the Group raised a secured bank borrowing of RMB10,000,000 (equivalent to approximately HK$10,990,000) which carries interest at China Interbank Offered Rate ("CHIBOR")+1.355% and is repayable on 30 March 2017. The loan was secured by a leasehold building, with a net book value of approximately HK$2,100,000, owned by a PRC subsidiary of the Group.

The effective interest rate (which is also equal to the contracted interest rate) on the Group's borrowing is as follow:

	2016	2015
Effective interest rate:		
Variable-rate borrowing	**5.955%**	N/A

30. DEFERRED TAX LIABILITY

The following are movements of the deferred tax liability recognised from the revaluation of investment properties during the years:

	2016 **HK$'000**	2015 HK$'000
At beginning of the year	**853**	520
Exchange realignment	**(55)**	(46)
Credit to profit or loss	**151**	379
At the end of the year	**949**	853

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

At 31 December 2016, the Group has unused tax losses of HK$93,342,000 (2015: HK$71,772,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profits streams. The losses will expire within five years from the year in which they arose.

30. DEFERRED TAX LIABILITY (Continued)

The unused tax losses will expire in the following years:

	2016 HK$'000	2015 HK$'000
2016	–	16,988
2017	9,353	9,353
2018	4,568	4,568
2019	10,465	10,465
2020	30,398	30,398
2021	38,558	–
Total unused tax losses	93,342	71,772

Under the EIT Law of PRC, withholding tax is imposed on dividends in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the accumulated profits at a PRC subsidiary amounting to HK$23,917,000 (31 December 2015: HK$13,607,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31. SHARE CAPITAL

	Notes	Number of shares	Amount HK$'000
Ordinary share of HK$0.01 each			
Authorised:			
At 1 January 2015, 31 December 2015 and 31 December 2016		500,000,000,000	5,000,000
Issued and fully paid:			
At 1 January 2015		4,918,091,481	49,181
Exercise of warrants	(i)	4,558,648	45
Exercise of share options		126,380,000	1,264
At 31 December 2015		5,049,030,129	50,490
Exercise of warrants	(i)	178,018	2
Private placement	(ii)	88,280,000	883
At 31 December 2016		5,137,488,147	51,375

Notes:

(i) During the year ended 31 December 2016, 178,018 (2015: 4,558,648) warrants were exercised at a price of HK$0.20 into 178,018 (2015: 4,558,648) ordinary shares of HK$0.01 each in the Company. The proceeds from the exercise of warrants was approximately HK$35,000 (2015: HK$911,000).

(ii) On 27 June 2016, arrangements were made for a private placement to an independent private investor of 88,280,000 ordinary shares of HK$0.01 each, at a price of HK$0.170 per ordinary share, representing a premium of approximately 3.03% to the closing market price of the Company's ordinary shares on 24 June 2016.

The proceeds were used to reduce borrowings and to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 8 May 2015.

All shares issued during the years rank pari passu with the existing shares in all respects.

32. STATEMENT OF FINANCIAL POSITIONS AND RESERVES OF THE COMPANY

	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES		
NON-CURRENT ASSET		
Investment in a subsidiary	**644,305**	624,994
CURRENT ASSETS		
Deposits and prepayments	**449**	614
Bank balances and cash	**413**	13,903
	862	14,517
CURRENT LIABILITIES		
Amounts due to subsidiaries	**1,100**	1,100
Other payables and accruals	**2,316**	2,148
	3,416	3,248
NET CURRENT (LIABILITIES) ASSETS	**(2,554)**	11,269
NET ASSETS	**641,751**	636,263
CAPITAL AND RESERVES		
Share capital	**51,375**	50,490
Reserves	**590,376**	585,773
TOTAL EQUITY	**641,751**	636,263

Mr. Kingsley Leung
DIRECTOR

Mr. Chen Dawei
DIRECTOR

32. STATEMENT OF FINANCIAL POSITIONS AND RESERVES OF THE COMPANY (Continued)

Movement in reserves

	Share premium HK$'000	Share-based payment reserve HK$'000	Distributable reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	540,569	76,878	1,291,798	(1,349,280)	559,965
Total comprehensive income for the year	–	–	–	(6,077)	(6,077)
Equity-settled share based payment	–	4,606	–	–	4,606
Exercise of share options	38,219	(11,806)	–	–	26,413
Issue of ordinary shares upon:					
– exercise of warrants	866	–	–	–	866
At 31 December 2015	579,654	69,678	1,291,798	(1,355,357)	585,773
Total comprehensive income for the year	–	–	–	(16,593)	(16,593)
Equity-settled share based payment	–	7,038	–	–	7,038
Lapse of share options	–	(65,126)	–	65,126	–
Cancellation of share options	–	(280)	–	280	–
Issue of ordinary shares upon:					
– exercise of warrants	33	–	–	–	33
– subscription of shares	14,125	–	–	–	14,125
At 31 December 2016	593,812	11,310	1,291,798	(1,306,544)	590,376

33. WARRANT

On 4 October 2013, the Company completed the open offer ("Open Offer") on the basis of 1 offer share for every 1 existing share held on the record date with 1 bonus share for every 1 offer share taken up, for every two offer shares taken up in the Open Offer one bonus warrant would be issued. A total of 782,423,147 units of the warrants with an aggregate subscription amount of HK$156,484,629 were issued on 4 October 2013. Each of the warrants confers rights to the registered holder to subscribe for one new share of the Company in cash at an initial subscription price of HK$0.20 per share, subject to anti-dilutive adjustment, at any time from the date of issue up to and including 21 September 2016.

During the year ended 31 December 2016, 178,018 (2015: 4,558,648) new shares of the Company of HK$0.01 each were issued upon the exercise of the warrants. The outstanding 554,133,878 units of warrants were lapsed during the year.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes a bank borrowing and equity attributable to owners of the Company, comprising share capital and reserves.

The directors review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues.

35. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**117,351**	150,554
Financial liabilities		
Liabilities at amortised cost	**39,567**	40,832

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and a bank borrowing. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

35. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

None of the Group entities had any significant sales or purchases denominated in currencies other than the functional currency of the relevant group entities. Thus, the Group does not have any currency risk exposure.

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed rate bank deposits (note 27) and cash flow interest rate risk relates primarily to a variable rate bank borrowing (note 29). The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Management of the Group are of the opinion that the Group's exposure to interest rate risk is minimal. Accordingly, no interest rate risk sensitivity analysis is presented.

Credit risk

As at 31 December 2016 and 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties or debtors is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that the follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that Group's credit risk is significantly reduced.

The credit risk on liquid funds and concentration of credit risk are limited because the counterparties are banks with high credit ratings.

As at 31 December 2016, the Group has concentration of credit risk of approximately 9% (2015: 14%) and 27% (2015: 27%) of the total trade receivables due from the Group's largest customer and the five largest customers respectively. As at 31 December 2016 and 31 December 2015, all trade receivables were from customers located in the PRC.

35. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

The Group has net current assets amounting to approximately HK$82,230,000 at 31 December 2016 (2015: HK$112,310,000).

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The contractual maturity dates for all non-derivative financial liabilities as at 31 December 2016 and 31 December 2015 are less than 1 year or on demand. The carrying amount of non-derivative financial liabilities is approximately to their total undiscounted cash flows.

c. Fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. SHARE OPTIONS

On 26 September 2016, a New Share Option Scheme was adopted by the Company ("2016 Scheme") and replaced the share option scheme approved on 22 September 2006.

Under the 2016 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 development and growth of the Group. Eligible Participants include (i) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which 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 adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the New Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

36. SHARE OPTIONS (Continued)

At 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 213,040,000 (2015: 594,666,000), representing 4.15% (2015: 11.78%) of the ordinary shares in issue at that date.

Details of the share option movements during the year ended 31 December 2016 and 31 December 2015 under the 2016 Scheme are as follows:

Share options grant date	Outstanding at 1.1.2016 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000 (Note 1)	Cancelled during the year '000 (Note 2)	Outstanding at 31.12.2016 '000
26 May 2009 Others	72,986	–	–	(72,986)	–	–
27 November 2013 Directors	600	–	–	(600)	–	–
27 November 2013 Employees	26,980	–	–	(26,980)	–	–
27 November 2013 Others	313,940	–	–	(310,940)	(3,000)	–
12 September 2014 Directors	8,560	–	–	–	–	8,560
12 September 2014 Others	360	–	–	–	–	360
23 January 2015 Employees	10,880	–	–	–	–	10,880
23 January 2015 Others	33,100	–	–	–	–	33,100
10 July 2015 Directors	7,260	–	–	–	–	7,260
17 August 2015 Others	120,000	–	–	–	–	120,000
27 January 2016 Employees	–	20,700	–	–	–	20,700
27 January 2016 Others	–	1,300	–	–	–	1,300
7 October 2016 Directors	–	10,880	–	–	–	10,880
	594,666	32,880	–	(411,506)	(3,000)	213,040
Exercisable at the end of the year						64,559
Weighted average exercise price	HK$0.31	HK$0.17	–	HK$0.34	HK$0.22	HK$0.22

36. SHARE OPTIONS (Continued)

Share options grant date	Outstanding at 1.1.2015 '000	Granted during the year '000	Exercised during the year (Note 3) '000	Lapsed during the year '000	Cancelled during the year '000	Outstanding at 31.12.2015 '000
26 May 2009 Others	72,986	–	–	–	–	72,986
27 November 2013 Directors	600	–	–	–	–	600
27 November 2013 Employees	26,980	–	–	–	–	26,980
27 November 2013 Others	440,320	–	(126,380)	–	–	313,940
12 September 2014 Directors	8,560	–	–	–	–	8,560
12 September 2014 Others	360	–	–	–	–	360
23 January 2015 Employees	–	10,880	–	–	–	10,880
23 January 2015 Others	–	33,100	–	–	–	33,100
10 July 2015 Directors	–	7,260	–	–	–	7,260
17 August 2015 Others	–	120,000	–	–	–	120,000
	549,806	171,240	(126,380)	–	–	594,666
Exercisable at the end of the year						451,986
Weighted average exercise price	HK$0.31	HK$0.23	HK$0.22	–	–	HK$0.31

Note 1: The number of vested share options was lapsed due to expiration of the share options.

Note 2: The number of share options vested in prior years and cancelled during the year ended 31 December 2016 as agreed between the Group and the grantees as the exercise price is out-of-money.

Note 3: In respect of the share options exercised during the year, the weighted average share price at the date of exercise was HK$0.22.

(i) Share options granted on 7 October 2016

On 7 October 2016, 10,880,000 were granted to the Directors and the estimated fair value of the options granted was approximately HK$677,065. The share option will be exercisable from 7 October 2016 to 6 October 2026. Among the aggregate of 10,880,000 share options granted, 3,629,000 share options were vested during the year ended 31 December 2016. The remaining shares options will be vested in 2 tranches with 3,629,000 and 3,622,000 share options to be vested on 7 October 2017 and 7 October 2018 respectively. The share options will vest automatically provided that the directors still remain in office on the vesting date.

The fair values of the share options granted on 7 October 2016 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.170 per share
Exercise price	HK$0.171 per share
Expected volatility	54.687%
Expected Life	9.995 years
Risk-free rate	0.985%
Expected dividend rate	0%

36. SHARE OPTIONS (Continued)

(ii) Share options granted on 27 January 2016

On 27 January 2016, 22,000,000 were granted to the employees and certain other parties providing similar services and the estimated fair value of the options granted was approximately HK$1,832,942. The share option will be exercisable from 27 January 2016 to 26 January 2026. Among the aggregate of 22,000,000 share options granted, 7,400,000 share options were vested during the year ended 31 December 2016. The remaining shares options will be vested in 2 tranches with 7,400,000 and 7,200,000 share options to be vested on 27 January 2017 and 27 January 2018 respectively. The share options will vest automatically provided that the employees still remain in office on the vesting date.

The fair values of the share options granted on 27 January 2016 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.172 per share
Exercise price	HK$0.172 per share
Expected volatility	55.670%
Expected Life	9.998 years
Risk-free rate	1.567%
Expected dividend rate	0%

(iii) Share options granted on 17 August 2015

On 17 August 2015, 120,000,000 share options were granted to certain selected external participants who have contributed to the business development and growth of the Group and the estimated fair value of the options granted was approximately HK$7,684,800. The share options will be exercisable from 17 August 2017 to 16 August 2025 subject to certain performance conditions. Among the aggregate of 120,000,000 share options granted, 60,000,000 share options were vested during the year ended 31 December 2016 upon the services provided fulfilling the conditions as set out in their service agreements. The remaining share options will be vested on or before 17 August 2017, provided these consultants had fulfilled the conditions as set out in their service agreements and the services are rendered.

The fair values of the share options granted on 17 August 2015 were calculated using the Binomial model at the date of service. The inputs into the model were as follows:

Spot price (closing price of date of service)	HK$0.145 per share
Exercise price	HK$0.237 per share
Expected volatility	52.103%
Expected Life	9.072 years
Risk-free rate	0.895%
Expected dividend rate	0%

(iv) Share options granted on 10 July 2015

On 10 July 2015, 7,260,000 were granted to the Directors and the estimated fair value of the options granted was approximately HK$654,000. The share option will be exercisable from 10 July 2015 to 9 July 2025. Among the aggregate of 7,260,000 share options granted, 1,920,000 share options were vested immediately on 10 July 2015 and 2,670,000 share options were vested during the year ended 31 December 2016. The remaining shares options will be vested on 10 July 2017. The share options will vest automatically provided that the directors still remain in office on the vesting date.

36. SHARE OPTIONS (Continued)

(iv) Share options granted on 10 July 2015 (Continued)

The fair values of the share options granted on 10 July 2015 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.215 per share
Exercise price	HK$0.215 per share
Expected volatility	57.020%
Expected Life	9.998 years
Risk-free rate	1.827%
Expected dividend rate	0%

(v) Share options granted on 23 January 2015

On 23 January 2015, 43,980,000 were granted and the estimated fair value of the options granted was approximately HK$5,648,000. Among the aggregate of 43,980,000 share options granted, 10,880,000 share options are granted to the employees of the Company and 33,100,000 share options are granted to others who provides business alliance and development advice to the Group. The share options will be exercisable from 23 January 2015 to 22 January 2025.

For the 10,880,000 share options granted to employees, 5,520,000 share options were vested immediately on 23 January 2015 and 3,500,000 share options were vested during the year ended 31 December 2016. The remaining share options will be vested on 23 January 2017.

For the 33,100,000 share options granted to the other participant, 21,120,000 share options were vested immediately on 23 January 2015 and 9,880,000 share options were vested during the year ended 31 December 2016. The remaining share options will be vested on 23 January 2017, provided the directors determine that this consultant continue to make contribution to the Group's business development on the vesting date. The vesting date for the share options granted to this consultant was determined by the directors with the aim to provide incentive and rewards for the consultant's contribution to the Group and to allow the directors to review the consultant's contribution to the business from time to time.

The fair values of the share options granted on 23 January 2015 were calculated using the Binomial model. The inputs into the model were as follows:

Spot price (closing price of grant date)	HK$0.230 per share
Exercise price	HK$0.230 per share
Expected volatility	57.575%
Expected Life	9.998 years
Risk-free rate	1.445%
Expected dividend rate	0%

The Group recognised expenses of HK$7,038,000 for the year ended 31 December 2016 (2015: HK$4,606,000) in relation to share options granted by the Company.

37. DISPOSAL OF A SUBSIDIARY

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

Analysis of assets and liabilities over which control was loss:

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

Gain on disposal of a subsidiary:

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

Net cash inflow on disposal of a subsidiary:

	2015 HK$'000
Cash consideration	388
Less: bank balance disposed of	(40)
	348

38. CAPITAL COMMITMENT

	2016 **HK$'000**	2015 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– purchase of property, plant and equipment	**9,319**	1,666
– purchase of intangible asset (note 24)	**22,200**	18,254
	31,519	19,920

39. OPERATING LEASE

The Group as lessor

Property rental income earned during the year ended 31 December 2016 was approximately HK$2,281,000 (2015: HK$2,315,000). The investment properties held have committed tenants for the next two years (2015: one year). At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	2016 HK$'000	2015 HK$'000
Within one year	2,353	475
In the second to fifth years inclusive	691	–
	3,044	475

The Group as lessee

The Group leases certain of its office premises under operating lease arrangements. Leases are negotiated for a term ranging from one to three years (2015: one to three years). The Group does not have an option to purchase the leased asset at the expiry of the lease period. At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due are as follows:

	2016 HK$'000	2015 HK$'000
Within one year	1,039	1,360
In the second to fifth years inclusive	600	1,652
	1,639	3,012

40. RELATED PARTY TRANSACTIONS

Key management compensation

The key management personnel of the Group comprises all the directors of the Company and the five highest paid individuals. Details of compensation of directors and the five highest paid individuals are included in Note 15.

There are no other related party transactions during the year (2015: Nil).

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of major subsidiaries at 31 December 2016 and 31 December 2015 are as disclosed follows:

Name	Place of incorporation/ establishment and operation	Principal activities	Proportion of ownership interest and voting power held by the Company		Particulars of issued and paid up share capital
			31 December 2016	31 December 2015	
Directly held					
Lelion Holding Limited	British Virgin Islands/ Hong Kong	Investment holding	**100%**	100%	2 Ordinary shares of US$1 each
Indirectly held					
Uni-Bio Management Limited	Hong Kong	Provision of management services	**100%**	100%	1 Ordinary share of HK$1
Uni-Bioscience Pharm Co. Limited	Hong Kong	Distribution of pharmaceutical products	**100%**	100%	1 Ordinary share of HK$1
Dongguan Taili Biotech Co., Limited 東莞太力生物工程有限公司	The PRC	Research and development	**100%**	100%	Contributed capital of HK$120,000,000
Beijing Genetech Pharmaceutical Co., Limited 北京博康健基因科技有限公司	The PRC	Manufacture and sales of chemical and biological products	**100%**	100%	Contributed capital of RMB91,000,000
Shenzhen Watsin Genetech Limited 深圳市華生元基因工程發展有限公司	The PRC	Manufacture and sales of biological products	**100%**	100%	Contributed capital of RMB100,000,000
Uni-Bio Science Healthcare (Beijing) Co. Limited 聯康永泰生物科技（北京）有限公司	The PRC	Sales and marketing	**100%**	100%	Contributed capital of RMB500,000

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries are either investment holding or inactive would, in the opinion of the directors, result in particulars of excessive length.

42. RECLASSIFICATION

The cash flow of the advance from independent third parties for the year ended 31 December 2015 has been reclassified from operating activities to financing activities to conform with the current year's presentation.

Five-Year *Financial Summary*

A summary of the consolidated results and of the assets and liabilities of the Group for the past five financial periods is set out below:

	For the year ended 31.12.2016 HK$'000	For the year ended 31.12.2015 HK$'000	For the nine months ended 31.12.2014 HK$'000	**For the year ended 31 March** 2014 HK$'000	2013 HK$'000
TURNOVER	**146,489**	123,364	91,793	102,624	83,333
LOSS BEFORE TAXATION	**(53,820)**	(57,230)	(41,043)	(364,197)	(68,263)
INCOME TAX EXPENSE	**(1,907)**	(2,569)	(1,391)	(1,933)	(1,045)
LOSS FOR THE YEAR /PERIOD	**(55,727)**	(59,799)	(42,434)	(366,130)	(69,308)
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**(55,727)**	(59,799)	(42,434)	(366,130)	(69,308)
LOSS FOR THE YEAR/PERIOD	**(55,727)**	(59,799)	(42,434)	(366,130)	(69,308)

ASSETS AND LIABILITIES

	As at 31 December			**As at 31 March**	
	2016	2015	2014	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**497,321**	556,956	596,668	692,915	873,939
TOTAL LIABILITIES	**(50,917)**	(50,296)	(33,543)	(94,693)	(174,431)
EQUITY	**446,404**	506,660	563,125	598,222	699,508

Corporate *Information*

BOARD OF DIRECTORS

Executive Directors

Mr. Kingsley LEUNG
(appointed as *Chairman* on 13 January 2017)
Mr. CHEN Dawei
(appointed as *Vice-chairman* on 13 January 2017)
Mr. TONG Kit Shing (retired on 13 January 2017)

Independent Non-Executive Directors

Dr. Carl Aslan Jason Morton FIRTH
Mr. ZHAO Zhi Gang
Mr. CHOW Kai Ming (appointed on 1 April 2016)
Mr. TSAO Hoi Ho, Terry (resigned on 18 March 2016)

AUDIT COMMITTEE

Mr. CHOW Kai Ming (appointed on 1 April 2016)
(Chairman of the Audit Committee)
Dr. Carl Aslan Jason Morton FIRTH
Mr. ZHAO Zhi Gang
Mr. TSAO Hoi Ho, Terry (resigned on 18 March 2016)

REMUNERATION COMMITTEE

Dr. Carl Aslan Jason Morton FIRTH
(Chairman of the Remuneration Committee)
Mr. ZHAO Zhi Gang
Mr. CHOW Kai Ming (appointed on 1 April 2016)
Mr. TSAO Hoi Ho, Terry (resigned on 18 March 2016)
Mr. TONG Kit Shing (retired on 13 January 2017)

NOMINATION COMMITTEE

Mr. Kingsley LEUNG (appointed as *Chairman of the Nomination Committee* on 13 January 2017)
Dr. Carl Aslan Jason Morton FIRTH
Mr. ZHAO Zhi Gang
Mr. CHOW Kai Ming (appointed on 1 April 2016)
Mr. TSAO Hoi Ho, Terry (resigned on 18 March 2016)
Mr. TONG Kit Shing (retired on 13 January 2017)

COMPANY SECRETARY

Ms. YAU Suk Yan

AUTHORIZED REPRESENTATIVES

Mr. Kingsley LEUNG
Mr. CHEN Dawei

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

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