ESSEX BIO-TECHNOLOGY LIMITED
億 勝 生 物 科 技 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1061)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "Board") of directors (the "Directors") of Essex Bio-Technology Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018 together with comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** *HK$*	2017 *HK$*
Turnover	*3&4*	**1,176,457,931**	899,589,729
Cost of sales		**(202,916,031)**	(161,987,759)
Gross profit		**973,541,900**	737,601,970
Other revenue, and other gains and losses		**25,542,828**	24,647,137
Distribution and selling expenses		**(649,719,067)**	(515,298,269)
Administrative expenses		**(68,908,719)**	(40,405,123)
Finance costs		**(7,403,254)**	(9,499,843)
Profit before income tax	*5*	**273,053,688**	197,045,872
Income tax	*6*	**(41,962,014)**	(29,747,219)
Profit for the year		**231,091,674**	167,298,653
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
– Changes in fair value		–	609,477
– Reclassification adjustments for gain on disposal of available-for-sale financial assets included in profit or loss		–	(341,550)
		–	267,927
Exchange differences on translation of financial statements of foreign operations		**(47,671,039)**	42,362,557
		(47,671,039)	42,630,484
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity instruments at fair value through other comprehensive income		**(25,538,048)**	–
Other comprehensive income for the year		**(73,209,087)**	42,630,484
Total comprehensive income for the year		**157,882,587**	209,929,137
Earnings per share attributable to owners of the Company			
Basic	*8*	**HK40.50 cents**	HK29.75 cents
Diluted	*8*	**HK39.44 cents**	HK29.35 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$	2017 HK$
Non-current assets			
Property, plant and equipment	9	**169,324,142**	171,239,491
Land use rights		**16,931,785**	6,493,945
Goodwill		**2,281,895**	2,435,133
Other intangible assets	10	**218,776,322**	138,129,589
Convertible loan receivables	11	**10,580,884**	33,062,058
Available-for-sale financial assets	12	**–**	90,393,260
Financial assets at fair value through other comprehensive income	12	**142,132,332**	–
Financial assets at fair value through profit or loss	12	**13,739,443**	–
Deposits and prepayments	15	**2,323,982**	2,805,718
Pledged bank deposit		**11,000,000**	–
Total non-current assets		**587,090,785**	444,559,194
Current assets			
Inventories	13	**70,749,493**	102,869,822
Trade and other receivables	14	**459,083,791**	335,983,002
Deposits and prepayments	15	**5,454,083**	7,508,033
Convertible loan receivable	11	**16,184,835**	–
Financial assets at fair value through profit or loss	12	**28,122**	–
Pledged bank deposit		**–**	28,229,076
Cash and cash equivalents		**311,097,828**	240,627,387
Total current assets		**862,598,152**	715,217,320
Total assets		**1,449,688,937**	1,159,776,514
Current liabilities			
Trade and other payables	16	**291,514,254**	225,190,047
Bank borrowings		**–**	29,004,214
Current tax liabilities		**23,772,020**	22,959,188
Total current liabilities		**315,286,274**	277,153,449
Net current assets		**547,311,878**	438,063,871
Total assets less current liabilities		**1,134,402,663**	882,623,065
Non-current liabilities			
Bank borrowings		**55,000,000**	–
Convertible loan payable	17	**134,365,666**	128,974,146
Deferred tax liabilities		**16,135,101**	14,160,527
Total non-current liabilities		**205,500,767**	143,134,673
Total liabilities		**520,787,041**	420,288,122
NET ASSETS		**928,901,896**	739,488,392
Capital and reserves attributable to owners of the Company			
Share capital		**57,875,000**	56,349,300
Reserves		**871,026,896**	683,139,092
TOTAL EQUITY		**928,901,896**	739,488,392

NOTES:

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. ADOPTION OF HKFRSs

Adoption of new/revised HKFRSs – effective 1 January 2018

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

HKFRS 9 – Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

(i) Classification and measurement of financial instruments

The following tables summarised the impact of transition to HKFRS 9 on the opening balance of reserves as at 1 January 2018 (increase/(decrease)):

Available-for-sale financial assets reserve	*HK$*
Balance as at 31 December 2017	13,708,184
Reclassify investments from available-for-sale at fair value to fair value through other comprehensive income ("FVTOCI") *(Note 2(i)(a))*	(13,019,371)
Reclassify investments from available-for-sale at fair value to fair value through profit or loss ("FVTPL") *(Note 2(i)(b))*	(688,813)
Restated balance as at 1 January 2018	–

FVTOCI reserve	*HK$*
Balance as at 31 December 2017	–
Reclassify investments from unlisted equity investments at cost to FVTOCI *(Note 2(i)(c))*	24,363,812
Reclassify investments from available-for-sale at fair value to FVTOCI *(Note 2(i)(a))*	13,019,371
Restated balance as at 1 January 2018	37,383,183

Retained earnings	*HK$*
Balance as at 31 December 2017	547,250,003
Reclassify the entire convertible loan receivable to FVTPL *(Note 2(i)(d))*	1,140,887
Reclassify investments from available-for-sale at fair value to FVTPL *(Note 2(i)(b))*	688,813
Restated balance as at 1 January 2018	549,079,703

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at FVTOCI; or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVTOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified as at amortised cost or FVTOCI as described above are classified as at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets:

Financial assets at FVTPL	Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Financial assets at amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
Financial assets at FVTOCI (equity investments)	Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.
Financial assets at FVTOCI (debt investments)	Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(a) As at 1 January 2018, certain listed equity securities were reclassified from available-for-sale financial assets to financial assets at FVTOCI. The Group intends to hold these listed equity securities for long term strategic purposes. Under HKFRS 9, the Group has designated these listed equity securities at the date of initial application as measured at FVTOCI. As a result, financial assets with a fair value of HK$51,792,799 were reclassified from available-for-sale financial assets at fair value to financial assets at FVTOCI and fair value gains of HK$13,019,371 were reclassified from the available-for-sale financial assets reserve to the FVTOCI reserve on 1 January 2018.

(b) As at 1 January 2018, certain listed equity securities were reclassified from available-for-sale financial assets to financial assets at FVTPL. The Group intends to hold these listed equity securities for trading. Under HKFRS 9, the Group has designated these listed equity securities at the date of initial application as measured at FVTPL. As a result, financial assets with a fair value of HK$2,450,972 were reclassified from available-for-sale financial assets at fair value to financial assets at FVTPL and fair value gains of HK$688,813 were reclassified from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

(c) As at 1 January 2018, unlisted equity investments were reclassified from available-for-sale financial assets at cost to financial assets at FVTOCI. These unlisted equity investments have no quoted price in an active market. The Group intends to hold these unlisted equity investments for long term strategic purposes. In addition, the Group has designated these unlisted equity investments at the date of initial application as measured at FVTOCI. As at 1 January 2018, the difference between the previous carrying amount and the fair value of HK$24,363,812 has been included in the opening FVTOCI reserve.

(d) As at 1 January 2018, the entire of debt component and derivative component of one of the convertible loan receivables were reclassified to financial assets at FVTPL. The derivative component causes the financial assets to fail to meet the SPPI criterion. This is because the embedded feature cannot be separated and the contractual terms of that convertible loan receivable as a whole do not give rise solely to payments of principal and interest on the principal amount outstanding of the loan. As a result, that convertible loan receivable in its entirety is classified as at FVTPL. As at 1 January 2018, the difference between the previous carrying amount and the fair value of HK$1,140,887 has been included in the opening retained earnings.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39**	**Carrying amount as at 1 January 2018 under HKFRS 9**
			HK$	*HK$*
Listed equity securities	Available-for-sale (at fair value) *(Note 2(i)(a))*	FVTOCI	51,792,799	51,792,799
Listed equity securities	Available-for-sale (at fair value) *(Note 2(i)(b))*	FVTPL	2,450,972	2,450,972
Unlisted equity investments	Available-for-sale (at cost) *(Note 2(i)(c))*	FVTOCI	36,149,489	60,513,301
Convertible loan receivable	Debt component: Amortised cost Derivative component: FVTPL *(Note 2(i)(d))*	As a whole: FVTPL	16,201,992	17,342,879
Convertible loan receivable	Debt component: Amortised cost	FVTPL	16,860,066	16,860,066
Trade and other receivables	Loans and receivables *(Note 2(ii))*	Amortised cost	335,983,002	335,983,002
Cash and cash equivalents	Loans and receivables	Amortised cost	240,627,387	240,627,387

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for trade and other receivables and financial assets at amortised cost earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current year.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; or (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and other receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 to 90 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 to 180 days past due, depending on credit worth of customers.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECLs model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due. No additional impairment for trade receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECLs model is immaterial.

(b) Impairment of other receivables

Other financial assets at amortised cost of the Group include other receivables. Applying the ECLs model, no additional impairment for other receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECLs model is immaterial.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets as measured at FVTPL; and
- The designation of certain equity investments not held for trading as at FVTOCI.

If a debt investment had low credit risk at the DIA, the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

The adoption of these new/revised HKFRSs, apart from HKFRS 9 described above, has no material impact on the Group's financial statements.

3. TURNOVER

Turnover represents the sales value of goods supplied to customers and service income (net of sales tax, value-added tax, commercial discounts and sales returns), further details of which are set out in note 4.

4. SEGMENT REPORTING

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the chief operating decision-maker for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments:

- Pharmaceutical products: Manufacture and sale of biopharmaceutical products
- Provision of marketing services

(a) Reportable segments

The chief operating decision-maker monitors the results of its business units separately for the purpose of making decision about resources allocation and performance assessment. The chief operating decision-maker has been identified as the Company's executive directors. Segment performance is evaluated based on the results from the reportable segments as explained in the table below.

For the year ended 31 December 2018

	Pharmaceutical products *HK$*	Provision of marketing services *HK$*	Total *HK$*
Reportable segment revenue			
– Revenue from external customers	**1,105,608,765**	**70,849,166**	**1,176,457,931**
Reportable segment profit	**261,238,548**	**18,725,351**	**279,963,899**

For the year ended 31 December 2017

	Pharmaceutical products *HK$*	Provision of marketing services *HK$*	Total *HK$*
Reportable segment revenue			
– Revenue from external customers	875,200,942	24,388,787	899,589,729
Reportable segment profit	192,554,418	21,819,464	214,373,882

The totals presented for the Group's operating segments were reconciled to the Group's key financial figures as presented in the consolidated financial statements as follows:

	2018 ***HK$***	2017 *HK$*
Reportable segment profit	**279,963,899**	214,373,882
Unallocated corporate income and expenses, net	**(12,619,642)**	(6,179,885)
Change in fair value of financial assets at FVTPL	**15,452,703**	–
Equity-settled share-based payments	**(2,340,018)**	(1,648,282)
Finance costs	**(7,403,254)**	(9,499,843)
Profit before income tax	**273,053,688**	197,045,872

Major corporate expenses comprised mainly the staff costs including directors' emoluments.

Analysis of segment assets and liabilities has not been presented as the Group's provision of marketing services segment is with low utilisation of physical assets and the measure of segment assets are not regularly provided to the Company's executive directors.

(b) Geographical information

(i) Revenue from external customers

For the years ended 31 December 2018 and 2017, the Group's revenue from external customers is derived solely from its operations in the People's Republic of China (the "PRC") (place of domicile).

(ii) Non-current assets

	2018 ***HK$***	2017 *HK$*
PRC	**372,472,905**	321,103,876
Hong Kong	**37,165,221**	–
	409,638,126	321,103,876

The non-current asset information above excludes convertible loan receivables, financial assets at FVTOCI, financial assets at FVTPL, available-for-sale financial assets and pledged bank deposit, and is based on the physical locations of the respective assets, except for goodwill and other intangible assets of which is based on the area of the group entities' operations.

(c) Information about major customers

For the year ended 31 December 2018, revenue of HK$321,554,016 (2017: HK$226,950,494 and HK$91,842,987) was derived from the sales of pharmaceutical products segment to one customer (2017: two customers), which individually accounted for over 10% of the Group's total revenue.

5. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	2018	2017
	HK$	*HK$*
Amortisation of land use rights	**237,346**	155,217
Amortisation of other intangible assets	**4,976,342**	4,935,220
Auditor's remuneration	**1,297,250**	1,018,700
Cost of inventories	**150,644,613**	157,937,369
Cost of services	**52,123,815**	2,569,322
Depreciation of property, plant and equipment	**14,433,266**	12,835,851
Employee costs excluding directors' emoluments:		
– Salaries and other benefits	**132,173,886**	99,407,791
– Pension fund contributions	**7,664,794**	7,057,484
– Equity-settled share-based payments to the employees	**849,351**	1,548,282
Equity-settled share-based payments to the consultant of the Group	**1,490,667**	100,000
Exchange gains, net	**(8,906,223)**	(7,651,606)
Write-off of inventories	**147,603**	1,481,068
Loss on disposal of property, plant and equipment	**16,536**	26,710
Research and development costs recognised as expenses	**18,124,411**	6,431,465

6. INCOME TAX

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2018	2017
	HK$	*HK$*
Current tax – the PRC		
– Provision for the year	**37,022,980**	26,873,488
Deferred tax	**4,939,034**	2,873,731
	41,962,014	29,747,219

No provision for Hong Kong profits tax has been made as the Group has no assessable profit arising in Hong Kong.

The Group's major operating subsidiary in Zhuhai, the PRC, was established and carries on business in the Special Economic Zones of the PRC as a high technology enterprise. This subsidiary has obtained a 高新技術企業證書 (High Technology Enterprise Certificate) and is entitled to enjoy the enterprise income tax at the concessionary rate of 15% for the years ended 31 December 2018 and 2017.

Enterprise income tax rate of 25% is applied to the Group's other operating subsidiaries in the PRC.

7. DIVIDENDS

	2018	2017
	HK$	*HK$*
Interim dividend – HK$0.03 (2017: HK$0.025) per share	**17,155,200**	14,055,525
Proposed final dividend – HK$0.033 (2017: HK$0.025) per share	**19,098,750**	14,087,325
	36,253,950	28,142,850

The Directors propose a final dividend of HK$0.033 (2017: HK$0.025) per ordinary share to be paid. The amount of proposed final dividend is based on the number of issued ordinary shares as at the end of the reporting period. This proposed dividend is not reflected as dividend payable as at the end of the reporting period but will be reflected as an appropriation of retained earnings for the year ending 31 December 2019.

8. EARNINGS PER SHARE

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

Earnings

	2018	2017
	HK$	*HK$*
Profit attributable to owners of the Company for the purposes of calculating basic earnings per share	**231,091,674**	167,298,653
Interest expense on convertible loan payable, net of amount capitalised	**6,071,069**	N/A
Profit attributable to owners of the Company for the purposes of calculating diluted earnings per share	**237,162,743**	167,298,653

Number of shares

	2018	2017
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**570,614,849**	562,315,266
Effect of dilutive potential ordinary shares:		
– share options issued by the Company	**5,326,305**	7,615,298
– convertible loan payable	**25,423,728**	N/A
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**601,364,882**	569,930,564

The computation of diluted earnings per share for the year ended 31 December 2018 does not assume the issue of potential ordinary shares in relation to certain share options granted as they have anti-dilutive effect.

The computation of diluted earnings per share for the year ended 31 December 2017 did not assume the issue of potential ordinary shares in relation to certain share options granted and the conversion of convertible loan payable as they had anti-dilutive effect.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements *HK$*	Plant and machinery *HK$*	Furniture, fixtures and equipment *HK$*	Motor vehicles *HK$*	Construction in progress *HK$*	Total *HK$*
Cost:						
At 1 January 2017	113,613,790	72,326,419	6,921,821	3,821,410	–	196,683,440
Additions	1,531,941	3,475,180	3,045,043	–	–	8,052,164
Disposal	–	(183,728)	(36,371)	–	–	(220,099)
Exchange adjustment	8,628,627	5,589,335	591,294	288,081	–	15,097,337
At 31 December 2017	123,774,358	81,207,206	10,521,787	4,109,491	–	219,612,842
Additions	391,072	12,187,757	7,086,571	835,100	1,134,620	21,635,120
Disposal	–	–	(511,346)	–	–	(511,346)
Exchange adjustment	(6,429,754)	(4,681,099)	(755,942)	(212,973)	(43,992)	(12,123,760)
At 31 December 2018	117,735,676	88,713,864	16,341,070	4,731,618	1,090,628	228,612,856
Accumulated depreciation:						
At 1 January 2017	6,706,202	19,864,692	3,177,301	3,033,599	–	32,781,794
Charge for the year	2,341,001	8,909,980	1,344,351	240,519	–	12,835,851
Disposal	–	(162,393)	(30,996)	–	–	(193,389)
Exchange adjustment	602,946	1,861,441	246,012	238,696	–	2,949,095
At 31 December 2017	9,650,149	30,473,720	4,736,668	3,512,814	–	48,373,351
Charge for the year	2,437,619	9,636,376	2,107,461	251,810	–	14,433,266
Disposal	–	–	(494,810)	–	–	(494,810)
Exchange adjustment	(594,629)	(1,952,919)	(288,589)	(186,956)	–	(3,023,093)
At 31 December 2018	11,493,139	38,157,177	6,060,730	3,577,668	–	59,288,714
Carrying amount:						
At 31 December 2018	106,242,537	50,556,687	10,280,340	1,153,950	1,090,628	169,324,142
At 31 December 2017	114,124,209	50,733,486	5,785,119	596,677	–	171,239,491

The carrying amount of construction in progress represented the costs incurred for the construction of the new factory which will be reclassified to buildings and leasehold improvements when the construction is completed.

10. OTHER INTANGIBLE ASSETS

	Development expenditure *HK$*	Acquired intangible assets *HK$*	Total *HK$*
Cost:			
At 1 January 2017	69,617,733	23,310,074	92,927,807
Additions	22,412,399	38,079,303	60,491,702
Exchange adjustment	6,110,813	3,341,447	9,452,260
At 31 December 2017	98,140,945	64,730,824	162,871,769
Additions	19,267,013	75,430,200	94,697,213
Exchange adjustment	(5,659,910)	(4,889,432)	(10,549,342)
At 31 December 2018	111,748,048	135,271,592	247,019,640
Accumulated amortisation and impairment losses:			
At 1 January 2017	14,947,194	3,280,345	18,227,539
Amortisation	–	4,935,220	4,935,220
Exchange adjustment	1,126,811	452,610	1,579,421
At 31 December 2017	16,074,005	8,668,175	24,742,180
Amortisation	318,172	4,658,170	4,976,342
Exchange adjustment	(845,371)	(629,833)	(1,475,204)
At 31 December 2018	15,546,806	12,696,512	28,243,318
Carrying amount:			
At 31 December 2018	96,201,242	122,575,080	218,776,322
At 31 December 2017	82,066,940	56,062,649	138,129,589

11. CONVERTIBLE LOAN RECEIVABLES

In 2015, the Group entered into a convertible loan agreement with an independent third party, 武漢伢典生物科技有限公司 (Wuhan Adv. Dental Co., Ltd.*) ("Adv. Dental"), with principal amount of RMB10,000,000 (approximately HK$11,937,448) which carries interest at 5% per annum payable quarterly in arrears with maturity on 13 December 2019 at redemption amount of 100% of the principal amount ("Convertible Loan A"). The principal amount of Convertible Loan A can be converted into such equity interest representing 30% of the entire equity interest of Adv. Dental at any time from the date of issue to the maturity date. The principal activities of Adv. Dental are manufacturing and selling of dental treatment techniques in the PRC. Convertible Loan A is secured by 100% equity interest in Adv. Dental.

In 2016, the Group entered into a convertible loan agreement with an independent third party, 廣西萬壽堂藥業有限公司 (Guangxi Medictop Pharmaceutical Company Limited*) ("Guangxi Medictop"), with principal amount of RMB15,000,000 (approximately HK$17,528,115) which carries interest at 6% per annum payable quarterly in arrears with maturity on 8 January 2019 at redemption amount of 100% of the principal amount ("Convertible Loan B"). Guangxi Medictop is principally engaged in manufacture, research and development and sale of Chinese patent medicines for gynecology and cardiovascular. Convertible Loan B is secured by 20% equity interest in Guangxi Medictop.

There were components of Convertible Loan B, other than the debt component, namely conversion option, redemption option and put option, which lapsed in 2017.

The initial fair value of the debt component is the residual value after separating out the initial fair value of derivative component. Subsequent to initial recognition, the debt component is carried at amortised cost using the effective interest method and the derivative component is carried at fair value. The fair value of derivative component as at 31 December 2017 was determined by the Directors with reference to the valuation performed by International Valuation Limited, an independent firm of professionally qualified valuers. As at 1 January 2018, Convertible Loan A and Convertible Loan B were reclassified to financial assets at FVTPL upon the adoption of HKFRS 9.

During the year ended 31 December 2018, Convertible Loan B was settled by way of acquiring a distribution right.

During the year ended 31 December 2018, the Group entered into a convertible loan agreement with an independent third party, a private company incorporated in Singapore (the "Investee"), with principal amount of SG$2,000,000 (approximately HK$11,800,000) which carries interest at 2.5% per annum payable quarterly in arrears with maturity on 1 June 2023 ("Convertible Loan C"). Convertible Loan C will be disbursed to the Investee in three tranches and the first tranche in the principal amount of SG$1,000,000 (equivalent to HK$5,884,110) ("Tranche A of Convertible Loan C") was disbursed to the Investee during the year. The entire principal amount of Convertible Loan C can be converted into such number of shares representing 40% of the enlarged total issued share capital of the Investee at any time before the maturity date. In the event that no conversion has been taken place before the maturity date, the Investee shall repay the Group the outstanding principal amount plus an amount calculated by the Group which would yield a return for the Group on the principal amount of Convertible Loan C of 6% per annum. Tranche A of Convertible Loan C is classified as financial asset at FVTPL upon the initial recognition.

During the year ended 31 December 2018, the Group entered into an agreement with an independent third party, DB Therapeutics, Inc ("DBT"), to subscribe for a convertible loan with principal amount of US$4,500,000 (equivalent to approximately HK$35,278,200) which carries interest at 5% per annum with maturity on 31 July 2022 ("Convertible Loan D"). Convertible Loan D will be disbursed to DBT in five tranches and the first tranche in the principal amount of US$600,000 (equivalent to HK$4,696,774) ("Tranche A of Convertible Loan D") was disbursed to DBT during the year. The entire principal amount of Convertible Loan D can be converted into such number of shares representing 45% of the enlarged total issued share capital of DBT on a fully-diluted basis at any time before the maturity date. In the event that no conversion has been taken place before maturity date, DBT shall repay the Group the outstanding principal amount plus an amount calculated by the Group which would yield a return for the Group on the principal amount of Convertible Loan D of 8% per annum. Tranche A of Convertible Loan D is classified as financial asset at FVTPL upon initial recognition.

The Group's convertible loan receivables are recognised as follows:

	Total
	HK$
At 31 December 2018	
– Convertible Loan A	**16,184,835**
– Tranche A of Convertible Loan C	**5,884,110**
– Tranche A of Convertible Loan D	**4,696,774**
Total	**26,765,719**
Less: Current portion	**(16,184,835)**
Non-current portion	**10,580,884**

	Debt component	Derivative component	Total
	HK$	*HK$*	*HK$*
At 31 December 2017			
– Convertible Loan A	8,883,577	7,318,415	16,201,992
– Convertible Loan B	16,860,066	–	16,860,066
Total, classified under non-current assets	25,743,643	7,318,415	33,062,058

The movements in fair value of convertible loan receivables during the year ended 31 December 2018 are as follows:

	HK$
At 1 January 2018, as originally presented	**33,062,058**
Initial application of HKFRS 9 *(Note 2(i)(d))*	**1,140,887**
At 1 January 2018, as restated	**34,202,945**
Additions	**10,580,884**
Settlement	**(16,631,119)**
Change in fair value recognised in profit or loss	**(269,708)**
Exchange differences	**(1,117,283)**
At 31 December 2018	**26,765,719**

The movements in fair value of the derivative component of convertible loan receivables during the year ended 31 December 2017 are as follows:

	HK$
At 1 January 2017	6,825,260
Change in fair value recognised in profit or loss	(20,521)
Exchange differences	513,676
At 31 December 2017	7,318,415

During the respective loan periods and where applicable following the conversion of the convertible loan receivables, the Group was entitled to appoint 1 out of 3 directors or 2 out of 5 directors of Adv. Dental, 1 out of 4 directors of the Investee and 1 out of 5 directors of DBT in accordance with the agreements of the convertible loan receivables. Accordingly, given the potential voting right and the right to appoint directors, the Group has regarded Adv. Dental, the Investee and DBT as associates of the Group. As at 31 December 2018 and up to the date of this announcement, as the Group has not converted the convertible loan receivables into equity interests of Adv. Dental, the Investee and DBT, the Group is not entitled to share any profit or loss of Adv. Dental, the Investee and DBT and accordingly, the Group has no interest in associates. The Directors are of the opinion that no further disclosure is considered meaningful in this regard.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS, FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HK$	*HK$*
Non-Current		
Equity investments designated at FVTOCI *(Note (a))*		
– Listed equity investments *(Note (b))*	**69,407,275**	54,243,771
– Unlisted equity investments *(Note (c))*	**72,725,057**	–
Available-for-sale investments		
– Unlisted equity investments, at cost *(Note (c))*	**–**	36,149,489
	142,132,332	90,393,260
Derivative financial instrument *(Note (e))*	**13,739,443**	–
Current		
Equity investments designated at FVTPL		
– Listed equity investments *(Note (d))*	**28,122**	–
	155,899,897	90,393,260

Notes:

(a) The equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature and there is no frequent trading past experience.

(b) The balance represents two (2017: one) listed equity securities which are listed on the NASDAQ Stock Market of the United States, namely AC Immune SA ("ACI") and MeiraGTx Limited ("MeiraGTx") (2017: ACI). The fair value was based on quoted market price as at 31 December 2018.

During the year ended 31 December 2018, the Group subscribed convertible preferred C shares of MeiraGTx, a then private company, for a consideration of approximately US$5,000,000 (equivalent to HK$39,210,753). On 8 June 2018, the shares of MeiraGTx were listed on the NASDAQ Stock Market of the United States, and the convertible preferred C shares held by the Group were converted into 477,158 ordinary shares of MeiraGTx.

During the year ended 31 December 2018, the Group divested an insignificant portion of its equity interests in ACI and MeiraGTx. The aggregate fair value on respective dates of disposal was HK$8,962,551 and the accumulated gain recognised in other comprehensive income of HK$2,537,158 was transferred to retained earnings.

(c) The balance represents three (2017: two) unlisted equity investments, namely the investments in (i) series B preferred stock of a private company incorporated in the United States in 2017 and 2018; (ii) series C preferred stock and common stock (2017: series C preferred stock and warrants) of another private company incorporated in the United States in 2018; and (iii) approximately 8% equity interest in a private company established in the PRC in 2018.

(d) The equity investments were irrevocably designated at FVTPL as the Group considers these investments to be held for trading.

(e) During the year ended 31 December 2018, the Group entered into a co-development agreement with an independent third party, Mitotech S.A. ("Mitotech") under which the Group has agreed to fund to a maximum of approximately US$16,520,000 (approximately HK$129,682,000), for a clinical development in the United States Food and Drug Administration first phase 3 clinical trial (the "First P3") of an ophthalmic solution containing SkQ_1 as its sole active pharmaceutical ingredient (the "SkQ_1 Product") which shall be provided as a pharmaceutical product in the field of dry eye disease, in return for a share of certain income received by Mitotech in respect of the SkQ_1 Product in accordance with the agreed percentage allocation between the Group and Mitotech. Pursuant to the agreement, the Group shall have the right to exercise an option to fund a second phase 3 clinical trial (the "Second P3 Option") following the First P3. The Second P3 Option is classified as financial asset at FVTPL upon the initial recognition.

During the year ended 31 December 2018, a gross loss amounted to HK$25,538,048 and a gross gain amounted to HK$15,722,411 were recognised in other comprehensive income and profit or loss respectively.

During the year ended 31 December 2017, a gross gain recognised in other comprehensive income amounted to HK$609,477, of which HK$341,550 was reclassified from other comprehensive income to profit or loss for the year upon disposal.

13. INVENTORIES

	2018	2017
	HK$	*HK$*
Raw materials	**10,687,723**	7,339,149
Work in progress	**4,164,487**	5,503,679
Finished goods	**55,897,283**	90,026,994
	70,749,493	102,869,822

During the year, the Group has carried out regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption, physical condition and management judgement. As a result, inventories of HK$147,603 (2017: HK$1,481,068) have been written off and recognised in profit or loss.

14. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$	*HK$*
Trade receivables	**434,874,696**	319,788,212
Value-added tax recoverable	**–**	12,789,499
Other receivables	**24,209,095**	3,405,291
	459,083,791	335,983,002

The Group's policy is to allow a credit period of 90 days to its trade customers.

The Directors have considered the track records of customers and age of the outstanding balances and are of the view that no provision is required as at 31 December 2018 and 2017.

The ageing analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$	*HK$*
0–60 days	**271,285,662**	188,510,122
61–90 days	**49,332,635**	44,654,100
Over 90 days	**114,256,399**	86,623,990
	434,874,696	319,788,212

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2018	2017
	HK$	*HK$*
Neither past due nor impaired	**320,618,297**	233,164,222
Less than 3 months past due	**84,508,795**	70,774,702
Over 3 months past due	**29,747,604**	15,849,288
	434,874,696	319,788,212

15. DEPOSITS AND PREPAYMENTS

	2018	2017
	HK$	*HK$*
Deposits paid for acquisition of property, plant and equipment	**2,323,982**	2,805,718
Prepayments for purchase of finished goods	**2,660,870**	1,214,475
Other deposits	**316,694**	302,154
Other prepayments	**2,476,519**	5,991,404
Total	**7,778,065**	10,313,751
Less: Current portion	**(5,454,083)**	(7,508,033)
Non-current portion	**2,323,982**	2,805,718

Deposits and prepayments do not contain impaired assets and their carrying amounts approximate their fair values.

16. TRADE AND OTHER PAYABLES

	2018	2017
	HK$	*HK$*
Trade payables	**3,736,474**	1,265,806
Other payables and accruals *(Note)*	**287,777,780**	223,924,241
	291,514,254	225,190,047

Note:

Other payables and accruals included the accruals for sales and marketing costs of HK$221,623,163 (2017: HK$203,324,862).

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

	2018	2017
	HK$	*HK$*
0–60 days	**3,732,964**	1,239,916
61–90 days	**442**	–
Over 90 days	**3,068**	25,890
	3,736,474	1,265,806

17. CONVERTIBLE LOAN PAYABLE

On 6 July 2016 ("Issue Date"), the Group entered into a convertible loan agreement with International Finance Corporation ("IFC"), pursuant to which IFC agreed to lend, and the Group agreed to borrow, a convertible loan in an aggregate principal amount of HK$150,000,000 at an interest rate of 1.9% per annum (the "Convertible Loan Payable").

Subject to the terms of the convertible loan agreement, IFC has the right to convert all or any part of the outstanding principal amount of the Convertible Loan Payable into shares of the Company at a conversion price of HK$5.90 per share (subject to anti-dilutive adjustments as set out in the convertible loan agreement) at any time after the date of disbursement and prior to the maturity date. The maturity date is the date falling on the fifth anniversary of the date of the disbursement.

The Company shall repay the outstanding principal amount of the Convertible Loan Payable on the maturity date, together with a make whole premium (if any). Make whole premium is an amount calculated by IFC which would yield a return for IFC on the principal amount of the Convertible Loan Payable of (i) 6% per annum; or (ii) 8% per annum if there exists a change of control which occurs when, among others, (a) there is a decrease in the shareholdings of the Company's certain shareholders as a group under specified conditions as stipulated in the convertible loan agreement; (b) certain shareholders of the Company as a group cease to be the single largest direct and indirect shareholder of the Company; or (c) any person (other than certain shareholders as a group) by itself or through its affiliates have obtained the power to appoint a majority of the board of directors of the Company.

Pursuant to the convertible loan agreement, unless otherwise agreed in writing by the IFC, the Company shall, within 10 days following the occurrence of a change of control defined in the convertible loan agreement, prepay the outstanding principal amount of the Convertible Loan Payable, together with accrued interest, the make whole premium (if any), increased costs (if any) thereon and all other amounts payable under the convertible loan agreement, including the amount of unwinding costs payable if the prepayment is not made on an interest payment date.

The fair value of the debt component and the equity conversion component were determined at the issuance of the Convertible Loan Payable. The fair value of the debt component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity. The make whole premium, being an embedded derivative, was measured at fair value separately. At Issue Date and at 31 December 2018, the fair value of the make whole premium was determined by the Directors to be minimal.

The movements of the Convertible Loan Payable are as follows:

	Debt component	Conversion component	Total
	HK$	*HK$*	*HK$*
As at 1 January 2017	121,434,340	33,323,218	154,757,558
Imputed interest expense	10,302,723	–	10,302,723
Interest paid	(2,762,917)	–	(2,762,917)
As at 31 December 2017	128,974,146	33,323,218	162,297,364
Imputed interest expense	8,296,937	–	8,296,937
Interest paid	(2,905,417)	–	(2,905,417)
As at 31 December 2018	134,365,666	33,323,218	167,688,884

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The vision of the Group is to be a great and socially responsible corporation. Strategically, the Group develops, manufactures and commercialises genetically engineered therapeutic recombinant bovine basic fibroblast growth factor ("rb-bFGF"), with established mechanism of action in cellular proliferation, differentiation and migration.

Currently the Group has five commercialised biopharmaceutical products, formulated with rb-bFGF, in the PRC, out of which three were approved by 國家藥品監督管理局 (now the National Medical Products Administration, formerly known as China Food and Drug Administration) as Category I drugs. The products are being marketed and sold as Beifushu for treatment of ocular wounds, Beifuji and Beifuxin for treatment of topical (skin) surface wounds, three of which continue to be listed on the National Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance issued by the Ministry of Human Resources and Social Security of the PRC.

During the year under review, the Group was granted with the approval for registration and commercialisation of preservative-free single-dose Sodium Hyaluronate Eye Drops and Levofloxacin Eye Drops in the PRC. The Group has also obtained a 藥品GMP證書 (Certificate of Good Manufacturing Practices for Pharmaceutical Products ("GMP")) in respect of the preservative-free single-dose Tobramycin Eye Drops in 2018.

The Group's business focuses on two main therapeutic areas: (i) ophthalmology; and (ii) surgical arena of topical (skin) surface wounds primarily covering dermatology, stomatology and obstetrics and gynaecology; while selectively pursuing therapeutics in neurology, oncology and orthopaedics.

The Group maintains a pipeline of multi-projects in research and development ("R&D") at various stages of clinical programmes, of which several projects involve growth factors and antibody and a handful of projects are on unit dose for ophthalmic and respiratory disease.

The Group's major third party products include (i) Xalatan® Eye Drops and Xalacom® Eye Drops for lowering raised pressure within the eye; (ii) 適麗順 (Iodized Lecithin Capsules*) for treating central serous chorioretinopathy, central exudative chorioretinopathy, vitreous haemorrhage, vitreous opacities and central retinal vein occlusion, etc.; (iii) 伊血安顆粒 (Yi Xue An Granules*) for treating postpartum lochiorrhea and bleeding or spotting of uterus after induced abortion; and (iv) Carisolv products for treating dental caries by using minimally invasive techniques. During the year under review, the Group has secured extension of the import and service agreement with Pfizer International Trading (Shanghai) Limited for Xalatan® Eye Drops and Xalacom® Eye Drops in the PRC for a further 3 years, expiring in 2021.

For the year ended 31 December 2018, the Group achieved a consolidated turnover of approximately HK$1,176.5 million (2017: approximately HK$899.6 million), representing a growth rate of 30.8%. Profit for the year ended 31 December 2018 increased to approximately HK$231.1 million (2017: approximately HK$167.3 million), representing an increase of 38.1% as compared to the previous year. Although the pharmaceutical industry has been calibrated by regulators to become highly competitive in recent years in the PRC, we strive to maintain sustainable growth through our versatile management of sales and marketing process, expanding our presence to second and third-tier cities and establishing new sales channel of pharmaceutical stores in the PRC.

In 2015, the Group initiated an enrichment programme (the "Enrichment Programme") for enhancing its R&D pipeline and expanding its products portfolio. Under the Enrichment Programme, the Group proactively seeks to invest in and forge strategic alliance with companies in the PRC and overseas, which are having first-in-class and novel pharmaceutical projects at various stages of their respective R&D and clinical programmes in ophthalmology, dermatology, oncology and neurology. As at the date of this announcement, the Group has invested in 12 entities/projects with a total commitment of approximately US$53.9 million, out of which approximately US$43.4 million has been invested by the Group. Except for the total commitment in relation to the clinical development of the SkQ_1 Product under the co-development agreement (the "Co-Development Agreement") with Mitotech and Mitotech LLC ("Mitotech LLC") on 16 July 2018 (please refer to the section headed "Co-Development Agreement with Mitotech S.A. and Mitotech LLC" below for details), each of the investments represented less than 5% of the Group's total assets as at 31 December 2018.

During the year under review and up to the date of this announcement, the Group successfully made several strategic investements and secured distribution rights for certain products. These include:

Research Collaboration Agreement with AC Immune SA

On 19 May 2017, the Company entered into a research collaboration agreement with ACI to undertake the pre-clinical and clinical co-development of a novel biological therapeutic for the treatment of neurodegenerative diseases and neuroinflammation.

In accordance with the aforementioned research collaboration agreement, the parties have agreed to an initial two-year research plan, which intends to develop a basic fibroblast growth factor as a therapeutic for the treatment of neurodegenerative diseases and to generate novel antibody therapeutics. The Group will provide support to the research plan until the selection of a collaboration product mutually agreed by the parties, up to CHF750,000 (equivalent to approximately HK$6.0 million) per year. During the year ended 31 December 2018, an amount of CHF373,500 (equivalent to approximately HK$3.0 million) (2017: CHF77,500 (equivalent to approximately HK$0.6 million)) for the financial support has been incurred.

ACI is a Swiss-based biopharmaceutical company focused on neurodegenerative diseases. In addition, ACI will leverage on its proprietary technology platforms to discover, design and develop novel, proprietary medicines for prevention, diagnosis and treatment of neurodegenerative diseases associated with protein misfolding.

As at 31 December 2018, the fair value of the investment in ACI was approximately HK$37.9 million, representing 2.6% of the Group's total assets as at 31 December 2018.

Subscription of Convertible Preferred C Shares in MeiraGTx Limited

MeiraGTx, a company incorporated and registered in England and Wales, is a clinical-stage biotech company developing novel gene therapy treatments for a wide range of inherited and acquired disorders for which there are no effective treatments available.

As disclosed in the announcement of the Company dated 23 February 2018, Essex Bio-Investment Limited ("Essex Bio-Investment"), a direct wholly-owned subsidiary of the Company, entered into a subscription agreement with MeiraGTx on 23 February 2018, pursuant to which Essex Bio-Investment agreed to subscribe for the convertible preferred C shares of MeiraGTx (the "Preferred C Shares") at a total consideration of approximately US$5.0 million (equivalent to approximately HK$39.2 million).

MeiraGTx was subsequently listed on the NASDAQ Stock Market of the United States (Stock code: MGTX) on 8 June 2018 and the Preferred C Shares were converted into ordinary shares upon listing. The initial public offering ("IPO") price was at US$15.0 per ordinary share and the net proceeds from the IPO were approximately US$67.0 million. At post-IPO, Essex Bio-Investment holds 477,158 ordinary shares, representing 1.76% of the fully enlarged share capital of MeiraGTx.

The Group plans to establish a business relationship with MeiraGTx for offering their treatment solutions in the PRC.

Co-Development Agreement with Mitotech S.A. and Mitotech LLC

As disclosed in the announcement of the Company dated 16 July 2018, Essex Bio-Investment entered into the Co-Development Agreement with Mitotech and Mitotech LLC on 16 July 2018, pursuant to which Essex Bio-Investment has agreed to fund to a maximum of approximately US$16.5 million (equivalent to approximately HK$129.7 million), for a clinical development in the United States Food and Drug Administration ("US FDA") first phase 3 clinical trial of the SkQ_1 Product, in return for a share of certain income received by Mitotech in respect of the SkQ_1 Product in accordance with the agreed percentage allocation between Essex Bio-Investment and Mitotech. As at the date of this announcement, Essex Bio-Investment has provided certain funding to Mitotech in accordance with the terms of the Co-Development Agreement.

Mitotech is a clinical-stage Luxembourg-based biotechnology company developing novel drugs for the treatment of predominantly age-related disorders. Mitotech LLC is a Moscow-based drug development company concentrating its research on age-related disorders.

The Co-Development Agreement presents a good opportunity for the parties to leverage on their respective strengths and resources to jointly pursue and accelerate the development of ophthalmic products for the global market. The Co-Development Agreement enables the Group to the share of achievements of commercial value of the SkQ_1 Product, which may be successfully derived in each country in the world excluding (a) countries of the Eurasian Economic Union (including, in any event, Russia), (b) the PRC and (c) Japan. This cooperation further extends the commercialisation of the SkQ_1 Product in the PRC (including Hong Kong, Macau and Taiwan) and Singapore by the Group under the license agreement with Mitotech on 18 July 2018.

The total commitment of US$16.5 million (equivalent to approximately HK$129.7 million), under the Co-Development Agreement, represented 8.9% of the Group's total assets as at 31 December 2018, out of which US$6.5 million (equivalent to approximately HK$51.1 million) was paid and represented 3.5% of the Group's total assets as at 31 December 2018. Please refer to the announcement of the Company dated 16 July 2018 for details of the transaction.

License Agreement with Mitotech

On 18 July 2018, 珠海億勝生物製藥有限公司 (Zhuhai Essex Bio-Pharmaceutical Company Limited*) ("Zhuhai Essex"), an indirect wholly-owned subsidiary of the Company, entered into a license agreement with Mitotech, pursuant to which Mitotech agreed to grant to Zhuhai Essex an exclusive and royalty-bearing licence of the necessary intellectual property rights for, among others, undertaking development, manufacturing, marketing and commercialising of the SkQ_1 Product in Singapore and the PRC (including Hong Kong, Macau and Taiwan). Zhuhai Essex shall pay Mitotech royalties on aggregate net sales of the SkQ_1 Product labelled for treatment of uveitis and dry eye disease.

Investment Agreement with 成都上工醫信科技有限公司 (Chengdu Shanggong Medical Technology Co., Ltd.*) ("Shanggong")

As disclosed in the announcement of the Company dated 18 July 2018, (i) Shanggong; (ii) 珠海億勝科技發展有限公司 (Zhuhai Essex Technology Development Company Limited*) ("Zhuhai Essex Tech"), an indirect wholly-owned subsidiary of the Company; and (iii) 9 other independent third parties, entered into an investment agreement on 18 July 2018, pursuant to which, among other things, Zhuhai Essex Tech shall make an investment in cash in the amount of RMB20.0 million (equivalent to approximately HK$23.8 million) as capital contribution in Shanggong, which will increase the registered capital, and the capital reserve, of Shanggong. Upon completion of the investment, Zhuhai Essex Tech will hold around 8% of equity interests in Shanggong. On 2 August 2018, the Group paid the investment of RMB20.0 million to Shanggong.

Shanggong is a medical data analytics (AI Algorithm) company in the medical service industry in the PRC, having fully curated, quality controlled approximately 700,000 retinal images of diabetic patients in the PRC, which forms a retinopathy big data that enables AI Algorithm to perform its diagnosis. The AI Algorithm can screen retinal images of patients and detect diabetic retinopathy, which affects almost a third of diabetes patients that would otherwise be examined by highly trained ophthalmologists.

The investment in Shanggong is a strategic consideration for enhancing the Group's market positioning in the ophthalmology business and Shanggong can leverage on the Group's sales resources for penetrating into more hospitals of its AI Algorithm.

Agency Agreement with 廣西萬壽堂藥業有限公司 (Guangxi Medictop Pharmaceutical Company Limited*)

珠海億勝醫藥有限公司 (Essex Medipharma (Zhuhai) Company Limited*), an indirect wholly-owned subsidiary of the Company, has secured extension of the agency agreement with Guangxi Medictop for the exclusive distribution of 伊血安顆粒 (Yi Xue An Granules*) in the PRC at a consideration of RMB20.0 million. The term of the appointment has been extended until 2043.

Convertible Note Purchase Agreement and License Agreement with DB Therapeutics, Inc.

As disclosed in the announcement of the Company dated 29 October 2018, Essex Bio-Investment entered into a convertible note purchase agreement (the "CN Purchase Agreement") with DBT on 29 October 2018, pursuant to which Essex Bio-Investment conditionally agreed to subscribe for, and DBT conditionally agreed to issue, a series of convertible notes (the "Convertible Notes") in an aggregate principal amount not to exceed US$4.5 million (equivalent to approximately HK$35.3 million), each bearing an interest rate of 5% per annum (subject to the DBT's obligation to make certain make whole payment in accordance with the terms and conditions of the Convertible Notes) and maturing on 31 July 2022. Pursuant to the CN Purchase Agreement, the Convertible Notes will be issued in five tranches. Subject to the fulfilment of the respective conditions precedent to each closing as set out in the CN Purchase Agreement, closings will take place in accordance with the agreed purchase schedule during the period between 2018 and 2021. The first tranche of the convertible note in the principal amount of US$0.6 million (equivalent to approximately HK$4.7 million) was disbursed to DBT on 8 November 2018.

Pursuant to the terms and conditions of the Convertible Notes, the holder of the Convertible Notes may elect to convert the whole or part of the principal amount of the Convertible Notes into shares of capital stock of DBT (the "DBT Stocks"). Assuming the Convertible Notes in the principal amount of US$4.5 million are issued and the conversion rights attached thereto are exercised in full, the DBT Stocks to be issued shall represent 45% of the DBT Stocks on a fully-diluted basis. As at the date of this announcement, Essex Bio-Investment has not converted the principal amount of the Convertible Notes into the DBT Stocks.

On 29 October 2018, Essex Bio-Investment and DBT entered into a license agreement (the "License Agreement"), pursuant to which DBT granted to Essex Bio-Investment, among others, an exclusive license to market, sell and distribute the certain radiotherapeutic bandage for treatment of non-melanoma skin cancer (the "Licensed Products") in the PRC (including Hong Kong and Macau), Taiwan, Australia, New Zealand, Korea and Japan (the "Territory"). Essex Bio-Investment, as provided in the License Agreement, is allowed to use DBT's information and intellectual property in and related to the Licensed Products, subject to payment of royalty levied on net sales of the Licensed Products in the Territory. The obligation of Essex Bio-Investment is conditional upon fulfilment of certain conditions by DBT as set out in the License Agreement.

The entering into of the CN Purchase Agreement and the License Agreement is in line with the Group's strategic development plans in dermatology and oncology. The subscription of the Convertible Notes provides the Group an opportunity to have a significant interest in DBT and hence, in the Licensed Products.

DBT is a corporation incorporated under the laws of Delaware and is an early stage medical device company focusing on the development of radiotherapeutic bandages for the treatment of non-melanoma skin cancer (including the Licensed Products). The Licensed Products, if successfully developed, will provide a convenient and cost-effective way to treat localized skin cancer in patients, as compared to surgical interventions, external beam radiation therapy and electronic brachytherapy.

Acquisition of 100% equity interests in 武漢伢典生物科技有限公司 (Wuhan Adv. Dental Co., Ltd.*)

On 18 December 2018, Zhuhai Essex and 武漢伢典創新投資有限公司 ("伢典創新"), the sole shareholder of Adv. Dental, entered into an equity transfer agreement, pursuant to which 伢典創新 agreed to transfer 100% equity interests in Adv. Dental to Zhuhai Essex at a consideration of approximately RMB1.2 million (equivalent to approximately HK$1.3 million), subject to the fulfilment of certain conditions precedent as set out in the equity transfer agreement. As at the date of this announcement, certain conditions precedent have not been fulfilled yet.

Convertible Loan Agreement with Antikor Biopharma Ltd ("Antikor")

On 22 January 2019, Essex Bio-Investment entered into a convertible loan agreement with Antikor, pursuant to which Essex Bio-Investment agreed to make available a convertible loan in the principal amount of approximately US$0.4 million (equivalent to approximately HK$2.7 million) to Antikor for a term of 6 months. The convertible loan will bear interest at a rate of 5% per annum on the principal amount of the convertible loan outstanding on the conversion date, or 8% per annum if no conversion has been taken place before the maturity date.

The conversion of the principal amount of the convertible loan into such number of shares will represent 6.54% of the enlarged total issued share capital of Antikor on a fully-diluted basis. As at the date of this announcement, Essex Bio-Investment has not converted the principal amount of the convertible loan into shares of Antikor.

Antikor is a company incorporated and registered in England and Wales, focusing on the development of fragment-based antibody-drug conjugates for cancer treatment including photodynamic therapies. The investment in Antikor is in line with the Group's strategic development plans in oncology.

MARKET DEVELOPMENT

To meet with new challenges in sales amid recent significant regulatory changes on how drugs are priced and prescribed, during the year under review, the Group made significant changes to its sales and marketing organisation and strategies to enable its products to remain relevant with wider market reach for sustainable growth traction. We are investing significantly in:

- Clinical observation programmes on the drugs' clinical indications;
- Reaching out to lower-tier cities;
- Cultivating pharmaceutical stores, where possible, as complementary sales channel;
- Upgrading our sales staff on products knowledge proficiency and professionalism; and
- Using e-channel for training and imparting knowledge purposes.

As at 31 December 2018, the Group maintains 42 regional sales offices (the "RSOs") and a total number of about 1,320 sales and marketing representatives, out of which approximately 730 people are full-time staff and approximately 590 people are on contract basis or from appointed agents.

During the year under review, the Group's pharmaceutical products are being prescribed in around 6,300 hospitals and medical organisations and approximately 1,000 pharmaceutical stores, which are mainly located in the major cities, provinces and county cities in the PRC.

The RSOs and sales and marketing representatives are deployed across major cities and provinces in the PRC. They are divided into two specialised teams: ophthalmology and surgical arena of topical (skin) surface wounds. The latter primarily covers dermatology, stomatology and obstetrics and gynaecology.

The RSOs are tasked with the function of (i) promoting the Group's products to pharmaceutical companies and hospitals; and (ii) providing training to medical practitioners on clinical applications of the Group's products. In addition, these RSOs serve another vital role to the Group in gathering market intelligence and feedback for the Group's R&D planning and clinical studies.

RESEARCH AND DEVELOPMENT

The Group's key R&D platforms comprise growth factor, novel antibody, drug formulation and Blow-Fill-Seal ("BFS") platform. Growth factor, novel antibody, and drug formulation are technology platforms for the development of therapeutic drugs, whereas BFS platform is a state-of-the-art manufacturing plant for producing preservative-free single-dose drugs, in particular for the ophthalmic drugs.

The Group's technology platform is built on a recombinant DNA, more particularly, the basic fibroblast growth factor ("bFGF") and its industrialisation technology. To capitalise on the proprietary technique on bFGF, the Company plans to deliver a series of high quality products to establish itself as market leader in the arena of biopharmaceutical products for wounds healing and treatment. Furthermore, the Group has developed a nano-antibody R&D platform over the past few years. Through the nano-antibody platform, a new vascular endothelial growth factor (VEGF) nano-antibody has been investigated for formulation into therapeutic products for the treatment of cancers and age-related macular degeneration.

The establishment of the BFS platform has strengthened the Group's core competency and enabled the Group to develop and produce a series of preservative-free single-dose drugs. The Group has 10 categories of drugs for the treatment of ocular wound healing, ocular bacterial infection, fatigue, dry eyes and respiratory disease in the R&D pipeline. During the year under review, the Group was granted with the approval for registration and commercialisation of preservative-free single-dose Sodium Hyaluronate Eye Drops and Levofloxacin Eye Drops in the PRC. The Group has also obtained a certificate of GMP in respect of the preservative-free single-dose Tobramycin Eye Drops in 2018. It is expected that the remaining preservative-free single-dose drugs under the development of the Group would be approved within the next 2 years.

The National Post-Doctoral Research Centre was established in 2017 with the approval from the Ministry of Human Resources and Social Security of the PRC and we started to recruit Post-Doctoral Researchers in 2018.

As at the date of this announcement, the Group has obtained a total of fifteen patent certificates or authorisation letters: twelve 發明專利 (invention patents) and three 實用新型專利 (utility model patents).

ACQUISITION OF A PIECE OF LAND IN THE PRC

To cope with the rapid expansion of the Group, a piece of land of about 15,000 square metres located at 珠海高新區科技創新海岸 (Zhuhai Hi-Tech Industrial Park*) was acquired in 2018. The land is within walking distance from our existing factory. The plan is to construct the Group's second factory with a gross floor area (GFA) of about 45,000 square metres to house the Group's R&D centre, additional manufacturing facility, administrative office and staff hostel. Construction work is expected to start in the fourth quarter of 2019. Please refer to the announcement of the Company dated 18 July 2018 for details.

OUR PRODUCTION CAPABILITY

The Group's factory in Zhuhai is fully equipped with seven production plants, (i) one of which is for the production of active pharmaceutical ingredients; (ii) four of which are for the production of the Group's flagship biopharmaceutical formulations; and (iii) the remaining two are the state-of-the-art BFS production plants for the production of preservative-free single-dose drugs.

The Group is in the process of applying for the European Union's GMP. Further progress of the application will be updated to the shareholders of the Company in due course.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group achieved a turnover of approximately HK$1,176.5 million (2017: approximately HK$899.6 million), representing a growth rate of 30.8% as compared to the turnover for the year ended 31 December 2017.

Composition of turnover for the years ended 31 December 2018 and 2017, respectively, is shown in the following table:

Expressed in HK$' million	**2018**			2017		
	Ophthalmic products	**Surgical products**	**Total**	Ophthalmic products	Surgical products	Total
Own products						
– Beifushu series	**355.0**	**–**	**355.0**	301.0	–	301.0
– Beifuji series	**–**	**629.4**	**629.4**	–	423.4	423.4
	355.0	**629.4**	**984.4**	301.0	423.4	724.4
Third party products						
– Sales of pharmaceutical products	**108.3**	**12.9**	**121.2**	123.1	27.7	150.8
– Provision of marketing services	**65.7**	**5.2**	**70.9**	13.7	10.7	24.4
	174.0	**18.1**	**192.1**	136.8	38.4	175.2
Total	**529.0**	**647.5**	**1,176.5**	437.8	461.8	899.6

The overall ophthalmic products contributed approximately HK$529.0 million to the Group's turnover for the year ended 31 December 2018, representing an increase of 20.8% as compared to that of the previous year. The increase was attributable to Beifushu series, which recorded a turnover growth of 17.9%.

Surgical products recorded a total turnover of approximately HK$647.5 million for the year ended 31 December 2018, representing an increase of 40.2% as compared to that of the previous year. The increase was attributable to Beifuji series which recorded a significant turnover growth of 48.7%, but the overall growth was weighed down by a decrease of 52.9% in turnover from third party products. Although turnover from third party products was negatively impacted by the two-invoice system implemented by the PRC government, overall sales performances of third party products remained positive and contributed to the Group's profitability.

Turnover of approximately HK$984.4 million from the Group's flagship biopharmaceutical products represented 83.7% of the Group's turnover for the year ended 31 December 2018, representing an increase of 35.9% as compared to the previous year. The Group maintained strong sales growth traction of its flagship products, being the Beifuji and Beifushu series. The sustainable growth traction is attributed to the Group's expanding sales in second and third-tier cities and through pharmaceutical stores in the PRC during the year under review.

Turnover of approximately HK$192.1 million from the Group's third party products represented 16.3% of the Group's turnover for the year ended 31 December 2018, representing an increase of 9.6% as compared to the previous year. The increase was attributable to the provision of marketing services to third parties, but the overall growth was weighed down by a decrease of 19.6% in turnover from sales of third party products, which was mainly impacted by the two-invoice system but not the fundamental performances of the products.

Combining the Group's flagship biopharmaceutical products and third party products, the overall turnover contributed from the ophthalmology and surgical segments is represented as 45.0% and 55.0%, respectively.

The Group's gross profit has grown in tandem with the growing sales. The gross profit for the year ended 31 December 2018 was approximately HK$973.5 million (2017: approximately HK$737.6 million), representing an increase of 32.0%.

During the year under review, the Group achieved a profit of approximately HK$231.1 million as compared to the previous year of approximately HK$167.3 million, representing an increase of 38.1%. Under the Co-Development Agreement entered into between the Group, Mitotech and Mitotech LLC on 16 July 2018, the Group has an option to fund a further development, being the second phase 3 clinical trial in the US FDA, of the SkQ_1 Product to a maximum of US$20.0 million, in return for an increased percentage allocation of income received by Mitotech in respect of the SkQ_1 Product and to be shared between the Group and Mitotech. In accordance with HKFRS 9, such option is classified as a financial asset at fair value through profit or loss. During the year ended 31 December 2018, a fair value gain of approximately HK$13.7 million (2017: Nil) was recognised in profit or loss.

The distribution and selling expenses for the year under review were approximately HK$649.7 million as compared to the previous year of approximately HK$515.3 million, representing an increase of 26.1%. Such expenses primarily consisted of remuneration, advertising costs, travelling and transportation costs, costs for organisation of seminars and conferences for product training and awareness, etc. Overall distribution and selling expenses increased in 2018 mainly for the purposes of expanding the sales and marketing function, boosting the sales of the Group's flagship biopharmaceutical product, Beifuxin (a product in Beifuji series), and third party products.

The increase in remuneration and staff costs was due to the salary scales adjustment in the PRC to attract talented candidates from other major cities to join the Group, inflation and other local market conditions.

Other selling and marketing expenses for the year ended 31 December 2018 increased due to the increase in marketing activities carried out for the Group's flagship products and third party products, in particular for Beifuxin, a product in Beifuji series.

The administrative expenses for the year under review were approximately HK$68.9 million as compared to the previous year of approximately HK$40.4 million. The increase in administrative expenses was mainly due to the increase in staff costs and R&D expenses.

R&D expenditures incurred during the year ended 31 December 2018 increased to approximately HK$35.1 million of which approximately HK$17.0 million were capitalised, whereas total expenditures incurred during the year ended 31 December 2017 were approximately HK$27.1 million of which approximately HK$20.7 million were capitalised. Hence the R&D expenses incurred as administrative expenses for the year ended 31 December 2018 increased to approximately HK$18.1 million as compared to the previous year of approximately HK$6.4 million.

The Group had cash and cash equivalents of approximately HK$311.1 million as at 31 December 2018 (2017: approximately HK$240.6 million).

The Group's bank borrowings as at 31 December 2018 were HK$55.0 million (2017: approximately HK$29.0 million), which were repayable in more than 1 year but within 5 years. All of the Group's bank borrowings were denominated in Hong Kong Dollar and bear interest at floating rate. The interest rate of the Group's bank borrowings was 2.7% as at 31 December 2018.

The total finance costs of the Group for the year ended 31 December 2018 were approximately HK$7.4 million (2017: approximately HK$9.5 million), including an imputed interest expense on the convertible loan payable amounting to approximately HK$8.3 million (2017: approximately HK$10.3 million) of which approximately HK$2.2 million (2017: approximately HK$1.7 million) was capitalised during the year under review.

Convertible loan from International Finance Corporation

On 6 July 2016, the Company entered into a convertible loan agreement (the "Convertible Loan Agreement") with IFC, being a member of the World Bank Group and an international organisation established by Articles of Agreement among its member countries including the PRC, pursuant to which IFC agreed to lend, and the Company agreed to borrow, a convertible loan in an aggregate principal amount of HK$150.0 million at an interest rate of 1.9% per annum. Subject to the terms of the Convertible Loan Agreement, IFC has the right to convert all or any part of the outstanding principal amount of the convertible loan into ordinary shares of the Company ("Conversion Shares") at a conversion price of HK$5.90 per share (subject to adjustments as set out in the Convertible Loan Agreement) at any time after the date of the disbursement and prior to the maturity date (i.e. the date falling on the fifth anniversary of the date of the disbursement).

Use of net proceeds from the convertible loan

The net proceeds from the convertible loan (after deducting the fees and expenses in relation to the obtaining of the convertible loan) are approximately HK$145.0 million, which were intended to be utilised for the Company's strategic investment in and development of the Group's biopharmaceutical business and general working capital requirements. As at 31 December 2018 and as at the date of this announcement, the net proceeds had been used for:

(i) the settlement of bank borrowings of approximately HK$80.0 million which were mainly obtained to finance the Group's strategic investments;

(ii) working capital purpose of approximately HK$26.1 million; and

(iii) the R&D expenditure of approximately HK$38.9 million on the Group's biopharmaceutical business.

Dilutive effect of the conversion of the convertible loan

As at 31 December 2018, no part of the outstanding principal amount of the convertible loan of HK$150.0 million has been converted into Conversion Shares.

On the assumption that the convertible loan would be converted into Conversion Shares in full at the initial conversion price of HK$5.90 per share, the aggregate principal amount of the convertible loan of HK$150.0 million is convertible into 25,423,728 Conversion Shares.

The following table sets out the total number of shares of the Company to be issued upon full conversion of the convertible loan as at 31 December 2018:

Shareholders	**As at 31 December 2018**		**Immediately upon full conversion of the convertible loan at the conversion price of HK$5.90 per share**	
	No. of shares	*Approximate %*	*No. of shares*	*Approximate %*
Ngiam Mia Je Patrick	146,979,000	25.40	146,979,000	24.33
Ngiam Mia Kiat Benjamin	145,354,000	25.12	145,354,000	24.06
Dynatech Ventures Pte Ltd *(Note 1)*	6,666,667	1.15	6,666,667	1.10
Directors (other than Ngiam Mia Je Patrick) *(Note 2)*	7,280,450	1.26	7,280,450	1.21
IFC	–	–	25,423,728	4.21
Other shareholders	272,469,883	47.07	272,469,883	45.09
	578,750,000	100	604,173,728	100

Notes:

(1) 6,666,667 shares were held by Dynatech Ventures Pte Ltd which was wholly owned by Essex Investment (Singapore) Pte Ltd, which in turn was owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares.

(2) Amongst these 7,280,450 shares, 5,244,300 shares were registered in the name of Fang Haizhou and 2,036,150 shares were registered in the name of Zhong Sheng.

(3) Lauw Hui Kian is the spouse of Ngiam Mia Je Patrick (an executive Director) and is deemed to be interested in the shares in which Ngiam Mia Je Patrick is interested/deemed to be interested.

Dilutive effect on earnings per share

Based on the profit attributable to owners of the Company for the year ended 31 December 2018 of approximately HK$231.1 million, the basic and diluted earnings per share attributable to owners of the Company, after considering the full conversion of the convertible loan, were HK40.50 cents and HK39.44 cents respectively.

The Company's ability to meet the repayment obligations under the convertible loan

Based on the cash and cash equivalents as at 31 December 2018 and the cash flow from the operations of the Company for the year then ended, the Company has the ability to meet its repayment obligations under the convertible loan which remained unconverted to Conversion Shares as at 31 December 2018.

CAPITAL INCREASE OF ZHUHAI ESSEX

Zhuhai Essex completed the application for an increase in share capital from RMB50.0 million to RMB150.0 million by the end of March 2018. The increase in share capital of RMB100.0 million (equivalent to approximately HK$124.8 million) was injected in the form of reinvestment of dividend payable to Essex Bio-Pharmacy Limited, the immediate holding company of Zhuhai Essex, by Zhuhai Essex.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, as at 31 December 2018, the Group did not have any immediate plan for material investments or acquisition of material capital assets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group obtained banking facilities of HK$220.3 million, of which HK$55.0 million was utilised. All of the banking facilities were secured by the corporate guarantees provided by the Company and a subsidiary within the Group and a pledged deposit which amounted to HK$11.0 million.

As at 31 December 2018, the Group had cash and cash equivalents of approximately HK$311.1 million as compared to approximately HK$240.6 million as at 31 December 2017. Among the cash and cash equivalents of the Group as at 31 December 2018, 72.9% was denominated in Renminbi, 23.8% was denominated in Hong Kong Dollar and 3.3% was denominated in US Dollar.

The Group monitors its capital structure on the basis of a gearing ratio which is defined as the ratio of total liabilities to total assets. The gearing ratio as at 31 December 2018 was 35.9% (2017: 36.2%).

CHARGES ON GROUP ASSETS

As at 31 December 2018, bank deposit of HK$11.0 million (2017: approximately HK$28.2 million) was pledged to secure the Group's banking facilities.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had capital commitments which amounted to approximately HK$324.7 million (2017: approximately HK$31.4 million).

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities (2017: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Save as disclosed in this announcement, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2018.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in this announcement, the Group did not hold any significant investments as at 31 December 2018.

FOREIGN EXCHANGE EXPOSURE

It is the Group's policy to borrow and deposit cash in local currencies to minimise currency risk.

The Group's assets, liabilities and transactions are mainly denominated in Hong Kong Dollar, Renminbi or US Dollar. The Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange risks and therefore no hedging arrangements were made. So long as the linked exchange rate system in Hong Kong with US Dollar is maintained, it is expected that the Group will not be subject to any significant exchange risk. However, the Group will review and monitor the relevant foreign exchange exposure from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements as appropriate.

TREASURY POLICY

The Group generally financed its operations with internally generated cash flows, bank and other borrowings. The Group placed these resources into interest-bearing bank accounts opened with the PRC and Hong Kong banks and earned interests in accordance with the PRC and Hong Kong banks rates. Bank deposits were mainly denominated in Renminbi, Hong Kong Dollar and US Dollar.

EMPLOYEES

As at 31 December 2018, the Group had a total of 1,034 full-time employees (2017: 1,024 full-time employees). The aggregate remuneration of the Group's employees, including that of the Directors, for the year under review and the preceding year amounted to approximately HK$146.0 million and approximately HK$111.9 million, respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Share options and bonuses are also available to employees of the Group at the discretion of the Directors depending on the financial performance of the Group.

Each executive Director has entered into a service agreement with the Company for a term of three years commencing from 27 June 2016 and expiring on 26 June 2019 unless it is terminated by either party by giving the other not less than six months' written notice. The annual remuneration of each executive Director was fixed in his service agreements and he is also entitled to a discretionary annual bonus of such amount (if any) as the Board may determine in its discretion from time to time having regard to the operating results of the Group and his performance in the relevant financial year, provided that (a) the aggregate amount of the discretionary annual bonuses payable to all Directors in any financial year shall not exceed 5% of the consolidated net profit after taxation and non-controlling interests but before extraordinary items of the Company as shown in its consolidated audited accounts for such financial year (the "Net Profit"); (b) the Net Profit for such financial year exceeds HK$50,000,000; and (c) the amount of the discretionary annual bonus payable to each director of the Company in respect of any financial year shall not exceed 1.4 times of his annual basic salary as a director of the Company in respect of such financial year. The discretionary annual bonus, if any, shall be payable in respect of each financial year of the Company within three months after the issue of the consolidated audited accounts of the Group for such financial year.

Other remuneration and benefits, including retirement benefits scheme, remained at an appropriate level.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 25 April 2019 to Tuesday, 30 April 2019 (both days inclusive) for ascertaining shareholders' right to attend and vote at the forthcoming annual general meeting to be held on Tuesday, 30 April 2019. During this period, no transfer of shares will be registered. In order to be entitled to attend the aforesaid annual general meeting, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Hong Kong share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 24 April 2019.

The register of members of the Company will be closed from Tuesday, 7 May 2019 to Thursday, 9 May 2019 (both days inclusive) for ascertaining shareholders' entitlement to the proposed final dividend. No transfer of shares will be registered during this period. In order to be qualified for the proposed final dividend to be approved at the forthcoming annual general meeting to be held on Tuesday, 30 April 2019, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Hong Kong share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 6 May 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year under review.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's results for the year ended 31 December 2018 as set out in this announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary results announcement.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2018 had been reviewed by the audit committee of the Board (the "Audit Committee") before they were duly approved by the Board under the recommendation of the Audit Committee.

On behalf of the Board
Essex Bio-Technology Limited
Mr. Ngiam Mia Je Patrick
Chairman

Hong Kong
11 March 2019

Executive directors of the Company as at the date of this announcement are Mr. Ngiam Mia Je Patrick, Mr. Fang Haizhou and Mr. Zhong Sheng. Independent non-executive directors of the Company as at the date of this announcement are Mr. Fung Chi Ying, Mr. Mauffrey Benoit Jean Marie and Ms. Yeow Mee Mooi.

* *For identification purpose only*