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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 2015

The board of directors (“Board”) of Essex Bio-Technology Limited (“Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as “Group”) for the year ended 31 December 2015 (“FY2015”) together with comparative figures for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK\$	2014 HK\$
Turnover	3	654,010,499	518,299,695
Cost of sales		<u>(124,418,858)</u>	<u>(107,042,880)</u>
Gross profit		529,591,641	411,256,815
Other revenue	5	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		(2,056,200)	(3,807,592)
Profit before taxation	6	130,650,841	95,754,631
Taxation	7	(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	9	HK18.75 cents	HK13.52 cents
– Diluted	9	HK18.51 cents	HK13.47 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Notes</i>	2015 HK\$	2014 HK\$
Non-current assets			
Property, plant and equipment	10	174,335,835	182,934,743
Land use rights		6,774,816	7,342,163
Goodwill		2,416,690	2,588,991
Other intangible assets	11	34,367,867	26,099,017
Convertible loan receivables	12	11,937,448	–
Available-for-sale financial assets		3,882,008	–
Deposits and prepayments	13	23,398,660	–
Pledged bank deposits		20,000,000	–
Total non-current assets		277,113,324	218,964,914
Current assets			
Inventories	14	38,678,761	35,220,504
Trade and other receivables	15	206,427,250	158,557,665
Deposits and prepayments	13	49,746,406	25,624,239
Convertible note receivable		–	2,700,130
Cash and cash equivalents		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	16	154,288,480	109,592,046
Bank borrowings		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		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		55,954,100	55,675,000
Reserves		356,992,736	275,370,832
TOTAL EQUITY		412,946,836	331,045,832

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 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.

3. TURNOVER

Turnover represents the sales value of goods supplied to customers and service income (net of sales tax, value-added tax, commercial discounts and sales returns). The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
Sales of pharmaceutical products	602,836,400	488,593,327
Provision of marketing services	51,174,099	29,706,368
	<u>654,010,499</u>	<u>518,299,695</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 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-maker 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 <i>HK\$</i>	Provision of marketing services <i>HK\$</i>	Total <i>HK\$</i>
Reportable segment revenue			
Revenue from external customers	<u>602,836,400</u>	<u>51,174,099</u>	<u>654,010,499</u>
Reportable segment profit	<u>121,940,812</u>	<u>30,446,682</u>	<u>152,387,494</u>

For the year ended 31 December 2014

	Sales of pharmaceutical products <i>HK\$</i>	Provision of marketing services <i>HK\$</i>	Total <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 consolidated financial statements as follows:

	2015	2014
	HK\$	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)
	<u>130,650,841</u>	<u>95,754,631</u>

Major corporate expenses mainly included staff cost, directors' emoluments, impairment loss on convertible note 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.

5. OTHER REVENUE

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

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.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
Auditor's remuneration	765,242	666,500
Amortisation of other intangible assets	248,571	284,019
Amortisation of land use rights	167,276	169,894
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.

7. TAXATION

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

	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
Current tax – the PRC		
– Provision for the year	20,228,846	12,616,943
Deferred tax	5,526,805	7,864,597
	<u>25,755,651</u>	<u>20,481,540</u>

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.

8. DIVIDENDS

	2015	2014
	HK\$	HK\$
Proposed final dividend – HK\$0.025 (2014: HK\$0.022) per share	<u>13,988,525</u>	<u>12,248,500</u>

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.

9. 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	2014
	HK\$	HK\$
Profit attributable to owners of the Company for the purposes of calculating basic and diluted earnings per share	<u>104,895,190</u>	<u>75,273,091</u>

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	<u>7,169,680</u>	<u>2,216,050</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>566,710,680</u>	<u>558,966,050</u>

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements <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 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)
	<u>127,405,443</u>	<u>62,581,089</u>	<u>4,373,666</u>	<u>3,853,111</u>	<u>198,213,309</u>
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)
	<u>120,348,486</u>	<u>68,994,808</u>	<u>5,222,929</u>	<u>3,639,688</u>	<u>198,205,911</u>
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
	<u>2,492,541</u>	<u>8,196,753</u>	<u>1,977,740</u>	<u>2,611,532</u>	<u>15,278,566</u>
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)
	<u>4,754,334</u>	<u>13,782,466</u>	<u>2,506,989</u>	<u>2,826,287</u>	<u>23,870,076</u>
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	<u><u>115,594,152</u></u>	<u><u>55,212,342</u></u>	<u><u>2,715,940</u></u>	<u><u>813,401</u></u>	<u><u>174,335,835</u></u>
At 31 December 2014	<u><u>124,912,902</u></u>	<u><u>54,384,336</u></u>	<u><u>2,395,926</u></u>	<u><u>1,241,579</u></u>	<u><u>182,934,743</u></u>

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.

11. 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	<u>(121,282)</u>	<u>(5,454)</u>	<u>(126,736)</u>
At 31 December 2014	40,653,194	2,526,051	43,179,245
Additions	11,644,249	–	11,644,249
Exchange adjustment	<u>(2,711,869)</u>	<u>(69,999)</u>	<u>(2,781,868)</u>
At 31 December 2015	<u>49,585,574</u>	<u>2,456,052</u>	<u>52,041,626</u>
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	<u>(67,350)</u>	<u>(2,746)</u>	<u>(70,096)</u>
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	<u>(915,122)</u>	<u>(21,489)</u>	<u>(936,611)</u>
At 31 December 2015	<u>15,973,745</u>	<u>1,700,014</u>	<u>17,673,759</u>
Carrying amount:			
At 31 December 2015	<u>33,611,829</u>	<u>756,038</u>	<u>34,367,867</u>
At 31 December 2014	<u>25,045,898</u>	<u>1,053,119</u>	<u>26,099,017</u>

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.

12. 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 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, 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	Derivative component	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At issue date and 31 December 2015	<u>6,621,379</u>	<u>5,316,069</u>	<u>11,937,448</u>

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.

13. DEPOSITS AND PREPAYMENTS

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
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	<u>7,312,525</u>	<u>4,044,729</u>
Total	73,145,066	25,624,239
Less: Current Portion	<u>(49,746,406)</u>	<u>(25,624,239)</u>
Non-current Portion	<u><u>23,398,660</u></u>	<u><u>–</u></u>

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

14. INVENTORIES

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

15. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Trade receivables	201,524,191	158,392,561
Other receivables	<u>4,903,059</u>	<u>165,104</u>
Total	<u><u>206,427,250</u></u>	<u><u>158,557,665</u></u>

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

The directors have considered the track record of customers and age of the outstanding balances and are of the view that no provision is required as at 31 December 2015 and 2014.

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

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

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

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

16. TRADE AND OTHER PAYABLES

	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
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
	<u>154,288,480</u>	<u>109,592,046</u>

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

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

MANAGEMENT DISCUSSION AND DISCUSSION

Business Review and Prospects

The vision of the Group is to be a great and socially responsible corporation. Strategically, the Group is in pursuit of innovations in 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 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 dermatology, stomatology and obstetrics) and ophthalmology arena, during the year under review and up to the date of this announcement, 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*®*齶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* (*齶齒微創祛腐凝膠*) 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 announcement, 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 announcement, 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 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 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.

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.

Future Plans for Material Investments or Capital Assets

Save as disclosed in this announcement, 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 ("Director"), 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.

DIVIDENDS

The Directors have recommended the payment of a final dividend of HK\$0.025 per share for the financial year ended 31 December 2015 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.

CLOSURE OF REGISTER OF MEMBER

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.

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 FY2015.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's results for the year ended 31 December 2015 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 2015. 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 2015 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.

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

Hong Kong
18 March 2016

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

* *For identification purpose only*