



Uni-Bio Science Group Announces 2017 Interim Results

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***Refines sales and marketing teams, forms strategic alliance and launches new product
Strengthens foundation to prepare for industry challenges to come***

Highlights:

- Formed strategic alliance with strategic investor HeungKong Group, a top 50 PRC private enterprise, on July 18 and raised fund totaling HK\$142 million from HeungKong Group and a Singapore-based institutional investor
- New product Mitiglinide was included in the latest NRDL and GeneTime[®] use restriction was lifted, both will become strong catalyst of growth for Uni-Bio Science
- Launched Best-in-Class Oral Anti-Diabetic Drug Bokangtai and shipped to a number of hospitals in Fujian province in April, subsequent to the drug being included on the 2017 NRDL
- Secured more provincial tenders at favourable prices, hence was not impacted by price erosion as much as the overall Chinese pharmaceutical market
- Successful transition of GeneSoft[®] distribution to China Resources Zizhu, increasing hospital coverage while reducing sales and distribution costs
- Sales and Marketing functions grouped under three major divisions to ensure full compliance with the new Two-Invoice System

(Hong Kong, 28 August 2017) **Uni-Bio Science Group Limited** (“Uni-Bio Science” or the “Group”; HKEx code: 690) has announced its interim results for the six months ended 30 June 2017. Despite facing heavy industry headwind, the Group continued to achieve significant development including refining its Sales and Marketing teams to leverage new policies taking effect, forming crucial strategic alliance and making progress with product launch and development.

The PRC pharmaceutical industry is undergoing transformation and consolidation as the country’s healthcare system goes through reforms, for example, the tighter grip on pricing of drugs of government tenders in all provinces and municipalities has translated into pricing pressure for participants including Uni-Bio Science, though the impact on it has been relatively mild. Furthermore, under the new sales model with China Resources Zizhu, where sales and distribution expenses are deducted from the final invoiced amount, the revenue decreased significantly. Thus for the six months ended 30 June 2017, the Group’s consolidated turnover inevitably adjusted downward by 9.4% to approximately HK\$62,945,000. But this does not translate to a drop in profitability as the revenue decrease is mainly due to sales and distribution expenses deduction. Nevertheless, the Group still outperformed the industry with its three-year compounded annual growth rate since July 2014 reaching 12.3%, almost double the 6.8% of the overall pharmaceutical market in the PRC for the same period, according to IMS Research (May 2017). Gross profit margin of the Group stood high at 83.4%.

It is worth noting that sales and distribution expenses during the review period decreased by 19.3% year-on-year to HK\$27,067,000, thanks to the new trading model of GeneSoft® and the huge synergies from promotion to shared targets with China Resources ZiZhu. Yet, having kept investing in new HR systems to attract talents and R&D to help speed up the capacity of future growth, the Group recorded net loss of HK\$33,690,000 during the review period. Having cash and cash equivalents amounting to HK\$36,744,000 as at 30 June 2017, the Group will be able to fund its operations and investment in the near term.

Mr. Kingsley LEUNG, Chairman and Executive Director of Uni-Bio Science, said, *“2017 has been another year of significant change for the pharmaceutical industry, with regulators active in enforcing policies to help the industry upgrade so that it may compete effectively in the international market. Although those new policies have negative impacts on the industry in the short term, they will eventually help raise the overall standard of the industry and pharmaceutical product quality, beneficial for us in the long run. In particular, the receipt of Beijing Science and Technology Commission High-End Generic Drugs Subsidies, a one-off government grant for Pinapu, by Uni-Bio Science during the period reflected the authority’s endorsement of the Group’s product quality. Moreover, the transition to the Two-Invoice System was rugged for many industry players and require large scale adjustment to sales models. Expecting a paradigm shift in drug distribution, we seized the time to restructure our sales team during the review period, ensuring we fully comply with latest distribution policy. We also made significant progress in implementing our strategic plans, including winning new tenders, securing HeungKong Group as a major strategic investor and partner, as well as launching the new product Mitiglinide. We believe these achievements will unlock more promising opportunities for us in the near future.”*

To ensure its commercial platform fully complies with the new Two-Invoice System, the Group has refined its Sales and Marketing function, grouping roles and responsibilities under three major divisions, namely Sales Operations Management, Distributor Management and Salesforce Management. The new setup allows the specialized divisions to more effectively control the flow of the goods to adapt to the new two-invoice system and has also strengthened internal communication, information management and resources allocation to the benefit of the Group’s long-term development. Furthermore, the Group has kept expanding its salesforce across China, adding more senior positions and building a more vertically integrated team structure. During the review period, the Group tapped two new key markets, namely Hubei and Jiangsu and increased direct sales forces and regional distributors. It is expected that the commercial platform workforce will be increased by over 50% when compared with a year ago.

Benefitting from the tenders well-managed by the Market Access Department, which was established in 2015, and tender wins in Ningxia and Hubei during the review period, sales quantity of Pinapu grew by 14.4% for the period, and with new distributors added in Ningxia and Yunnan, revenue from GeneTime® climbed despite the adverse market environment. In addition, with new tenders won in Hubei, GeneSoft® now has a 77% reach nationwide. The sales operations of Genesoft® were successfully transferred to China Resources Zizhu, potentially increasing its hospital coverage in the country in a relatively short period of time. By the end of the review period, Pinapu covers 24 provinces and military area commands, GeneTime® covers 32 provinces and military area commands and GeneSoft® covers 31 provinces and military area commands. The number of provinces covered has increased steadily since the Market Access Department was set up. The Group acquired in 2015 the exclusive global rights to manufacture and commercialize Mitiglinide, and this new oral anti-diabetic drug (OAD) was launched by the Group under the registered brand name 博康泰® (Bokangtai) in Fujian province after it was included on the 2017 NRDL.

The Group also made certain progress in R&D. The new R&D partnership with Sun-Novo began Acarbose tablets development work in the first half of 2017. For its proprietary products Uni-E4 and Uni-PTH, the Group has started deploying resources to support research on their second generation in liquid form to increase their competitiveness. The Quality and Efficacy equivalency evaluations studies of Mitiglinide and Pinapu are now in progress and the pre-Bioequivalent (“BE”) Studies of Pinapu are due to be completed by the end of 2017, such that its BE Studies will be able to commence by first half 2018.

Subsequent to the half-year end, the Group forged a crucial strategic alliance with HeungKong Group, a top 50 PRC private enterprise and raised fund totaling HK\$142 million from HeungKong Group and a Singapore-based institutional investor. Apart from funding support, the Group also has access to the medical network of HeungKong Group to distribute its pharmaceutical products. In addition, joint efforts will be made to study the feasibility of setting up bio-pharmaceutical incubation centers and explore international M&A projects.

The regulatory environment has changed markedly since 2014 for the biopharmaceutical industry. With the Group committed to creating novel treatments drawing on its in-house R&D capabilities, the policy changes that aim at encouraging development of more innovative treatments will work in its favor in the medium-to-long term. A recent industry report suggests that the patented drug market will be the fastest growing in the PRC biopharmaceutical sector, accounting for 9% of total industry value by 2020 compared to 5% in 2011. To capitalize on this trend, the Group has continued to boost its portfolio of novel products developed in-house and assess potential partnerships, such to co-develop Acarbose tablets with Sunshine-Novo and to forge strategic alliance with Heungkong Group on international M&A opportunities.

Mr. LEUNG concluded, *“To strengthen our competitive edges for grasping the opportunities ahead, we are going to focus on several business priorities in the second half of the year. First of all, to realize our vision of becoming an expert in our core therapeutic areas, we will continue to strengthen the standing of Mitiglinide in the area of chronic disease management and target to in-license or acquire products and technologies that complement our products in the pipeline. And, secondly, we will keep expanding our commercialization platform to the end of enhancing sales and work with HeungKong Group to achieve our shared strategic objectives. We will also strive to complete the key milestones for Quality and Efficacy equivalency evaluation studies for Pinapu and Mitiglinide in the second half of 2017 to increase the value of our assets. Uni-Bio Science is steadily on track in building a solid foundation for sustaining growth in this testing period for the industry and it looks forward to seeing its efforts bear fruits in the coming years.”*

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About Uni-Bio Science Group Limited (SEHK: 0690)

Uni-Bio Science Group Limited is principally engaged in the research and development, manufacture and distribution of pharmaceutical products. The research and development center located in Dongguan, PRC is fully equipped with a complete system for the development of genetically-engineered products with a pilot plant test base which is in line with CFDA requirements. The Group also has two GMP manufacturing bases in Beijing and Shenzhen. The Group is focused on the development of novel treatments addressing the therapeutic areas of diabetes, ophthalmology and dermatology.

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