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 Report 2015

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ngiam Mia Je Patrick (Chairman)
Fang Haizhou (Managing Director)
Zhong Sheng

Independent Non-executive Directors

Fung Chi Ying
Mauffrey Benoit Jean Marie
Yeow Mee Mooi

AUDIT COMMITTEE

Fung Chi Ying (Chairman)
Mauffrey Benoit Jean Marie
Yeow Mee Mooi

REMUNERATION COMMITTEE

Yeow Mee Mooi (Chairperson)
Ngiam Mia Je Patrick
Fung Chi Ying
Mauffrey Benoit Jean Marie

NOMINATION COMMITTEE

Yeow Mee Mooi (Chairperson)
Ngiam Mia Je Patrick
Fung Chi Ying
Mauffrey Benoit Jean Marie

CORPORATE GOVERNANCE COMMITTEE

Yeow Mee Mooi (Chairperson)
Zhong Sheng
Fung Chi Ying
Mauffrey Benoit Jean Marie

COMPANY SECRETARY

Yau Lai Man MBA, ACA, CPA (practising)

AUTHORISED REPRESENTATIVES

Zhong Sheng
Yau Lai Man

AUDITOR

BDO Limited

WEBSITE ADDRESS

www.essexbio.com

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2818
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

HEADQUARTER IN THE PRC

No. 88
Keji 6th Road
Hi-Tech Zone
Zhuhai
Guangdong, China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Hong Kong Registrars Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
China Merchants Bank
Industrial and Commercial Bank of China (Asia) Limited

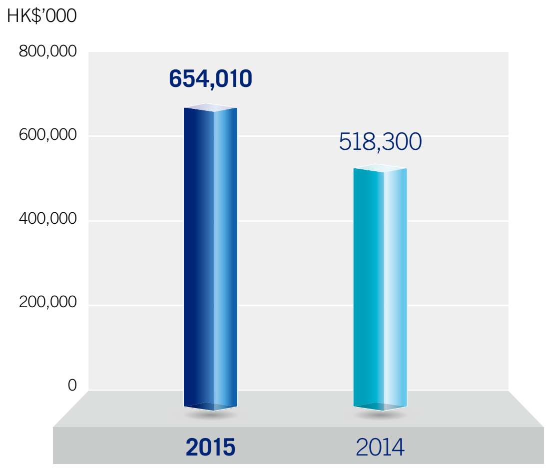
STOCK CODE

01061

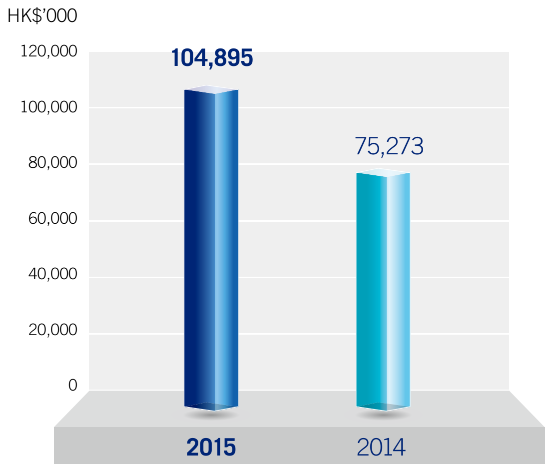
Financial Highlights

	2015 HK$'000	2014 HK$'000	% Increase
Turnover	**654,010**	518,300	26.2
Profit attributable to owners of the Company	**104,895**	75,273	39.4
Earnings per share			
– Basic	**HK18.75 cents**	HK13.52 cents	38.7
– Diluted	**HK18.51 cents**	HK13.47 cents	37.4
Cash and cash equivalents	**64,613**	61,974	4.3

Turnover



Profit attributable to owners of the Company



Chairman's Statement

On behalf of the board ("Board") of directors ("Directors") of Essex Bio-Technology Limited ("Company", together with its subsidiaries, "Group"), I am pleased to announce that the Group has achieved positive developments and progress in the financial year ended 31 December 2015 ("FY2015") in spite of economic uncertainty globally and shrinking growth rate of the GDP in the People's Republic of China ("PRC").

Ngiam Mia Je Patrick Chairman

FRUITFUL AND EVENTFUL YEAR

In FY2015, the Group initiated an enrichment programme ("Enrichment Programme") for enhancing its research and development pipeline and expanding its products portfolio for boosting its competitiveness and maintaining a sustainable growth. It was a fruitful and eventful year for the Group as it executed pragmatically the Enrichment Programme that will enable the Group to scale further heights over the next 5 to 10 years horizon.

THE ENRICHMENT PROGRAMME

To stay ahead of the technology curve and to remain competitive in the Group's surgical (such as dermotology, stomatology and obstetrics) and ophthalmology arena, during the year under review and up to the date of this report, the Group has successfully sourced and invested in a few companies, and secured the exclusive distribution rights for a few products, including biopharmaceutical products, that are for the surgical and ophthalmology business divisions. Summary details of the Group's investments and distribution rights are outlined as follows:

Date	Description of the transactions	Objectives
Within China		
1. 28 April 2015	Agency agreement with Wuhan Adv. Dental Co., Ltd.* ("Adv. Dental") for a term from 1 May 2015 to 31 December 2019 which may be automatically extended for 3 years to 31 December 2022, pursuant to which the Group was appointed as an exclusive sales agent for products of Carisolv®.	Advancing the Group's business expansion in stomatology department.
30 November 2015	To make available a convertible loan in the principal amount of RMB10 million to Adv. Dental at an interest rate of 5% per annum for a term of 4 years. The Group shall have the right to convert the principal amount of the convertible loan into such number of shares representing 30% of the total enlarged issued share capital of Adv. Dental.	Establishing a closer relationship with Adv. Dental for the Group's business expansion in stomatology department.

Chairman's Statement

Date	Description of the transactions	Objectives
Within China		
2. 28 August 2015	Strategic cooperation framework agreement with Tasly Pharmaceutical Group Co., Ltd* ("Tasly"), pursuant to which Tasly and the Group will collaborate in the research and development, clinical tests, manufacturing, sales and marketing of recombinant protein drugs for 10 years.	Establishing a win-win strategic partnership on a complementary, mutually beneficial and co-development basis to commence cooperation on the development and operation of recombinant protein drugs.
3. 22 September 2015	Agency Agreement with Guangxi Medictop Pharmaceutical Co., Ltd* ("Guangxi Medictop") for a period commencing from 22 September 2015 to 31 December 2025, pursuant to which the Group was appointed as an exclusive sales agent of products known as Yi Xue An Granules*（伊血安顆粒）.	Expanding the surgical product line of the Group and enhance sales of the Group's core products, Beifuji and Beifuxin, in the market for obstetrics.
8 January 2016	To make available a convertible loan in the principal amount of RMB15 million to Guangxi Medictop at an interest rate of 6% per annum for a term of 3 years. The Group shall have the right to convert the principal amount of the convertible loan into such number of shares representing 10% of the enlarged total issued share capital of Guangxi Medictop.	Fostering a strategic relationship with Guangxi Medictop.
4. 22 December 2015	Agency agreement with Tibet Linzhi Parkson Pharmaceutical Co., Ltd.* and Liaoning Wanxin Pharmaceutical Co., Ltd.*, pursuant to which the Group was appointed as an exclusive agent for the distribution and marketing of the product known as Iodized Lecithin Capsules*（適麗順）for a term of 7 years.	Expanding the Group's ophthalmic product line into treating ocular fundus diseases and thus enhancing the Group's market foothold in the ophthalmology business.

Date	Description of the transactions	Objectives
In Overseas		
5. 27 May 2015	Distribution agreement with Elektron Technology UK Limited ("Elektron"), pursuant to which Elektron appointed the Group as its exclusive distributor of Macular Pigment Screener II for a period of 8 years.	Establishing a milestone of the Group in the ophthalmic medical device market and expanding 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 the PRC.
3 March 2016	Distribution agreement with Elektron, pursuant to which Elektron appointed the Group as its exclusive distributor of Henson 9000 for a period of 8 years.	
6. 22 January 2016	Collaboration and license agreement for an initial term of 10 years, subscription agreement for series C preferred stocks of Abpro Corporation ("Abpro") at the aggregate price of US$3.5 million and agreement for subscription of warrant in Abpro.	Pursuing and accelerating the development of antibody-based products.

EVOLUTION IN OUR DISTRIBUTION NETWORK

To cope with the dynamic and ever changing healthcare industry in China and in the furtherance of the Group's products portfolio expansion, it was necessary to expand the distribution network for enhancing the Group's competitiveness and widening market coverage. In FY2015, the Group reviewed, restructured and expanded the Regional Sales Offices ("RSOs") from 29 to 39 such offices. The restructured and expanded RSOs will enable the Group to deliver effective level of services for the expanded products portfolio and the increasing number of hospitals.

STRENGTHENED RESEARCH AND DEVELOPMENT PLATFORMS

Over the past few years, the Group has been focusing principally on recombinant DNA ("rDNA") and nano antibody.

During the year under review, the Group's technology of the rDNA has been further enhanced following the entering into of a strategic cooperation framework agreement between the Group and Tasly. Furthermore, a cooperation agreement was entered into between the Group and Tasly for the development of 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 China.

The Group's nano antibody research and development platform was strengthened by the collaboration and license agreement entered into with Abpro, which offers the Group with 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.

Chairman's Statement

RECOGNITION OF THE GROUP'S PERFORMANCE IN CAPITAL MARKET

We are pleased to have been included by Morgan Stanley Capital International ("MSCI") as a constituent of the MSCI Global Small Cap Indexes – China effective as of the close of 29 May 2015. We believe that the inclusion of the Company into such index demonstrated investors' recognition of the Group's performance in the capital market.

FINANCIAL PERFORMANCE

For FY2015, the Group achieved a consolidated turnover of approximately HK$654.0 million, representing an increase of approximately 26.2% over the previous year. Correspondingly, the Group's consolidated profit attributable to owners of the Company rose to approximately HK$104.9 million for FY2015 from approximately HK$75.3 million in the previous year, representing an increase of approximately 39.4%.

In FY2015, the Group's revenue was mainly derived from the flagship biopharmaceutical ophthalmic drug, the Beifushu series, which accounted for approximately 43% of the Group's total revenue, whereas, the Beifuji series, flagship biopharmaceutical products for surface wounds healing and treatment, contributed to approximately 41% of the Group's total revenue. Revenue from selling and distribution of third party products and provision of marketing services to such third party's products contributed approximately 16% of the Group's total revenue for FY2015.

OUTLOOK AND PROSPECTS

The Company is a leading enterprise in the field of biopharmaceutical products for wounds healing and treatment. The Group has a range of ophthalmic biopharmaceutical drugs, the Beifushu series, for the treatment of various types of eye diseases, including dry eyes, keratitis, corneal abrasion, corneal surgery such as refractive surgery and cataract surgery etc. In addition, the Group's medicine for general surgery, the Beifuji series, is for use in a variety of surface wound healing and treatment, including burns, ulcers, wounds and cosmetic plastic surgery.

Following the restructuring and expansion of the RSOs to 39 offices, the Group expects continuing organic growth from its flagship biopharmaceutical products, the Beifushu and Beifuji series in the financial year ending 31 December 2016 ("FY2016"). Its growth in FY2016 is expected to be boosted by the addition of new products such as products of Carisolv®, Yi Xue An Granules*（伊血安顆粒）and Iodized Lecithin Capsules*（適麗順）which were secured under the Enrichment Programme in FY2015, although higher operating costs would be incurred due to high initial sales and marketing costs for the new range of products.

In addition to staying focused on executing its plans to create wider therapeutic reach for its existing products for sustaining growth, the Group will continue to execute its Enrichment Programme in FY2016 to selectively source and secure products that will enhance growth and competitiveness.

DIVIDEND

To reward our shareholders for their years of valuable support, the Board is proposing a final dividend of HK$0.025 per ordinary share of the Company to be approved at the upcoming annual general meeting of the Company.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to all stakeholders, business associates, valued customers and each and every member of the Group for the trust, support and cooperation accorded to us in developing Essex Bio-Technology Limited as a leading pharmaceutical company.

Ngiam Mia Je Patrick
Chairman

Hong Kong
18 March 2016

* *For identification purpose only*

Profiles of Directors and Senior Management

NGIAM MIA JE PATRICK

Aged 61, Mr. Ngiam is the founder of the Group which was established in February 1999, an executive Director and Chairman of the Company. He is a member of the remuneration committee and nomination committee of the Company, a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited, Zhuhai Essex Bio-Pharmaceutical Company Limited, Essex Medipharma (Zhuhai) Company Limited and Zhuhai Essex Technology Development Company Limited, all being subsidiaries of the Company.

Mr. Ngiam graduated in electronics engineering and has received many accolades and awards for his achievements. Notably, in 1990, he was awarded the first KPMG Singapore High Tech Entrepreneur Award. Other awards include the DHL & Singapore Press Holdings Business Award for Businessman of the Year in 1994 and the Chevalier DE L' ORDRE NATIONAL DU MERITE conferred by Le President De La Republique Francaise in 1996.

As at the date of this report, Mr. Ngiam (i) was directly interested in 146,479,000 shares of the Company, and was also deemed to be interested in 6,666,667 shares of the Company held by Dynatech Ventures Pte Ltd, a wholly-owned subsidiary of Essex Investment (Singapore) Pte Ltd, which in turn was owned by Mr. Ngiam and Ngiam Mia Kiat Benjamin (who is a director of a wholly-owned subsidiary of the Company) in equal shares; and (ii) also held 500,000 share options of the Company. Mr. Ngiam is a brother of Ngiam Mia Kiat Benjamin. Mr. Ngiam is also a director of each of Dynatech Ventures Pte Ltd and Essex Investment (Singapore) Pte Ltd.

FANG HAIZHOU

Aged 50, Mr. Fang is an executive Director, the managing Director and the general manager of the Company. He is also a senior pharmaceutical engineer. He has a bachelor's degree in Bio-chemical Engineering from 華南工學院 (Southern China Institute) and a master's degree in Engineering from 華南理工大學 (Southern China University of Technology). He has been with Zhuhai Essex Bio-Pharmaceutical Company Limited since its establishment in June 1996. Mr. Fang is also a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited, Zhuhai Essex Bio-Pharmaceutical Company Limited, Essex Medipharma (Zhuhai) Company Limited and Zhuhai Essex Technology Development Company Limited, all being subsidiaries of the Company.

As at the date of this report, Mr. Fang was personally interested in 4,738,300 shares of the Company and also held 3,500,000 share options of the Company.

ZHONG SHENG

Aged 51, Mr. Zhong is an executive Director and is responsible for the financial management and administration of the Group. He holds a master's degree in Industrial Economics from 廣東省社會科學院 (Guangdong Academy of Social Sciences). Mr. Zhong joined the Group in February 1999. Mr. Zhong has more than twenty-one year experience in financial management and project management. Mr. Zhong is also a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited, Zhuhai Essex Bio-Pharmaceutical Company Limited, Essex Medipharma (Zhuhai) Company Limited and Zhuhai Essex Technology Development Company Limited, all being subsidiaries of the Company. Mr. Zhong is also a member of the corporate governance committee and an authorised representative of the Company.

As at the date of this report, Mr. Zhong was personally interested in 2,869,150 shares of the Company and also held 1,168,000 share options of the Company.

Profiles of Directors and Senior Management

FUNG CHI YING

Aged 61, Mr. Fung was appointed as an independent non-executive Director on 13 June 2001. Mr. Fung is a practising solicitor in Hong Kong. He is presently a partner of Adrian Yeung & Cheng, Solicitors. Mr. Fung is also the chairman of the audit committee and a member of the remuneration committee, nomination committee and corporate governance committee of the Company.

As at the date of this report, Mr. Fung has no interests in the shares and underlying shares of the Company which are required to be disclosed under Part XV of the Securities and Futures Ordinance.

MAUFFREY BENOIT JEAN MARIE

Aged 63, Mr. Mauffrey was appointed as an independent non-executive Director on 13 June 2001. He is experienced in business development and sales and marketing in several industries in the Asia Pacific region. He is also a member of the audit committee, remuneration committee, nomination committee and corporate governance committee of the Company.

As at the date of this report, Mr. Mauffrey has no interests in the shares and underlying shares of the Company which are required to be disclosed under Part XV of the Securities and Futures Ordinance.

YEOW MEE MOOI

Aged 53, Ms. Yeow was appointed as an independent non-executive Director on 30 September 2004. Ms. Yeow graduated from The University of Southwestern Louisiana, the United States of America, with a bachelor's degree in business administration. Ms. Yeow further obtained her postgraduate diploma in financial management from The University of New England, Australia. Ms. Yeow is a certified practicing accountant of The Hong Kong Institute of Certified Public Accountants and The Australian Society of Certified Practising Accountants. Ms. Yeow has over 24 years' taxation, auditing and commercial experience in Hong Kong. Ms. Yeow is now a director of a management consulting firm in Hong Kong. She is also the chairperson of the remuneration committee, nomination committee and corporate governance committee and a member of the audit committee of the Company.

As at the date of this report, Ms. Yeow has no interests in the shares and underlying shares of the Company which are required to be disclosed under Part XV of the Securities and Futures Ordinance.

WANG XINZHI

Aged 52, Mr. Wang joined the Group on 10 November 2000 and was appointed as the general manager of Zhuhai Essex Bio-Pharmaceutical Company Limited and Essex Medipharma (Zhuhai) Company Limited, both being subsidiaries of the Company, on 1 January 2011. Mr. Wang has a master's degree in Genetics from 復旦大學 (Fudan University) and has extensive corporate management and marketing experience in several industries in the PRC.

On 28 August 2015, Mr. Wang was appointed as a director of Zhuhai Essex Bio-Pharmaceutical Company Limited, Essex Medipharma (Zhuhai) Company Limited and Zhuhai Essex Technology Development Company Limited, all being subsidiaries of the Company.

Sales and distribution network of the Group

BUSINESS REVIEW AND PROSPECTS

The vision of Essex Bio-Technology Limited ("Company") and its subsidiaries (collectively referred to as "Group") is to be a great and socially responsible corporation. Strategically, the Group is in pursuit of innovations in bio-technology and pharmaceuticals to enhance the efficacy of healing and wellness of patients.

During the year under review, the Group's emphasis continued primarily on manufacturing and selling of its flagship biopharmaceutical products for the treatment and healing of surface wounds and eye wounds. In addition, the sales force distributed third party products in parallel.

In the financial year ended 31 December 2015 ("FY2015"), the Group initiated an enrichment programme ("Enrichment Programme") for enhancing its research and development pipeline and expanding its products portfolio for boosting its competitiveness and sustainable growth. It was a fruitful and eventful year for the Group as it executed pragmatically the Enrichment Programme that will enable the Group to scale further heights over the next 5 to 10 years horizon.

To stay ahead of the technology curve and to remain competitive in the Group's surgical (such as dermotology, stomatology and obstetrics) and ophthalmology arena, during the year under review and up to the date of this report, the Group has successfully sourced and invested in a few companies, and secured the exclusive distribution rights for a few products, including biopharmaceutical products, that are for the surgical and ophthalmology business divisions.

The Enrichment Programme

Within China

1. On 28 April 2015, the Group entered into an agency agreement with Wuhan Adv. Dental Co., Ltd.* ("Adv. Dental"). Pursuant to such agency agreement, the Group is appointed by Adv. Dental as its exclusive sales agent for products of Carisolv®伢典®齲齒微創祛腐技術系統 ("Carisolv Products") in certain designated areas of Mainland China (excluding Hong Kong, Macau and Taiwan) for a term from 1 May 2015 to 31 December 2019 which may be automatically extended for 3 years to 31 December 2022 in accordance with the terms of the agency agreement. Carisolv is a system which uses minimally invasive techniques to treat dental caries. Carisolv Products include Carisolv®伢典®minimally invasive dental caries removal gel（齲齒微創祛腐凝膠）and Caritool®伢典®minimally invasive dental caries removal tools（牙科微創祛腐工具）.

   On 30 November 2015, the Group entered into the convertible loan agreement with Adv. Dental and its sole shareholder, pursuant to which the Group agreed to make available a convertible loan in the principal amount of RMB10 million to Adv. Dental at an interest rate of 5% per annum for a term of 4 years from the date of advancement of the convertible loan, being 14 December 2015. At any time from the date of advancement of the convertible loan until the maturity date, the Group shall have the right to convert the principal amount of the convertible loan into such number of shares representing 30% of the enlarged total issued share capital of Adv. Dental. Upon fulfilment of certain benchmark of the financial performance of Adv. Dental as set out in the convertible loan agreement, the Group may be required to convert the loan into shares of Adv. Dental. Please refer to the announcement of the Company dated 30 November 2015 for further details. As at the date of this report, the Group has not converted any of the principal amount of the convertible loan into conversion shares of Adv. Dental.

   The establishment of business relationship with Adv. Dental is synergetic to the Group's products, Beifuji and Beifuxin, for advancing the Group's business expansion in stomatology department. In addition, the provision of the convertible loan to Adv. Dental offers the Group with an opportunity and, to a certain extent, flexibility to acquire equity interest in Adv. Dental, thereby establishing a closer relationship with Adv. Dental.

2. On 28 August 2015, the Group entered into the framework agreement with Tasly Pharmaceutical Group Co., Ltd* ("Tasly"), pursuant to which Tasly and the Group will collaborate in the research and development, clinical tests, manufacturing, sales and marketing of recombinant protein drugs for 10 years.

   Given the complementary relationship between Tasly's strengths in the research and development and manufacturing of drugs in genetically engineered mammal expression system and the Group's strengths in the research and development and manufacturing of drugs in genetically engineered microorganism expression system, Tasly and the Group, after friendly negotiation, agreed to establish a win-win strategic partnership on a complementary, mutually beneficial and co-development basis to commence cooperation on the development and operation of recombinant protein drugs.

3. The Group has been appointed as an exclusive sales agent of a product of Guangxi Medictop Pharmaceutical Co., Ltd* ("Guangxi Medictop") known as Yi Xue An Granules*（伊血安顆粒）in China (excluding Hong Kong, Macau and Taiwan) pursuant to an agency agreement dated 22 September 2015. Yi Xue An Granules*（伊血安顆粒）is mainly used for treating postpartum lochiorrhea and bleeding or spotting of uterus after induced abortion. The agency agreement is valid for a period commencing from 22 September 2015 to 31 December 2025.

   After the signing of the agency agreement, on 8 January 2016, the Group entered into the 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 million to Guangxi Medictop at an interest rate of 6% per annum for a term of 3 years from the date of advancement of the convertible loan, being 19 January 2016.

   Within the first 12-month period from the advancement date, the Group shall have the right to convert the principal amount of the convertible loan into such number of shares representing 10% of the enlarged total issued share capital of Guangxi Medictop or demand early repayment of the entire principal amount of the convertible loan. Upon fulfilment of certain conditions as set out in the convertible loan agreement, the Group may be required to convert the loan into shares of Guangxi Medictop. Please refer to the announcement of the Company dated 8 January 2016 for further details. As at the date of this report, the Group has not converted any of the principal amount of the convertible loan into conversion 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.

4. On 22 December 2015, the Group entered into the agency agreement with Tibet Linzhi Parkson Pharmaceutical Co., Ltd* and Liaoning Wanxin Pharmaceutical Co., Ltd* (together known as the "Licensors"), pursuant to which the Licensors appointed the Group as the exclusive agent for the distribution and marketing of the product known as Iodized Lecithin Capsules*（適麗順）for a term of 7 years.

   The Licensors are principally engaged in the manufacturing, research and development of medicines. Iodized Lecithin Capsules*（適麗順）has been approved in 2010 by China Food and Drug Administration ("CFDA") for treating central serous chorioretinopathy, central exudative chorioretinopathy, vitreous haemorrhage, vitreous opacities and central retinal vein occlusion, etc.

   The appointment will expand the Group's ophthalmic product line into treating ocular fundus diseases and thus enhancing the Group's market foothold in the ophthalmology business.

In Overseas

5. On 27 May 2015, the Group entered into a distribution agreement with Elektron Technology UK Limited ("Elektron"), a company incorporated in England and Wales. Elektron is principally engaged in the manufacturing of electronic components.

   Pursuant to the distribution agreement, Elektron appointed the Group as its exclusive distributor of Macular Pigment Screener II including 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 two years each. The Macular Pigment Screener II is a portable screening device that enables early detection of patients at risk of Age-related Macular Degeneration – one of the leading causes of vision loss in people over fifty. Application for import licence has been filed in third quarter of 2015.

   On 3 March 2016, the Group entered into another 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 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 two years each. 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.

6. On 22 January 2016, the Group entered into the collaboration and license Agreement with Abpro Corporation ("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 the share subscription agreement, pursuant to which the Group conditionally agreed to subscribe for, and Abpro conditionally agreed to issue, 616,197 series C preferred stock for a total consideration of approximately US$3.5 million (equivalent to approximately HK$27.3 million). The share subscription is part of the offering by Abpro of the series C preferred stock.

   In connection with the share subscription, on 22 January 2016, the Group and Abpro entered into the warrant subscription agreement, whereby Abpro conditionally agreed to grant 61,619 warrants entitling the Group to subscribe for 61,619 Abpro common stock at the initial exercise price of US$2.08 per Abpro common stock, subject to adjustments in accordance with the terms of 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 both 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 and the warrant subscription agreement are for the Group to maintain a strategic cooperation with Abpro.

For the year ended 31 December 2015, the Group achieved revenue of approximately HK$654.0 million (2014: HK$518.3 million), representing a growth rate of approximately 26.2%. The revenue was primarily contributed from our flagship products, the Beifushu and Beifuji series, and other third party products such as Xalatan® eye drops and Xalacom® eye drops from Pfizer International Trading (Shanghai) Limited, Carisolv Products from Adv. Dental and Yi Xue An Granules*（伊血安顆粒）from Guangxi Medictop. The Group's sustaining growth performance year-on-year reaffirmed the clinical acceptance of its products and its robust and versatile distribution network and resources in the People's Republic of China ("PRC").

For FY2015, the revenue contributed from our own ophthalmic biopharmaceutical products and surgical biopharmaceutical products, namely the Beifushu series and Beifuji series, represented approximately 43% and 41% of Group's total revenue respectively, as compared to approximately 50% and 38% of the Group's total revenue respectively in 2014.

In addition, the Group will focus, in 2016, on improving capacity utilization, researching and conducting for new clinical applications for our products and striving for leadership position in strategic clinical markets, as well as continuing to execute its Enrichment Programme.

MARKET DEVELOPMENT

To cope with the dynamic and ever changing healthcare industry in China and in the furtherance of the Group's products portfolio expansion, it was necessary to expand the distribution network for enhancing the Group's competitiveness and widening market coverage. In FY2015, the Group reviewed, restructured and expanded the Regional Sales Offices ("RSOs") from 29 to 39 such offices. The restructured and expanded RSOs will enable the Group to deliver effective level of services for the expanded products portfolio and the increasing number of hospitals.

At present the Group has 39 RSOs and 14 marketing agents, with 700 and 210 salespeople respectively, spreading across major cities and provinces of the PRC. RSOs are effectively tasked with the function of promotional programmes of the Group's products and are interacting with pharmaceutical companies, medical practitioners and hospitals. In addition, these RSOs serve another vital role, as market intelligence for the Group's planning on clinical studies and research and development pipeline.

The Group built its sales force (including RSO and marketing agents) under two specialized teams, with each team responsible for marketing and sale of ophthalmic pharmaceutical products and surgical products, respectively. The ophthalmic sales team and surgical sales team have the headcounts of 460 and 450 respectively as at 31 December 2015. It is in our development plans that more staff will be recruited in 2016 and 2017 for this division to further expand the business. The Company is optimistic of attaining continued growth from the Beifushu series and the Beifuji series in the coming years, as well as contributions from the new addition of third party products, barring unforeseen circumstances.

The Group's flagship ophthalmic and surgical products are being marketed by more than 3,200 and 1,700 hospitals respectively, spreading across in major cities and provinces in the PRC. During the year under review, the Group had conducted/participated in over 400 seminars and 900 market promotion activities in major cities and provinces in the PRC. Our sales and marketing team is in constant contact with over 185,000 doctors in briefing and educating them on the clinical applications of our products.

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 capitalize 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 in FY2015 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 China.

Furthermore, the Group has developed a nano antibody research and development platform over the past few years. Through the nano antibody technology platform, a new Vascular Endothelial Growth Factor (VEGF) 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, 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 new 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 in the field of ophthalmology and enable the Group to develop and produce a series of preservative-free single dose drugs. The Group currently has nine categories of single dose eye drops for the treatment of ocular wound healing, ocular bacterial infection, fatigue, allergy and dry eyes, etc. in the research and development pipeline, which are expected to be approved between 2016 and 2018.

As at the date of this report, a total of nine patents have been granted to the Group in China, seven of which are innovation patents（發明專利）on the application of the recombinant bovine bFGF. These seven innovation patents provide market protection for the products of the existing Beifuji and Beifushu series until 2030. The remaining two 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. During the year under review, the Group has filed one international patent application for the nano-antibody under the Patent Co-operation Treaty.

Management Discussion and Analysis

NEW FACTORY COMMISSIONED WITH GMP CERTIFICATION

The Group's new factory in Zhuhai obtained the Good Manufacturing Practice ("GMP") certification from CFDA of the PRC and it commenced operation since January 2014.

The new factory in Zhuhai is fully equipped with seven production plants. One of which is for the production of active pharmaceutical ingredients – the bFGF. Four others are for the production of our flagship pharmaceutical formulations and the remaining two are the state-of-the-art Blow-Fill-Seal production plants for the production of preservative-free single dose drugs which are currently pending for the production certificate from CFDA.

During the year under review, the Group has started European Union (EU) GMP certification process for this Zhuhai factory.

CHANGE IN BOARD LOT SIZE

The board lot size of the shares of the Company for trading on The Stock Exchange of Hong Kong Limited was changed from 4,000 shares to 1,000 shares with effect from 9:00 a.m. on Friday, 7 August 2015. Please refer to the announcement of the Company dated 17 July 2015.

INCLUDED BY MSCI AS A CONSTITUENT OF THE MSCI GLOBAL SMALL CAP INDEXES – CHINA

We are pleased to have been included by Morgan Stanley Capital International ("MSCI") as a constituent of the MSCI Global Small Cap Indexes – China effective as of the close of 29 May 2015. We believe that the inclusion of the Company into such index demonstrated investors' recognition of the Group's performance in the capital market.

FINANCIAL REVIEW

During the year under review, the Group achieved a turnover of approximately HK$654.0 million (2014: HK$518.3 million), representing a growth rate of approximately 26.2%. The revenue composition is shown in the following table:

	2015			2014		
	Beifushu and Beifuji series	**Third party products**	**Total**	Beifushu and Beifuji series	Third party products	Total
Surgical products	**41%**	**–**	**41%**	38%	–	38%
Ophthalmic products	**43%**	**8%**	**51%**	50%	6%	56%
Provision of marketing services			**8%**			6%
			100%			100%

The revenue growth was largely contributed from sales of flagship biopharmaceutical products, the Beifushu series and the Beifuji series products. Sales of Beifushu series and Beifuji series products increased by approximately 8% and 38% respectively, compared to 2014.

For FY2015, revenue from distribution of third party products and provision of marketing services to such third party's products contributed approximately 16% of the Group's total revenue, compared to approximately 12% in 2014.

The Group's gross profit has grown in tandem with the expanded sales. The gross profit for FY2015 was approximately HK$529.6 million (2014: HK$411.3 million), representing an increase of approximately 28.8%.

For FY2015, the profit attributable to owners of the Company was approximately HK$104.9 million as compared to approximately HK$75.3 million for the previous year, representing an increase of approximately 39.4%.

For FY2015, the distribution and selling expenses were approximately HK$352.1 million as compared to approximately HK$271.4 million for the previous year, representing an increase of approximately 29.8%. The increase in the distribution and selling expenses was mainly attributable to higher costs incurred for the expansion of sales and marketing function, and high initial costs incurred in sales and marketing for launching of new third party products. Distribution and selling expenses accounted mainly for remuneration and travelling expenses of sales personnel, advertisements, transportation and delivery, and organization of seminars and conferences for product training and awareness, etc.

For FY2015, administrative expenses were approximately HK$51.2 million as compared to approximately HK$42.4 million for the previous year, representing an increase of approximately 20.7%. The increase of administrative expenses was mainly due to the expansion of production capacities and operations and the increase in research and development expenses to approximately HK$10.8 million (2014: HK$7.0 million).

The Group had cash and cash equivalents of approximately HK$64.6 million as at 31 December 2015 (2014: HK$62.0 million), among which 83.6% were denominated in Renminbi and 16.4% were denominated in Hong Kong Dollars.

The bank borrowings as at 31 December 2015 were HK$51.0 million (2014: HK$50.5 million), among which 60.8% are repayable within one year and 39.2% are repayable in more than one year but within five years. All of the total bank borrowings were denominated in Hong Kong Dollars and were secured by corporate guarantees provided by the Company and a subsidiary within the Group, and were pledged by bank deposits of HK$20,000,000. The bank borrowings bear interest at floating rate. The effective interest rate of the Group's bank borrowings ranged from 3.05% to 3.31% as at 31 December 2015.

The total finance costs of the Group for FY2015 were approximately HK$2.1 million and were fully charged to profit or loss for the year ended 31 December 2015.

Management Discussion and Analysis

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, as at 31 December 2015, 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 2015, the Group obtained banking facilities of approximately HK$111.9 million, of which HK$51.0 million was utilized.

As at 31 December 2015, the Group had cash and cash equivalents of approximately HK$64.6 million as compared to approximately HK$62.0 million as at 31 December 2014.

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 2015 was approximately 29.2% (2014: 29.7%).

CHARGES ON GROUP ASSETS

As at 31 December 2015, the Group's bank deposits of HK$20,000,000 were pledged to secure its banking facilities.

CAPITAL COMMITMENTS

As at 31 December 2015, the Group had capital commitments amounted to approximately HK$27.6 million (2014: HK$10.5 million).

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities (2014: Nil).

FOREIGN EXCHANGE EXPOSURE

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

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 and Hong Kong Dollar.

EMPLOYEES

As at 31 December 2015, the Group had a total of 896 full-time employees (2014: 695 full-time employees). The aggregate remuneration of the Group's employees, including that of the directors of the Company ("Directors"), for the year under review and the preceding year amounted to approximately HK$60.4 million and approximately HK$45.8 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 33 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 2013 and expiring on 26 June 2016 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 agreement 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 ("Net Profit"); (b) the Net Profit for such financial year exceeds HK$30,000,000; and (c) the amount of the discretionary annual bonus payable to each Director in respect of any financial year shall not exceed 1.3 times of his annual basic salary as a Director 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.

* *For identification purpose only*

Report of the Directors

The directors ("Directors") of Essex Bio-Technology Limited ("Company", together with its subsidiaries, "Group") are pleased to present their report and the audited financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 ("FY2015").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 36 to the financial statements. There were no significant changes in the nature of the Group's principal activities during FY2015.

RESULTS AND DIVIDENDS

The Group's profit for FY2015 and the state of affairs of the Company and of the Group as at 31 December 2015 are set out in the financial statements on pages 48 to 102. The Directors have recommended the payment of a final dividend of HK$0.025 per share of the Company for FY2015 to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 17 May 2016. Subject to shareholders' approval, the final dividend will be payable on Friday, 27 May 2016. As at the date of this report, there was no arrangement with any shareholder of the Company under which he/she/it has waived or agreed to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 5 May 2016 to Monday, 9 May 2016 (both days inclusive) for ascertaining shareholders' right to attend and vote at the forthcoming annual general meeting to be held on Monday, 9 May 2016. 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, 4 May 2016. The register of members of the Company will be closed from Friday, 13 May 2016 to Tuesday, 17 May 2016 (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 Monday, 9 May 2016, 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 Thursday, 12 May 2016.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements, is set out on pages 103 to 104. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

OVERVIEW

The Group's emphasis continued primarily on manufacturing and selling of its flagship biopharmaceutical products for the treatment and healing of surface wounds and eye wounds. The Group has a range of ophthalmic biopharmaceutical drugs, namely the Beifushu series, for the treatment of various types of eye diseases, including dry eyes, keratitis, corneal abrasion, corneal surgery such as refractive surgery and cataract surgery, etc. In addition, the Group's medicine for general surgery, namely the Beifuji series, is for use in a variety of surface wound healing and treatment, including burns, ulcers, wounds and cosmetic plastic surgery. In addition, the sales force distributed third party products in parallel.

In FY2015, the Group initiated an enrichment programme ("Enrichment Programme") for enhancing its research and development pipeline and expanding its products portfolio for boosting its competitiveness and maintaining a sustainable growth. It was a fruitful and eventful year for the Group as it executed pragmatically the Enrichment Programme that will enable the Group to scale further heights over the next 5 to 10 years horizon.

To stay ahead of the technology curve and to remain competitive in the Group's surgical (such as dermotology, stomatology and obstetrics) and ophthalmology arena, during the year under review and up to the date of this report, the Group has successfully sourced and invested in a few companies, and secured the exclusive distribution rights for a few products, including biopharmacentical products, that are for the surgical and ophthalmology business divisions.

FINANCIAL KEY PERFORMANCE INDICATORS

For FY2015, the Group achieved a revenue of approximately HK$654.0 million (2014: HK$518.3 million), representing a growth rate of approximately 26.2% over last year. Profit attributable to owners of the Company was approximately HK$104.9 million, representing an increase of approximately 39.4% over last year.

For FY2015, the revenue contributed from our own ophthalmic biopharmaceutical products and surgical biopharmaceutical products, namely the Beifushu series and Beifuji series, represented approximately 43% and 41% of Group's total revenue respectively, as compared to approximately 50% and 38% of the Group's total revenue respectively in 2014.

At present, the Group has 39 Regional Sales Offices ("RSOs") and 14 marketing agents, with 700 and 210 salespeople respectively, spreading across major cities and provinces of the People's Republic of China ("PRC") . During the year under review, revenue contributed from RSOs and marketing agents represented approximately 74% and 26% respectively.

The Group built its sales force (including RSOs and marketing agents) under two specialized teams, with each team responsible for marketing and sale of ophthalmic pharmaceutical products and surgical products, respectively. The ophthalmic sales team and surgical sales team have the headcounts of 460 and 450 respectively as at 31 December 2015. During the year under review, revenue contributed from ophthalmic sales team and surgical sales team represented approximately 59% and 41% respectively.

To reward our shareholders for their years of valuable support, the board of Directors ("Board") is proposing a final dividend of HK$0.025 per ordinary share of the Company to be approved at the upcoming annual general meeting of the Company.

The increase in revenue and profit for FY2015 was mainly caused by the organic growth of flagship biopharmaceutical products through our distribution network. It was boosted by selling third party products in 2015 and we expect the Enrichment Programme carried out in 2015 will enable the Group to scale further heights over the next 5 to 10 years horizon.

The Group had cash and cash equivalents of approximately HK$64.6 million as at 31 December 2015 (2014: HK$62.0 million), among which 83.6% were denominated in Renminbi and 16.4% were denominated in Hong Kong Dollars.

The bank borrowings as at 31 December 2015 were HK$51.0 million (2014:HK$50.5 million), among which 60.8% are repayable within one year and 39.2% are repayable in more than one year but within five years. All of the total bank borrowings were denominated in Hong Kong Dollars and were secured by corporate guarantees provided by the Company and a subsidiary within the Group and were pledged by bank deposits of HK$20,000,000.

FUTURE DEVELOPMENT

Following the restructuring and expansion of the RSOs to 39 offices in 2015, the Group expects continuing organic growth from its flagship biopharmaceutical products, the Beifushu and Beifuji series in 2016. Its growth in 2016 is expected to be boosted from the addition of new products such as products of Carisolv®, Yi Xue An Granules*（伊血安顆粒）and Iodized Lecithin Capsules*（適麗順） which were secured under the Enrichment Programme in 2015, although higher operating costs would be incurred due to high initial sales and marketing costs for the new range of products.

In addition to staying focused on executing its plans to create wider therapeutic reach for its existing products for sustaining growth, the Group will continue to execute its Enrichment Programme in 2016 to selectively source and secure products that will enhance growth and competitiveness.

For the medium-term to long-term strategic planning, we entered into a strategic cooperation agreement with Tasly Pharmaceutical Group Co., Ltd* and a collaboration and license agreement with Abpro Corporation for the development of recombinant protein drugs and antibody-based products, respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of factors that may affect the performance of the Group. The summary of major risks and uncertainties is as follows:

1 *Compliance with the GMP Standards*

All pharmaceutical manufacturers in the PRC will be required to comply with the Good Manufacturing Practice ("GMP") standards by certain time limits, otherwise the pharmaceutical manufacturing enterprise permits will be revoked or will not be renewed, resulting in the termination of the production. The GMP certificate in respect of the facilities necessary for the production of the Group's commercialized biopharmaceutical products has been granted by China Food and Drug Administration ("CFDA") on 23 December 2013. The certificate will expire on 22 December 2018. There can be no assurance that the Group may be able to renew its pharmaceutical manufacturing enterprise permit when the GMP certificate expires and in the event that the GMP certificate is not renewed upon its expiry, the Group's production will have to cease. In such case, the Group's operations and profitability may be materially and adversely affected.

2 *Product Liability*

Product liability claims may arise in respect of the use of the Group's biopharmaceutical products or other future products. As there is no legal requirement to effect product liability insurance policy in respect of the manufacture and distribution of pharmaceutical products in the PRC, the Group is not covered by product liability insurance in the PRC. The Group's business may be adversely affected by successful product liability claim(s). Any such claim, regardless of its merits, could result in costly litigation and put a strain on the Group's administrative resources. In addition, they could damage the Group's relationships with its customers which will result in negative publicity.

3 *Research and Development Risk*

The Group's future prospect is dependent upon the continuous development and successful commercialization of new products. As one of its expansion strategies, the Group intends to form strategic alliances with suitable partners or candidates that would offer the Group access to promising research projects. The success of biopharmaceutical product development is highly unpredictable. Products that appear to be promising at the early phases of research and development may fail to reach the market for numerous reasons, including the discovery of harmful side effects in pre-clinical tests and clinical trials, unsatisfactory results in clinical trials and the failure of obtaining the necessary regulatory approvals. Consequently, the corresponding research and development expenditure incurred would have to be expensed, which will have an adverse impact on the profitability of the Group.

4 *Reliance on Key Personnel*

The Group has experienced a constant growth in the number of employees. The Group's development has also resulted in an increase in responsibilities for its management and employees. There can be no assurance that the Group will be able to manage its expansion by retaining its existing executives and technical personnel and by recruiting additional employees as competition for such personnel is intense. The Group's success is, to a certain extent, attributable to the expertise and experience of its senior management and researchers. Should any of them cease to be involved in the Group's management and/or research and development, the Group's business operations and research capability may be adversely affected.

5 *Product Substitution*

New drug discoveries and developments in recombinant DNA technology and other pharmaceutical processes are expected to continue at a rapid pace. It is difficult to predict the effect of future technological changes and discoveries on the viability or competitiveness of the Group's products. It is essential for the Group to respond to these changes by developing new products in a timely manner to meet technological advances in the market. In addition, new alliances may have to be formed with new technological partners to enable the Group to have access to emerging technologies and new discoveries. The Group has to adopt and modify development methods, processes and programmes in response to new technologies and discoveries. The failure of the Group to respond rapidly to changing technologies and new discoveries could have a material and adverse impact on the Group's performance. There is also no assurance that other parties will not independently develop products having therapeutic effects similar or superior to the Group's products.

6 *Tender and Price Control*

In each province where we market our products, we have to participate in a government-led tender process every year or every few years. In the event that we fail to win the tender in a provincial tender process, the sale of our products to public hospitals in such province will be prohibited and we will lose market share in such province. In addition, certain new methods have been recently adopted in the provincial tender process, which may exert further downward pressure against the price of pharmaceutical products and our market share, revenue and profitability may be adversely affected.

7 *Healthcare Reform in China*

The healthcare system in the PRC is undergoing a crucial reform period, where laws, regulations and policies in effect governing the medical, healthcare and pharmaceutical industry are constantly evolving. Moreover, regulatory bodies in the PRC may regularly or unexpectedly make changes to its implementation practice. Accordingly, past enforcement actions taken may not be reflective of future actions. Any enforcement action taken by the government against us may subject us to material and adverse effects. It may also incur significant costs, divert the resources and attention of the management and result in negative publicity and reputation damage. In addition, such changes may be applied on a retrospective basis, thus leading to more uncertainties and risks in respect of our business and operation.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We are committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also require our suppliers to operate in strict compliance with the relevant environmental regulations and rules and obtain all necessary permission and approval from the relevant government authorities.

COMPLIANCE WITH LAWS AND REGULATIONS

During FY2015, the Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

KEY RELATIONSHIPS

1 Employees

Human resources are one of the greatest assets of the Group and the Group considers the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees.

The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides on-the-job training and development opportunities to our staff members. The training programs cover areas such as managerial skills, sales and production, customer services, quality control and training of other areas relevant to the industry.

The Group offers competitive remuneration packages to our employees. The Group has also adopted share option schemes to recognize and reward the contribution of the employees to the growth and development of the Group.

2 Suppliers

We have developed long-standing relationships with a number of our vendors and take great care to ensure that they share our commitment to quality and ethics. We carefully select our suppliers and require them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

3 Marketing agents and distributors

We sell our products to hospitals through RSOs, marketing agents and distributors. We require our RSOs, marketing agents and distributors to comply with the relevant laws and regulations and our sales and marketing policies, including but not limited to selling price, promotional activities and use of our ERP system. We also monitor the financial condition and repayment history of our distributors, and sales performance of them.

4 Hospitals and doctors

The Group's flagship ophthalmic and surgical products are being marketed by more than 3,200 and 1,700 hospitals respectively, spreading across in major cities and provinces in the PRC. During the year under review, the Group had conducted/participated in over 400 seminars and 900 market promotion activities in major cities and provinces in the PRC. Our sales and marketing team is in constant contact with over 185,000 doctors in briefing and educating them on the clinical applications of our products.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year under review are set out in note 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There was no movement in the Company's authorised share capital during the year under review. In FY2015, 2,791,000 ordinary shares of the Company were issued as a result of the exercise of 2,791,000 share options ("Options") granted under the Company's share option scheme as approved by the shareholders of the Company at the annual general meeting held on 3 May 2013 ("Scheme"), at the exercise price of HK$2.3 per Option. Details of the Company's share capital and details of the Scheme are set out in notes 31 and 33 respectively to the financial statements.

Summary of the Scheme

1. Purpose of the Scheme:

   (a) To recognise and acknowledge the contributions that Eligible Participants (as defined below) have made or may make to the Group.

   (b) To provide the Eligible Participants (as defined below) with the opportunity of acquiring proprietary interests in the Company with the view to (1) motivate them to optimise their performance and efficiency for the benefit of the Group; and (2) attract and retain or otherwise maintain ongoing business relationship with them whose contributions are, will or expected to be beneficial to the Group.

2. Participants of the Scheme:

   (a) any director, officer, employee or officer employed by any company in the Group or by any member of the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate") (whether full time or part time) ("Employee"), consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to an Affiliate; or

   (b) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, officer, Employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or an Affiliate; or

   (c) a company beneficially owned by any director, officer, Employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or an Affiliate ("Eligible Participants").

   The basis of eligibility of any of the above classes of the Eligible Participants to the grant of any right(s) to subscribe for fully paid share(s) of HK$0.10 each of the Company (or such other nominal amount prevailing from time to time) ("Share(s)") granted pursuant to this Scheme shall be determined by the Board from time to time on the basis of their contribution to the Group and/or the Affiliate(s) in line with the purposes of the Scheme.

3. (a) Total number of ordinary shares of HK$0.10 each in the capital of the Company available for issue under the Scheme as at the date of this annual report:

    33,675,000 Shares.

   (b) Percentage of the issued share capital that it represents as at the date of this annual report:

    6.02%.

4. Maximum entitlement of each Eligible Participant under the Scheme:

   Not to exceed 1% of the Shares in issue in any 12-month period unless approved by shareholders of the Company.

5. Period within which the Shares must be taken up under an Option:

   Within 10 years from the date on which the Option is offered or such shorter period as the Board may determine.

6. Minimum period for which an Option must be held before it can be exercised:

   No minimum period unless otherwise determined by the Board.

7. (a) Price payable on application or acceptance of the Option:

    HK$1.00.

   (b) The period within which payments or calls must or may be made:

    14 days after the offer date of an Option.

   (c) The period within which loans for the purposes of the payments or calls must be repaid:

    Not applicable.

8. Basis of determining the exercise price:

The exercise price shall be determined by the Board and notified to each grantee and shall not be less than the highest of:

(a) the closing price of a Share as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheet on the date of grant of the relevant Option, which must be a business day;

(b) an amount equivalent to the average closing price of a Share as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheets for the 5 business days immediately preceding the date of grant of the relevant Option; and

(c) the nominal value of a Share.

9. The remaining life of the Scheme:

Approximately 7 years (expiring on 2 May 2023).

Details of Share Options Granted

Details of the share options granted to the Directors are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and the relevant movement(s) during FY2015 is set out below.

The following table discloses the movements in the Company's share options held by each of the Directors, the substantial shareholders of the Company, the employees of the Company in aggregate and other participants granted under the Scheme during FY2015:

Participants	Date of grant	Exercisable period	Outstanding as at 1 January 2015	Exercised during the year	Outstanding as at 31 December 2015
Ngiam Mia Je Patrick	30.10.2013	30.04.2014 – 29.10.2018	100,000	0	100,000
Director and substantial shareholder of the Company	30.10.2013	30.10.2014 – 29.10.2018	100,000	0	100,000
	30.10.2013	30.04.2015 – 29.10.2018	100,000	0	100,000
	30.10.2013	30.10.2015 – 29.10.2018	100,000	0	100,000
	30.10.2013	30.04.2016 – 29.10.2018	100,000	0	100,000
Fang Haizhou	30.10.2013	30.04.2014 – 29.10.2018	700,000	0	700,000
Director	30.10.2013	30.10.2014 – 29.10.2018	700,000	0	700,000
	30.10.2013	30.04.2015 – 29.10.2018	700,000	0	700,000
	30.10.2013	30.10.2015 – 29.10.2018	700,000	0	700,000
	30.10.2013	30.04.2016 – 29.10.2018	700,000	0	700,000
Zhong Sheng	30.10.2013	30.04.2014 – 29.10.2018	700,000	700,000	0
Director	30.10.2013	30.10.2014 – 29.10.2018	700,000	700,000	0
	30.10.2013	30.04.2015 – 29.10.2018	700,000	700,000	0
	30.10.2013	30.10.2015 – 29.10.2018	700,000	232,000	468,000
	30.10.2013	30.04.2016 – 29.10.2018	700,000	0	700,000

Participants	Date of grant	Exercisable period	Outstanding as at 1 January 2015	Exercised during the year	Outstanding as at 31 December 2015
Ngiam Mia Kiat Benjamin	30.10.2013	30.04.2014 – 29.10.2018	100,000	0	100,000
Non-executive director of a wholly-owned subsidiary of the Company and substantial shareholder of the Company	30.10.2013	30.10.2014 – 29.10.2018	100,000	0	100,000
	30.10.2013	30.04.2015 – 29.10.2018	100,000	0	100,000
	30.10.2013	30.10.2015 – 29.10.2018	100,000	0	100,000
	30.10.2013	30.04.2016 – 29.10.2018	100,000	0	100,000
Total for directors of the Group			**8,000,000**	**2,332,000**	**5,668,000**
Employees	30.10.2013	30.04.2014 – 29.10.2018	2,300,000	360,000	1,940,000
	30.10.2013	30.10.2014 – 29.10.2018	2,300,000	99,000	2,201,000
	30.10.2013	30.04.2015 – 29.10.2018	2,300,000	0	2,300,000
	30.10.2013	30.10.2015 – 29.10.2018	2,300,000	0	2,300,000
	30.10.2013	30.04.2016 – 29.10.2018	2,300,000	0	2,300,000
Total for employees			**11,500,000**	**459,000**	**11,041,000**
An investor relations consultant	30.10.2013	30.04.2014 – 29.10.2016	1,250,000	0	1,250,000
	30.10.2013	30.10.2014 – 29.10.2016	1,250,000	0	1,250,000
Total for an investor relations consultant			**2,500,000**	**0**	**2,500,000**
Total for the Scheme			**22,000,000**	**2,791,000**	**19,209,000**

Exercise price is HK$2.3.

The valuation of share options is set out in note 33 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient prescribed public float under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout FY2015 and up to the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders.

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.

Report of the Directors

RESERVES

Details of movements in the reserves of the Company and of the Group during the year under review are set out in note 32 to the financial statements and in the consolidated statement of changes in equity on page 50, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company has no reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands as detailed in note 32 to the financial statements. Before the date of this report, subsidiaries of the Company had declared dividends to the Company and the Company's reserves available for distribution, calculated in accordance with the relevant provisions of the Companies Law of the Cayman Islands, amounted to HK$38,137,668 of which HK$13,988,525 has been proposed as a final dividend for FY2015.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 34.1% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 21.25% of the Group's total sales.

In the year under review, purchases from the Group's five largest suppliers accounted for approximately 43.7% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 36.6% of the Group's total purchases.

None of the Directors, or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during FY2015 and up to the date of this report were:

Executive Directors:

Ngiam Mia Je Patrick (Chairman)
Fang Haizhou (Managing Director)
Zhong Sheng

Independent non-executive Directors:

Fung Chi Ying
Mauffrey Benoit Jean Marie
Yeow Mee Mooi

In accordance with the Company's articles of association and as recommended by the nomination committee of the Company, Mr. Ngiam Mia Je Patrick and Mr. Fung Chi Ying will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting to be held on Monday, 9 May 2016.

DIRECTORS' SERVICE CONTRACTS

Each executive Director has entered into a service agreement with the Company for a term of three years commencing from 27 June 2013 and expiring on 26 June 2016 unless terminated by either party by giving the other not less than six months' written notice.

Details of the appointments of the independent non-executive Directors are set out in the Corporate Governance Report on page 38 of this report.

Save as disclosed in note 11 to the financial statements, there were no other emoluments, pension and any compensation arrangements for the Directors and past Directors which are required to be disclosed under the Listing Rules, or section 383 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) or the Companies (Disclosure of Information about Benefits of Directors) Regulation (Chapter 622G, Laws of Hong Kong). Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There has been no transaction, arrangement or contract of significance in relation to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year under review.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is implemented by the human resources department on the basis of their merit, qualifications, and competence and is reviewed by the executive Directors.

The Company has adopted the model whereby the remuneration committee of the Company ("Remuneration Committee") makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management, which should include benefits in kind, pension rights and compensation payments and any compensation payable for loss or termination of their office(s) or appointment(s), and to make recommendations to the Board on the remuneration of non-executive Directors (if any).

In determining or recommending the remuneration packages of the Directors and senior management, the Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration. In reviewing and approving performance-based remuneration, reference will be made by the Remuneration Committee to the Group's corporate goals and objectives resolved by the board of Directors from time to time.

Report of the Directors

REMUNERATION OF SENIOR MANAGEMENT

During FY2015, the remuneration payable to a member of the senior management (other than the Directors) of the Group ranged from HK$500,001 to HK$1,000,000 (2014: from HK$1,500,001 to HK$2,000,000).

Further particulars in relation to Directors' remuneration and the five individuals with highest emoluments are set out in notes 11 and 12 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules were as follows:

Long positions in the shares of the Company:

Name of Director	Capacity	Number of ordinary shares/ underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital as at 31 December 2015
Ngiam Mia Je Patrick	Beneficial owner and interests of controlled corporations	153,645,667 *(Note 1)*	27.46%
Fang Haizhou	Beneficial owner	8,238,300 *(Note 2)*	1.47%
Zhong Sheng	Beneficial owner	4,037,150 *(Note 3)*	0.72%

Notes:

1. (a) *146,479,000 ordinary shares where registered in the name of Ngiam Mia Je Patrick.*

   (b) *6,666,667 ordinary shares were held by Dynatech Ventures Pte Ltd ("Dynatech") which was wholly owned by Essex Investment (Singapore) Pte Ltd ("Essex Singapore"). Since Essex Singapore is owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares, Ngiam Mie Je Patrick was deemed to be interested in these shares as he was entitled to exercise or control the exercise of more than one-third of the voting power of Dynatech at general meetings.*

   (c) *500,000 underlying shares are his share option entitlement granted on 30 October 2013 under the Scheme.*

2. *Comprised of (i) 4,738,300 ordinary shares held by him; and (ii) 3,500,000 underlying shares, which are his share option entitlement granted on 30 October 2013 under the Scheme.*

3. *Comprised of (i) 2,869,150 ordinary shares held by him; and (ii) 1,168,000 underlying shares, which are his share option entitlement granted on 30 October 2013 under the Scheme.*

Save as disclosed above, as at 31 December 2015, none of the Directors and the chief executive of the Company had any interest and short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the Part XV of the SFO) which was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year under review were rights to acquire benefits by means of the acquisition of shares or underlying shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors or their respective spouses or minor children to acquire such rights in the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

As at 31 December 2015, the following persons or entities, other than a Director or chief executive of the Company had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in the shares of the Company

Name	**Capacity**	**Number of ordinary shares/ underlying shares of the Company**	**Approximate percentage of interest in the Company's issued share capital as at 31 December 2015**
Ngiam Mia Kiat Benjamin	Beneficial owner and interests of controlled corporations	151,720,667 *(Note 1)*	27.12%
Lauw Hui Kian	Family interest	153,645,667 *(Note 2)*	27.46%

Notes:

1. (a) *144,554,000 ordinary shares where registered directly in the name of Ngiam Mia Kiat Benjamin.*

   (b) *6,666,667 ordinary shares were held by Dynatech which was wholly owned by Essex Singapore, which in turn was owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares. Therefore, Ngiam Mia Kiat Benjamin was deemed to be interested in these shares as he was entitled to exercise or control the exercise of more than one-third of the voting power of Dynatech at general meetings.*

   (c) *500,000 underlying shares are his share option entitlement granted on 30 October 2013 under the Scheme.*

2. *Lauw Hui Kian is the spouse of Ngiam Mia Je Patrick (an executive Director). Lauw Hui Kian was deemed to be interested in 153,645,667 shares in which Ngiam Mia Je Patrick was interested/deemed to be interested, of which 500,000 shares are Ngiam Mia Je Patrick's interest in option to subscribe for ordinary shares of the Company granted/exercisable under the Scheme.*

Save as disclosed above, as at 31 December 2015, no other persons or entities (other than the Directors and chief executive of the Company whose interests are set out under the paragraph headed "Directors' and Chief Executive's interests and short positions in the shares, underlying shares and debentures above) had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under section 336 of the SFO.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year under review are set out in note 41 to the financial statements. None of these related party transactions constitutes connected transaction or continuing connected transaction which is required to be disclosed under the Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the substantial shareholders of the Company and any of their respective close associates has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group during the year under review which are required to be disclosed under the Listing Rules.

AUDITOR

BDO Limited will retire and a resolution for the re-appointment of auditor of the Company will be proposed at the forthcoming annual general meeting to be held on Monday, 9 May 2016.

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. Please refer to the Corporate Governance Report on pages 38 to 45 of this report.

ON BEHALF OF THE BOARD

Ngiam Mia Je Patrick
Chairman

Hong Kong
18 March 2016

* *For identification purpose only*

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Essex Bio-Technology Limited ("Company", together with its subsidiaries, "Group") is committed to achieving good corporate governance practices by emphasising its accountability, transparency, independence, responsibility and fairness. The Company is dedicated to exercise corporate governance through regular reviews of its adopted practices with reference to 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 ("Listing Rules").

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 financial year ended 31 December 2015 ("FY2015").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model Code"). Having made specific enquiry of all directors of the Company ("Directors"), all the Directors have confirmed that they have fully complied with the required standards and provisions as set out in the Model Code throughout FY2015.

BOARD OF DIRECTORS

The board of Directors ("Board"), which currently comprises six Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the section headed "Profiles of Directors and Senior Management". All the Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

To improve the transparency and independency of the corporate governance of the Company, the chairman and the managing Director (who is responsible for the day-to-day management of the Company's business) of the Company are segregated and are not exercised by the same individual since August 2005. Ngiam Mia Je Patrick is the chairman of the Board and an executive Director, and Fang Haizhou is the managing Director and an executive Director.

The Company appointed three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the shareholders of the Company. Fung Chi Ying, Mauffrey Benoit Jean Marie and Yeow Mee Mooi are the independent non-executive Directors. Each of their term of appointment is two years commencing from 30 September 2014, determinable by either party serving not less than one month's written notice on the other.

All the Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

The Company arranged appropriate insurance cover in respect of legal actions against Directors.

The Board held a full board meeting for each quarter.

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performances. The Board is delegated with the authority and responsibility for the management of the Group. In addition, the Board has also established various Board committees, including the audit committee ("Audit Committee"), the remuneration committee ("Remuneration Committee"), the nomination committee ("Nomination Committee") and the corporate governance committee ("Corporate Governance Committee") and has delegated various responsibilities to them.

The Company has adopted the practice of holding regular Board meetings at least four times a year. Apart from regular board meetings, the Board will meet on other occasions when a board level decision on a particular matter is required. Each of the members of the Board has full access to relevant information at the meetings.

The executive Directors and senior management of the Company, as delegated by the Board, are responsible for implementing the determined strategies and policies and the day-to-day management of the Group's business.

The Company has received from each of the independent non-executive Directors a written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company thus considers all the independent non-executive Directors to be independent.

Four Board meetings and one annual general meeting were held during the year ended 31 December 2015. The attendance record for the Board meetings and general meeting is as follows:

Directors	**Board Meetings Attendance**	**General Meeting Attendance**
Executive Directors		
Ngiam Mia Je Patrick	4/4	1/1
Fang Haizhou	4/4	1/1
Zhong Sheng	4/4	1/1
Independent Non-executive Directors		
Fung Chi Ying	4/4	1/1
Mauffrey Benoit Jean Marie	4/4	1/1
Yeow Mee Mooi	4/4	1/1

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. The participation by individual Directors in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2015 is recorded in the table below:

Directors	Reading Regulatory updates	Attending external seminars/ programmes
Executive Directors		
Ngiam Mia Je Patrick	✔	✔
Fang Haizhou	✔	✔
Zhong Sheng	✔	✔
Independent Non-executive Directors		
Fung Chi Ying	✔	✔
Mauffrey Benoit Jean Marie	✔	✔
Yeow Mee Mooi	✔	✔

REMUNERATION COMMITTEE

The Remuneration Committee was established in August 2005. The chairperson of the committee is Yeow Mee Mooi, an independent non-executive Director, and other members include Ngiam Mia Je Patrick, the chairman of the Board and an executive Director, Fung Chi Ying and Mauffrey Benoit Jean Marie, both being independent non-executive Directors. The majority of the members of the Remuneration Committee are independent non-executive Directors.

The existing terms of reference of the Remuneration Committee have been adopted on 1 April 2012 in compliance with the amendments to the Listing Rules which became effective on 1 April 2012. Such terms of reference are available on the websites of the Stock Exchange and the Company.

The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and the making of recommendations to the board of the remuneration of non-executive Directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

The Company has adopted the model whereby the Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management, which should include benefits in kind, pension rights and compensation payments, and any compensation payable for loss or termination of their office(s) or appointment(s), and to make recommendations to the Board on the remuneration of non-executive Directors.

During the year under review, one meeting of the Remuneration Committee was held. Details of the attendance of the Remuneration Committee meeting are as follows:

Members	Attendance
Yeow Mee Mooi (chairperson)	1/1
Ngiam Mia Je Patrick	1/1
Fung Chi Ying	1/1
Mauffrey Benoit Jean Marie	1/1

The Remuneration Committee has considered and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors and has assessed the performance of the Directors. The Remuneration Committee considers that the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors are fair and reasonable.

NOMINATION COMMITTEE

The Nomination Committee was established in August 2005. The chairperson of the committee is Yeow Mee Mooi, an independent non-executive Director, and other members include Ngiam Mia Je Patrick, the Chairman of the Board and an executive Director, Fung Chi Ying and Mauffrey Benoit Jean Marie, both being independent non-executive Directors.

The existing terms of reference of the Nomination Committee have been adopted on 1 April 2012 in compliance with the amendments to the Listing Rules which became effective on 1 April 2012. Such terms of reference are available on the websites of the Stock Exchange and the Company.

The role and function of the Nomination Committee include recommending the appointment and removal of Directors. The Nomination Committee considers the past performance, qualification, general market conditions and the Company's articles of association in selecting and recommending candidates for directorship during the year under review. The Nomination Committee also reviews the structure, size and composition of the Board and assesses the independence of the independent non-executive Directors.

In addition, the Board adopted a board diversity policy on 7 March 2014 ("Policy"). Under the Policy, the Company recognizes the benefits of board diversity and supports the principle that diversity can strengthen the performance of the Board, promote effective decision-making and better corporate governance and monitoring.

The Company believes that a diverse board will include and make good use of the difference in skills, experience and background, technical and industry experience, ethnicity, gender, age, nationality, knowledge and length of service and other qualities of the members of the Board. These factors will be considered in determining the optimum composition of the Board and all Board appointments will be based on merit, having due regard to the overall effective function of the Board as a whole.

The Nomination Committee reviews and assesses the composition of the Board and makes recommendation to the Board on the appointment of new Directors. The Nomination Committee will also review the structure, size and diversity of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board will continue to review its composition from time to time taking into consideration specific needs for the Group's business.

During the year under review, one meeting of the Nomination Committee was held. Details of the attendance of the Nomination Committee meeting are as follows:

Members	**Attendance**
Yeow Mee Mooi (chairperson)	1/1
Ngiam Mia Je Patrick	1/1
Fung Chi Ying	1/1
Mauffrey Benoit Jean Marie	1/1

During the meeting, the Nomination Committee considered and resolved that all the existing Directors shall be recommended to be retained by the Company. Further, in accordance with the Company's articles of association, Ngiam Mia Je Patrick and Fung Chi Ying will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

AUDIT COMMITTEE

The Company established the Audit Committee in June 2001. The Audit Committee comprises three members, namely Fung Chi Ying, Mauffrey Benoit Jean Marie and Yeow Mee Mooi, all being independent non-executive Directors. The chairman of the Audit Committee is Fung Chi Ying. The existing terms of reference of the Audit Committee have been adopted on 31 December 2015, with effect from 1 January 2016 in compliance with the applicable Listing Rules. Such terms of reference are available on the websites of the Stock Exchange and the Company.

The main responsibilities of the Audit Committee are to review and supervise the financial statements and the auditors' reports and monitor the integrity of the financial statements of the Group. Other responsibilities include the appointment of auditor, approval of the auditor's remuneration, discussion of audit procedures and any other matters arising from the above. The Audit Committee is also responsible for overseeing the financial reporting system and internal control and risk management systems and their effectiveness.

The Audit Committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal control, risk management and financial reporting. External auditor and the Directors are invited to attend the committee meetings as and when necessary. The Audit Committee also serves as a channel of communication between the Board and the external auditor.

The Audit Committee held 4 meetings during the year under review. Details of the attendance of the Audit Committee meetings are as follows:

Members	Attendance
Fung Chi Ying (chairman)	4/4
Mauffrey Benoit Jean Marie	4/4
Yeow Mee Mooi	4/4

The work performed by the Audit Committee during the year under review included reviewing the audited consolidated financial statements of the Group for the year ended 31 December 2015, the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2015 and the effectiveness of the internal control practices of the Group. The Audit Committee has also reviewed the audit plan and approach of the external auditor and monitored the progress and results of the audit regularly. The Group's unaudited interim results for the six months ended 30 June 2015 and the audited annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been duly made.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established on 23 March 2012. The chairperson of the committee is Yeow Mee Mooi, an independent non-executive Director, and other members include Zhong Sheng, an executive Director, Fung Chi Ying and Mauffrey Benoit Jean Marie, both being independent non-executive Directors.

The existing terms of reference of the Corporate Governance Committee have been adopted on 1 April 2012 in compliance with the amendments to the Listing Rules which became effective on 1 April 2012. The role and function of the Corporate Governance Committee include developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board, reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements, reviewing and monitoring the code of conduct and compliance manual applicable to the Directors and employees, reviewing and monitoring the training and continuous professional development of Directors and senior management, and reviewing the Company's compliance with the Corporate Governance Code and disclosures in the Company's corporate governance report.

The Corporate Governance Committee held 1 meeting during the year under review. Details of the attendance of the Corporate Governance Committee meetings are as follows:

Members	Attendance
Yeow Mee Mooi (chairperson)	1/1
Zhong Sheng	1/1
Fung Chi Ying	1/1
Mauffrey Benoit Jean Marie	1/1

During the year under review, the work performed by the Corporate Governance Committee included reviewing and monitoring appropriate training and continuous professional development of the Directors and senior management, and reviewing the Company's compliance with the Corporate Governance Code and disclosures in the Company's corporate governance report.

COMPANY SECRETARY

Yau Lai Man, the company secretary of the Company, has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules during FY2015.

AUDITOR'S REMUNERATION

During the year under review, the Group has paid an aggregate of HK$765,242 and HK$54,300 to the external auditor for its audit and non-audit services respectively.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to the Company's articles of association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for shareholders to put forward proposals at a general meeting

Shareholders may suggest proposals relating to the Company to be discussed at a general meeting by sending written requisition to the Board or the company secretary of the Company and following the procedures set out in the paragraph headed "Procedures for shareholders to convene an extraordinary general meeting" above to convene an extraordinary general meeting for any business specified in such written requisition.

Procedures for shareholders to propose a person for election as a director

Subject to applicable laws and regulations, including the Companies Law, Cap. 22 (as revised and amended) of the Cayman Islands and the Listing Rules, and the memorandum and articles of association of the Company as amended from time to time, the Company may by ordinary resolution in general meeting elect any person to be a director of the Company either to fill a casual vacancy on the board of directors or as an addition to the existing board of directors. A shareholder of the Company may propose a person for election as a director of the Company by lodging a written notice to that effect at the head office and principal place of business of the Company in Hong Kong for the attention of the Company Secretary of the Company or at the branch register of members of the Company.

In order for the Company to inform shareholders of the Company of that proposal, the written notice must state the full name of the person proposed for election as a director of the Company, include the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected. The minimum length of the period during which such a written notice is given shall be at least seven days and the period for lodgement of such a written notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Procedures for directing shareholders' enquiries to the Board

Shareholders may direct their queries to the Board and may at any time make a request for the Company's information to the extent such information is publicly available through the company secretary of the Company whose contact details are as follows:

Address:	Room 2818, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
Fax:	(852) 2587 7363
Email:	essex@essexbio.com

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge that they are responsible for the preparation of financial statements for each financial period which gives a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 December 2015, the Directors have selected appropriate accounting policies and applied them consistently, and have prepared the financial statements on a going concern basis.

The external auditor of the Group have also stated their reporting responsibility in the auditor's report of the consolidated financial statements.

INTERNAL CONTROL

The Board and the management of the Group maintain a sound and effective system of internal control of the Group so as to ensure the effectiveness and efficiency of operations of the Group. The Board is also responsible for making appropriate assertions on the adequacy of internal control and procedures. The Board reviews the effectiveness of these systems on a regular basis through the Audit Committee.

CONSTITUTIONAL DOCUMENTS

During the year under review, the Company had not amended its constitutional documents.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company has established the following communication channels with its shareholders and investors: (i) dispatching printed copies of corporate communication documents to shareholders of the Company; (ii) the opportunity for shareholders of the Company to raise comments and exchange views with the Board during each annual general meeting; (iii) providing the latest and key information of the Group through the website of the Company; and (iv) the Company's share registrar serves the shareholders of the Company in respect of all share registration matters.

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF ESSEX BIO-TECHNOLOGY LIMITED
億勝生物科技有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Essex Bio-Technology Limited ("the Company") and its subsidiaries (hereafter referred to as "the Group") set out on pages 48 to 102, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Auditor's Responsibility *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Li Yin Fan
Practising Certificate Number: P03113

18 March 2016
Hong Kong

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK$	2014 HK$
Turnover	7	**654,010,499**	518,299,695
Cost of sales		**(124,418,858)**	(107,042,880)
Gross profit		**529,591,641**	411,256,815
Other revenue	8	**6,382,673**	2,039,556
Distribution and selling expenses		**(352,109,409)**	(271,365,907)
Administrative expenses		**(51,157,864)**	(42,368,241)
Finance costs	9	**(2,056,200)**	(3,807,592)
Profit before taxation	10	**130,650,841**	95,754,631
Taxation	14	**(25,755,651)**	(20,481,540)
Profit for the year		**104,895,190**	75,273,091
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(21,827,038)**	(790,435)
Total comprehensive income for the year		**83,068,152**	74,482,656
Profit attributable to owners of the Company		**104,895,190**	75,273,091
Total comprehensive income attributable to owners of the Company		**83,068,152**	74,482,656
Earnings per share			
– Basic	16	**HK18.75 cents**	HK13.52 cents
– Diluted	16	**HK18.51 cents**	HK13.47 cents

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK$	2014 HK$
Non-current assets			
Property, plant and equipment	17	**174,335,835**	182,934,743
Land use rights	18	**6,774,816**	7,342,163
Goodwill	19	**2,416,690**	2,588,991
Other intangible assets	20	**34,367,867**	26,099,017
Convertible loan receivables	21	**11,937,448**	–
Available-for-sale financial assets	22	**3,882,008**	–
Deposits and prepayments	23	**23,398,660**	–
Pledged bank deposits	24	**20,000,000**	–
Total non-current assets		**277,113,324**	218,964,914
Current assets			
Inventories	25	**38,678,761**	35,220,504
Trade and other receivables	26	**206,427,250**	158,557,665
Deposits and prepayments	23	**49,746,406**	25,624,239
Convertible note receivable	27	**–**	2,700,130
Cash and cash equivalents	24	**64,613,176**	61,974,415
Total current assets		**359,465,593**	284,076,953
Total assets		**636,578,917**	503,041,867
Current liabilities			
Trade and other payables	28	**154,288,480**	109,592,046
Bank borrowings	29	**51,000,000**	50,549,728
Current tax liabilities		**2,940,843**	336,883
Total current liabilities		**208,229,323**	160,478,657
Net current assets		**151,236,270**	123,598,296
Total assets less current liabilities		**428,349,594**	342,563,210
Non-current liabilities			
Deferred tax liabilities	30	**15,402,758**	11,517,378
Total liabilities		**223,632,081**	171,996,035
NET ASSETS		**412,946,836**	331,045,832
Capital and reserves attributable to owners of the Company			
Share capital	31	**55,954,100**	55,675,000
Reserves		**356,992,736**	275,370,832
TOTAL EQUITY		**412,946,836**	331,045,832

On behalf of the Board

Ngiam Mia Je Patrick | **Fang Haizhou**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Equity attributable to owners of the Company							
	Share capital HK$ Note 31	**Share premium** HK$	**Capital reserve** HK$ Note 32(a)	**Statutory surplus reserve** HK$ Note 32(b)	**Foreign currency translation reserve** HK$ Note 32(c)	**Share option reserve** HK$ Note 33	**Retained earnings** HK$	**Total** HK$
At 1 January 2014	**55,675,000**	**969,871**	**362,442**	**31,344,896**	**20,592,365**	**3,075,944**	**141,973,496**	**253,994,014**
Profit for the year	–	–	–	–	–	–	75,273,091	75,273,091
Other comprehensive income:								
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	(790,435)	–	–	(790,435)
Total comprehensive income for the year	–	–	–	–	(790,435)	–	75,273,091	74,482,656
2013 final dividend paid	–	–	–	–	–	–	(10,021,500)	(10,021,500)
Equity-settled share-based payment transactions	–	–	–	–	–	12,590,662	–	12,590,662
Appropriation of profits	–	–	–	10,171,990	–	–	(10,171,990)	–
At 31 December 2014	**55,675,000**	**969,871**	**362,442**	**41,516,886**	**19,801,930**	**15,666,606**	**197,053,097**	**331,045,832**
Profit for the year	–	–	–	–	–	–	104,895,190	104,895,190
Other comprehensive income:								
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	(21,827,038)	–	–	(21,827,038)
Total comprehensive income for the year	–	–	–	–	(21,827,038)	–	104,895,190	83,068,152
2014 final dividend paid	–	–	–	–	–	–	(12,248,500)	(12,248,500)
Proceeds from shares issued under share option scheme	279,100	6,140,200	–	–	–	–	–	6,419,300
Exercise of share options	–	2,798,156	–	–	–	(2,798,156)	–	–
Equity-settled share-based payment transactions	–	–	–	–	–	4,662,052	–	4,662,052
At 31 December 2015	**55,954,100**	**9,908,227**	**362,442**	**41,516,886**	**(2,025,108)**	**17,530,502**	**289,699,787**	**412,946,836**

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK$	2014 HK$
Cash flows from operating activities			
Profit before taxation:		**130,650,841**	95,754,631
Adjustments for:			
Bank interest income	8	**(278,491)**	(206,279)
Interest expenses	9	**2,056,200**	3,807,592
Amortisation of other intangible assets	10	**248,571**	284,019
Amortisation of land use rights	10	**167,276**	169,894
Depreciation of property, plant and equipment	10	**9,793,104**	9,571,934
Exchange losses, net	10	**2,028,251**	177,844
Equity-settled share-based payments	10	**4,662,052**	12,590,662
Impairment loss on convertible notes receivable	10	**1,925,910**	–
Impairment loss on other intangible assets	10	**1,281,571**	641,673
Inventories written-off	10	**3,411,021**	602,143
Operating cash flows before working capital changes		**155,946,306**	123,394,113
Increase in inventories		**(9,108,560)**	(29,370,804)
Increase in trade and other receivables		**(58,983,560)**	(50,261,450)
Increase in deposits and prepayments		**(50,913,034)**	(23,188,913)
Increase in trade and other payables		**52,625,764**	31,819,574
Cash generated from operations		**89,566,916**	52,392,520
Interest paid		**(2,056,200)**	(3,807,592)
Income tax paid		**(18,870,251)**	(13,662,437)
Net cash generated from operating activities		**68,640,465**	34,922,491

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK$	2014 HK$
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(11,384,774)**	(7,519,886)
Increase of other intangible assets		**(11,644,249)**	(9,921,579)
Purchase of convertible loan receivables		**(12,428,536)**	–
Purchase of available-for-sale financial assets		**(3,882,008)**	–
Bank interest received		**278,491**	206,279
Increase in pledged bank deposits		**(20,000,000)**	–
Receipt of the repayment of convertible note		**774,220**	–
Net cash used in investing activities		**(58,286,856)**	(17,235,186)
Cash flows from financing activities			
Proceeds from bank borrowings		**51,000,000**	37,869,225
Repayments of bank borrowings		**(49,714,144)**	(37,869,225)
Proceeds from shares issued under share option scheme		**6,419,300**	–
Dividends paid to owners of the Company		**(12,248,500)**	(10,021,500)
Net cash used in financing activities		**(4,543,344)**	(10,021,500)
Net increase in cash and cash equivalents		**5,810,265**	7,665,805
Cash and cash equivalents at beginning of year		**61,974,415**	54,526,652
Effect of exchange rate changes on cash and cash equivalents		**(3,171,504)**	(218,042)
Cash and cash equivalents at end of year	24	**64,613,176**	61,974,415
Analysis of cash and cash equivalents	24		
Cash and bank balances		**84,613,176**	61,974,415
Less: Pledged bank deposits		**20,000,000**	–
		64,613,176	61,974,415

1. General

Essex Bio-Technology Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 31 July 2000 under Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 1061). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is located at Room 2818, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Group, comprising the Company and its subsidiaries, is principally engaged in investment holding, the developing, manufacturing and selling of biopharmaceutical products in the People's Republic of China ("PRC").

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2015

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

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

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The adoption of the amendments to HKAS16 has no impact on these financial statements as the Group does not have property, plant and equipment under revaluation model.

Amendments to HKAS 19 (2011) – Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

The adoption of the amendments has no impact on these financial statements as the Group does not have defined benefit plans.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKFRS 9 (2014)	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 15	Revenue from Contracts with Customers[2]

[1] Effective for annual periods beginning on or after 1 January 2016

[2] Effective for annual periods beginning on or after 1 January 2018

Amendments to HKAS 1 – Disclosure Initative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(b) *New/revised HKFRSs that have been issued but are not yet effective (Continued)*

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) 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 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(b) *New/revised HKFRSs that have been issued but are not yet effective (Continued)*

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group has already commenced an assessment of the impact of adopting the above Standards and amendments to existing Standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

(c) *The amended Main Board Listing Rules relating to the preparation and disclosure in consolidated financial statements*

The amended Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Amended Main Board Listing Rules") in relation to the presentation and disclosure in the consolidated financial statements, including the amendments with reference to the new Hong Kong Companies Ordinance, Cap. 622 apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the Amended Main Board Listing Rules have impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

3. Basis of Preparation

(a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements. 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.

(b) *Basis of measurement*

The consolidated financial statements have been prepared under the historical cost basis except for derivative component in convertible bond, which are measured at fair values. The measurement bases are fully described in the accounting policies set out in note 4 below.

(c) *Functional and presentation currency*

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. Significant Accounting Policies

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(b) *Subsidiaries*

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. Significant Accounting Policies *(Continued)*

(c) *Associates*

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(d) *Goodwill*

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquire over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assests that generate cash inflows that are largely independent of the cash inflows from other assests or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

4. Significant Accounting Policies *(Continued)*

(d) Goodwill (Continued)

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment, other than construction in progress, are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The annual rates are as follows:

Leasehold improvements	5% – 18% or the remaining lease period whichever is shorter
Plant and machinery	9% – 19%
Furniture, fixtures and office equipment	18% – 20%
Motor vehicles	18%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. Significant Accounting Policies *(Continued)*

(f) *Land use rights*

Land use rights represent payments for leasehold land held for own use under operating leases. The Group made up-front payments to obtain land use rights as operating leases on which properties are developed. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as expense.

(g) *Leasing*

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

The total rental payable under the operating leases are recognised in profit or loss (other than goodwill) on a straight line basis over the period of the lease. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(h) *Intangible assets*

(i) *Acquired intangible assets*

Intangible assets acquired separately are inititally recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Distribution rights	5 – 10 years

(ii) *Research and development expenditure*

Expenditure on internally developed products is capitalised if it can be demonstrated that:

(1) it is technically feasible to develop the product for it to be sold;

(2) adequate resources are available to complete the development;

(3) there is an intention to complete and sell the product;

(4) the Group is able to sell the product;

(5) sale of the product will generate future economic benefits; and

(6) expenditure on the project can be measured reliably.

4. Significant Accounting Policies *(Continued)*

(h) *Intangible assets (Continued)*

(ii) *Research and development expenditure (Continued)*

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(iii) *Impairment*

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (note 4(o)).

(i) *Financial instruments*

(i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Convertible note receivables

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract. Where the Group needs to separate an embedded derivative from the host contract but is unable to measure the embedded derivative separately, the combined instruments are designated as at fair value through profit or loss. The Group may conclude, however, that the equity component of the combined instrument may be sufficiently significant to preclude it from obtaining a reliable estimate of the entire instrument because the embedded derivative will be settled by an unquoted equity instrument whose fair value cannot be reliably measured. In that case, the combined instrument is measured at cost less any accumulated impairment losses.

4. Significant Accounting Policies *(Continued)*

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Available-for-sale financial assets

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any accumulated impairment losses.

Derivative component in convertible loan

Derivative component in convertible loan is initially recognised at fair value and is classified separately into respective items on initial recognition. The derivative component is subsequently remeasured at fair value at the end of the reporting period with resulting gain or loss recognised in profit or loss in the period in which they arise.

(ii) Impairment on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtors' financial difficulty; or

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

4. Significant Accounting Policies *(Continued)*

(i) Financial instruments (Continued)

(ii) Impairment on financial assets (Continued)

For loan and receivables and convertible notes

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale financial assets

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred. All of the Group's financial liabilities are financial liabilities at amortised cost.

Financial liabilities at amortised cost including trade and other payables, and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. Significant Accounting Policies *(Continued)*

(i) *Financial instruments (Continued)*

(v) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for depreciation in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(j) *Inventories*

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) *Revenue recognition*

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Service fee income is recognised when services are provided.

Interest income is accrued on a time-apportioned basis taking into account the principal outstanding and effective interest rate applicable.

(l) *Income taxes*

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

4. Significant Accounting Policies *(Continued)*

(l) *Income taxes (Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(m) *Foreign currency*

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4. Significant Accounting Policies *(Continued)*

(m) Foreign currency (Continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

(n) Employee benefits

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(o) Impairment of other assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- land use rights;
- other intangible assets; and
- investments in subsidiaries and associate.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

4. Significant Accounting Policies *(Continued)*

(o) Impairment of other assets (other than financial assets) (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 4(d)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(p) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. Significant Accounting Policies *(Continued)*

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(s) Related parties

(i) A person or a close member of that person's family is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of key management personnel of the Group or the Company's parent.

(ii) An entity is related to the Group if any of the following conditions apply:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (a).

(7) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

4. Significant Accounting Policies *(Continued)*

(s) Related parties (Continued)

(iii) An entity is related to the Group if any of the following conditions apply: *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(1) that person's children and spouse or domestic partner;

(2) children of that person's spouse or domestic partner; and

(3) dependents of that person or that person's spouse or domestic partner.

(t) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

(a) Critical judgements in applying accounting policies

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

(i) Power to exercise significant influence

Where the Group holds 30% of potential voting rights in an investment but the Group is presumed to have the power to exercise significant influence, such an investment is treated as an associate.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

(b) *Key sources of estimation uncertainty*

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year is as follows:

(i) *Impairment of trade and other receivables and convertible note receivable*

Provision for impairment of receivables is made based on assessment of the recoverability of receivables. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying amount of receivables and doubtful debt expenses/written back in the period in which the estimate has been changed.

(ii) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(iii) *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

(b) *Key sources of estimation uncertainty (Continued)*

(iv) *Impairment of available-for-sale investments*

Management reviews the recoverability of the Group's available-for-sale investments with reference to current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceed their corresponding recoverable amounts. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In determining whether impairment on available-for-sale investments is required, the Group takes into consideration the current market environment and the estimates of future cash flows which the Group expects to receive. Impairment is recognised based on the present value of estimated future cash flows. If the market environment/circumstances change significantly, resulting in a decrease in the recoverable amount of these available-for-sale investments, additional impairment loss may be required.

(v) *Valuation of share options granted*

The fair value of share options granted was calculated using Binomial valuation model based on the Group management's significant inputs into calculation including an estimated life of share options granted to be three or five years, based on exercise restrictions and behavioural consideration, the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes no future dividends.

(vi) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassess the estimations at the end of each reporting period.

(vii) *Income taxes*

The Group is subject to income taxes in Hong Kong and PRC. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

(b) *Key sources of estimation uncertainty (Continued)*

(viii) *Research and development costs*

In accordance with the accounting policy set out in note 4(h)(ii), costs associated with research activities are expensed in profit or loss as they are incurred, while costs that are directly attributable to development activities are recognised as intangible assets provided they meet all the requirements as set out in note 4(h)(ii). This requires the management to make judgements to distinguish the research phase and development phase of the projects being undertaken. Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research, findings or other knowledge to a plan or design for the production of new or substantially improved materials devices, products, processes, systems or services before the start of commercial production or use. Determining the amounts to be expensed in profit or loss or to be capitalised required management to make judgement, and assumptions regarding the expected progress and outcome of the research and development activities the future expected cash generation of the assets, discount rates to be applied, and also the expected period of, probable future economic benefits. Because of the nature of the Group's research and development activities the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the projects. Hence research costs are generally recognised as expenses in the period in which they are incurred.

(ix) *Fair value measurement*

Derivative component in convertible bond included in the consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

For more detailed information in relation to the fair value measurement, please refer to note 21.

6. 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

During the year under review, the chief operating decision-marker has decided to rename the segment of revenue "Other businesses" to "Provision of marketing services" as the revenue of the segment is generated from marketing services rendered to third party.

(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 2015

	Sales of 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**

For the year ended 31 December 2014

	Sales of pharmaceutical products HK$	Provision of marketing services HK$	Total HK$
Reportable segment revenue			
Revenue from external customers	488,593,327	29,706,368	518,299,695
Reportable segment profit	113,434,661	8,137,320	121,571,981

6. Segment Reporting *(Continued)*

(a) *Reportable segments (Continued)*

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:

	2015 HK$	2014 HK$
Reportable segment profit	**152,387,494**	121,571,981
Unallocated corporate income and expenses, net	**(15,018,401)**	(9,419,096)
Equity-settled share-based payments	**(4,662,052)**	(12,590,662)
Finance costs	**(2,056,200)**	(3,807,592)
Profit before taxation	**130,650,841**	95,754,631

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

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 Group does not fall within provision of such amounts to the chief operating decision-maker regularly.

(b) *Geographical information*

For the years ended 31 December 2015 and 2014, the Group's revenue from external customers is derived solely from its operations in the PRC (place of domicile), where all of the Group's non-current assets 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.

(c) *Information about a major customer*

Revenues from the largest customer of the Group amounted to HK$138,995,561 (2014: HK$105,892,919), which represent 21.3% (2014: 20.4%) of the Group's revenue.

7. 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). The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2015 HK$	2014 HK$
Sales of pharmaceutical products	**602,836,400**	488,593,327
Provision of marketing services	**51,174,099**	29,706,368
	654,010,499	518,299,695

8. Other Revenue

	2015 HK$	2014 HK$
Government grants	**5,979,990**	1,811,854
Bank interest income	**278,491**	206,279
Sundry income	**124,192**	21,423
	6,382,673	2,039,556

The government grants were paid by Zhuhai Finance Bureau（珠海市財政局）to support the development of new pharmaceutical products. There were no conditions to be fulfilled or contingencies relating to these grants.

9. Finance Costs

	2015 HK$	2014 HK$
Interest expense on bank borrowings	**2,056,200**	3,807,592

10. Profit Before Taxation

Profit before taxation is arrived at after charging:

	2015 HK$	2014 HK$
Amortisation of other intangible assets	**248,571**	284,019
Amortisation of land use rights	**167,276**	169,894
Auditor's remuneration	**765,242**	666,500
Cost of inventories recognised as expenses	**103,691,441**	85,473,832
Depreciation of property, plant and equipment	**9,793,104**	9,571,934
Employees costs excluding directors' emoluments:–		
Salaries and other benefits	**52,509,384**	39,512,053
Pension fund contributions	**3,114,485**	1,773,889
Equity-settled share-based payments to the employees[1]	**2,499,725**	7,378,869
Equity-settled share-based payments to a consultant[1]	**600,000**	600,000
Exchange losses, net	**2,028,251**	177,844
Impairment loss on convertible note receivable	**1,925,910**	–
Impairment loss on other intangible assets	**1,281,571**	641,673
Inventories written-off	**3,411,021**	602,143
Research and development costs recognised as expenses	**10,781,763**	7,033,074

(1) During the year ended 31 December 2015, 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$600,000 (2014: HK$600,000), HK$2,499,725 (2014: HK$7,378,869) and HK$1,562,327 (2014: HK$4,611,793) respectively. Details of transactions are set out in note 33.

11. Directors' Emoluments

Details of directors' emoluments of the Company are set out below:

	Executive Directors			Independent Non-executive Directors			
	Fang Haizhou[(1)] HK$	Zhong Sheng HK$	Ngiam Mia Je Patrick HK$	Fung Chi Ying HK$	Mauffrey Benoit Jean Marie HK$	Yeow Mee Mooi HK$	Total HK$
For the year ended 31 December 2015:							
Fees	–	–	–	180,000	165,000	165,000	510,000
Other emoluments:							
Salaries and other benefits	621,404	559,263	745,684	–	–	–	1,926,351
Pension fund contributions	23,907	17,306	–	–	–	–	41,213
Discretionary bonuses[(2)]	742,000	668,000	890,000	–	–	–	2,300,000
Equity-settled share-based payments[(3)]	729,086	729,086	104,155	–	–	–	1,562,327
Total emoluments	2,116,397	1,973,655	1,739,839	180,000	165,000	165,000	6,339,891
For the year ended 31 December 2014:							
Fees	–	–	–	180,000	165,000	165,000	510,000
Other emoluments:							
Salaries and other benefits	631,154	562,500	750,000	–	–	–	1,943,654
Pension fund contributions	27,470	16,750	–	–	–	–	44,220
Discretionary bonuses[(2)]	659,000	576,000	765,000	–	–	–	2,000,000
Equity-settled share-based payments[(3)]	2,152,170	2,152,170	307,453	–	–	–	4,611,793
Total emoluments	3,469,794	3,307,420	1,822,453	180,000	165,000	165,000	9,109,667

(1) Mr. Fang Haizhou is designated as the Chief Executive Officer of the Group.

(2) The performance related incentive payment is at the discretion of the Directors depending on the financial performance of the Group.

For the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration for the years ended 31 December 2015 and 2014.

(3) These amounts represent the estimated value of share options granted to the Directors under the Company's share option scheme. The value of these share options is measured according to the accounting policies for share-based payments as set out in note 4(p) to the consolidated financial statements. Further details of the options granted are set out in note 33 to the consolidated financial statements.

12. Five Highest Paid Individuals

Of the five individuals with the highest paid in the Group, three (2014: three) were directors of the Company whose emoluments are included in note 11 to the consolidated financial statements. The emoluments of the remaining two (2014: two) individuals were as follows:

	2015 **HK$**	2014 HK$
Salaries and other benefits	**2,040,927**	1,765,946
Pension fund contribution	**33,635**	31,140
Equity-settled share-based payments	**895,735**	2,644,095
	2,970,297	4,441,181

Their emoluments were within the following bands:

	2015 **No. of** **employees**	2014 No. of employees
HK$500,001 to HK$1,000,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	1

For the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to the highest paid, non-director individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

For the year ended 31 December 2015, the emoluments to one non-director senior management fell within the band of HK$500,001 to HK$1,000,000 (2014: HK$1,500,001 to HK$2,000,000).

13. Retirement Benefits

The employees of the Group are members of a state-managed retirement benefits scheme operated by the PRC government, or in the case of the employees in Hong Kong, a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance. The Group is required to contribute a certain percentage of its payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the scheme.

The Group's contribution to retirement benefits schemes for the year ended 31 December 2015 amounted to HK$3,155,698 (2014: HK$1,818,109).

14. Taxation

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

	2015 **HK$**	2014 HK$
Current tax – the PRC		
– Provision for the year	**20,228,846**	12,616,943
Deferred tax (note 30)	**5,526,805**	7,864,597
	25,755,651	20,481,540

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 enterprises. 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 2015 and 2014.

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

Taxation for the year can be reconciled to the profit per the consolidated statement of profit or loss as follows:

	2015 **HK$**	2014 HK$
Profit before taxation	**130,650,841**	95,754,631
Tax calculated at Hong Kong profits tax rate of 16.5% (2014: 16.5%)	**21,557,389**	15,799,514
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,452,445)**	(1,441,607)
Tax effect of expenses not deductible for tax purposes	**3,399,924**	3,665,645
Tax effect of revenue not taxable for tax purposes	**(108)**	(291,683)
Tax benefits	**(1,687,356)**	(1,637,061)
Others	**965,844**	(50,182)
Withholding tax arise from undistributable profits of a subsidiary in the PRC	**3,972,403**	4,436,914
Taxation	**25,755,651**	20,481,540

15. Dividends

	2015 **HK$**	2014 HK$
Proposed final dividend – HK$0.025 (2014: HK$0.022) per share	**13,988,525**	12,248,500

The directors propose a final dividend of HK$0.025 (2014: HK$0.022) per ordinary share to be paid. The amount of proposed final dividend for 2015 is based on 559,541,000 shares (2014: 556,750,000) issued as at 31 December 2015. 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 2016.

16. Earnings Per Share

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

Earnings

	2015 **HK$**	2014 HK$
Profit attributable to owners of the Company for the purposes of calculating basic and diluted earnings per share	**104,895,190**	75,273,091

Number of shares

	2015	2014
Weighted average number of ordinary shares for the purposes of basic earnings per share	**559,541,000**	556,750,000
Effect of dilutive potential ordinary shares: – share options issued by the Company	**7,169,680**	2,216,050
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**566,710,680**	558,966,050

17. 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 2014	126,424,202	61,604,733	4,104,976	3,677,750	195,811,661
Additions	5,905,274	1,239,645	283,372	190,946	7,619,237
Written-off	(4,524,484)	–	–	–	(4,524,484)
Exchange adjustment	(399,549)	(263,289)	(14,682)	(15,585)	(693,105)
At 31 December 2014	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
Accumulated depreciation:					
At 1 January 2014	4,406,473	2,090,136	1,384,249	2,243,711	10,124,569
Charge for the year	2,489,710	6,108,649	596,541	377,034	9,571,934
Written-off	(4,524,484)	–	–	–	(4,524,484)
Exchange adjustment	120,842	(2,032)	(3,050)	(9,213)	106,547
At 31 December 2014	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
Carrying amount:					
At 31 December 2015	115,594,152	55,212,342	2,715,940	813,401	174,335,835
At 31 December 2014	124,912,902	54,384,336	2,395,926	1,241,579	182,934,743

For the year ended 31 December 2015, the pledge of buildings and leasehold improvements as security for bank borrowings was released.

As at 31 December 2014, the buildings and leasehold improvements of HK$124,912,902 had been pledged as security for bank borrowings as set out in note 29.

18. Land Use Rights

	HK$
Cost:	
At 1 January 2014	8,528,779
Exchange adjustment	(36,646)
At 31 December 2014	8,492,133
Exchange adjustment	(470,377)
At 31 December 2015	8,021,756
Accumulated amortisation:	
At 1 January 2014	813,335
Charge for the year	169,894
Exchange adjustment	(3,301)
At 31 December 2014	979,928
Charge for the year	167,276
Exchange adjustment	(60,888)
At 31 December 2015	1,086,316
Carrying amount:	
At 31 December 2015	6,935,440
Portion classified as current assets (included in deposits and prepayments)	(160,624)
Non-current assets	6,774,816
At 31 December 2014	7,512,205
Portion classified as current assets (included in deposits and prepayments)	(170,042)
Non-current assets	7,342,163

The Group's interest in leasehold land is held in the PRC under a medium term lease of 50 years.

The remaining lease term as at 31 December 2015 is 44 years (2014: 45 years).

For the year ended 31 December 2015, the pledge of land use rights as security for bank borrowings was released.

As at 31 December 2014, the Group's land use rights were pledged as security for the bank borrowings as set out in note 29.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

19. Goodwill

	HK$
Cost:	
As 1 January 2014	2,602,414
Exchange adjustment	(13,423)
As 31 December 2014	2,588,991
Exchange adjustment	(172,301)
As 31 December 2015	2,416,690

Impairment testing on goodwill

The recoverable amount of the goodwill is determined based on the cash generating unit ("CGU") of the Group's sales network of biopharmaceutical products to which the goodwill belong on the value in use basis. The calculation is based on the most recent five-year financial budgets approved by management. The following key assumptions have been made for the purpose of analysis:

(a) Gross margin ratio of 46% (2014: 77%)
(b) Pre tax discount rate of 10.9% (2014: 14.3%) per year

Management determined the gross margin based mainly on past performance of the CGU and management's expectations for the market development. The discount rate is determined based on the PRC risk free interest rate adjusted by the specific risk associated with the CGU. The recoverable amounts of the CGU have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-years period are extrapolated using an estimated weighted average growth rate of 3% (2014: 3%), which does not exceed the long-term growth rate for the pharmaceutical production industry in the PRC.

The recoverable amount of the goodwill determined in the above manner suggested that there was no impairment in the carrying amount of goodwill as at 31 December 2015 and 2014.

The directors believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

20. Other Intangible Assets

	Development expenditure HK$	Distribution rights HK$	Total HK$
Cost:			
At 1 January 2014	30,852,897	1,269,198	32,122,095
Additions	9,921,579	1,262,307	11,183,886
Exchange adjustment	(121,282)	(5,454)	(126,736)
At 31 December 2014	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
Accumulated amortisation and impairment losses:			
At 1 January 2014	15,674,646	549,986	16,224,632
Amortisation	–	284,019	284,019
Impairment for the year	–	641,673	641,673
Exchange adjustment	(67,350)	(2,746)	(70,096)
At 31 December 2014	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
Carrying amount:			
At 31 December 2015	33,611,829	756,038	34,367,867
At 31 December 2014	25,045,898	1,053,119	26,099,017

For the year ended 31 December 2014, one of the distribution rights was impaired by the Group due to cessation of selling the product relating to such distribution right. The directors are of opinion that such distribution right would not generate any economic benefit to the Group and the recoverable amount would be minimal. Accordingly, the impairment loss of HK$641,673 on the distribution right was recognised in the consolidated statement of profit or loss and other comprehensive income.

For 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 are of 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.

21. Convertible Loan Receivables

For the year ended 31 December 2015, the Group has entered into a convertible loan agreement with an independent third party, 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. The convertible loan can be converted at any time from the date of issue to the maturity date.

The initial fair value of the debt component is the residual value after separating out the initial fair value of derivative component. The initial fair value of derivative component is determined by the directors with reference to the valuation performed by Kinson Appraisal Limited ("Kinson"), an independent professional qualified valuer and a professional member of the Royal Institution of Chartered Surveyors. 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 Group's convertible loan is recognised as follows:

	Debt component HK$	**Derivative component** HK$	**Total** HK$
At issue date and 31 December 2015	6,621,379	5,316,069	11,937,448

The fair value of the derivative component is measured by the directors with reference to the valuation performed by Kinson using Black Scholes Option Pricing Model with the following key assumptions:

Stock price	RMB4.37
Exercise price	RMB3.33
Dividend yield	Nil
Expected volatility	30.08%
Expected life	4 years
Risk-free interest rate	2.928%

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

With respect to the passage of short period of time, the Directors are of the opinion that the change in the fair value of the derivative component between the issue date and year end date is minimal.

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.

21. Convertible Loan Receivables *(Continued)*

As abovementioned, the Group has entered into a convertible loan agreement with an independent third party. The principal amount of convertible loan can be converted into 30% of the enlarged total registered capital of 武漢伢典生物科技有限公司 (Wuhan Adv. Dental Co., Ltd.*) ("Adv. Dental") at any time from the date of issue to the maturity date. The principal activities of Adv. Dental is the manufacturing and selling of dental treatment techniques in the PRC.

During the loan period and, where applicable, following the conversion of the convertible loan, the Group has the right to appoint 1 out of 3 directors of Adv. Dental or 2 out of 5 directors of Adv. Dental. As at the date of this report, the board of Adv. Dental has 3 directors and 1 of them was nominated by the Group. With the consideration of 30% potential voting right and the right to appoint directors, the Group has recognised an interest in an associate accordingly.

As at 31 December 2015, the Group has not converted any convertible loan into equity interest of Adv. Dental and the carrying value was nil.

22. Available-for-sale Financial Assets

	2015 **HK$**	2014 HK$
Unlisted equity investment, at cost	**3,882,008**	–

The balance represents the investment in the series B preferred stock ("the Stock") of a private company, incorporated in the United States of America.

23. Deposits and Prepayments

	2015 **HK$**	2014 HK$
Deposit paid for acquisition of property, plant and equipment	**2,934,463**	–
Other deposits	**430,310**	409,909
Prepayment for licence fee	**23,874,896**	–
Prepayment for purchase of finished goods	**38,592,872**	21,169,601
Other prepayments	**7,312,525**	4,044,729
Total	**73,145,066**	25,624,239
Less: Current Portion	**(49,746,406)**	(25,624,239)
Non-current Portion	**23,398,660**	–

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

* *For identification purpose only.*

24. Pledged Bank Deposits and Cash and Cash Equivalents

As at 31 December 2015, cash and bank balances denominated in RMB amounted to approximately HK$54,000,000 (2014: approximately HK$57,500,000). RMB is not freely convertible into foreign currencies in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

Pledged bank deposits of the Group represent deposit pledged to a bank to secure banking facilities granted to the Group. The deposits carry fixed interest rate of 0.01% per annum. The pledged bank deposits will be released upon the release of the relevant banking facilities.

25. Inventories

	2015 **HK$**	2014 HK$
Raw materials	**7,361,707**	7,677,025
Work in progress	**5,270,801**	4,878,658
Finished goods	**26,046,253**	22,664,821
	38,678,761	35,220,504

26. Trade and Other Receivables

	2015 **HK$**	2014 HK$
Trade receivables	**201,524,191**	158,392,561
Other receivables	**4,903,059**	165,104
Total	**206,427,250**	158,557,665

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

26. Trade and Other Receivables *(Continued)*

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 2015 and 2014.

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

	2015	2014
	HK$	HK$
0 – 60 days	**122,055,778**	94,829,259
61 – 90 days	**26,039,273**	27,908,193
Over 90 days	**53,429,140**	35,655,109
	201,524,191	158,392,561

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

	2015	2014
	HK$	HK$
Neither past due nor impaired	**148,095,051**	122,737,452
Less than 3 months past due	**53,429,140**	35,655,109
	201,524,191	158,392,561

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.

27. Convertible Note Receivable

	2015	2014
	HK$	HK$
Unlisted debt security, at cost	**4,500,220**	4,500,220
Accrued interest income	**1,079,910**	1,079,910
	5,580,130	5,580,130
Less: Repayment from Borrower	**(774,220)**	–
Less: Impairment on convertible note	**(4,805,910)**	(2,880,000)
	–	2,700,130

In 2009, the Group entered into an agreement to subscribe for a convertible note with a principal amount of US$580,000, equivalent to HK$4,500,220 (the "Note"), from a private company in Indonesia (the "Borrower").

27. Convertible Note Receivable *(Continued)*

Pursuant to the agreement, the Borrower would repay the Group the principal amount plus a lump sum interest payment computed at 20% of the principal amount at maturity which was 30 July 2011.

The Note also confers a right to the Group to convert the principal amount into shares of the Borrower subject to a qualifying Initial Public Offering ("IPO") being achieved. The conversion price of the Note would be at 50% discount from the offer price per share should the IPO took place before 30 July 2011. Otherwise, the Group shall have an option to extend the conversion period by a further six months. In the event that the Group agrees to the extension for additional six months, the conversion ratio shall be at 65% discount from the offer price per share under IPO.

Pursuant to the extension letter dated on 21 July 2011, due to a delay in the IPO, an extension of maturity date to 15 April 2012 was agreed. A further extension to 15 April 2014 with all other terms and conditions on the agreement remain unchanged was agreed.

On 26 February 2014, the Borrower agreed to repay the principal amount of the Note to the Group before 15 December 2015.

On 8 January 2015, the Borrower had repaid US$100,000, equivalent to HK$774,220 to the Group.

In the opinion of the directors, the fair value of the embedded derivative or the combined unlisted debt security cannot be reliably measured because the variability in the range of reasonable fair value estimates is significant, the Note is therefore stated at cost less any impairment losses.

As at 31 December 2015, the directors have assessed the recoverable amount of the Note and concluded that the remaining balances would not be recovered. Further impairment loss of HK$1,925,910 has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2015.

28. Trade and Other Payables

	2015 **HK$**	2014 HK$
Trade payables	**2,332,915**	1,155,654
Other payables and accruals	**54,356,344**	35,572,583
Provision for sales and marketing costs	**95,041,276**	70,608,936
VAT payable	**2,557,945**	2,254,873
	154,288,480	109,592,046

28. Trade and Other Payables *(Continued)*

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

	2015	2014
	HK$	HK$
0 – 60 days	**2,232,485**	699,486
61 – 90 days	**–**	73,462
Over 90 days	**100,430**	382,706
	2,332,915	1,155,654

29. Bank Borrowings

	2015	2014
	HK$	HK$
Bank loans – Secured		
Due for repayment within one year	**31,000,000**	50,549,728
Due for more than one year and within five years	**20,000,000**	–
Total bank borrowings	**51,000,000**	50,549,728
Carrying amount of bank loans due for repayment within one year and more than one year but contain a repayment on demand clause	**51,000,000**	50,549,728

As at 31 December 2015, the bank borrowings are secured by corporate guarantees provided by the Company and a subsidiary within the Group, and a bank deposit of HK$20,000,000. The bank borrowings bear interest at floating rate. The effective interest rates of the Group's bank borrowings ranged from 3.05% to 3.31% as at 31 December 2015.

As at 31 December 2014, the bank borrowings are secured by certain property, plant and equipment and land use rights of the Group (notes 17 and 18), denominated in Renminbi and bear interest at fixed rate ranging from 6.15% to 7.8% per annum.

The Group obtained banking facilities of HK$111,937,448 (2014: HK$75,825,000), of which HK$51,000,000 (2014: HK$50,549,728) was utilised at 31 December 2015.

30. Deferred tax Liabilities

Details of the deferred tax (assets)/liabilities recognised and movements are as follows:

	Other deductible temporary difference	Development expenditure	Withholding tax on undistributed earnings of PRC subsidiaries	Total
	HK$	HK$	HK$	HK$
At 1 January 2014	(1,950,030)	2,276,738	4,434,126	4,760,834
Settled during the year	–	–	(1,110,547)	(1,110,547)
Charge to profit or loss for the year	1,939,446	1,488,237	4,436,914	7,864,597
Exchange differences	10,584	(8,090)	–	2,494
At 31 December 2014	–	3,756,885	7,760,493	11,517,378
Settled during the year	–	–	(1,371,913)	(1,371,913)
Charge to profit or loss for the year	–	1,554,402	3,972,403	5,526,805
Exchange differences	–	(269,512)	–	(269,512)
At 31 December 2015	–	5,041,775	10,360,983	15,402,758

Withholding tax on undistributed earnings was calculated at 5% on the undistributable earnings of the subsidiaries in the PRC expected to be distributed to the holding company with its principal place of business located in Hong Kong. At the end of the reporting period, undistributable earnings of the subsidiaries in the PRC on which deferred tax has not been provided for amounted to approximately HK$90,700,000 (equivalent to RMB73,000,000) (2014: HK$91,500,000; equivalent to RMB72,500,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the forseeable future.

31. Share Capital

Authorised

	2015		2014	
	Number	**HK$**	Number	HK$
Ordinary shares of HK$0.1 each	**1,000,000,000**	**100,000,000**	1,000,000,000	100,000,000

Issued and fully paid

	2015		2014	
	Number	**HK$**	Number	HK$
At the beginning of the year	**556,750,000**	**55,675,000**	556,750,000	55,675,000
Employee share option exercised	**2,791,000**	**279,100**	–	–
At the end of the year	**559,541,000**	**55,954,100**	556,750,000	55,675,000

32. Reserves

The Company

	Share premium HK$	Share Option reserve HK$	Accumulated losses HK$	Total HK$
Balance at 1 January 2014	969,871	3,075,944	(1,823,757)	2,222,058
Profit for the year	–	–	2,953,870	2,953,870
Equity-settled share-based payment transactions (note 33)	–	12,590,662	–	12,590,662
2013 final dividend paid	–	–	(10,021,500)	(10,021,500)
Balance at 31 December 2014	969,871	15,666,606	(8,891,387)	7,745,090
Profit for the year	–	–	11,277,555	11,277,555
Equity-settled share-based payment transactions (note 33)	–	4,662,052	–	4,662,052
Proceeds from shares issued under share option scheme	6,140,200	–	–	6,140,200
Exercise of share options	2,798,156	(2,798,156)	–	–
2014 final dividend paid	–	–	(12,248,500)	(12,248,500)
Balance at 31 December 2015	9,908,227	17,530,502	(9,862,332)	17,576,397

The nature and purpose of each reserve of the Group are set out below:

(a) Capital reserve

The capital reserve represents discount on acquisition of a subsidiary arose in prior years.

(b) Statutory surplus reserve

In accordance with the PRC Companies Law, the Company's PRC subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to statutory surplus reserve. Such reserve may be used to reduce any loss incurred by the subsidiary or be capitalised as paid-up capital of the subsidiary. The statutory surplus reserve is non-distributable.

(c) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(m).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

33. Share-based Payments

(a) *Equity-settled share option scheme*

The Share Option Scheme (the "Scheme") was approved on 3 May 2013. The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include (i) any director, officer, employee or officer employed by any company in the Group or by any member of the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate") (whether full time or part time) ("Employee"), consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to an Affiliate; or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, officer, Employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or an Affiliate; or (iii) a company beneficially owned by any director, officer, Employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or an Affiliate ("Eligible Participants").

The maximum number of shares which may be issued upon the exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other schemes involving the issue or grant of options or similar rights over shares or other securities by the Company must not, in aggregate, exceed 30% of the shares in issue from time to time. A nominal consideration of HK$1 is payable by the grantee upon acceptance of an option.

The subscription price of shares under the Scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the higher of; (i) the nominal value of the shares: (ii) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; and (iii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant share option.

Any grant of share options to any Director, chief executive or substantial shareholder or any of their respective associates must be approved by the independent non-executive Directors of the Company (but excluding, for all purposes, any independent non-executive Director of the Company who is a proposed grantee). Where any grant of share options to a substantial shareholder or an independent non-executive Director of the Company or their respective associates would result in the total number of the shares issued and to be issued upon exercise of the share options granted and to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant:

(i) representing in aggregate over 0.1% of the shares in issue; and

(ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million.

33. Share-based Payments *(Continued)*

(a) *Equity-settled share option scheme (Continued)*

Such further grant of share options must be approved by the shareholders of the Company. The Company must send a circular to its shareholders. All connected persons must abstain from voting in favour at such general meeting. Any vote taken at the meeting to approve the grant of such share options must be taken on a poll in accordance with the Listing Rules.

On 30 October 2013, the Company granted 19,500,000 share options to certain employees of the Group under the Scheme. Set out below were details of the outstanding options granted under the Scheme:

(i) All options granted were at an exercise price of HK$2.30 per share;

(ii) All holders of options might only exercise their options in the following manner:

the share options will be vested in 5 tranches, i.e. the first 20% from six months after the date of grant, the second 20% from one year after the date of grant, the third 20% from one and half years after the date of grant, the forth 20% from two years after date of grant and the balance 20% from two and half years after the date of grant;

(iii) All outstanding or unexercised share options granted to the grantees shall lapse on 29 October 2018.

Set out below are details of movements of the outstanding options granted under the Scheme during the years ended 31 December 2015 and 2014:

		Number of share options				
	Exercise price	Outstanding as at 1 January 2014	Exercised during the year	Outstanding as at 31 December 2014	**Exercised during the year**	**Outstanding as at 31 December 2015**
Executive directors						
– Ngiam Mia Je Patrick	HK$2.30	500,000	–	500,000	**–**	**500,000**
– Fang Haizhou	HK$2.30	3,500,000	–	3,500,000	**–**	**3,500,000**
– Zhong Sheng	HK$2.30	3,500,000	–	3,500,000	**(2,332,000)**	**1,168,000**
Other eligible employees	HK$2.30	12,000,000	–	12,000,000	**(459,000)**	**11,541,000**
Total		19,500,000	–	19,500,000	**(2,791,000)**	**16,709,000**

33. Share-based Payments *(Continued)*

(a) *Equity-settled share option scheme (Continued)*

Share options and weighted average exercise price are as follows for the reporting period presented:

For the year ended 31 December

	2015		2014	
	Number	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
Outstanding at 1 January	**19,500,000**	**2.30**	19,500,000	2.30
Exercised	**(2,791,000)**	**2.30**	–	–
Outstanding at 31 December	**16,709,000**	**2.30**	19,500,000	2.30
Exercisable at the end of the year	**16,709,000**	**2.30**	19,500,000	2.30

The weighted average share price for share options exercised during the year at the date of exercise was HK$4.3 (2014: HK$2.9) per share and the weighted average remaining contractual life was 2.8 years (2014: 3.8 years).

Of the total number of share options outstanding as at 31 December 2015, 3,900,000 share options had not vested and were not exercisable as at 31 December 2015 (2014: 11,700,000 shares).

The Company recognised the total expense of approximately HK$4,062,052 for the year ended 31 December 2015 (2014: HK$11,990,662) in relation to share options granted by the Company under the Scheme.

(b) *Equity-settled service contract*

On 30 October 2013, the Company entered into the Service Contract with Hong Kong Zhixin Financial News Agency Limited ("HK Zhixin") for the appointment of HK Zhixin as the Group's investor relations consultant in the PRC and the provision of the Services by HK Zhixin to the Group for three years. In consideration of the provision of the Services by HK Zhixin, the Company granted 2,500,000 share options to HK Zhixin.

Set out below were details of the outstanding share options granted to HK Zhixin:

(1) All options granted were at an exercise price of HK$2.30 per share;

33. Share-based Payments *(Continued)*

(b) Equity-settled service contract (Continued)

(i) All holders of options might only exercise their options in the following manner:

(1) Up to 50% of the total number of HK Zhixin share options is exercisable during the period from 30 April 2014 to 29 October 2016; and

(2) Up to 50% of the total number of HK Zhixin share options is exercisable during the period from 30 October 2014 to 29 October 2016;

(ii) All outstanding or unexercised HK Zhixin share options shall lapse on 29 October 2016.

The fair values of the services on 30 October 2013 were HK$1,800,000. These fair values were based on terms and conditions stated in the services contract.

The weighted average share price for share options exercised during the year at the date of exercise was HK$4.3 (2014: HK$2.9) per share and the weighted average remaining contractual life was 0.8 year (2014: 1.8 years).

No share options has been exercised for the years ended 31 December 2015 and 2014.

The Company recognised the total expense of approximately HK$600,000 for the year ended 31 December 2015 (2014: HK$600,000) in relation to share options granted by the Company to HK Zhixin.

34. Operating lease arrangements

Operating lease payments represent rentals payable by the Group on properties. Lease is negotiated for a term of 2 years at fixed rent.

Minimum lease payment paid during the year under operating lease was as follows:

	2015 **HK$**	2014 HK$
Minimum leases payment:		
– Properties	**871,020**	1,016,190

The total future minimum lease payment is due as follows:

	2015 **HK$**	2014 HK$
Not later than one year	**951,670**	871,020
Later than one year and not later than five years	**1,129,100**	145,170
	2,080,770	1,016,190

35. Company-level statement of financial position

	Notes	2015 HK$	2014 HK$
Non-current assets			
Interests in subsidiaries		**70,695,408**	65,901,129
Total non-current assets		**70,695,408**	65,901,129
Current assets			
Other receivables		**575,000**	–
Deposits and prepayments		**235,051**	235,354
Cash and cash equivalents		**5,983,578**	148,162
Total current assets		**6,793,629**	383,516
Total assets		**77,489,037**	66,284,645
Current liabilities			
Other payables and accruals		**3,958,540**	2,864,555
Total current liabilities		**3,958,540**	2,864,555
Net current assets/(liabilities)		**2,835,089**	(2,481,039)
NET ASSETS		**73,530,497**	63,420,090
Capital and reserves attributable to owners of the Company			
Share capital	31	**55,954,100**	55,675,000
Reserves	32	**17,576,397**	7,745,090
TOTAL EQUITY		**73,530,497**	63,420,090

On behalf of the Board

Ngiam Mia Je Patrick **Fang Haizhou**

36. Interests in Subsidiaries

Details of the subsidiaries as at the end of the reporting period were as follows:

Name of subsidiary	Form of business structure	Place of incorporation and operation	Issued and fully paid share capital/registered capital	Percentage of ownership interest directly	Percentage of ownership interest indirectly	Principal activity
Essex Bio-Investment Limited	Limited liability company	British Virgin Islands/ Hong Kong	US$5	100%	–	Investment holding
Essex Bio-Pharmacy Limited	Limited liability company	Hong Kong	HK$8,000,000	–	100%	Investment holding
珠海億勝生物製藥有限公司 Zhuhai Essex Bio-Pharmaceutical Company Limited(1)(2)	Limited liability company	PRC	RMB50,000,000	–	100%	Manufacture and selling of biopharmaceutical products
珠海億勝醫藥有限公司 Essex Medipharma (Zhuhai) Company Limited(2)	Limited liability company	PRC	RMB3,000,000	–	100%	Marketing and distribution of biopharmaceutical products
珠海億勝科技發展有限公司 Zhuhai Essex Technology Development Company Limited(1)(2)	Limited liability company	PRC	RMB25,000,000	–	100%	Investment holding

(1) As at 31 December 2015, this subsidiary was registered as wholly foreign owned enterprises under the law of the PRC.

(2) The English name is for identification purpose only.

37. Capital Commitments

	2015 HK$	2014 HK$
Contracted but not provided for:		
– property, plant and equipment	**2,569,615**	–
– development expenditure(1)	**25,068,640**	2,792,872
Authorised but not contracted for:		
– property, plant and equipment	**–**	7,756,000
	27,638,255	10,548,872

(1) Development expenditure represented the contract fee to independent third parties for carrying out the research and development on the Group's projects.

38. Financial Risk Management

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) *Credit risk*

The Group's credit risk is primarily attributable to its trade and other receivables, convertible loan receivable and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 24% (2014: 23%) and 37% (2014: 40%) of the total trade receivables was due from the Group's largest customer and the five largest customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 26.

The credit risk on bank balances is limited because the counterparties are banks with high credit-rating or with good reputation.

(b) *Liquidity risk*

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating based on rates current at the reporting date) and the earliest date the Company can be required to pay.

38. Financial Risk Management *(Continued)*

(b) Liquidity risk (Continued)

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	Carrying amount HK$	**Total contractual undiscounted cash flow HK$**	**Within 1 year or on demand HK$**	**More than 1 year but less than 5 years HK$**	**More than 5 years HK$**
31 December 2015					
Non-derivatives:					
Trade and other payables	**154,288,480**	**154,288,480**	**154,288,480**	**–**	**–**
Bank borrowing – secured	**51,000,000**	**51,000,000**	**51,000,000**	**–**	**–**
	205,288,480	**205,288,480**	**205,288,480**	**–**	**–**

	Carrying amount HK$	Total contractual undiscounted cash flow HK$	Within 1 year or on demand HK$	More than 1 year but less than 5 years HK$	More than 5 years HK$
31 December 2014					
Non-derivatives:					
Trade and other payables	109,592,046	109,592,046	109,592,046	–	–
Bank borrowing – secured	50,549,728	50,549,728	50,549,728	–	–
	160,141,774	160,141,774	160,141,774	–	–

Maturity analysis – bank loans subjects to repayment on demand clause based on scheduled repayments

	Carrying amount HK$	**Within 1 year** HK$	**More than 1 year but less than 5 years** HK$	**Total contractual undiscounted cash flow** HK$
At 31 December 2015	**51,000,000**	**32,013,985**	**21,223,315**	**53,237,300**
At 31 December 2014	50,549,728	53,869,582	–	53,869,582

38. Financial Risk Management *(Continued)*

(c) *Interest rate risk*

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings. Borrowings bearing variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate. The Group and currently had not implemented any procedures to hedge its interest rate risk.

At 31 December 2015, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after income tax expense and retained profits by approximately HK$213,000.

At 31 December 2014, no interest rate risk exposed by the Group as all borrowings beared fixed rate.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each of the Relevant Periods and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis was performed on the same basis for 2014.

(d) *Currency risk*

The Group's main operations are currently in the PRC with most of the transactions settled in Renminbi and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

39. Capital Risk Management

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of debts, which includes the bank borrowings, cash and cash equivalents, pledged bank deposits and total equity. The Group's management regularly reviews the capital structure. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

39. Capital Risk Management *(Continued)*

The gearing ratio of the Group at the end of reporting period was as follows:

	2015 HK$	2014 HK$
Bank borrowing – secured	**51,000,000**	50,549,728
Less: Cash and cash equivalents	**(64,613,176)**	(61,974,415)
Less: Pledged bank deposits	**(20,000,000)**	–
Net cash and pledged bank deposit	**(33,613,176)**	(11,424,687)
Total equity	**412,946,836**	331,045,832
Net debt to equity ratio	**N/A**	N/A

The Group monitors capital using a gearing ratio, which is net debts divided by total equity. Net debts are calculated as the sum of bank borrowings less the sum of cash and cash equivalents and pledged bank deposits as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level and the directors are of the opinion that the Group's gearing ratio was maintained at reasonable level at the reporting dates.

40. Summary of Financial Assets and Financial Liabilities by Category

The following table shows the carrying amount of financial assets and liabilities as defined in note 4(i).

	2015 HK$	2014 HK$
Financial assets		
Available-for-sale financial assets	**3,882,008**	–
Financial assets at fair value through profit or loss	**5,316,069**	–
Loans and receivables at amortised cost (including bank balances and cash)	**297,661,805**	223,232,210
	306,859,882	223,232,210
Financial liabilities		
Financial liabilities measured at amortised cost	**205,288,480**	160,141,774

41. Related Party Transactions

Members of key management during the year comprised the three executive directors only whose remuneration is set out in notes 11 and 33 to the consolidated financial statements.

42. Approval of Consolidated Financial Statements

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 18 March 2016.

43. Events After Reporting Period

(a) On 8 January 2016, the Company entered into a convertible loan agreement with Guangxi Medictop Pharmaceutical Co., Ltd ("Guangxi Medictop"), pursuant to which the Group agreed to make available a convertible loan in the principal amount of RMB15 million to Guangxi Medictop at an interest rate of 6% per annum.

Details of the transaction are set out in the Company's announcement dated 8 January 2016.

(b) On 22 January 2016, the Group entered into a collaboration and license agreement (the "Agreement") with Abpro Corporation ("Abpro"), which is an independent third party of the Group, to commercialise and jointly develop selected antibodies into the licensed products. The Agreement is for an initial term of 10 years, and shall be automatically renewed for successive periods of 2 years subject to early termination in accordance with its terms.

As part of the strategic business co-operation between the Group and Abpro, the Group and Abpro entered into the share subscription agreement, pursuant to which the Group conditionally agreed to subscribe for, and Abpro conditionally agreed to issue, 616,197 series C preferred stock for a total consideration of approximately US$3.5 million (equivalent to approximately HK$27.3 million). The share subscription is part of the offering by Abpro of the Series C Preferred Stock.

In connection with the share subscription, the Group and Abpro entered into the warrant subscription agreement, whereby Abpro conditionally agreed to the Group, upon closing, 61,619 warrants entitling the Group to subscribe for 61,619 Abpro common stock at the initial exercise price of US$2.08 per Abpro Common Stock, subject to adjustments in accordance with the terms of the warrants.

Details of the transaction are set out in the Company's announcement dated 22 January 2016.

44. Comparative Figures

Certain comparative figures have been reclassified where necessary to conform with current year presentation.

The following is a summary of the consolidated results and of the assets and liabilities of the Group, prepared on the basis set out in notes 1 to 2 below:

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$	HK$	HK$	HK$	HK$
RESULTS					
Continuing operations					
TURNOVER	**654,010,499**	518,299,695	347,046,987	267,255,167	212,716,340
Cost of sales	**(124,418,858)**	(107,042,880)	(36,114,212)	(23,563,134)	(20,277,655)
Gross profit	**529,591,641**	411,256,815	310,932,775	243,692,033	192,438,685
Other revenue	**6,382,673**	2,039,556	1,751,491	2,427,379	1,126,117
Distribution and selling expenses	**(352,109,409)**	(271,365,907)	(212,001,745)	(168,012,021)	(133,552,801)
Administrative expenses	**(51,157,864)**	(42,368,241)	(25,573,935)	(26,754,610)	(19,884,567)
Finance costs	**(2,056,200)**	(3,807,592)	(2,046,527)	(1,701,743)	–
PROFIT BEFORE INCOME TAX EXPENSES	**130,650,841**	95,754,631	73,062,059	49,651,038	40,127,434
Income tax expense	**(25,755,651)**	(20,481,540)	(18,165,363)	(10,655,902)	(6,924,806)
PROFIT FOR THE YEAR	**104,895,190**	75,273,091	54,896,696	38,995,136	33,202,628
Other comprehensive (expenses)/income	**(21,827,038)**	(790,435)	5,315,972	697,797	3,307,433
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**83,068,152**	74,482,656	60,212,668	39,692,933	36,510,061
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**83,068,152**	74,482,656	60,212,668	39,692,933	36,510,061

Five Year Financial Summary

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$	HK$	HK$	HK$	HK$
ASSETS AND LIABILITIES					
Non-current assets	**277,113,324**	218,964,914	211,731,637	173,061,753	78,430,405
Current assets	**359,465,593**	284,076,953	175,279,968	158,681,386	139,468,553
Current liabilities	**(208,229,323)**	(160,478,657)	(128,256,757)	(131,348,682)	(53,557,989)
Net current assets	**151,236,270**	123,598,296	47,023,211	27,332,704	85,910,564
Non-current liabilities	**(15,402,758)**	(11,517,378)	(4,760,834)	(4,121,555)	(1,080,000)
Net assets	**412,946,836**	331,045,832	253,994,014	196,272,902	163,260,969

Notes:

1 The summary of consolidated results of the Group includes the results of the Company and its subsidiaries as if the current Group structure had been in existence throughout the financial periods, or from the respective dates of their incorporation where this is a shorter period. The consolidated results of the Group for the years ended 31 December 2013, 2012 and 2011 are extracted from the published audited financial statements for these years. The consolidated results of the Group for the years ended 31 December 2015 and 2014 are as set out on page 48 of the audited financial statements.

2 The consolidated statement of financial position as at 31 December 2013, 2012 and 2011 are extracted from the published audited financial statements for the years ended 31 December 2013, 2012 and 2011, prepared on the basis as if the Group had been in existence for these years. The consolidated statement of financial position of the Group as at 31 December 2015 and 2014 are as set out on page 49 of the audited financial statements.