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ESSEX BIO-TECHNOLOGY LIMITED

億勝生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1061)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the “Board”) of Essex Bio-Technology Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2014 together with comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Notes</i>	2014 HK\$	2013 HK\$
Turnover	3	518,299,695	347,046,987
Cost of sales		(107,042,880)	(36,114,212)
Gross profit		411,256,815	310,932,775
Other revenue	5	2,039,556	1,751,491
Distribution and selling expenses		(271,365,907)	(212,001,745)
Administrative expenses		(42,368,241)	(25,573,935)
Finance costs		(3,807,592)	(2,046,527)
Profit before income tax expense		95,754,631	73,062,059
Income tax expense	7	(20,481,540)	(18,165,363)
Profit for the year		75,273,091	54,896,696
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(790,435)	5,315,972
Total comprehensive income for the year		74,482,656	60,212,668
Profit attributable to owners of the Company		75,273,091	54,896,696
Total comprehensive income attributable to owners of the Company		74,482,656	60,212,668
Earnings per share			
– Basic	9	HK13.52 cents	HK9.86 cents
– Diluted	9	HK13.47 cents	HK9.86 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	<i>Notes</i>	2014 HK\$	2013 HK\$
Non-current assets			
Property, plant and equipment	<i>10</i>	182,934,743	185,687,092
Land use rights		7,342,163	7,544,668
Goodwill		2,588,991	2,602,414
Other intangible assets		26,099,017	15,897,463
Total non-current assets		218,964,914	211,731,637
Current assets			
Inventories	<i>11</i>	35,220,504	6,448,962
Trade and other receivables	<i>12</i>	158,557,665	108,707,434
Deposits and prepayments	<i>13</i>	25,624,239	2,896,790
Convertible note receivable		2,700,130	2,700,130
Cash and cash equivalents		61,974,415	54,526,652
		284,076,953	175,279,968
Total assets		503,041,867	387,011,605
Current liabilities			
Trade and other payables	<i>14</i>	109,592,046	77,174,067
Bank borrowings – secured		50,549,728	50,767,864
Taxation		336,883	314,826
		160,478,657	128,256,757
Net current assets		123,598,296	47,023,211
Total assets less current liabilities		342,563,210	258,754,848
Non-current liabilities			
Deferred tax liabilities		11,517,378	4,760,834
Total liabilities		171,996,035	133,017,591
NET ASSETS		331,045,832	253,994,014
Capital and reserves attributable to owners of the Company			
Share capital		55,675,000	55,675,000
Reserves		275,370,832	198,319,014
TOTAL EQUITY		331,045,832	253,994,014

NOTES:

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENT

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

Adoption of new/revised HKFRSs – effective 1 January 2014

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
Amendments to HKAS 36	Recoverable Amount Disclosure
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

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

3. TURNOVER

The principal activities of the Group are manufacturing, sales and distribution of pharmaceutical products, provision of services relating to distribution, marketing and promotion of pharmaceutical products and other businesses.

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:

	2014	2013
	HK\$	HK\$
Turnover:		
Sales of pharmaceutical products	488,593,327	347,046,987
Other businesses	29,706,368	–
	<u>518,299,695</u>	<u>347,046,987</u>

4. SEGMENT REPORTING

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments effective from 1 January 2014:

- Pharmaceutical products: Manufacturing and sales of pharmaceutical products
- Other businesses

(a) Reportable segments

Management monitors the results of its business units separately for the purpose of making decision about resources allocation and performance assessment. Segment performance is evaluated based on the results from the reportable segments as explained in the table below.

	Sales of pharmaceutical products <i>HK\$</i>	Other businesses <i>HK\$</i>	Total 2014 <i>HK\$</i>
Reportable segment revenue			
– Revenue from external customers	<u>488,593,327</u>	<u>29,706,368</u>	<u>518,299,695</u>
Reportable segment profit	<u>113,434,661</u>	<u>8,137,320</u>	<u>121,571,981</u>

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

	2014 <i>HK\$</i>
Reportable segment profit	121,571,981
Other income not allocated	206,279
Other expenses not allocated	(9,625,375)
Equity settled share-based payments	(12,590,662)
Finance costs	<u>(3,807,592)</u>
Profit before income tax expense	<u>95,754,631</u>

Reportable segment profit represents the gross profit by each segment. This is the measure reported to the executive directors for the purpose of resources allocation and performance assessment.

Segment assets and segment liabilities are not presented as the Group's other businesses 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.

As the Group has only one business segment which is the manufacture and sale of pharmaceutical products in 2013, no separate business segment information is presented for the year ended 31 December 2013 .

(b) Geographical information and major customers

During the years ended 31 December 2014 and 2013, the Group's revenue from external customers is derived solely from its operations in the PRC (country 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.

Revenues from one customer of the Group amounted to approximately HK\$105,892,919 (2013: HK\$71,282,000) which represent 20.4% (2013: 20.5%) of the Group's revenue.

5. OTHER REVENUE

	2014	2013
	HK\$	HK\$
Other revenue		
Government grants (<i>Note</i>)	1,811,854	1,498,903
Interest income from bank deposits	206,279	218,996
Others	21,423	33,592
	<u>2,039,556</u>	<u>1,751,491</u>

Note:

These represent government grants from Zhuhai Finance Bureau (珠海市財政局) for the development of new products. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
Cost of inventories recognised as expenses	85,473,832	36,114,212
Staff costs excluding directors' remuneration:–		
Salaries and other benefits	39,512,053	28,044,021
Pension fund contributions	1,773,889	1,435,926
Equity settled share-based payment*	7,378,869	1,831,350
Depreciation of property, plant and equipment	9,571,934	2,331,317
Impairment loss on other intangible assets	641,673	–
Exchange loss/(gain), net	177,844	(1,524,463)
Amortisation of other intangible assets	284,019	125,298
Amortisation of land use rights	169,894	167,332
Equity settled share-based payment*	600,000	100,000
Auditor's remuneration	666,500	660,473
Research and development costs	7,033,074	6,560,943

* During the year ended 31 December 2014, equity settled share-based payments recognised as administrative expenses in relation to share options granted by the Company were approximately HK\$600,000 and HK\$11,990,662 for service contract and staff cost respectively.

7. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of comprehensive income represents:

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Current tax – the PRC		
– Provision for the year	12,616,943	11,424,741
Deferred tax	<u>7,864,597</u>	<u>6,740,622</u>
	<u>20,481,540</u>	<u>18,165,363</u>

No provision for Hong Kong profits tax has been made as the Group had incurred losses for Hong Kong profits tax purpose.

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 year ended 31 December 2014.

A unified enterprise income tax rate of 25% is applied to the other operating subsidiary in Zhuhai, the PRC.

The income tax expense for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Profit before income tax expense	<u>95,754,631</u>	<u>73,062,059</u>
Tax calculated at Hong Kong profits tax rate of 16.5% (2013: 16.5%)	15,799,514	12,055,240
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,441,607)	(1,196,725)
Tax effect of expenses not deductible for tax purposes	1,673	962,323
Tax effect of revenue not taxable for tax purposes	(291,683)	(37,418)
Tax effect of tax loss not recognised	3,663,972	1,636,475
Tax benefits	(1,637,061)	(893,990)
Others	(50,182)	902,114
Withholding tax on undistributable profits of a subsidiary in PRC	<u>4,436,914</u>	<u>4,737,344</u>
Income tax expense	<u>20,481,540</u>	<u>18,165,363</u>

8. DIVIDEND

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
Final, proposed – HK\$0.022 (2013: HK\$0.018) per share	<u>12,248,500</u>	<u>10,021,500</u>

The directors propose a final dividend of HK\$0.022 (2013: HK\$0.018) per ordinary share to be paid. The amount of proposed final dividend for 2014 is based on 556,750,000 shares (2013: 556,750,000) issued as at 31 December 2014. 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 2015.

9. EARNINGS PER SHARE

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

Earnings

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
Earnings for the purposes of basic and diluted earnings per share	<u>75,273,091</u>	<u>54,896,696</u>

Number of shares

	2014	2013
Weighted average number of ordinary shares for the purposes of basic earnings per share	556,750,000	556,750,000
Effect of dilutive potential ordinary shares: – options	<u>2,216,050</u>	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>558,966,050</u>	<u>556,750,000</u>

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements <i>HK\$</i>	Construction in progress <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
Cost						
At 1 January 2013	4,406,473	99,600,515	47,973,937	2,147,853	3,363,311	157,492,089
Additions	–	28,484,903	2,921,089	2,387,873	205,488	33,999,353
Transfer from construction in progress	120,458,299	(129,919,934)	9,461,635	–	–	–
Write offs	–	–	(422,878)	(504,420)	–	(927,298)
Exchange adjustment	1,559,430	1,834,516	1,670,950	73,670	108,951	5,247,517
At 31 December 2013	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
Write offs	(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
Accumulated depreciation and impairment						
At 1 January 2013	4,406,473	–	663,361	1,596,750	1,698,688	8,365,272
Charge for the year	–	–	1,631,551	214,706	485,060	2,331,317
Write offs	–	–	(243,706)	(458,345)	–	(702,051)
Exchange adjustment	–	–	38,930	31,138	59,963	130,031
At 31 December 2013	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
Write offs	(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
Carrying amount						
At 31 December 2014	<u>124,912,902</u>	<u>–</u>	<u>54,384,336</u>	<u>2,395,926</u>	<u>1,241,579</u>	<u>182,934,743</u>
At 31 December 2013	<u>122,017,729</u>	<u>–</u>	<u>59,514,597</u>	<u>2,720,727</u>	<u>1,434,039</u>	<u>185,687,092</u>

As at 31 December 2014, the buildings and leasehold improvements of HK\$124,912,902 (2013: HK\$122,017,729) have been pledged as security for bank borrowings.

11. INVENTORIES

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Raw materials	7,677,025	1,912,758
Work in progress	4,878,658	2,947,323
Finished goods	<u>22,664,821</u>	<u>1,588,881</u>
	<u>35,220,504</u>	<u>6,448,962</u>

12. TRADE AND OTHER RECEIVABLES

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Trade receivables	158,392,561	107,976,716
Other receivables	<u>165,104</u>	<u>730,718</u>
Total	<u>158,557,665</u>	<u>108,707,434</u>

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

The directors have considered the track record of customers and age of the outstanding balances and are of the view that no provision is required as at 31 December 2014 and 2013.

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

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
0 – 60 days	94,829,259	61,817,179
61 – 90 days	27,908,193	20,723,610
> 90 days	<u>35,655,109</u>	<u>25,435,927</u>
	<u>158,392,561</u>	<u>107,976,716</u>

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

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
Not past due	122,737,452	82,540,789
Less than 3 months past due	<u>35,655,109</u>	<u>25,435,927</u>
	<u><u>158,392,561</u></u>	<u><u>107,976,716</u></u>

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. As at 31 December 2014, trade receivables of HK\$35,655,109 (2013: HK\$25,435,927) were past due but not impaired. 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.

13. DEPOSITS AND PREPAYMENTS

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
Deposits	409,909	417,533
Prepayments	<u>25,214,330</u>	<u>2,479,257</u>
	<u><u>25,624,239</u></u>	<u><u>2,896,790</u></u>

As at 31 December 2014, prepayments included an amount of approximately HK\$21,200,000 for the purchases of pharmaceutical products.

Deposits and prepayments of the Group and the Company do not contain impaired assets and their carrying amounts approximate their fair values.

14. TRADE AND OTHER PAYABLES

	2014	2013
	HK\$	HK\$
Current liabilities		
Trade payables	1,155,654	434,836
Other payables (<i>Note</i>)	31,365,877	20,816,027
Accruals (<i>Note</i>)	74,815,642	53,366,138
VAT payable	2,254,873	2,557,066
	109,592,046	77,174,067

Note:

Other payables and accruals are principally consist of retention payable for construction, bonus, promotion and distribution and selling expenses payables.

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

	2014	2013
	HK\$	HK\$
0 – 60 days	699,486	434,836
61 – 90 days	73,462	–
> 90 days	382,706	–
	1,155,654	434,836

MANAGEMENT DISCUSSION AND ANALYSIS

The vision of Essex Bio-Technology Limited (the “Company”) and its subsidiaries (collectively referred to as the “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.

New Factory Commissioned and GMP Certified

The new factory in Zhuhai obtained the Good Manufacturing Practice (“GMP”) certification in December 2013 from China Food and Drug Administration (“CFDA”) of the People’s Republic of China (the “PRC”) and it commenced operation since January 2014. It offers a manufacturing floor area of approximately 20,000 sq.m, an increase of 15,000 sq.m over the previous factory premises. Together with the state-of-the-art technology of manufacturing plant and equipment installed and stringent quality control system, the new manufacturing facility has significantly expanded the Group’s manufacturing capacity and with enhanced capability.

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.

Business Reviews and Prospects

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.

For the year ended 31 December 2014, the Group achieved a revenue of approximately HK\$518.3 million (2013: HK\$347.0 million), representing a growth rate of 49.3%. The revenue was primarily contributed from our flagship products, the Beifushu and Beifuji series and Pfizer Eye Drops.

The Group's sustained growth performance year-on-year is a testament to the clinical acceptance of its products that are well executed by its robust distribution network for sales and marketing activities in China.

In 2014, despite increasing sales from the Beifuji series and the Pfizer Eye Drops, the revenue contributed from the ophthalmic biopharmaceutical products, the Beifushu series, still represented about 50% of Group's total revenue. With the leading position of Beifushu, which coupled with the Pfizer Eye Drops, the Group expects further growth from the ophthalmic products division in the coming years.

The Group's second engine of growth comes from its surface wound healing and treatment biopharmaceutical product, namely the Beifuji series and Beifuxin series. In this regard, since 2013, the Group has expanded its surgical division, which had a total of approximately 280 dedicated sales and marketing staff at the end of 2014. It is in our development plan that more staff will be recruited in 2015 for this division to further expand the business. The Company is optimistic of attaining an accelerated growth from the Beifuji series and the Beifuxin series in the coming years, barring unforeseen circumstances.

In addition, the Group will focus this year on improving capacity utilisation, researching and conducting for new clinical applications for our products and striving for leadership position in strategic clinical markets.

Cooperative Relationship with Pfizer

The Group entered into an import and service agreement with Pfizer International Trading (Shanghai) Limited ("Pfizer") on 17 February 2014. Pursuant to the import and service agreement, the Group is appointed and authorized by Pfizer as its exclusive importer, distributor and promoter for Xalatan® eye drops and Xalacom® eye drops (collectively the "Pfizer Eye Drops") in the Mainland China (excluding Taiwan, Hong Kong and Macau) ("China"). The Pfizer Eye Drops are medicines to lower raised pressure within the eye.

The establishment of the business relationship with Pfizer enables the sharing of our existing channels of distribution with Pfizer, at the same time enhancing the Group's brand image and product spectrum in the ophthalmology arena in China.

Obtaining of a Health Food Certificate

On 16 April 2014, Zhuhai Essex Bio-Pharmaceutical Company Limited (“Zhuhai Essex”), an indirect wholly-owned subsidiary of the Company was granted a 國產保健食品批准證書 (Certificate of Domestic Health Food) (the “Health Food Certificate”) by CFDA for a period from 16 April 2014 to 15 April 2019 in respect of the product known as 貝复®舒輝膠囊 (beifu®shuhui capsules) (“Approved Product”). The Approved Product is to alleviate the tiresome of eyes.

The Group currently has two more eye-care health products under research and development. Further announcement will be made by the Company if any of such eye-care health products has received approval from CFDA.

The Award of Outstanding Enterprise of 2013 (Guangdong Province)

On 23 April 2014, the 20th Forum of Entrepreneurs of Guangdong Province and Award Ceremony (“the Award Ceremony”) organized by Guangdong Enterprises Confederation and Guangdong Entrepreneurs Association was held in Guangzhou. The Award Ceremony honoured the Outstanding Enterprises, Elite Entrepreneurs, Best Credit Enterprises and Exemplary Enterprises of Good Faith, in recognition of their significant contributions to the economic and social development of Guangdong Province in 2013.

Zhuhai Essex won the award of “Outstanding Enterprise of 2013 (Guangdong Province)”.

Strategic Cooperation Framework Agreement with Wenzhou Medical University

On 19 August 2014, Zhuhai Essex entered into a strategic cooperation framework agreement with Wenzhou Medical University (溫州醫科大學) (“Wenzhou Medical”) (the “Framework Agreement”) for collaboration in the pursuit of research and development of biopharmaceutical products utilising Fibroblast Growth Factor (“FGF”) and enhancing teaching and research capabilities.

Pursuant to the Framework Agreement, Wenzhou Medical agrees, among other things, to extend its bio-technological research resources and technical capabilities in the research and development of bio-pharmaceutical products (including utilising FGF) to Zhuhai Essex in relation to:

1. enhancing existing FGF based biopharmaceutical products of Zhuhai Essex and providing technology upgrades;
2. giving priority to Zhuhai Essex to commercialise incubated FGF based biopharmaceutical products developed by Wenzhou Medical;
3. assisting Zhuhai Essex in developing new products, new technologies and new equipment; and
4. providing training for relevant personnel of Zhuhai Essex.

Zhuhai Essex agrees, among other things, to extend its research, development and manufacturing facilities to Wenzhou Medical in relation to:

1. collaborating with Wenzhou Medical to build a FGF research and production base and providing a platform to commercialise incubated FGF based bio-pharmaceutical products developed by Wenzhou Medical;
2. providing internships and training for students of Wenzhou Medical; and
3. providing Wenzhou Medical with appropriate trial production conditions to assist it in its scientific research.

This strategic cooperation with Wenzhou Medical will broaden Zhuhai Essex's research and development, product pipeline and reinforce Zhuhai Essex's leading position in the FGF-based biopharmaceutical product arena.

Market Development

The Group's sales are propelled by its robust network of independent agents/distributors and directly owned regional sales offices ("RSOs"). An additional regional sales office was established in Guizhou, the PRC in January 2015. At the date of this announcement, the Group has 29 RSOs spreading across major cities and provinces of the PRC, which are effectively tasked with the function of promotional programmes of the Group's products to and interaction with pharmaceutical companies, medical practitioners and hospitals. In addition, these RSOs served another vital role, as market intelligence for the Group's planning on clinical studies and research and development pipeline.

The Group's flagship products are being marketed to more than 3,000 hospitals spreading across major cities and provinces in the PRC. During the year under review, the Group had conducted/participated in over 310 seminars and 720 market promotion activities in major cities and provinces in the PRC. Our sales and marketing team is in constant contact with over 150,000 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 ("rDNA") more particularly the basic fibroblast growth factor ("bFGF") and its genetic engineering know-how. 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.

Apart from its genetic engineering know-how, the Group has channeled its resources and investment in recent years to establish a new production technology platform – the Blow-Fill-Seal ("BFS"). The BFS platform would enable the Group to develop and produce a series of preservative-free single dose drugs. The establishment of BFS shall strengthen the Group's core manufacturing competency in the field of ophthalmology.

As at the date of this announcement, 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 basic fibroblast growth factor. 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.

The Group currently has over 10 development projects in the research and development pipeline, which includes derivative of bFGF products, antibody and eye drops for ocular wound healing, drugs for treatment of ocular bacterial infection, fatigue, allergy, dry eyes, etc.

Financial Review

During the year under review, the Group achieved a turnover of approximately HK\$518.3 million (2013: HK\$347.0 million), representing a growth rate of 49.3%. The increase was attributed from:

1. Beifushu and Beifuji series 30.6%; and
2. Other businesses including selling and promotion of Pfizer Eye Drops 18.7%.

The Group's gross profit has grown in tandem with the expanded sales. The gross profit for the year ended 31 December 2014 was approximately HK\$411.3 million (2013: HK\$310.9 million), an increase of 32.3%.

The profit attributable to owners of the Company was approximately HK\$75.3 million as compared to approximately HK\$54.9 million for the previous year, representing an increase of 37.1%.

The distribution and selling expenses were approximately HK\$271.4 million as compared to approximately HK\$212.0 million for the previous year, representing an increase of 28.0%. This increase in the distribution and selling expenses was mainly attributable to the expansion of sales and marketing function, organization of seminars for product training and awareness.

The administrative expenses for the year under review were approximately HK\$42.4 million compared to approximately HK\$25.6 million for the previous year, representing an increase of 65.7%. The increase of administrative expenses is mainly due to the provision of approximately HK\$12.6 million equity settled share-based payments for the share options granted in October 2013 and the expansion of production capacities and operations.

The Group had cash and cash equivalents of approximately HK\$62.0 million as at 31 December 2014 (2013: HK\$54.5 million).

The bank borrowings as at 31 December 2014 were RMB40 million (equivalent to approximately HK\$50.5 million). They are secured by certain assets of the Group, repayable within one year and bear interest at prevailing interest rate.

The total finance costs of the Group for the year ended 31 December 2014 were approximately HK\$3.8 million and were fully charged to profit or loss for the year ended 31 December 2014.

Future Plans for Material Investments or Capital Assets

Save as disclosed in this announcement, as at 31 December 2014, 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 2014, the Group obtained banking facilities of RMB60 million (equivalent to approximately HK\$75.8 million), of which RMB40 million (equivalent to approximately HK\$50.5 million) was utilised.

As at 31 December 2014, the Group had cash and cash equivalents of approximately HK\$62.0 million as compared to approximately HK\$54.5 million as at 31 December 2013.

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. Adjusted capital comprises all components of equity. The net debts-to-adjusted capital ratio as at 31 December 2014 was 29.7% (2013: 28.9%).

Charges on Group Assets

As at 31 December 2014, the Group's certain assets with carrying amount in aggregate of approximately HK\$132.3 million were pledged to secure its banking facilities.

Capital Commitments

As at 31 December 2014, the Group had capital commitments amounted to approximately HK\$10.5 million. The Group had no material capital commitments as at 31 December 2013.

Contingent Liabilities

As at 31 December 2014, the Group did not have any significant contingent liabilities (2013: Nil).

Foreign Exchange Exposure

It is the Group's policy to borrow and deposit cash in local currencies to minimise 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 2014, the Group had a total of 695 full-time employees. The aggregate remuneration of the Group's employees, including that of the Directors, for the year under review and the preceding year amounted to approximately HK\$45.8 million and approximately HK\$32.9 million respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Share options and bonuses are also available to employees of the Group at the discretion of the Directors depending on the financial performance of the Group.

Each executive Director has entered into a service agreement with the Company for a term of three years commencing from 27 June 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 agreements and he is also entitled to a discretionary annual bonus of such amount (if any) as the Board may determine in its discretion from time to time having regard to the operating results of the Group and his performance in the relevant financial year, provided that (a) the aggregate amount of the discretionary annual bonuses payable to all directors of the Company in any financial year shall not exceed 5% of the consolidated net profit after taxation and non-controlling interests but before extraordinary items of the Company as shown in its consolidated audited accounts for such financial year ("Net Profit"); (b) the Net Profit for such financial year exceeds HK\$30,000,000; and (c) the amount of the discretionary annual bonus payable to each director of the Company in respect of any financial year shall not exceed 1.3 times of his annual basic salary as a director of the Company in respect of such financial year. The discretionary annual bonus, if any, shall be payable in respect of each financial year of the Company within three (3) months after the issue of the consolidated audited accounts of the Group for such financial year.

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

DIVIDENDS

The Directors have recommended the payment of a final dividend of HK\$0.022 per share for the financial year ended 31 December 2014 to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 19 May 2015. The final dividend will be payable on 27 May 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 5 May 2015 to Friday, 8 May 2015, both days inclusive, for ascertaining shareholders' right to attend and vote at the forthcoming annual general meeting to be held on Friday, 8 May 2015. During this period, no transfer of shares will be registered. In order to be entitled to attend the 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 Monday, 4 May 2015. The register of members of the Company will be closed from Friday, 15 May 2015 to Tuesday, 19 May 2015 for ascertaining shareholders' entitlement to the proposed final dividend. No transfer of shares will be registered during this period. In order to qualify for the proposed final dividend to be approved at the forthcoming annual general meeting to be held on Friday, 8 May 2015, 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, 14 May 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the financial year ended 31 December 2014.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's results for the year ended 31 December 2014 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2014. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary results announcement.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2014 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board under the recommendation of the Audit Committee.

By order of the Board
Essex Bio-Technology Limited
Ngiam Mia Je Patrick
Chairman

Hong Kong
18 March 2015

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