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

2017 Interim Report 中期報告

心創造新醫藥
LEADING GENUINE INNOVATION

* For identication purposes only 僅供識別

於2017年7月18日與香江集團簽署戰略合作協議－聯康生物主席兼執行董事梁國龍先生（前排左）與香江集團副總裁暨香江金融集團董事長劉根森先生（前排右）

Sign for strategical cooperation agreement with HeungKong Group on 18 July 2017 - Mr. Kingsley Leung, Chairman and Executive Director of Uni-Bio (left on the front), and Mr. Sam Lau, Deputy Chairman of HeungKong Group and Chairman of HeungKong Financial Group Limited (right on the front)

梁國龍先生在2017年7月18日簽署儀式後接受《証券時報》媒體網採訪

Kingsley Leung is in the media interview by China Fund after the press conference for signing ceremony with HeungKong Group 18th July, 2017

2017年8月16日於北京博康健生產基地進行反向路演，邀請約32家媒體及專業投資機構參加

Reverse roadshow held at Beijing Genetech production base with around 32 media and professional investment institutions to participate on 16th August, 2017

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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

AUDIT COMMITTEE

Mr. CHOW Kai Ming
(Chairman of the Audit Committee)
Dr. Carl Aslan Jason Morton FIRTH
Mr. ZHAO Zhi Gang

REMUNERATION COMMITTEE

Dr. Carl Aslan Jason Morton FIRTH
(Chairman of the Remuneration Committee)
Mr. ZHAO Zhi Gang
Mr. CHOW Kai Ming
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
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

REGISTERED OFFICE

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Cayman Islands

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISERS AS TO HONG KONG LAW

Leung & Lau

STOCK CODE

0690

WEBSITE

www.uni-bioscience.com

KEY FINANCIAL HIGHLIGHTS

For the six months ended 30 June (Unaudited)

	2017	2016	**Changes (%)**
Revenue (HK$'000)	**62,945**	69,455	-9.4
Gross profit (HK$'000)	**52,525**	58,604	-10.4
R&D expenses (including capitalization) (HK$'000)	**15,278**	(10,719)	42.5
Loss before taxation (HK$'000)	**(33,512)**	(24,127)	38.9
LBITA (HK$'000)[1]	**(17,908)**	(9,176)	95.2
Gross profit margin (%)	**83.4%**	84.4%	
R&D costs to revenue (%)	**24.3%**	15.4%	

As at 30 June/31 December

	2017	2016
Cash ratio (times)[2]	**1.44**	1.56
Current ratio (times)[3]	**3.60**	2.65
Trade payables turnover days (days)[4]	**70**	58
Trade receivables turnover days (days)[5]	**94**	81
Inventory turnover days (days)[6]	**213**	179
Debt-to-equity ratio (%)[7]	**6.1%**	11.4%
Total assets turnover (%)[8]	**27.5%**	29.5%

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 the number of days of the relevant period

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

(6) Inventory turnover days: Average of opening and closing balances on inventory/cost of sales and multiplied by the number of days of the relevant period

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

(8) Total assets turnover ratio: Total revenue/total assets

The board (the "**Board**") of directors (the "**Directors**") of the Uni-Bio Science Group Ltd. (the "**Company**", together with its subsidiaries, the "**Group**" or "**Uni-Bio**") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2017 (the "**Period under Review**" or the "**Period**") as follows:

KEY FINANCIAL HIGHLIGHTS

UNAUDITED FINANCIAL FIGURES BASED ON REPORTABLE SEGMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016 AND 2017

	Period ended 30 June		
	2017	2016	**Change**
	HK$'000	HK$'000	
Revenue from sales of in-house pharmaceutical products	**62,945**	69,455	–9.4%
Cost of sales	**(10,420)**	(10,851)	–4.0%
Gross profit	**52,525**	58,604	–10.4%
Other net loss	**(11)**	(5)	120.0%
Selling and distribution expenses	**(27,067)**	(33,521)	–19.3%
General and administrative and other expenses	**(11,275)**	(7,588)	48.6%
Operating income from marketed biological and chemical pharmaceutical products	**14,172**	17,490	–19.0%
Other income & other loss	**3,181**	2,141	48.6%
Expenses incurred for pipeline products and future projects	**(27,681)**	(15,348)	80.4%
Other administration expenses	**(18,809)**	(22,448)	–16.2%
Finance costs	**(174)**	(153)	13.7%
Equity-settled share based payment expenses	**(4,201)**	(5,809)	–27.7%
Loss before taxation	**(33,512)**	(24,127)	38.9%

OVERVIEW

As the unaudited financial figures in the above table shows, our operating income from marketed biological and chemical pharmaceutical products has decreased by 19.0% for the Period. This is a result of the unit price drop pressure among People's Republic of China's ("**PRC**") pharmaceutical market which recently undergo a major transformation. Together with the change of sales model of GeneSoft® for deducted sales and distribution expenses from revenue, the overall gives profits recorded for the Period slightly decreased by 10.4% when compare to the same corresponding period in 2016. The Company still stays a positive towards coming business performance with the new launch for Mitiglinide and strengthen our commercialization platform.

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. Overall expenses incurred for pipeline products and future projects increased by 80.4% when compared between the six months ended 30 June 2016 and 2017. The significant increment is mainly related to the establishment of new research initiatives in chemical drugs development, Acarbose and development of liquid formulations of the Group's property biological assets, Uni-E4 and Uni-PTH.

Further details of business performance of the Group for the six months ended 30 June 2017 are summarized in the following "MANAGEMENT DISCUSSION AND ANALYSIS" section.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE AND REVIEW

Sales Developments

During the Period under Review, the Group recorded a consolidated turnover of approximately HK$62,945,000 representing a decrease of 9.4% compared with approximately HK$69,455,000 recorded in the corresponding period in 2016. During the Period, the RMB devalued against the HKD, therefore the sales decrease adjusted for forex fluctuations was -5.4%.

Booked revenue for GeneSoft® has decreased significantly as a result of the change in commercial structure from the national distributorship of China Resources Zizhu Pharmaceutical Co., Ltd. ("**China Resource ZiZhu**"). All sales and distribution expense are now deducted from the total invoiced amount according to the agreed model. Concurrently, the sales and distribution expenses as a share of the revenue has also dropped significantly (see Sales and Distribution Expenses), demonstrating potential for increased profitability of this partnership. This change in model, together with the pressure on unit price drop in PRC, are inevitable as new policies bring major transformation to the industry. While these headwinds are expected to affect the Group's top-line growth rate in the short term, the Group's 3-year compounded annual growth rate is strong at 12.3% since 2014, almost double that of the overall PRC pharmaceutical market (6.8%) according to IMS (May).

The Group has maintained its strategic focus in accelerating growth through 1) well managed tenders led by the Market Access department; 2) strengthening the commercial platform; and 3) successful penetration into new growth provinces.

Drug pricing in all provinces and municipals is exerting negative pressure on prices across the industry where overall growth has not overcome the decrease in unit prices. Broadly, industry growth has considerably decelerated to just around 5% recently, from over 20% in 2014. These changes have caused companies to be more discretionary about the provincial tenders in which they participate, even exiting from some provincial tenders where the prices demanded by the provincial authorities were deemed to be unsustainable. The Group's portfolio strategy focuses on developing innovative therapies, which benefit from a strong competitive profile. This has buffered the impact of the new tendering mechanisms and price revisions on the Group's financial performance in the Period. The Market Access Department has continued to manage all tenders during the Period under Review and work seamlessly with the salesforce such that the Group enjoyed consistent access in key provinces without significant impact from the price cut trends. Based on this success, the Board is expanding the Market Access Department to enhance reach and help the Group realize the significant potential of unit quantity growth in PRC. The Group is still undertaking tendering in a number of provinces which are expected to be completed by the end of 2017.

During the Period, the Group appointed Mr. Winston Xue as General Manager of Uni-Bio Science Healthcare Limited and continues to expand the salesforce with more senior positions across China, creating a more vertically integrated commercial team structure. This is in-line with the Group's strategic pledge in 2016 to establish a highly qualified and experienced Sales and Marketing team. The Group continues to observe the benefits of this strategy through strong and transparent relationships being forged with healthcare professionals throughout China. Under Mr. Xue's leadership, the Group is confident that its expansion plan will yield robust business growth. For the Period under review, the Group has continued to increase investment its direct salesforce and regional distributors. It is expected that by the end of 2017, our commercial platform workforce will be increased by over 50% compared to 2016 year end. The Group continues to invest heavily in expanding the direct and regional distributors over the Period under Review.

In the Period under review, the Group has further refined the Sales and Marketing function into three major divisions, to consolidate and refine responsibilities and function across the organisation:

I. Sales Operations Management oversees the distribution of goods across all channels such that the Group can ensure good control of each sales channels;

II. Distributor Management focuses on the distributor contracts and standardizes all distributor workflows to shorten the feedback loop; and

III. Salesforce Management leads the capability development of the in-house salesforce to develop long-term key opinion leader (KOL) networks.

The Group firmly believes that these divisions allow for more flexibility and specialisation, allowing Sales and Marketing to adapt to become fully compliant with the new Two-Invoice System, expected to be fully implemented by the end of 2018, as well as strengthening the communication, information management, and resources allocation.

Proprietary biological pharmaceutical products

The Group's proprietary biological pharmaceutical products include GeneTime® (EGF spray indicated for wound healing) and GeneSoft® (EGF-derivative eye drop indicated for corneal damage and post-operative healing). During the Period, sales of proprietary biological pharmaceutical products decreased by 6.6% to HK$34,972,000, excluding forex fluctuations. Proprietary biological pharmaceutical products represents approximately 55.6% of total consolidated sales in the Period under review, comparable to the previous corresponding period.

GeneTime®

During the Period, GeneTime® continued to see success in a new therapeutic area of Obstetrics and Gynecology. GeneTime® revenue grew 3.4% (excluding forex fluctuations) attributed to the addition of new distributors in Ningxia and Yunnan, bringing GeneTime® to new hospitals, 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 while protecting the price of our products. Despite challenge, the team managed to win a new tender opportunity in Ningxia, further extending the reach of GeneTime®. The constantly changing landscape of the provincial tenders is an ongoing challenge for the Group. 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 from the backlash of the national 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 is required to be transported by the China Food and Drug Administration ("**CFDA**") approved Good Sales Practice ("**GSP**") logistic companies to ensure that the product is delivered according to the updated supply chain requirements.

The Group will continue to accelerate the growth of the product through more field activities and relationships with new hospitals and distributors.

GeneSoft®

In the Period under review, the Group continued the momentum of GeneSoft®, winning new tenders in Hubei and increasing the national coverage of the product to 77% of provinces. Under the new sales model with China Resources Zizhu, where sales and distribution expenses are deducted from the invoiced amount, the revenue decreased by 29.3% (excluding forex fluctuation) compared to the previous corresponding period. But this does not translate to a drop in profitability as the revenue decrease is mainly due to sales and distribution expenses deduction. Government price cut pressure contributed further to this decrease. To leverage the success of expansion in tendering provinces, the Group is currently seeking reimbursement for GeneSoft® and exploring opportunities for other existing products.

Proprietary chemical pharmaceutical products

The Group's proprietary chemical pharmaceutical product sales represent the sales of Pinapu (*voriconazole* tablet to treat severe fungal infections). This segment achieved a turnover of HK$27,973,000 in the Period, a minor decrease of 3.8% (excluding forex fluctuations) versus the corresponding sales of HK$30,362,000. Chemical pharmaceutical products represented approximately 44.4% of total consolidated sales compared to 43.7% in the last corresponding Period.

Sales volume of Pinapu grew 14.4% over the Period. More than half of the growth of Pinapu is attributed from successful and well-managed tenders, including new tenders in Ningxia and Hubei over the Period. The remaining growth of Pinapu is a result of excellent field work by the sales team, successfully opening new markets in Xinjiang (new additional distributor), Shanghai (new team), as well as motivating the Group's distributors to increase sales, most notably a 250% sales quantity increase in both Heilongjiang and Anhui compared to the last corresponding period. Nevertheless, the good volume growth is being affected by pricing discounts, which is more prominent in chemical products. The Market Access team is closely monitoring the pricing of Pinapu to ensure long-term sustainability to the product growth.

In April 2017, Mitiglinide, a new oral antidiabetic drug, was launched in Fujian province under the brand name Bokangtai®. Mitiglinide belongs to the glinides class of blood glucose lowering compounds. In addition to its antidiabetic efficacy, it is also known to improve postprandial hyperglycemia with a favourable safety profile, giving it the potential to become a best-in-class drug. Bokangtai® has received New Drug Approval as a first and/or second line of treatment for the disease from the CFDA. Bokangtai® is now being shipped to a number of hospitals in Fujian and the Group has submitted tenders in Shanghai, Chongqing, Guangdong and Sichuan, with a target to sell Bokangtai® in at least 10 provinces by the end of 2017.

Development costs, LBITDA & LBT

Gross profit for the Period was approximately HK$52,525,000, excluding forex fluctuations, a decreased of 6.5% as compared with approximately HK$58,604,000 recorded in the last corresponding period. Gross profit margin slightly decreased by 1.0% to 83.4%. Such decrease in gross profit margin arose from a major change in Genesoft®'s sales model under the new partnership with China Resource ZiZhu. Additionally, Genesoft® was sold to China Resource Zizhu at a subsidised unit price to offset marketing and promotion expenses.

Despite pricing pressure on drugs from provincial tenders and rapidly growing wages in Beijing and Shenzhen, the Group held gross margins relatively stable during the Period. The Group remains proactive in its approach to improve profitability further by reducing costs across the businesses and increasing operational efficiency. For example, the Group has broadened the number of active pharmaceutical ingredient ("**API**") suppliers used to maintain competitiveness for the cost of raw materials and remaining focused on growing sales volumes to lower the unit cost of production.

General and Administrative ("**G&A**") expenses (which excludes Research and Development costs) has increased by 10.8%, mainly led by the increased expense in the full implementation of an enhanced welfare scheme in PRC subsidiaries during the Period to attract and retain top talents. The impact of this implementation on the overall expenses is balanced by the continuous emphasis on stringent cost control measures, such as new travel policies and effective operational streamlining, such as new IT communication tools reducing the need to travel. The Group's operation structure expansion plan has continued and the total number of employee is over 300 as of 30 June 2017. Complementing the expansion plan, the Group's HR continues to implement and refine new initiatives to raise employee standards and promote a performance based reward system. As a result, the Group has begun operating a new variable bonus scheme, which includes both variable cash and equity reward for key employees.

Total Research and Development ("**R&D**") costs (including capitalization) increased by 42.5% to HK$15,278,000 from HK$10,719,000 in the last corresponding period. The significant increase in R&D cost is mainly due to the establishment of new research initiatives in chemical drugs development. The first co-development project with Sun-Novo on Acarbose tablets began in the Period under review, which incurred development and industrialization costs. In biologics, the Group's proprietary Recombinant Exendin-4 ("**Uni-E4**") and Recombinant Human Parathyroid Hormone (1-34) ("**Uni-PTH**") programs continue to progress towards market approval and the Group has started deploying resources to develop liquid formulations to increase the competitive advantage of the products. These developments increased the R&D expenses to revenue ratio significantly, to 24.3% during the period, compared to 15.4% in the six months ended 30 June 2016. As the Group develops its pipeline, R&D costs may fluctuate year-to-year due to the cost stage of the respective development project. The Group continues to build on the broader strategic focus on metabolic diseases, including diabetes and osteoporosis.

Sales and Distribution expenses decreased to HK$27,067,000 from HK$33,521,000 in the previous period. The decrease is primarily attributed to the new trading model of GeneSoft® and the huge promotion synergies captured from the shared targets with China Resources ZiZhu. The sales and distribution expense as a percentage of revenue for the Period decreased to 43.0%, from 48.3% in the last corresponding period.

Other income increased by 48.6% to HK$3,181,000 during the Period under Review from HK$2,141,000 in the last corresponding period. Other income represents income from non-core businesses, such as leasing and interest received from bank deposit, as well as the receipt of the Beijing Science and Technology Commission High-End Generic Drugs Subsidies, a one-off government grant for Pinapu. This grant represents important validation and government support for Pinapu, recognizing it as a high quality product addressing a significant need.

Total loss widened by 34.1% from HK$25,117,000 in the last corresponding period to HK$33,690,000 during the Period. This increase in loss is primarily due to the increase of R&D spending. The remaining added cost is due to enhanced salary and benefits packages to attract better talent into the company. The Group recognizes these costs as investment into the future and growth of the company. Among the total loss incurred, it included interest payment of HK$174,000, for a RMB10,000,000 loan arrangement which has been settled in March 2017. The Group did not record for any outstanding bank loan balance as of 30 June 2017.

The Group is showing a loss mainly due to depreciation on fixed assets and amortization of intangible assets and prepaid lease payments, totaling HK$15,430,000. Most of these expenses relate to the Group's heavy investment in plant and machinery to adhere to the new China Good Manufacturing Practice ("**cGMP**") standards, commercialization efforts for Uni-PTH and Uni-E4. Adding back depreciation and amortization, and other non-cash items ("**Adjusted LBITDA**") will give an indication of the Group's cash burn. Adjusted LBITDA widened from HK$3,367,000 to HK$13,707,000 during the Period under review. Considering a cash and cash equivalent of HK$36,744,000 is recorded in the end of the Period and approximately HK$141.8 million raised from the two subscription agreements announced post Period, the Group can continue to support its near term operations and investment with close to zero finance cost.

BUSINESS REVIEW

As of 2017, the Group's overall business strategy focuses on internally solidifying foundations and externally maximizing value. Solidifying foundations include 1) functionalization and virtualization, 2) human capital investment, 3) compliance with cGMP manufacturing standards, and 4) upgrading our IT infrastructure. Maximizing value includes 1) expanding our commercialization platform, and 2) implementing our new partnership model. The details regarding the strategy can be found in the Group's 2014 Annual Report, under Business Strategy. In the end of 2015, the Group reaffirmed its strategy to all employees by launching Operation A.G.I.L.E., (Accelerate Growth and International Execution) 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 operations, whilst solidifying its financial performance to maximize shareholder value. The Group 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 Group has been making robust progress implementing these strategies across operational functions, effectively strengthening the competitiveness of the Group against peers and ensuring operational excellence. The following table summarizes the recent business updates, opportunities and challenges in regards to key functions of the Group during the Period.

Functions	Items	Description	Updates	Opportunities	Challenges
Sales and Marketing	Provincial tendering	Provincial tendering has become a standard practice for many provinces since it was made as mandatory in 2015. Tendering is a very important process in determining the price at which the drug is sold and whether the drugs are allowed to be sold in the first place. The Group established a dedicated multi-functional task force, including its Market Access team and Senior Management. This task force reviews the status of the provincial tenders regularly via an in-house specialized tracking tool in order to ensure tendering process for three of its marketed products is effectively managed.	By the end of the Period, Pinapu covers 24 provinces, including new tenders in Ningxia and Hubei over the Period, and military area commands; GeneTime® covers 32 provinces and military area commands and GeneSoft® covers 31 provinces and military area commands, including a new provincial tender in Hubei during the Period. The number of provinces has increased steadily since the establishment of Market Access Department. Overall, the results of the tendering in the Period has been satisfactory. The Group prevented extreme price cuts in many provinces, unlike the situations in some fiercely competing market segments, which observed price cut as high as 60%. This has helped us alleviate the impact of price erosion within the China market.	Progress on provincial tendering has been steady. In the Period under review, we secured two new key markets, namely Hubei and Jiangsu. Our success in tendering is a result of the strong taskforce we have put in place to manage the tendering process. Our team has a strong track record and solid understanding of the tendering process, coupled with broad experience of working with local distributors in securing tenders. These solid Market Access efforts and our current position will help the Group to secure a ticket to capture the opportunity of unit quantity growth in PRC in the coming years.	As a result of measures to contain healthcare expenditure, there are likely to be negative pricing pressures in every successive tendering round. Moreover, successive tendering rounds will reference the drug price of the lowest price of the previous tendering round. Therefore, the Group will have to manage the tender carefully to prevent significant price drops in the future. In some instances, the Group will not participate in those provinces where the resultant price is too low. For these, we withdrew from the tender in Jiangsu for Pinapu and Fujian for Genetime® 5ml during the Period. The average prices for Pinapu and EGF products in new tenders have dropped around 10% and 5% respectively compared to the active prices in 2016. To address this drop, the Group has focused on cost reduction plans to stay competitive in the market and price reduction pressure.

Functions	Items	Description	Updates	Opportunities	Challenges
Sales and Marketing	Commercial platform expansion	The Group's plans to expand its commercial platform in preparation for the launch of two new, next generation products. Firstly, the Group plans will significantly increase the size of its in-house sales team and regional distributors. Secondly, the Group seeks to partner with contract sales organizations (CSO) or larger pharmaceutical companies to expand its sales and marketing reach across China.	Following the appointment of Mr. Winston Xue as the General Manager of the commercial platform, the Group has appointed additional senior positions across China and the Sales and Marketing function was further refined into 3 major divisions, namely Sales Operations Management, Distributor Management and Salesforce Management. These changes ensure that the commercial platform is ready for the Two-Invoice System. For the Period under review, the Group has increased direct sales forces and regional distributors. Under the current expansion plan, our commercial platform workforce will be increased by over 50% by the end of 2017 when compared to 2016 year end. Finally, the sales operations of Genesoft® was successfully transferred to China Resources Zizhu, potentially increasing the hospital coverage by 5 times across China in a short period of time.	Existing industry players may lose market share as they adjust to the Two-Invoice System. The Group intends to use this opportunity to capture market share as other companies become less competitive during this adjustment. The new sales team structure and expanded sales force will support our efforts here while driving sales growth for the Group. The refinement of the Sales and Marketing function will provide a clearer scope of responsibilities and enable the strategies to be executed in greater detail. This will certainly unlock more opportunities and profitability from the existing partnerships. The Group has identified key opportunities in existing partnerships: 1. Convert China Resource Zizhu's substantial hospital access to revenue 2. Leverage China Resource Zizhu's strong track record in the ophthalmology space (e.g. sales of their Latanoprost outgrew market by 15% according to IMS 2015), the Group can make use of this strength to stay competitive amid the increasing price competition in PRC 3. China Resource Zizhu has a larger share-of-voice in the market that may help with wining tenders and expanding reimbursement of GeneSoft® 4. The Group plans to increase investment in Pinapu, GeneTime® and Bokangtai® (Mitiglinide), enables the Group to improve returns from these additional investment.	As the salesforce expands, salary expenses are expected to increase gradually. The Group is observing closely for the return on investment. To better tackle this transition challenge, the Group will deploy resources to ensure that the internal communication is also upgraded and strengthened so the whole organisation can operate effectively and efficiently. While a decrease in GeneSoft®'s unit price negatively impacted the revenue and gross profit, the Group is confident that GeneSoft® is well positioned to increase sales volume and continue growing compensating for lower margins.

Functions	Items	Description	Updates	Opportunities	Challenges
Sales and Marketing	NRDL listing of two key products	Ministry of Human Resources and Social Security (MoHRSS) published the National Reimbursement Drug List ("**NRDL**") during the Period under review. NRDL is a list of drugs that determines which drugs are reimbursed under state-run health plans in all provinces. It has a significant implication for the market access of each individual drugs.	MoHRSS has published the NRDL in the Period under review. Mitiglinide is now to be officially reimbursed under the NRDL and GeneTime® is lifted from the restricted use in only occupational injury claims.	In the past, Mitiglinde was not reimbursed nationally so it achieved very minimal market penetration, despite having significant clinical benefits over other drugs in the same class. Listing of Mitiglinide in the NRDL will be a major catalyst to the growth of the product. 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. From surgical incisions to chronic wounds, GeneTime® can be applied to a wide range of medical conditions, for example skin burns, plastic surgery and even incisions in gynecologic and orthopedics surgeries. Recent study reported that caesarean section delivery rate in China was as high as over 34%, or an average of 11 babies delivered by caesarean sections per minute. Upon the ending of China's one-child policy and increasing occurrence of high risk pregnancies, the number of caesarean sections carried out in China is expected to rise rapidly.	With the restriction lifted, GeneTime® is on track to capture the growing market potential on a heightened level. The Group will devise marketing plans to tackle the potential challenges in entering the new areas such as Gynecology and Orthopedics.

Functions	Items	Description	Updates	Opportunities	Challenges
Sales and Marketing	Bokangtai® (Mitiglinide) Launch	The Group successfully closed its first domestic partnership with Jiangsu Hansoh Pharmaceutical Co., Ltd.* ("**Jiangsu Hansoh**") in late 2015. Under the agreement, the Group has acquired global rights to manufacture and commercialize Mitiglinide, a potential best-in-class oral anti-diabetic drug.	In April 2017, Mitiglinide was launched in Fujian province under the Group's brand name Bokangtai®. Bokangtai® is now being shipped to a number of hospitals in Fujian. The Group has submitted tenders in Shanghai, Chongqing, Guangdong and Sichuan with a target to sell Bokangtai® in at least 10 provinces by the end of 2017. Mitiglinide is now officially reimbursed under the latest NRDL published by Ministry of Human Resources and Social Security (MoHRSS) in February 2017.	Mitiglinide has demonstrated strong clinical advantages against other glinides: • Short onset of action (decrease in blood sugar within 5 minutes versus 10-15 minutes of peers) • Low risk of hypoglycemia and dyslipidemia Mitiglinide supplements Uni-Bio's current endocrinology pipeline. Commercial knowhow of Mitiglinide will benefit the Group ahead of the launch of Uni-E4 and Uni-PTH as the Group begins to build its foothold in chronic disease management network.	Mitiglinide is a relatively new product in China (first launched in 2009). The originator molecule was originally marketed by a Japanese pharmaceutical company with limited penetration into the diabetes space in China. For that reason, there is limited share-of-voice of the product to date. However, as mentioned, the Group believes there is a lucrative opportunity for the product, in Japan it is already the bestselling glinide product on the market. The challenge will be educating KOLs and Chinese doctors on the clinical advantages of Mitiglinide, in order for the product to realize its true potential. Under the stringent requirements set out by the CFDA, the plan for manufacturing process upgrade and Quality and Efficacy equivalency evaluation study are the next key steps in extracting the true value of Bokangtai® as a potentially best-in-class oral anti-diabetic drug. The team will be focused in this aspect and continue to be committed in delivering these process in time.

Functions	Items	Description	Updates	Opportunities	Challenges
R&D	Pipeline progress	For the past decade, the Group has focused on the development of innovative and proprietary products with the potential to deliver significant commercial value to its business. Two of the Group's lead development products, Uni-E4 and Uni-PTH, have now successfully completed phase III studies, the last major stage of clinical development, and we are undertaking the final preparations necessary pre-approval and commercialization.	Under the new R&D partnership with Sun-Novo, the joint-research project on Acarbose tablets' manufacturing process and development has begun in the Period under review. Besides, the bioequivalence study of Pinapu and Bokangtai (Mitiglinide) are one of the most important priorities of the Group in the Period under review. The pharmacological studies of Pinapu are due to be completed by the end of 2017 and the bioequivalence study will be able to commence by first half 2018. Bokangtai® (Mitiglinide), it is currently undergoing pharmacological studies. A new hospital was identified for Uni-EPO-Fc clinical studies in the Period under review and we aim to resume the process as early as in the second half of 2017.	The Group has created new systems in order to ensure R&D progress adheres to strict timelines and to allow more accurate forecasting of milestones. For example, the Group has attended to a potential delay in time and allocated resources to redesign and shorten the phase I trial, compensating the delay caused by the necessary change of investigator hospital and keeping the launch time of Uni-EPO-Fc to be 2025.With several changes in the CFDA system, we are reviewing our pipeline with the possibility of accelerating the development of our new generation products. This is in line with the CFDA's objective of promoting new technologies while serving the patients in a cost-effective way.	Forecasting approval dates is always a challenge in China. There is no apparent formulae or guidance from PRC regulators. The Group has used historical approval timelines from other biologic product approvals as a basis of our forecast as well as referenced to industry association and industry experts. However, the situations continue to be different on a case by case basis.

Functions	Items	Description	Updates	Opportunities	Challenges
			In March 2017, the R&D team attended Asia Pharma R&D Leaders Summit in Shanghai to understand the latest developments among the top pharmaceutical companies in PRC. For full details of the Group's pipeline products, please refer to the section under "Research and Development".		The Group is cautiously optimistic of the current situation. Over 77% of registration filings lodged with the CFDA were automatically retracted since last year, significantly reducing the backlog for review of filings. Whilst Uni-Bio did not believe that its filings should be retracted, there remains a risk that CFDA may require further data from the Group due to the increased requirements when inspection is underway. Therefore, there is uncertainty to the exact impact recent regulatory changes might have on approval timelines. The Group continues to monitor the progress of our applications closely. Over the course of Uni-E4 development, there are a number of new entrants into the market with superior formulations that offer greater convenience to patient. From a regulatory perspective, this brings a major challenge to getting our powder formulations approved. As a result, we are now accessing the competitiveness of the powder formulation and planning to advance our next-generation development plan, that is, to direct resources to the liquid formulation development.

Functions	Items	Description	Updates	Opportunities	Challenges
Corporate Development	Subscription Agreement and strategic alliance	The Group continues to scan for lucrative products in the market to commercialize and develop products internally to add long term value to the Group's shareholders and society. From time-to-time, the Group may seek for extra funding to effectively monetize on these opportunities.	Post period end, the Company entered into two separate Subscription Agreements with Vital Vigour Limited, a wholly owned subsidiary of HeungKong Great Health GP Limited, and Wynhaus Assets Management Pte Ltd. Vital Vigour Limited has conditionally agreed to subscribe for, 873,360,000 new shares of the Company while Wynhaus Assets Management Pte Ltd, an Investment company incorporated in Singapore, has conditionally agreed to subscribe for, 154,120,000 new shares of the Company. All the new shares will be issued at the subscription price of HK$0.138 per share. Aggregate gross proceed of the subscriptions is approximately HK$141.8 million. Additionally, the Group entered into a strategic alliance with HeungKong Group to focus on key business areas. Details refer to announcement publish by the Company on 18 July 2017 and 3 August 2017.	The proceed raised will support the commercial platform expansion plan, the sourcing of new partnership deals and significant capital investment and operating expenses for R&D to bring growth opportunities to the Group. Through the strategic alliance, the Group will be given access to the medical network of HeungKong Group to distribute its pharmaceutical products, particularly in chronic disease management in the private sector. Additionally, the alliance will evaluate developing a bio-pharmaceutical incubation centers and explore international M&A projects.	There are promising investment opportunities in the international biotechnology market that complement our licensing model to create next-generation biobetters for the China market. The Group intends to compete with other industry players by adopting the external innovation model through R&D partnerships and in-licensing projects to maximize our innovation capabilities.

Functions	Items	Description	Updates	Opportunities	Challenges
Others	Investor Relations ("**IR**") and Public Relations	Due to the technical nature of the Group's business, IR has become an integral part of the Group's operations. Effective IR and communication enables generalist investors to better understand the Group's high-tech products and unique business model. In turn, this may support better valuation of our pipeline products and promote greater liquidity from the capital markets, which can be used to support future growth.	In the Period under review, Global Equity Research Unit of Cedrus Investments, a global investment firm, has published an equity research update on the Group, reiterated the Overweight rating with a June 2018 price target of HK$0.33. During the Period, the Group presided one-on-one investor meetings in Hong Kong and Beijing, as well as supported Hong Kong industry conference and events. The team was also represented in leading and industry conferences, such as ChinaBio® Partnering Forum in Zhuhai. To enhance corporate transparency, the Group issued voluntary announcements on all-important issues. We also distributed press releases on business updates regularly, keeping investors and the media abreast of our latest developments. The Group has continued to expand its reach among PRC investors through an official IR communication channel targeted at providing Chinese-reading investors updated information regarding the Group via popular smartphone apps.	The Group has been successful in raising awareness among the PRC investor community by using reputable online media channels such as Xueqiu. The coverage has comprehensively introduced the Group. It has received good responses and generated some good noise for the Group. In total, the efforts has created over 5,000 online circulations and over 1.5 million read or click counts.	As a biopharmaceutical company with pipeline products under development in China, the Group finds it challenging in reporting the value of its works to generalist investors and the public. The IR team observed a specific gap in understanding amongst some investors domiciled in Hong Kong which can impact valuation due to limited knowledge of the industry. To address this, the Group has altered its IR strategy to proactively educate investors via frequent one-to-one meetings and up-to-date distribution of press releases. The Group believes its strong product portfolio and unique business model will resonate well to PRC investors.

RESEARCH AND DEVELOPMENT

The Board and management continuously perform competitive intelligence reviews to ensure that all products being marketed and developed by the Group remain commercially competitive. 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.

Based on the latest strategic review, the Group has identified three strategic therapeutic areas to focus on for future development of its product portfolio: metabolic disease, especially Diabetes and Osteoporosis; Ophthalmology and Dermatology. As a result, the Group is continuing the development of three new patent protected Class I & VII prescription drugs in its proprietary pipeline: new Class I prescription new drugs include Uni-E4 and rhEPO-Fc and new Class VII prescription new drugs include Uni-PTH.

To further strengthen the Group's presence in Endocrinology research, a joint-research agreement with Sun-Novo was established in the Period under review and the first co-development project on Acarbose Tablets was initiated. Finally, the Group has begun Quality and Efficacy equivalency evaluation studies for all chemical products on the market and in development to meet recent increased CFDA quality requirements on generic drug quality.

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

Products/ Compound	Indication	Description	Pre-clinical	Phase 1	Phase 2	Phase 3	Pre-registration	Marketed
IN-HOUSE								
Ophthalmology								
GeneSoft	Ophthalmic wound healing	GeneSoft (recombinant human epidermal growth factor derivative, also known as rEGF derivative) is a prescription biologic drug for ophthalmic wound healing (e.g. corneal ulcer). rEGF derivative directly acts on epidermal cell to treat skin injury and accelerate healing through cellular proliferation, differentiation, and survival. rEGF derivative has three extra amino acids in the N-terminus that increases the stability of molecule. As a result, GeneSoft can be stored in room temperature.						
Dermatology								
GeneTime	Dermalogical wound healing	GeneTime (recombinant human epidermal growth factor, also known as rEGF) is a prescription biologic drug for wound healing. rEGF directly acts on epidermal cell to treat skin injury and accelerate healing through cellular proliferation, differentiation, and survival. GeneTime is the only rEGF in spray formulation in China. It is administered once daily after debridement.						
Infectious Disease								
Pinapu	Fungal infection	Pinapu (Voriconazole) is a prescription oral drug treating fungal infection. Voriconazole works acts by blocking fungal cell wall growth, which results in death of the fungus. Pinapu is administered twice daily and is mainly used in immune compromised patients after chemotherapy or organ transplant.						
Hematology								
rhEPO-Fc	Anemia	rhEPO-Fc (Recombinant Human Erythropoietin-Fc) can be used for treatment of anemia associated with renal diseases, cancer related therapies and surgical blood loss. rhEPO-Fc is a next generation EPO treatment. rhEPO half-life in the body is significantly extended by attaching a FC fragment. As a result, rhEPO-Fc will only require injection once biweekly, greatly improving the treatment convenience to patients.						

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

BIOLOGICAL ASSETS

Uni-E4

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

It was estimated that China's diabetes drugs market has expanded 20% annually, and reached RMB21 billion in 2016 and becoming one of the largest therapeutic areas in the PRC. According to the International Diabetes Federation, China has the world's largest diabetes epidemic, and it continues to grow rapidly. The most recent research found that China has overtaken the USA in terms of diabetes prevalence: according to the latest data, 11.6% of Chinese adults have diabetes, creating a tremendous strain on the country's public health system and a pressing need for effective treatment solutions.

Classified as a Class I prescription new drug by the CFDA, Uni-E4 is a well-established GLP-1 agonist. Its potential as a new treatment has been recognised through the selection of Uni-E4 as a "New Key Drug Formulation"of the State's Major Science and Technology Project under the "Eleventh Five-Year Plan". Uni-E4 was also awarded the "Specialty Contract of the State's Major Science and Technology Project"by the Ministry of Science and Technology of the PRC. The targets required for the grant by the Ministry of Science and Technology have been met successfully and all clinical trials have been completed, including additional trials to supplement phase III data in the event that CFDA harmonizes biostatistical analysis standards with international standards. 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 Hemoglobin (HBA1c), the primary efficacy endpoint of the study, to levels similar to insulin glargine after 24 weeks of treatment. Uni-E4 also showed significant weight loss and lower rates of hypoglycemic reactions, results in line with other GLP-1 agonist treatments and supportive of long term use of the drug, especially in overweight diabetics.

In response to new entrants brought more competitive formulation to the market, the Group is now reviewing the competitive advantage of its powder formulation as well as speeding up the research progress for next-generation liquid formulation of Uni-E4. With reference to successful case in the past, the Group expects the existing clinical trial activities of Uni-E4 to cover the new liquid formulation without significant disruptions to the approval timeline by CFDA. Furthermore, the Group continues to investigate a long acting version of Uni-E4, LExendin-4.

rhEPO-Fc

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

The Group is developing Uni-EPO-Fc using recombinant DNA techniques, which potentially has once-fortnightly treatment frequency. The proprietary fusion protein technique has the potential to overcome the shortcomings of the traditional fusion technique using IgG1-Fc. The project have been supported by the PRC Ministry of Science and Technology following its selection as a 'New Key Drug Formulation' in the State's Major Science and Technology Project under the 'Eleventh Five-Year Plan. Pre-clinical trials of rhEPO-Fc have been completed and the Group is now undertaking a phase I study in the PRC. The Group has earlier announced that it had completed a single ascending dose component of the phase I clinical study of Uni-EPO-Fc. The study showed that Uni-EPO-Fc was extremely well tolerated with no significant adverse events. Three out of the forty participants who completed the clinical trial experienced low fever and minor injection site irritation that disappeared within 24 hours. Moreover, Uni-EPO-Fc facilitated the increase both in absolute value and percentage of blood reticulocytes in healthy participants who underwent testing. The plan to start Multiple Ascending Dose (MAD) trial for EPO-Fc with our original investigator hospital was put on hold after several clinical data quality issues related to another company were discovered in 2016. Following the case, the investigator hospital was changed in order to prevent future challenges by the CFDA. Over this Period, efforts was spent on upgrading the manufacturing process which improves product compliance with the latest CFDA requirements and increase production yield. A new hospital was identified in the Period under review and we aim to resume the process as early as in the second half of 2017.

Uni-PTH

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

In June 2014, the Group announced positive results from a phase III trial of Uni-PTH for the treatment of osteoporosis. The phase III results showed that Uni-PTH is safe and efficacious in post-menopausal women. Moreover, the biochemical biomarker results clearly indicate calcitonin has a different mechanism of action from parathyroid hormone. Being anti-resorptive, calcitonin decreases uNTX/UCr and a reduction in urinary NTx secretion provides evidence of compliance and drug efficacy. On the other hand, biomarkers of BSAP and resorption (uNTX/UCr) were increased by Uni-PTH, supporting its role as an anabolic agent to promote bone growth. Accurate to previous stated timelines, the Group successfully filed the formal NDA to the CFDA in April 2015. We have also taken the opportunity to conduct an evaluation to all clinical studies and the application will be transferred to China's Center for Drug Evaluation for technical review by the end of 2017.

CHEMICAL ASSETS

Acarbose

The joint-research project with Sun-Novo on Acarbose tablets' manufacturing process and development has begun in the Period under review.

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

Reimbursed under the NRDL, Acarbose is a lucrative drug with few competitors on the market in China with a market size of RMB3.2 billion. Currently, small molecule drugs represent around 50% market share of diabetes market in China (RMB21 billion in 2016). Diabetes is one of the fastest growing disease in China due to sedentary lifestyles and an aging population and Acarbose's unique mechanism is effective in Asian patients because of their high-carbohydrate diet.

The Group's partner, Sun-Novo, has strong development track record in China. They currently hold 65 IND approvals, two NDA approvals for API, and two NDA approvals for finished drugs. They also partner with a number of leading pharmaceutical companies including Shanghai Pharma, China Resource Pharmaceutical Group.

Pinapu (Voriconazole)

Voriconazole is a fast growing second generation triazole antifungal medication in China, replacing fluconazole for treating invasive fungal infections such as aspergillosis due to higher efficacy. Serious fungal infections are common among patients undergoing organ and bone marrow transplant and those who have hematologic cancers. Voriconazole inhibits a crucial biochemical reaction known as demethylation, which is a vital step in cell membrane synthesis by fungi, leading to cell death.

Preparing for a Quality and Efficacy equivalency evaluation study of Pinapu is one of the most important priorities of the Group in the Period under review. The pharmacological studies of Pinapu is due to be completed by the end of 2017 and the Group anticipates the bioequivalence study to commence by the first half 2018.

Bokangtai® (Mitiglinide)

Mitiglinide belongs to the meglitinide (glinide) class of blood glucose-lowering drugs. Mitiglinide modulates blood glucose level by binding to and blocking certain potassium channels in pancreatic cells. Closure of potassium channels causes a series of electrochemical reactions which effectively triggers the secretion of insulin from pancreas.

In developed countries, Mitiglinide is used in combination with insulin. In Japan, for example, Mitiglinide is the most preferred Glinide drug with revenue over RMB1 billion. Combination therapy is currently underdeveloped in China but it is expected to grow as KOL endorsement increases.

The Mitiglinide market in China has a compounded annual growth rate of 59.7% from 2012 to 2016 and the glinide class market size is over RMB1.2 billion in 2016. Given Mitiglinide is now reimbursed under the latest NRDL published in 2017, the Group expects exception performance and patient benefit from Bokangtai®. Bioequivalence studies of Bokangtai® are expected to commence once the pharmacological studies are completed.

TECHNICAL EXPERTISE

Fc-Fragment technology

The Group's Fc-fusion protein technology is one of the most valuable assets in the Group's vast asset inventory and is well known to investors. Our Fc-fusion protein technology is based on IgG2-based Fc-fusion proteins optimized with special signal peptide, special inflexible hinge and genetic mutation. The extra-molecular structure gives modified protein drug molecules increased half-life, great activity and reduced side-effects, such cellular cytotoxicity. In other words, the protein drug would be upgraded to have a longer period of effect between each drug administrations and a higher drug safety level. Our Fc technology thus has broad applicability, less side-effects and superior long-acting characteristics to the drug candidates.

The Group sees its Fc-fusion protein technology as a key enabling technology to invent many next-generation biobetters. Various researches published in established scientific journals have already shown that Fc-Fragment increases efficacy of vaccines and extends half-lives of recombinant Factor VIIa or recombinant Factor VIII for treating haemophilia. The Group is determined to commercialise this platform technology with external institutions and explore partnership opportunities in co-developing next-generation biobetters.

Other Technical Expertise

The Group has established broad expertise in gene cloning, genetic engineering expression, fermentation, purification and examination technology system that it deploys in its R&D activities. We set up a series of protein expression systems based on E.coli, yeast and Chinese hamster ovary (CHO) cells which have easy industrialization through vector optimization, cell screening optimization and process optimization. Furthermore, through our AKTA liquid chromatography separation system, the Group has established the high flux two steps standard operating procedure for protein purification. Using this standard method, the protein purity after purification is up to 98 percent, higher than the official standard in the PRC.

BUSINESS OUTLOOK

The government of the PRC has implemented a series of policies in the last six months to bolster the economy. However, recent economic data has suggested that the growth pace has not matched with what was originally expected by analysts. The macro factors of the healthcare industry remain strong, for example the increased health awareness amongst the public, China's aging population and an increase in healthcare access, and the Group is optimistic that these will continue to create attractive business opportunities in the pharmaceutical and healthcare industry in the PRC. The Group is well funded with HK$36,744,000 in cash and cash equivalent as at 30 June 2017. The Group is also expecting to receive approximately HK$141.8 million raised from the two subscription agreements announced post Period, supporting its near-term operations and investment with close to zero finance cost.

2017 marked an opening of another year of significant change for the pharmaceuticals industry, driven by the increasing action by regulators to upgrade the Chinese pharmaceutical industry to compete internationally. This is done though CFDA raising their standards amid joining the ICH as full regulatory member, the Two-Invoice System, and standardization of generic drug quality via Quality and Efficacy equivalency evaluation studies, etc. Despite these policies having a negative impact in the short term, it will raise our overall standards and quality of our products, being beneficial to us in the long term. This is especially true when CFDA aims to promote innovation in the industry and reduce the total number of generic products on the market. Our pipeline products will be able to prosper under international standards. Many of the healthcare policy reform brought significant turbulence to the market but above all we can observe 3 main positive goals of the government from the latest policies introduced:

1. Keeping the healthcare cost components under control

2. Solving the problem where the citizens are paying too much as portion of their disposable income to receive medical consultation and drug prescriptions

3. Eliminate uncompetitive industry players and consolidating strong players, as a gesture to increase the overall industry standards

The objective is consistent, to consolidate industry players, concentrate innovators and increase the quality of pharmaceutical products whilst lowering healthcare cost, these are all ambitions which Uni-Bio wholly supports. From the patient side, it is to increase the reach to more patients whilst lowering cost to the overall health care system. The current reforms will impact different points across the pharmaceutical value chain and we expect to observe more new policies being implemented by the CFDA and provincial tendering agencies in the year ahead.

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

GOVERNMENT REFORMS

Several important policy changes entered the implementation during the Period under review. Firstly, the CFDA joined the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH) effectively raising the overall standards of the industry and making companies more competitive internationally. Furthermore, unification of drug administering regulations with the ICH will reduce the resources needed to apply for approvals in multiple countries/areas at the same time. A similar change in stance by regulators for multi-regional clinical trials (MRCT) has been observed. The change has accelerated new international drugs entering the Chinese market. The Group intends to leverage this change to look for quality products developed internationally that can be brought into China and fine-tune our partnership strategy.

Eight provinces have published their PRDL adjustments, and Anhui has announced to execute NRDL. A common difficulty faced by all provinces is that the total drug number covered by NRDL is still far from sufficient and therefore the provinces have chosen to execute their original PRDL. This situation is particularly challenging to the promotion efforts of Genesoft® in China but the Group will continue to seek KOL's support and pursue having GeneSoft® listed on the NRDL.

The Two-Invoice System is being implemented across China, with 21 provinces already running this new system. Distributors continue to be eliminated and to remodel themselves under the new procurement. The Group is actively applying solutions such as forming new sales team structure, adjusting distribution channels and formulating new strategies to capture opportunities and mitigate risks associated to this reform.

SECOND HALF OF 2017 PRIORITIES

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

- Continuing to expand our commercialisation platform through functional refinement to the Sales Team structure and through regional or national partnerships with distributors
- Ongoing Mitiglinide launch momentum to establish market share in chronic diabetes management
- In-licensing or acquiring products and technologies that complement our existing pipeline and build expertise in the Group's core therapeutic areas
- Progress in bioequivalent studies for Pinapu and Mitiglinide
- Deepening the strategic alliance with HeungKong Group
- Evaluate and refine HR and IT strategies across all subsidiaries to ensure a culture focusing on international quality of execution and performance
- Further enhancement of the Group's corporate governance

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group's bank deposits, bank balances and cash amounted to approximately HK$36,744,000. The Group has total assets of approximately HK$458,260,000 (As at 31 December 2016: HK$497,321,000), current assets of the Group at 30 June 2017 amounted to approximately HK$91,509,000 (As at 31 December 2016: HK$132,198,000) while current liabilities were HK$25,434,000 (As at 31 December 2016: HK$49,968,000). The total liabilities to total assets ratio is 5.8% (As at 31 December 2016: 10.2%).

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

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any assets pledged for any loan facilities granted to the Group (31 December 2016: HK$2.1 million).

As of 30 June 2017 and 31 December 2016, the Group had no material contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICY

At 30 June 2017, the Group employed 301 staff (31 December 2016: 311 staff), including 71 staff in the PRC R&D, 79 staff in the PRC sales offices, 86 staff in PRC the production, 55 staff in PRC general administrations and 10 staff in Hong Kong headquarters. In addition to the full time employees in the PRC sales offices, the Group also has 143 regional distributors. The Group has implemented a competitive remuneration packages for employees and performanced-based promotion and salary increments. Share options may also be granted to staff with reference to the individual's performance.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Revenue	3	**62,945**	69,455
Cost of sales		**(10,420)**	(10,851)
Gross profit		**52,525**	58,604
Other income		**3,181**	2,141
Other gains and losses		**(11)**	(5)
Selling and distribution costs		**(27,067)**	(33,521)
General and administrative expenses		**(42,487)**	(38,330)
Research and development expenses		**(15,278)**	(7,054)
Equity-settled share based payment expenses		**(4,201)**	(5,809)
Loss from operation		**(33,338)**	(23,974)
Finance costs		**(174)**	(153)
Loss before taxation		**(33,512)**	(24,127)
Income tax expense	6	**(178)**	(990)
Loss for the period	4	**(33,690)**	(25,117)

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

For the six months ended 30 June 2017

	Notes	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation on foreign operation		**14,927**	(5,465)
Total comprehensive expenses for the period		**(18,763)**	(30,582)
Loss per share (HK cents)			
– Basic and diluted	7	**(0.66)**	(0.50)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	Unaudited 30 June 2017 HK$'000	Audited 31 December 2016 HK$'000
Non-current assets			
Property, plant and equipment	8	**97,264**	103,328
Investment properties		**23,063**	22,245
Prepaid lease payments		**11,444**	11,427
Goodwill		**–**	–
Intangible assets	9	**226,155**	220,471
Deposit paid for the acquisition of property, plant and equipment		**4,578**	4,216
Deposit paid for the acquisition of intangible assets		**4,247**	3,436
		366,751	365,123
Current assets			
Inventories		**11,332**	13,052
Trade and other receivables	10	**42,625**	40,250
Prepaid lease payments		**808**	779
Time deposits		**3,418**	30,773
Bank balances and cash		**33,326**	47,344
		91,509	132,198
Current liabilities			
Trade and other payables	11	**23,009**	36,697
Income tax payable		**2,425**	2,281
Bank loan – amount due within one year		**–**	10,990
		25,434	49,968
Net current assets		**66,075**	82,230
Total assets less current liabilities		**432,826**	447,353

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2017

	Notes	**Unaudited 30 June 2017 HK$'000**	Audited 31 December 2016 HK$'000
Non-current liabilities			
Deferred tax liabilities		**984**	949
NET ASSETS		**431,842**	446,404
Capital and reserves			
Share capital	12	**51,375**	51,375
Reserves		**380,467**	395,029
TOTAL EQUITY		**431,842**	446,404

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Net cash used in operating activities	**(31,687)**	(26,798)
Net cash generated from/ (used in) investing activities	**24,937**	(2,956)
Net cash (used in)/ generated from financing activities	**(11,548)**	11,357
Net decrease in cash and cash equivalents	**(18,298)**	(18,397)
Cash and cash equivalents at the beginning of the period	**47,344**	110,014
Net effect of foreign exchange rate changes	**4,280**	(608)
Cash and cash equivalents at the end of the period	**33,326**	91,009
Analysis of balances of cash and cash equivalents at the end of the period:		
Bank balances and cash	**33,326**	91,009

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company						
	Share capital HK$'000	**Share premium** HK$'000	**Share-based payment reserve** HK$'000	**Distributable reserve** (Note a) HK$'000	**Exchange reserve** (Note b) HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2016 (audited)	50,490	579,654	69,678	1,291,798	48,061	(1,533,021)	506,660
Other comprehensive expense for the period	–	–	–	–	(5,465)	–	(5,465)
Loss for the period	–	–	–	–	–	(25,117)	(25,117)
Total comprehensive expense for the period	–	–	–	–	(5,465)	(25,117)	(30,582)
Recognition of equity-settled share based payments	–	–	5,809	–	–	–	5,809
At 30 June 2016 (unaudited)	50,490	579,654	75,487	1,291,798	42,596	(1,558,138)	481,887
At 1 January 2017 (audited)	51,375	593,812	11,310	1,291,798	21,451	(1,523,342)	446,404
Other comprehensive expense for the period	–	–	–	–	14,927	–	14,927
Loss for the period	–	–	–	–	–	(33,690)	(33,690)
Total comprehensive expense for the period	–	–	–	–	14,927	(33,690)	(18,763)
Recognition of equity-settled share based payments	–	–	4,201	–	–	–	4,201
At 30 June 2017 (unaudited)	51,375	593,812	15,511	1,291,798	36,378	(1,557,032)	431,842

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2017

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 translation reserve. Such exchange differences accumulated in the exchange translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

NOTES TO CONDENSED ACCOUNTS

1. ORGANISATION

The Company is incorporated as an exempted company with limited liability in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Group is principally engaged in bioscience related business with focus on the research, development and commercialization of biopharmaceutical products through recombinant DNA and other technologies.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted and the basis of preparation used in the preparation of the condensed consolidated financial statement of the Group are consistent with those followed in the preparation of the Group's annual financial statements for the twelve months ended 31 December 2016.

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

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of Deferred Income Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts and/or disclosures reported in these condensed consolidated financial statements. Amendments to IFRS effective for the financial year ending 31 December 2017 do not have a material impact on the Group's interim financial information.

3. SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision makers, for the purpose of allocating resources to segments and assessing their performance are organised on the basis of the revenue streams. During the six months ended 30 June 2017, 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 and (c) industrialization of in-house biological pipeline. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

The information of the reportable segment results are as follows:

For the six months ended 30 June 2017 (unaudited)

	In-house chemical pharmaceutical products HK$'000	In-house biological pharmaceutical products HK$'000	In-house biological pipeline products HK$'000	Total HK$'000
Segment revenue				
External sales	**27,972**	**34,973**	**–**	**62,945**
Result				
Segment gain/(loss)	**9,654**	**4,518**	**(27,681)**	**(13,509)**
Other income				**3,181**
Finance costs				**(174)**
Equity-settled share based payment expense				**(4,201)**
Unallocated administration expenses				**(18,809)**
Loss before taxation				**(33,512)**

3. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2016 (unaudited)

	In-house chemical pharmaceutical products HK$'000	In-house biological pharmaceutical products HK$'000	In-house biological pipeline products HK$'000	Total HK$'000
Segment revenue				
External sales	30,362	39,093	–	69,455
Result				
Segment gain/(loss)	10,174	6,359	(15,348)	1,185
Other income				2,141
Finance costs				(153)
Equity-settled share based payment expense				(5,809)
Unallocated administration expenses				(21,491)
Loss before taxation				(24,127)

4. LOSS FOR THE PERIOD

Loss for the period is stated after the following:

	Unaudited six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Amortisation of intangible assets	**2,395**	2,499
Amortisation of prepaid lease payments	**398**	415
Cost of inventories recognised as an expenses	**10,420**	10,851
Depreciation	**12,637**	11,884
Less: Depreciation included in research and development expenses	**(3,133)**	(2,287)
	9,504	9,597
Research and development expenses	**15,278**	10,719
Less: Capitalisation on intangible assets	**–**	(3,665)
	15,278	7,054

5. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Unaudited six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Salaries, wages and other benefits	**23,396**	21,620
Retirement benefit scheme contribution	**3,602**	2,154
Equity-settled share based payments	**4,201**	5,809
	31,199	29,583

6. INCOME TAX EXPENSE

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

	Unaudited six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
PRC Enterprise Income Tax ("EIT")	**178**	990
Deferred taxation	**–**	–
	178	990

6. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong profits tax has been made since the entities operating in Hong Kong had no assessable profit for the six months ended 30 June 2016 and 2017.

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% (six months ended 30 June 2016: 15%) for the six months ended 30 June 2017 while Beijing Genetech was eligible to such rate of 15% for the six months ended 30 June 2017 (six months ended 30 June 2016: 25%).

7. LOSS PER SHARE

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

	Unaudited six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(33,690)**	(25,117)

	Unaudited six months ended 30 June	
	2017	2016
	'000	'000
Number of shares		
Weighted average number of ordinary shares for basic and diluted loss per share calculation	**5,137,488**	5,049,030

No adjustment has been made to basic loss per share amounts presented for the six months ended 30 June 2016 and 2017 in respect of a dilution as the impact of the share options and warrants outstanding would decrease basic loss per share.

8. PROPERTY, PLANT AND EQUIPMENT

	HK$'000
Cost	
At January 2017	386,004
Additions	2,764
Disposals	(364)
Written off	–
Exchange realignment	14,255
At 30 June 2017	402,659
Accumulated depreciation and impairment	
At 1 January 2017	282,676
Charge for the period	12,637
Eliminated on disposals	(345)
Eliminated on written off	–
Exchange realignment	10,427
At 30 June 2017	305,395
Net book value	
At 30 June 2017 (unaudited)	97,264
At 31 December 2016 (audited)	103,328

9. INTANGIBLE ASSETS

Carrying amount

	Trademarks and certificates (Note a) HK$'000	Technical know-how (Note b) HK$'000	Capitalised development costs (Note c) HK$'000	Total HK$'000
At 30 June 2017 (unaudited)	**–**	**34,764**	**191,391**	**226,155**
At 31 December 2016 (audited)	–	35,874	184,597	220,471

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

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

9. INTANGIBLE ASSETS (Continued)

Carrying amount (Continued)

Notes:

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

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

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

(d) Except for the capitalised development costs, the respective intangible assets have finite lives and are subsequently amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Capitalised development costs are not amortised as the development of products and the technology is in the registration or clinical trial process stage and are assessed for impairment annually.

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

(f) The directors of the Company conducted an impairment review of the Group's intangible assets at the end of the period in view of the recurring losses incurred by the Group. During the six months ended 30 June 2016 and 2017, no impairment loss on technical know-how and capitalised development costs were recognised to profit or loss.

10. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2017 HK$'000	Audited 31 December 2016 HK$'000
Trade receivables	**35,445**	35,179
Less: Allowance for doubtful debts	**(1,271)**	(1,109)
	34,174	34,070
Other receivables and prepayment		
Rental deposit	**653**	653
Rental receivables	**832**	802
Advance to staff	**939**	773
Prepayments	**1,181**	1,016
Other	**5,673**	3,627
Less: impairment loss recognised	**(827)**	(691)
	42,625	40,250

(i) The Group allows an average credit period of 120 days (31 December 2016: 120 days) to its customers. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted.

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

	Unaudited 30 June 2017 HK$'000	Audited 31 December 2016 HK$'000
0 – 60 days	**16,178**	17,358
61 – 120 days	**12,195**	7,395
121 – 180 days	**1,867**	7,172
Over 180 days	**3,934**	2,145
	34,174	34,070

Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits for the customer. Limits attributed to customers are reviewed once a year. As at 30 June 2017, approximately 83% (31 December 2016: 73%) of the trade receivables is neither past due nor impaired.

11. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2017 HK$'000	Audited 31 December 2016 HK$'000
Trade payables	**2,231**	7,188
Accrued expenses and other payables		
Advance and deposits from customers	**12,986**	15,382
Payables for acquisition of equipment	**–**	1,264
Payables for research and development expenses	**892**	89
Other tax payables	**944**	631
Accrued audit fee	**26**	1,758
Accrued payroll	**1,690**	2,780
Accrued selling expenses	**800**	3,145
Others	**3,440**	4,460
	23,009	36,697

The ageing analysis of trade payables at the end of the reporting period based on transaction date is as follows:

	Unaudited 30 June 2017 HK$'000	Audited 31 December 2016 HK$'000
0 – 30 days	**1,304**	6,698
31 – 60 days	**236**	88
61 – 90 days	**9**	66
Over 90 days	**682**	336
	2,231	7,188

The average credit period on purchases of goods is 120 days (31 December 2016: 120 days). The Group has in place financial risk management policies to ensure that all payables are settled within the credit time frame.

12. SHARE CAPITAL

Ordinary share of HK$0.01 each

	Number of shares	Amount HK$'000
Authorised:		
At 31 December 2016 and 30 June 2017	500,000,000,000	5,000,000
Issued and fully paid:		
At 1 January 2017	5,137,488,147	51,375
Exercise of warrants	–	–
Exercise of share options	–	–
At 30 June 2017	5,137,488,147	51,375

13. 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.

At 30 June 2017, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 250,000,000 (At 31 December 2016: 213,040,000), representing 4.87% (At 31 December 2016: 4.15%) of the ordinary shares in issue at that date.

13. SHARE OPTIONS (Continued)

Details of the share option movements during the six months ended 30 June 2016 and 2017 are as follows:

Share options grant date	Outstanding at 1.1.2017 '000	Granted during the period '000	Exercised during the period '000	Lapsed during the period '000	Cancelled during the period '000	Outstanding at 30.06.2017 '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	**10,800**	**–**	**–**	**–**	**–**	**10,880**
3 April 2017 Employees	**–**	**36,960**	**–**	**–**	**–**	**36,960**
	213,040	**36,960**	**–**	**–**	**–**	**250,000**
Exercisable at the end of the period						**81,159**
Weighted average exercise price	**HK$0.22**	**HK$0.15**	**–**	**–**	**–**	**HK$0.21**

Share options grant date	Outstanding at 1.1.2016 '000	Granted during the period '000	Exercised during the period '000	Lapsed during the period '000	Cancelled during the period '000 (Note 1)	Outstanding at 30.06.2016 '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	–	–	–	(3,000)	310,940
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
27 January 2016 Employees	–	22,000	–	–	–	22,000
	594,666	22,000	–	–	(3,000)	613,666
Exercisable at the end of the period						466,736
Weighted average exercise price	HK$0.31	HK$0.23	–	–	HK$0.22	HK$0.30

Note 1: The number of share options vested in prior years and cancelled during the six months ended 30 June 2016 as agreed between the Group and the grantees.

14. COMMITMENTS

(a) Operating lease commitment

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:

	Unaudited 30 June 2017 HK$'000	Audited 31 December 2016 HK$'000
Within one year	**899**	1,039
In the second to fifth years inclusive	**292**	600
	1,191	1,639

(b) Capital commitments

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

	Unaudited 30 June 2017 HK$'000	Audited 31 December 2016 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of purchase of property, plant and equipment	**9,166**	9,319
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of purchase of intangible asset	**22,337**	22,200

15. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the period under review (six months ended 30 June 2016: Nil).

16. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

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

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

17. EVENTS AFTER THE REPORTING PERIOD

On 18 July 2017, the Company entered into two separate subscription agreements with Vital Vigour Limited ("**Subscription Agreement A**") and Wynhaus Assets Management Pte. Ltd. ("**Subscription Agreement B**"). Vital Vigour Limited, a company incorporated in Cayman Islands with limited liability engaged in investment holding and it is a wholly owned subsidiary of HeungKong Great Health GP Limited; Wynhaus Assets Management Pte. Ltd., a company incorporated in Singapore with limited liability and principally engaged in asset management and investment holding.

Pursuant to the Subscription Agreement A, the Company has conditionally agreed to allot and issue, and Vital Vigour Limited has conditionally agreed to subscribe for, 873,360,000 new shares of the Company ("**Subscription Shares**"); Pursuant to the Subscription Agreement B, the Company has conditionally agreed to allot and issue, and Wynhaus Assets Management Pte. Ltd. has conditionally agreed to subscribe for, 154,120,000 Subscription Shares. All the Subscription Shares will be issued at the Subscription Price of HK$0.138 per Subscription Share.

The aggregate gross proceeds of the Subscriptions will be approximately HK$141.8 million and it is proposed to be used for development of future generations of the Group's pipeline products, in-licensing new products for the PRC market, and general working capital.

In consideration of the Subscribers to subscribe for the Subscription Shares and entering into the Subscription Agreements, pursuant to the terms of the Subscription Agreements, the Company, pursuant to the Specific Mandate, will issue the Warrants to the Subscribers, representing an aggregate exercise moneys of up to HK$52,992,281. The Warrants will entitle the holders thereof to subscribe for Shares at an initial Warrant Exercise Price of HK$0.2063 per Warrant Share up to such aggregate exercise moneys. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges. Details of the Subscription are disclosed in the announcement released by the Company on 18 July 2017.

17. EVENTS AFTER THE REPORTING PERIOD (Continued)

Subsequent to the entering into of the Subscription Agreements, with a view to allowing the Shareholders to consider the Subscriptions and the issue of unlisted Warrants in totality instead of issuing the relevant securities under two separate mandates, the Company entered into two supplemental agreements on 3 August 2017 with Vital Vigour Limited and Wynhaus Assets Management Pte. Ltd., whereby each of the parties to Supplemental Agreement A and Supplemental Agreement B agreed that the Subscription Shares will not be issued pursuant to the General Mandate and shall be issued, with the issue of the Warrants and the allotment and issue of the Warrant Shares, in each case, under a specific mandate ("**Specific Mandate**") to be granted to the directors of the Company at the extraordinary general meeting ("**EGM**") of the Company. Details of the Subscription are disclosed in the announcement released by the Company on 3 August 2017.

EGM to be held at 10:00 a.m. on Monday, 11 September 2017 at Room 2401-2, 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong. The circular contain further details of the Subscription and the warrants and the notice convening the EGM has been despatched to Shareholders on 24 August 2017 in accordance with the Listing Rules.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2017, 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 5)
Kingsley LEUNG	Beneficial owner and interest of a controlled corporation (Note 2)	1,530,877,026 (L)	10,600,000 (L)	1,541,477,026 (L)	30.00%
CHEN Dawei	Beneficial owner	315,955,516 (L)	–	315,955,516 (L)	6.15%
Carl Aslan Jason Morton FIRTH	Beneficial owner (Note 3)	–	4,500,000 (L) (Note 4)	4,500,000 (L)	0.09%
ZHAO Zhi Gang	Beneficial owner (Note 3)	–	4,500,000 (L) (Note 4)	4,500,000 (L)	0.09%
CHOW Kai Ming	Beneficial owner (Note 4)	–	1,780,000 (L) (Note 5)	1,780,000 (L)	0.03%

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**") that is wholly owned by MJKPC Holdings Limited, a family trust of which Mr. Kingsley LEUNG is one of the discretionary objects; (ii) 914,576,010 Shares held by Lord Profit Limited ("**Lord Profit**") which is wholly owned by Mr. Kingsley LEUNG; and (iii) 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.
3. 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.
4. These underlying Shares relate to the share options granted by the Company to Mr. CHOW Kai Ming on 7 October 2016.
5. The percentage of shareholding is calculated on the basis of 5,137,488,147 Shares in issue as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, 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 30 June 2017, 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%

Notes:

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

2. Automatic Result Limited is wholly owned by MJKPC Holdings Limited, which is a family trust which Mr. Kingsley LEUNG is one of the discretionary objects.

3. Lord Profit Limited is wholly owned by Mr. Kingsley LEUNG, an executive Director and chairman of the Board.

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 30 June 2017.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any other persons who have relevant interests or short positions in the Shares or underlying Shares in the Company as at 30 June 2017 which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

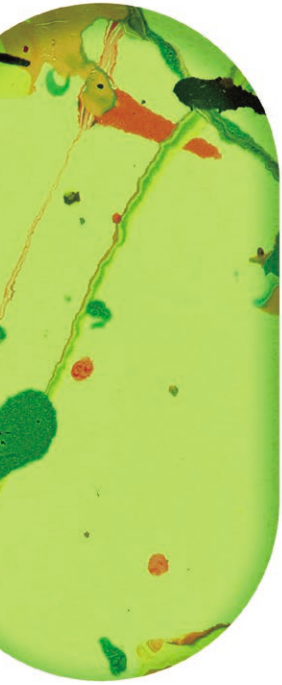
COMPLIANCE WITH MODEL CODE

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

REVIEW OF INTERIM REPORT

This interim report encompassing the condensed consolidated financial statements for the Period has been reviewed by the Audit Committee of the Company.

Hong Kong, 28 August 2017



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