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ESSEX

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 2016

The board ("Board") of directors ("Directors") of Essex Bio-Technology Limited ("Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as "Group") for the year ended 31 December 2016 together with comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$	2015 HK$
Turnover	3&4	**775,662,998**	654,010,499
Cost of sales		**(152,636,311)**	(124,418,858)
Gross profit		**623,026,687**	529,591,641
Other revenue, and other gains and losses	5	**7,395,501**	6,382,673
Distribution and selling expenses		**(410,539,424)**	(352,109,409)
Administrative expenses		**(47,958,700)**	(51,157,864)
Finance costs		**(9,686,016)**	(2,056,200)
Profit before income tax	6	**162,238,048**	130,650,841
Income tax	7	**(25,953,667)**	(25,755,651)
Profit for the year		**136,284,381**	104,895,190
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(32,413,062)**	(21,827,038)
Change in fair value of available-for-sale financial assets, net of tax		**13,440,257**	–
Total comprehensive income for the year		**117,311,576**	83,068,152
Earnings per share attributable to owners of the Company			
– Basic	9	**HK24.33 cents**	HK18.75 cents
– Diluted	9	**HK24.03 cents**	HK18.51 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$	2015 HK$
Non-current assets			
Property, plant and equipment	10	**163,901,646**	174,335,835
Land use rights		**6,189,091**	6,774,816
Goodwill		**2,227,853**	2,416,690
Other intangible assets	11	**74,700,268**	34,367,867
Convertible loan receivables	12	**27,016,775**	11,937,448
Available-for-sale financial assets	13	**83,397,434**	3,882,008
Deposits and prepayments	14	**382,385**	23,398,660
Pledged bank deposit		**20,000,000**	20,000,000
Total non-current assets		**377,815,452**	277,113,324
Current assets			
Inventories	15	**106,216,070**	38,678,761
Trade and other receivables	16	**256,007,080**	206,427,250
Deposits and prepayments	14	**35,327,800**	49,746,406
Convertible note receivable		**–**	–
Convertible loan receivables	12	**1,750,887**	–
Cash and cash equivalents		**156,180,115**	64,613,176
Total current assets		**555,481,952**	359,465,593
Total assets		**933,297,404**	636,578,917
Current liabilities			
Trade and other payables	17	**195,128,065**	154,288,480
Bank borrowings – secured		**38,780,000**	51,000,000
Current tax liabilities		**10,048,758**	2,940,843
Total current liabilities		**243,956,823**	208,229,323
Net current assets		**311,525,129**	151,236,270
Total assets less current liabilities		**689,340,581**	428,349,594
Non-current liabilities			
Convertible loan payable	18	**121,434,340**	–
Deferred tax liabilities		**11,042,175**	15,402,758
Total non-current liabilities		**132,476,515**	15,402,758
Total liabilities		**376,433,338**	223,632,081
NET ASSETS		**556,864,066**	412,946,836
Capital and reserves attributable to owners of the Company			
Share capital		**56,214,900**	55,954,100
Reserves		**500,649,166**	356,992,736
TOTAL EQUITY		**556,864,066**	412,946,836

NOTES:

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENT

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The adoption of these amendments has no material impact on the Group's financial statements.

Adoption of new/revised HKFRSs – effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

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: Manufacturing and sales of pharmaceutical 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 2016

	Pharmaceutical products *HK$*	Provision of marketing services *HK$*	Total *HK$*
Reportable segment revenue			
– Revenue from external customers	**727,817,762**	**47,845,236**	**775,662,998**
Reportable segment profit	**159,474,528**	**26,296,905**	**185,771,433**

For the year ended 31 December 2015

	Pharmaceutical products *HK$*	Provision of marketing services *HK$*	Total *HK$*
Reportable segment revenue			
– Revenue from external customers	602,836,400	51,174,099	654,010,499
Reportable segment profit	121,940,812	30,446,682	152,387,494

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

	2016 ***HK$***	2015 *HK$*
Reportable segment profit	**185,771,433**	152,387,494
Unallocated corporate income and expenses, net	**(12,574,808)**	(15,018,401)
Equity-settled share-based payments	**(1,272,561)**	(4,662,052)
Finance costs	**(9,686,016)**	(2,056,200)
Profit before income tax	**162,238,048**	130,650,841

Major corporate expenses comprised mainly the staff costs including directors' emoluments, exchange loss arising from translation of the balances denominated in the currency other than functional currency and impairment loss on convertible note receivable.

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

For the years ended 31 December 2016 and 2015, the Group's revenue from external customers is derived solely from its operations in the People's Republic of China ("PRC") (place of domicile), where all of the Group's non-current assets (other than available-for-sale financial assets and pledged bank deposits) are located in the PRC.

The geographical location of external customers is based on the location at which the goods are delivered and services rendered. Geographical location of non-current assets is based on the physical locations of the respective assets. For goodwill and other intangible assets, geographical location is based on the area of the group entities' operations.

(c) Information about a major customer

Revenue from the largest customer of the Group amounted to HK$183,421,572 (2015: HK$138,995,561), which represents 23.6% (2015: 21.3%) of the Group's revenue.

5. OTHER REVENUE, AND OTHER GAINS AND LOSSES

	2016	2015
	HK$	*HK$*
Gain on disposal of trading securities	**3,772,836**	–
Interest income from convertible loan receivables	**3,230,461**	–
Government grants *(Note)*	**949,519**	5,979,990
Interest income from bank deposits	**218,327**	278,491
Change in fair value of derivative component of convertible loan receivables	**(854,574)**	–
Sundry income	**78,932**	124,192
	7,395,501	6,382,673

Note:

These government grants were received from Zhuhai Finance Bureau（珠海市財政局）for purpose of supporting the development of new pharmaceutical products, and there were no conditions to be fulfilled or contingencies relating to these grants.

6. PROFIT BEFORE INCOME TAX

This is arrived at after charging:

	2016	2015
	HK$	*HK$*
Amortisation of land use rights	**157,274**	167,276
Amortisation of other intangible assets	**1,834,615**	248,571
Auditor's remuneration	**912,000**	765,242
Cost of inventories	**133,634,058**	103,691,441
Cost of services	**19,002,253**	20,727,417
Depreciation of property, plant and equipment	**10,934,795**	9,793,104
Employees costs excluding directors' emoluments:–		
Salaries and other benefits	**75,926,401**	52,509,384
Pension fund contributions	**4,327,933**	3,114,485
Equity-settled share-based payments to the employees *(Note)*	**572,047**	2,499,725
Equity-settled share-based payments to the consultant of the Group *(Note)*	**500,000**	600,000
Exchange losses, net	**1,233,468**	2,028,251
Write-off of inventories	**2,685,773**	3,411,021
Loss on disposal of property, plant and equipment	**36,487**	–
Research and development costs recognised as expenses	**5,652,020**	10,781,763
Impairment loss on convertible note receivable	**–**	1,925,910
Impairment loss on other intangible assets	**–**	1,281,571

Note:

During the year ended 31 December 2016, equity-settled share-based payments recognised as administrative expenses in relation to share options granted by the Company to a consultant, employees and directors were HK$500,000 (2015: HK$600,000), HK$572,047 (2015: HK$2,499,725) and HK$200,514 (2015: HK$1,562,327) respectively.

7. INCOME TAX

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

	2016	2015
	HK$	*HK$*
Current tax – the PRC		
– Provision for the year	**25,630,461**	20,228,846
Deferred tax	**323,206**	5,526,805
	25,953,667	25,755,651

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 2016 and 2015.

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

8. DIVIDENDS

	2016	2015
	HK$	*HK$*
Proposed final dividend – HK$0.032 (2015: HK$0.025) per share	**17,988,768**	13,988,525

The directors propose a final dividend of HK$0.032 (2015: 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 2017.

9. 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

	2016	2015
	HK$	*HK$*
Profit attributable to owners of the Company for the purposes of calculating basic and diluted earnings per share	**136,284,381**	104,895,190

Number of shares

	2016	2015
Weighted average number of ordinary shares for the purposes of basic earnings per share	**560,113,557**	559,541,000
Effect of dilutive potential ordinary shares:		
– share options issued by the Company	**6,983,566**	7,169,680
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**567,097,123**	566,710,680

The computation of diluted earnings per share for the year ended 31 December 2016 does not assume the conversion of potential ordinary shares in relation to certain share options granted and the convertible loan payable as they are anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements *HK$*	Plant and machinery *HK$*	Furniture, fixtures and equipment *HK$*	Motor vehicles *HK$*	Total *HK$*
Cost:					
At 1 January 2015	127,405,443	62,581,089	4,373,666	3,853,111	198,213,309
Additions	–	10,286,521	1,098,253	–	11,384,774
Exchange adjustment	(7,056,957)	(3,872,802)	(248,990)	(213,423)	(11,392,172)
At 31 December 2015	120,348,486	68,994,808	5,222,929	3,639,688	198,205,911
Additions	1,045,580	8,208,219	2,080,687	434,793	11,769,279
Disposal	–	(84,552)	–	–	(84,552)
Exchange adjustment	(7,780,276)	(4,792,056)	(381,795)	(253,071)	(13,207,198)
At 31 December 2016	113,613,790	72,326,419	6,921,821	3,821,410	196,683,440
Accumulated depreciation:					
At 1 January 2015	2,492,541	8,196,753	1,977,740	2,611,532	15,278,566
Charge for the year	2,498,581	6,288,194	632,135	374,194	9,793,104
Exchange adjustment	(236,788)	(702,481)	(102,886)	(159,439)	(1,201,594)
At 31 December 2015	4,754,334	13,782,466	2,506,989	2,826,287	23,870,076
Charge for the year	2,361,506	7,337,349	829,060	406,880	10,934,795
Disposal	–	(48,065)	–	–	(48,065)
Exchange adjustment	(409,638)	(1,207,058)	(158,748)	(199,568)	(1,975,012)
At 31 December 2016	6,706,202	19,864,692	3,177,301	3,033,599	32,781,794
Carrying amount:					
At 31 December 2016	106,907,588	52,461,727	3,744,520	787,811	163,901,646
At 31 December 2015	115,594,152	55,212,342	2,715,940	813,401	174,335,835

For the year ended 31 December 2016, the carrying amount of buildings and leasehold improvements of HK$106,907,588 (2015: Nil) were pledged as security for bank borrowings and banking facilities.

11. OTHER INTANGIBLE ASSETS

	Development expenditure *HK$*	Distribution rights *HK$*	Total *HK$*
Cost:			
At 1 January 2015	40,653,194	2,526,051	43,179,245
Additions	11,644,249	–	11,644,249
Exchange adjustment	(2,711,869)	(69,999)	(2,781,868)
At 31 December 2015	49,585,574	2,456,052	52,041,626
Additions	24,289,512	22,047,944	46,337,456
Exchange adjustment	(4,257,353)	(1,193,922)	(5,451,275)
At 31 December 2016	69,617,733	23,310,074	92,927,807
Accumulated amortisation and impairment losses:			
At 1 January 2015	15,607,296	1,472,932	17,080,228
Amortisation	–	248,571	248,571
Impairment for the year	1,281,571	–	1,281,571
Exchange adjustment	(915,122)	(21,489)	(936,611)
At 31 December 2015	15,973,745	1,700,014	17,673,759
Amortisation	–	1,834,615	1,834,615
Exchange adjustment	(1,026,551)	(254,284)	(1,280,835)
At 31 December 2016	14,947,194	3,280,345	18,227,539
Carrying amount:			
At 31 December 2016	54,670,539	20,029,729	74,700,268
At 31 December 2015	33,611,829	756,038	34,367,867

During the year ended 31 December 2015, one of the development items was impaired by the Group as it was technically infeasible to develop the product further for it to be sold. The directors were of the opinion that such development item would not generate any economic benefit to the Group and the recoverable amount would be minimal. Accordingly, the impairment loss of HK$1,281,571 on the development expenditure was recognised in the consolidated statement of profit or loss and other comprehensive income in 2015.

12. CONVERTIBLE LOAN RECEIVABLES

During the year ended 31 December 2015, the Group has 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 is manufacturing and selling of dental treatment techniques in the PRC. Convertible Loan A is secured by 100% equity interest in Adv. Dental.

During the year ended 31 December 2016, the Group has entered into another 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 manufacturing, research and developing and selling of Chinese patent medicines for gynecology and cardiovascular. Convertible Loan B is secured by 20% equity interest in Guangxi Medictop.

The components of Convertible Loan B, other than the debt component, are set out below:

(1) The Group shall have the right to convert the principal amount of the Convertible Loan B into such equity interest representing 10% of the entire equity interest of Guangxi Medictop at any time within the first 12 months from the date of issue. This option of the Group as the holder of the convertible loan is referred to the conversion option ("Conversion Option").

(2) The Group shall have the right to demand early repayment of the entire principal amount of the Convertible Loan B together with the accrued interest in accordance with the terms and conditions of the convertible loan agreement at any time within the first 12 months from the date of issue. This option of the Group as the holder of the convertible loan is referred to the redemption option ("Redemption Option").

(3) In the event that the Convertible Loan B is converted into equity interest of Guangxi Medictop in accordance with the Conversion Option above whilst the shares of Guangxi Medictop fail to be listed on a stock exchange as specified in the agreement of Convertible Loan B before 31 October 2018, the Group is entitled to sell its converted equity interest to the existing equity holders of Guangxi Medictop at a price determined at principal amount of Convertible Loan B plus 10% interest since the date of the request of exercise of this option by the Group up to the execution. This option of the Group as the holder of the convertible loan is referred to the put option ("Put Option"). The Put Option can only be exercised for the period between 31 October 2018 and 30 November 2018.

The above Conversion Option, Redemption Option and Put Option are collectively known as the derivative component.

* For identification purpose only

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 end of the current period is determined by the directors of the Company with reference to the valuation performed by International Valuation Limited ("IVL"), an independent firm of professionally qualified valuers.

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

	Debt component	**Derivative component**	**Total**
	HK$	*HK$*	*HK$*
At 31 December 2016			
– Convertible Loan A	7,071,906	5,074,373	12,146,279
– Convertible Loan B	14,870,496	1,750,887	16,621,383
Total	21,942,402	6,825,260	28,767,662
Less: Current portion	–	(1,750,887)	(1,750,887)
Non-current portion	21,942,402	5,074,373	27,016,775
At 31 December 2015			
– Convertible Loan A	6,621,379	5,316,069	11,937,448

The movements in fair value of the derivative component of the Group's convertible loan receivables are as follows:

	2016	2015
	HK$	*HK$*
At 1 January	**5,316,069**	–
Additions	**2,850,947**	5,316,069
Change in fair value recognised in profit or loss	**(854,574)**	–
Exchange differences	**(487,182)**	–
At 31 December	**6,825,260**	5,316,069
Net loss for the year included in profit or loss at the end of the reporting period	**(854,574)**	–

For the year ended 31 December 2015, with respect to the passage of short period of time, the directors were of the opinion that the change in the fair value of the derivative component between the issue date and year end date was minimal.

As at 31 December 2016, the fair value of the derivative component of the Group's convertible loan receivables is calculated using Binomial Share Option Model with the following key assumptions:

	Convertible Loan A	**Convertible Loan B**
Stock price	RMB4.59	RMB8.8052
Exercise price	RMB4.667	RMB12.062
Dividend yield	Nil	Nil
Expected volatility	66%	51%
Expected life	2.92 years	2.02 years
Risk-free interest rate	3.064%	2.704%

The fair value of the derivative component is Level 3 recurring fair value measurement. There is no transfer under the fair value hierarchy classification for the year ended 31 December 2016 and 2015.

The key significant unobservable inputs to determine the fair value of the derivative component are the stock price and expected volatility. A higher in the stock price and expected volatility would result in an increase in the fair value of the derivative component, and vice versa.

During the loan period and where applicable following the conversion of the Convertible Loan A, the Group was entitled to appoint 1 out of 3 directors or 2 out of 5 directors of Adv. Dental in accordance with the agreement of the Convertible Loan A. Accordingly given the potential voting right and the right to appoint directors, the Group has significant influence on Adv. Dental, which is recognised as an associate of the Group. As the Group has not converted the Convertible Loan A into equity interest of Adv. Dental, the Group is not entitled to share any profit or loss of Adv. Dental, and accordingly the interest in associate is HK$Nil as at 31 December 2016 and 2015 and up to the date of approval of the financial statements. The directors are of opinion that no further disclosure is considered meaningful in this regard.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	HK$	*HK$*
Unlisted equity investments, at cost *(Note (a))*	**31,183,750**	3,882,008
Listed equity securities, at fair value *(Note (b))*	**52,213,684**	–
	83,397,434	3,882,008

(a) The balance represents two unlisted equity investments, namely the investment in the series B preferred stock of a private company as at 31 December 2016 and 2015; and series C preferred stock and warrants of another private company as at 31 December 2016, both of which are incorporated in the United States of America.

(b) During the year ended 31 December 2016, the Group subscribed 518,758 series E preferred shares of AC Immune SA ("ACI"), a then private company, for a consideration of approximately US$5.0 million (equivalent to HK$39.0 million) and initially recognised it as an available-for-sale financial asset at cost as the fair value of the investment in ACI cannot be measured reliably at the subscription date. The Group's investment in ACI represented approximately 0.96% of the total outstanding shares of ACI on an as-converted basis as at the subscription date. On 23 September 2016, the shares of ACI were listed on the NASDAQ Stock Market of the United States of America. Pursuant to the subscription agreement, the 518,758 series E preferred shares held by the Group were automatically converted into the same number of common shares of ACI. Further details are set out in the Company's announcements dated 11 April and 26 September 2016.

Accordingly, the fair value of the Group's investment in ACI became measureable and the difference of HK$13,440,257 between the then carrying amount and the fair value as at 31 December 2016 was recognised as other comprehensive income for the year.

14. DEPOSITS AND PREPAYMENTS

	2016	2015
	HK$	*HK$*
Deposits paid for acquisition of property,plant and equipment	**382,385**	2,934,463
Prepayment for licence fee	**–**	23,874,896
Prepayment for purchase of finished goods	**31,307,263**	38,592,872
Other deposits	**420,910**	430,310
Other prepayments	**3,599,627**	7,312,525
Total	**35,710,185**	73,145,066
Less: Current portion	**(35,327,800)**	(49,746,406)
Non-current portion	**382,385**	23,398,660

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

15. INVENTORIES

	2016	2015
	HK$	*HK$*
Raw materials	**6,405,183**	7,361,707
Work in progress	**4,899,572**	5,270,801
Finished goods	**94,911,315**	26,046,253
	106,216,070	38,678,761

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$2,685,773 (2015: HK$3,411,021) have been written off and recognised in profit or loss.

16. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$	*HK$*
Trade receivables	**251,914,385**	201,524,191
Other receivables	**4,092,695**	4,903,059
Total	**256,007,080**	206,427,250

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

The directors have considered the track record of customers and age of the outstanding balances and are of the view that no provision is required as at 31 December 2016 and 2015.

The ageing analysis of trade receivables as at the end of the reporting period:

	2016	2015
	HK$	*HK$*
0–60 days	**141,085,757**	122,055,778
61–90 days	**38,987,186**	26,039,273
Over 90 days	**71,841,442**	53,429,140
	251,914,385	201,524,191

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

	2016	2015
	HK$	*HK$*
Neither past due nor impaired	**180,072,943**	148,095,051
Less than 3 months past due	**63,200,025**	53,429,140
Over 3 months past due	**8,641,417**	–
	251,914,385	201,524,191

Trade receivables that are not past due are not considered impaired. Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Balances that are past due but not impaired relate to a number of independent customers for whom there is no recent history of default. The Group does not hold any collateral over these balances.

17. TRADE AND OTHER PAYABLES

	2016	2015
	HK$	*HK$*
Trade payables	**496,139**	2,332,915
Other payables and accruals *(Note)*	**194,631,926**	151,955,565
	195,128,065	154,288,480

Note:

Other payables and accruals included the accruals for sales and marketing costs of HK$180,555,883 (2015: HK$135,805,205).

The ageing analysis of trade payables as at the end of the reporting period:

	2016	2015
	HK$	*HK$*
0–60 days	**496,139**	2,232,485
61–90 days	**–**	–
Over 90 days	**–**	100,430
	496,139	2,332,915

18. CONVERTIBLE LOAN PAYABLE

On 6 July 2016, 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 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, is included in equity. The make whole premium, being an embedded derivative, was measured at fair value separately. At the date of issue of the Convertible Loan Payable and at 31 December 2016, the fair value of the make whole premium was determined by directors of the Company, with reference to the valuation prepared by IVL, to be minimal.

The movement of Convertible Loan Payable issued during the year is as follows:

	Debt component *HK$*	**Conversion component** *HK$*	**Total** *HK$*
Nominal value of convertible loan issued during the year	116,676,782	33,323,218	150,000,000
Imputed interest expense	6,009,224	–	6,009,224
Interest paid	(1,251,666)	–	(1,251,666)
As at 31 December 2016	121,434,340	33,323,218	154,757,558

MANAGEMENT DISCUSSION AND DISCUSSION

BUSINESS REVIEW AND PROSPECTS

The vision of the Group is to be a great and socially responsible corporation. Strategically, the Group is in pursuit of innovations in biotechnology and pharmaceuticals to enhance the efficacy of healing and wellness of patients.

The Group stays focused on manufacturing and selling of flagship biopharmaceutical products for the treatment and healing of surface wounds and eye wounds. In addition, the Group strived to improve capacity utilisation, examine new clinical applications, and distribute third party products that are complementary to its core products to further expand the scope of business and strengthen the Group's competitive advantage.

The Group has initiated and implemented an Enrichment Programme since 2015 for enhancing its research and development pipeline and expanding its products portfolio for boosting its competitiveness and sustainable growth that would enable the Group to scale further heights over the next 10 years.

The Group has further invested in several companies and secured the exclusive distribution right of an ophthalmic medical device in 2016. Details are outlined under the sub-section headed "The Enrichment Programme" below.

As disclosed in the announcement of the Company dated 8 March 2017, the Company is exploring the possibility for a Korean Depository Receipt Programme ("KDR Programme") on the Korea Exchange, which if materalised, is expected to enable the Company to provide further liquidity for its shares, increase public awareness of it, promote its corporate image and broaden its shareholder base. As at the date of this announcement, the Company, through its legal adviser in Korea and the lead manager, is still in discussion with the Korea Exchange regarding the proposed KDR Programme and no application relating to the KDR Programme has been made to the Korea Exchange. The proposed KDR Programme may or may not proceed. The Company will comply with the relevant reporting, shareholders' approval and/or other requirements as and when appropriate.

THE ENRICHMENT PROGRAMME

Convertible Loan Agreement with Guangxi Medictop Pharmaceutical Co., Ltd ("Guangxi Medictop")

On 8 January 2016, the Group entered into a convertible loan agreement with Guangxi Medictop and its shareholders, pursuant to which the Group agreed to make available a convertible loan in the principal amount of RMB15.0 million to Guangxi Medictop at an interest rate of 6% per annum for a term of 3 years.

The conversion of the principal amount of the convertible loan into such number of shares representing 10% of the enlarged total issued share capital of Guangxi Medictop. Please refer to the announcement of the Company dated 8 January 2016 for further details. As at the date of this announcement, the Group has not converted any of the principal amount of the convertible loan into shares of Guangxi Medictop or demanded early repayment.

The establishment of business relationship with Guangxi Medictop has expanded the surgical product line of the Group and enhanced sales of the Group's core products, the Beifuji series and the Beifuxin series, in the market for obstetrics. In addition, the provision of the convertible loan to Guangxi Medictop offers the Group with an opportunity and, to a certain extent, flexibility to acquire equity interest in Guangxi Medictop, thereby fostering the strategic relationship with Guangxi Medictop.

Collaboration and License Agreement with Abpro Corporation ("Abpro")

On 22 January 2016, the Group entered into a collaboration and license agreement ("Collaboration and License Agreement") with Abpro for an initial term of 10 years, whereby both parties agreed to commercialise and jointly develop selected antibodies into the licensed products.

As part of the strategic business cooperation between the Group and Abpro, on 22 January 2016, both parties entered into a share subscription agreement ("Share Subscription Agreement"), pursuant to which the Group conditionally agreed to subscribe for, and Abpro conditionally agreed to issue, 616,197 shares of series C preferred stock for a total consideration of approximately US$3.5 million (equivalent to approximately HK$27.3 million). Completion of the subscription of the series C preferred stock by the Group took place on 12 March 2016.

In connection with the share subscription, on 22 January 2016, the Group and Abpro entered into a warrant subscription agreement ("Warrant Subscription Agreement"), whereby Abpro conditionally agreed to grant 61,619 warrants entitling the Group to subscribe for 61,619 shares of common stock of Abpro at the initial exercise price of US$2.08 per Abpro common stock, subject to adjustments in accordance with the terms of the warrants. As at the date of this announcement, the Group has not exercised any of the conversion rights attaching to the warrants.

Abpro is a USA-based biotech company focusing on the field of industrial biotechnology and is principally engaged in the business of developing novel biomolecules for human and animal health, including antibodies against traditionally difficult targets, for companies developing products in the research, diagnostic and therapeutic markets.

The Collaboration and License Agreement enables the parties to leverage on their respective strengths and resources to pursue and accelerate the development of antibody-based products in which the Group has been highly interested. The Share Subscription Agreement and the Warrant Subscription Agreement are for the Group to maintain a strategic cooperation with Abpro.

Distribution Agreement with Elektron Technology UK Limited ("Elektron")

On 3 March 2016, the Group entered into a distribution agreement ("Distribution Agreement") with Elektron, pursuant to which Elektron agreed to appoint the Group as its exclusive distributor of an ophthalmic medical device known as "Henson 9000" (including any spare parts) in China (excluding Hong Kong, Macau and Taiwan) for a period of 8 years from the date on which the Group placed the first purchase order with Elektron and may be automatically extended for successive periods of 2 years each, subject to early termination as provided in the Distribution Agreement. Henson 9000 is a medical instrument for screening and managing glaucoma, which is the leading cause of preventable blindness worldwide.

The collaboration with Elektron establishes a milestone of the Group in the ophthalmic medical device market and expands the range of the Group's eye care solutions, which will together benefit the Group in striving for sustainable growth in the ophthalmology arena in China.

Subscription Agreement with AC Immune SA ("ACI")

On 11 April 2016, the Group entered into a subscription agreement with ACI, for the subscription of 518,758 series E preferred shares of ACI with a nominal value of CHF0.02 each in the share capital of ACI ("Subscribed Preferred Shares") at the subscription price of US$9.6384 per Subscribed Preferred Share for a total consideration of approximately US$5.0 million (equivalent to approximately HK$39.0 million). Please refer to the announcement of the Company dated 11 April 2016 for further details. ACI was subsequently listed on NASDAQ on 23 September 2016 and the Subscribed Preferred Shares were automatically converted into common share upon listing. The initial public offering price was at US$11.0.

ACI is a Swiss-based biopharmaceutical company focused on Alzheimer's disease and other neurodegenerative diseases. ACI designs, discovers and develops therapeutic and diagnostic products to prevent and modify diseases caused by misfolding proteins and has technology platforms to create antibodies, vaccines and small molecules to address a broad spectrum of neurodegenerative indications.

Convertible Loan from International Finance Corporation ("IFC")

On 6 July 2016, the Company entered into a convertible loan agreement ("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 People's Republic of China ("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). The convertible loan was disbursed to the Company on 2 August 2016. 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 (which represented a premium of approximately 47.1% over the closing price of the shares of the Company on 6 July 2016), the aggregate principal amount of the convertible loan would be convertible into approximately 25,423,728 conversion shares (with aggregate nominal value of approximately HK$2,572,372.8). As at the date of this announcement, the conversion right attaching to the convertible loan has not been exercised by IFC.

The net proceeds of 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 are for the Company's strategic investment in and development of the Group's biopharmaceutical business and general working capital requirements. The Directors are of the view that the entering into of the Convertible Loan Agreement would allow the Company to raise additional funds for the Group's business. Furthermore, it is contemplated that the capital base of the Company would be enlarged and strengthened upon conversion of the convertible loan (in part or in full).

MARKET DEVELOPMENT

As at 31 December 2016, the Group maintained 39 Regional Sales Offices ("RSOs") and a total number of about 1,280 sales and marketing representatives, out of which approximately 730 people were full-time staff and approximately 550 people were hiring on contract basis and engaging from appointed agents.

The RSOs and sales and marketing representatives are deployed across major cities and provinces in the PRC. They are organised under two specialised teams; with each team responsible for the ophthalmic products and the surgical products, respectively. As at 31 December 2016, headcounts of ophthalmic team and surgical team were approximately 560 and 720 respectively.

RSOs are tasked with the function of promoting the Group's products to pharmaceutical companies and hospitals, and providing training on clinical applications of the Group's products to medical practitioners. In addition, these RSOs serve another vital role to the Group in gathering market intelligence and feedback for the Group's research and development planning and clinical studies.

The Group's flagship products are being prescribed by more than 4,500 hospitals spreading across the major cities and provinces in the PRC. During the year under review, the Group had conducted or participated in over 550 seminars and 1,500 market promotion activities in major cities and provinces in the PRC.

RESEARCH AND DEVELOPMENT

The Group's technology platform is built upon 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. To strengthen the research and development capabilities, the Group has entered into a cooperation agreement with Tasly Pharmaceutical Group Co., Ltd in 2015 and for the development of, in particular, a therapeutic product using Platelet-Derived Growth Factor (PDGF) for the treatment and healing of diabetic ulcers. The project is being planned for Phase-III clinical trials in the PRC.

Furthermore, the Group has developed a nano-antibody research and development platform over the past few years. Through the nano-antibody platform, a new Vascular Endothelial Growth Factor nano-antibody has been investigated for formulating into therapeutic products for the treatment of cancers and age-related macular degeneration. On 22 January 2016, the Group entered into the Collaboration and License Agreement, the Share Subscription Agreement and the Warrant Subscription Agreement with Abpro. Abpro is a USA-based biotech company focusing on the field of industrial biotechnology and is principally engaged in the business of developing novel biomolecules for human and animal health, including antibodies against traditionally difficult targets, for companies developing products in the research, diagnostic and therapeutic markets. Entering into the Collaboration and License Agreement with Abpro offers the Group the opportunity to develop a new range of therapeutic products, using certain antibody candidates of Abpro, for the Group's ophthalmology and surgical businesses as well as new drugs for oncology business.

In addition, a production technology platform – the Blow-Fill-Seal ("BFS") has been established in 2014 and further enhanced in 2015. The establishment of 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 currently has 10 categories of drugs for the treatment of ocular wound healing, ocular bacterial infection, fatigue, dry eyes and respiratory disease in the research and development pipeline, which are expected to be approved from 2017 and thereon over the next 3 years.

As at the date of this announcement, a total of 9 patents have been granted to the Group in China, 7 of which are innovation patents（發明專利）on the application of bFGF. These 7 innovation patents provide market protection for the products of the existing Beifuji and Beifushu series until 2034. The remaining 2 patents are utility patents（實用專利）on product packaging, which are being applied in the products of the existing Beifuji and Beifushu series. As at the date of this announcement, the Group has filled another 14 patent applications, including the nano-antibody.

OUR PRODUCTION CAPABILITY

The Group's factory in Zhuhai obtained the Good Manufacturing Practice ("GMP") certification from China Food and Drug Administration and commenced operation since January 2014.

The factory in Zhuhai is fully equipped with 7 production plants, 1 of which is for the production of active pharmaceutical ingredients – the bFGF, while 4 others are for the production of our flagship pharmaceutical formulations and the remaining 2 are the state-of-the-art BFS production plants for the production of preservative-free single does drugs.

The Group has started the European Union GMP certification process and it is expected that the European Union GMP certificate will be obtained in 2019.

FINANCIAL REVIEW

For the year ended 31 December 2016, the Group achieved a turnover of approximately HK$775.7 million (2015: HK$654.0 million), representing a growth rate of 18.6%.

Composition of turnover for the years ended 31 December 2016 and 2015 is shown in the following table:

	2016			2015		
	Beifushu and Beifuji series	**Third party products**	**Total**	Beifushu and Beifuji series	Third party products	Total
Sales of pharmaceutical products						
– Surgical products	**42.7%**	**3.5%**	**46.2%**	41.0%	0.0%	41.0%
– Ophthalmic products	**35.1%**	**12.5%**	**47.6%**	43.0%	8.0%	51.0%
	77.8%	**16.0%**	**93.8%**	84.0%	8.0%	92.0%
Provision of marketing services						
– Surgical products	**–**	**2.2%**	**2.2%**	–	0.0%	0.0%
– Ophthalmic products	**–**	**4.0%**	**4.0%**	–	8.0%	8.0%
	–	**6.2%**	**6.2%**	–	8.0%	8.0%
	77.8%	**22.2%**	**100.0%**	84.0%	16.0%	100.0%

Sales of surgical products and ophthalmic products amounted to approximately HK$358.4 million (2015: approximately HK$268.1 million) and approximately HK$369.2 million (2015: approximately HK$333.5 million), increased by 33.7% and 10.7% respectively.

The revenue from selling of our own biopharmaceutical products achieved steadily growth of 9.8% in 2016, whereas selling of third party products dramatically increased by 137.2% for the year ended 31 December 2016 as compared to last year. The result from the diversification of our product range is on traction.

The Group's gross profit has grown in tandem with the expanded sales. The gross profit for the year ended 31 December 2016 was approximately HK$623.0 million (2015: HK$529.6 million), representing an increase of 17.6%.

Profit for the year was approximately HK$136.3 million as compared to approximately HK$104.9 million for the previous year, representing an increase of 29.9%.

The distribution and selling expenses were approximately HK$410.5 million as compared to approximately HK$352.1 million for the previous year, representing an increase of 16.6%. This increase in the distribution and selling expenses was mainly attributable to the expansion of sales and marketing function, in particular, for the flagship surgical product, Beifuxin and newly undertaken third party products during the year ended 31 December 2016. Distribution and selling expenses accounted mainly for remuneration and travelling expenses of sales personnel, advertisements, transportation and delivery, and organisation of seminars and conferences for product training and awareness, etc.

The administrative expenses for the year under review were approximately HK$48.0 million compared to approximately HK$51.2 million for the previous year, decreased by approximately HK$3.2 million.

The decrease in administrative expenses is mainly due to the decrease in the provision for equity-settled share-based payments to approximately HK$1.3 million for the year under review (2015: approximately HK$4.7 million).

Research and development expenditures incurred in 2016 were increased to approximately HK$30.0 million from which approximately HK$24.3 million were capitalised, whereas total expenditures incurred in 2015 were approximately HK$22.4 million from which only approximately HK$11.6 million were capitalised. Hence the research and development expenses incurred as administrative expenses were decreased to approximately HK$5.7 million as compared to approximately HK$10.8 million in 2015.

The Group had cash and cash equivalents of approximately HK$156.2 million as at 31 December 2016 (2015: HK$64.6 million).

The bank borrowings as at 31 December 2016 were approximately HK$38.8 million (2015: HK$51.0 million), among which 25% repayable within 1 year and 75% repayable in more than 1 year but within 5 years. All of the bank borrowings were denominated in US Dollar and bear interest at floating rate. The interest rate of the Group's bank borrowings was 1.7% as at 31 December 2016.

The total finance costs of the Group for the year ended 31 December 2016 were approximately HK$9.7 million (2015: HK$2.1 million) and were fully charged to expense for the year ended 31 December 2016. The increase was mainly attributable to the recognition of interest expenses amounted to approximately HK$6.0 million in relation to the convertible loan payable.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, as at 31 December 2016, the Group did not have an immediate plan for any other material investments or acquisition of material capital assets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group obtained banking facilities of approximately HK$154.9 million, of which HK$38.8 million was utilised. All of the banking facilities are secured by the land use rights, the buildings of the Group, corporate guarantees provided by the Company and a subsidiary within the Group and a pledged deposit of HK$20.0 million.

On 6 July 2016, the Company entered into a Convertible Loan Agreement with IFC, 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. The net proceeds from the convertible loan are approximately HK$145.0 million, which are for the Company's strategic investment in and development of the Group's biopharmaceutical business and general working capital requirements. As at the date of this announcement, the net proceeds had been used as to (i) approximately HK$80.0 million for the settlement of bank borrowings which were mainly obtained to finance the Group's strategic investments; and (ii) approximately HK$26.1 million for working capital purpose. As at 31 December 2016, the balance of approximately HK$38.9 million remained for intended use.

As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$156.2 million as compared to approximately HK$64.6 million as at 31 December 2015, among which 61.3% was denominated in Renminbi, 30.3% was denominated in Hong Kong Dollar and 8.4% was denominated in US Dollar.

The Group monitors its capital structure on the basis of a net debts-to-adjusted capital ratio. For this purpose, the Group defines net debts as total debts (which include interest-bearing loans and borrowings and trade and other payables) less cash and cash equivalents and pledged bank deposits. Adjusted capital comprises all components of equity. The net debts-to-adjusted capital ratio as at 31 December 2016 was 32.2% (2015: 29.2%).

CHARGES ON GROUP ASSETS

As at 31 December 2016, the land use rights and the buildings of the Group with carrying amount in aggregate of approximately HK$113.2 million and a deposits of HK$20.0 million were pledged to secure its banking facilities.

CAPITAL COMMITMENTS

As at 31 December 2016, the Group had capital commitments amounted to approximately HK$13.4 million (2015: HK$27.6 million).

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liabilities (2015: HK$Nil).

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 either 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 rate 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 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 2016, the Group had a total of 966 full-time employees (2015: 896 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$85.6 million and approximately HK$60.4 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. Details of the share option scheme of the Company are disclosed in note 34 to the financial statements.

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 Directors 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 of the Company 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 ("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.

DIVIDENDS

The Directors have recommended the payment of a final dividend of HK$0.032 per share for the financial year ended 31 December 2016 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 15 May 2017. Subject to shareholders' approval, the final dividend will be payable on Friday, 26 May 2017.

CLOSURE OF REGISTER OF MEMBER

The register of members of the Company will be closed from Monday, 24 April 2017 to Thursday, 27 April 2017 (both days inclusive) for ascertaining shareholders' right to attend and vote at the forthcoming annual general meeting to be held on Thursday, 27 April 2017. 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 Friday, 21 April 2017.

The register of members of the Company will be closed from Thursday, 11 May 2017 to Monday, 15 May 2017 (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 Thursday, 27 April 2017, 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, 10 May 2017.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 2016 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. 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 2016 had been reviewed by the audit committee of the Board ("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
21 March 2017

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.