ESSEX

ESSEX BIO-TECHNOLOGY LIMITED

億勝生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1061)

ANNUAL REPORT 2011

Contents

Corporate Information

Board of Directors

Executive Directors

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

Independent Non-executive Directors

Mr. Fung Chi Ying
Mr. Mauffrey Benoit Jean Marie
Ms. Yeow Mee Mooi

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee
(Established on 23 March 2012)

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

Company Secretary

Ms. Yau Lai Man MBA, ACA, CPA (practising)

Authorised Representatives

Mr. Zhong Sheng
Ms. 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

Building 03
Dongda Electronic City
North Mingzhu Road #63
Zhuhai
The People's Republic of China

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
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

Bank of China (Hong Kong) Limited
Bank of Communications
China Merchants Bank
Industrial and Commercial Bank of China (Asia) Limited

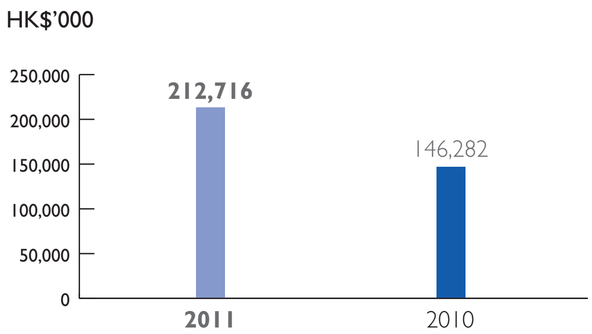
Stock Code

01061

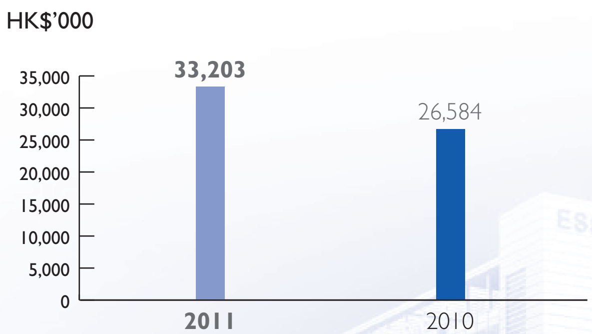
Financial Highlights

	2011 HK$'000	2010 HK$'000	% Change
Turnover	**212,716**	146,282	45.4
Profit attributable to owners of the Company	**33,203**	26,584	24.9
Basic earnings per share (HK cents)	**5.96**	4.77	24.9
Cash and cash equivalents	**36,812**	78,907	–53.3

Turnover



Profit attributable to owners of the Company



CHAIRMAN'S STATEMENT

Mr. Ngiam Mia Je Patrick
Chairman

On behalf of the board of directors (the "Board") of Essex Bio-Technology Limited (the "Company"), I am pleased to present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011.

Overall Results

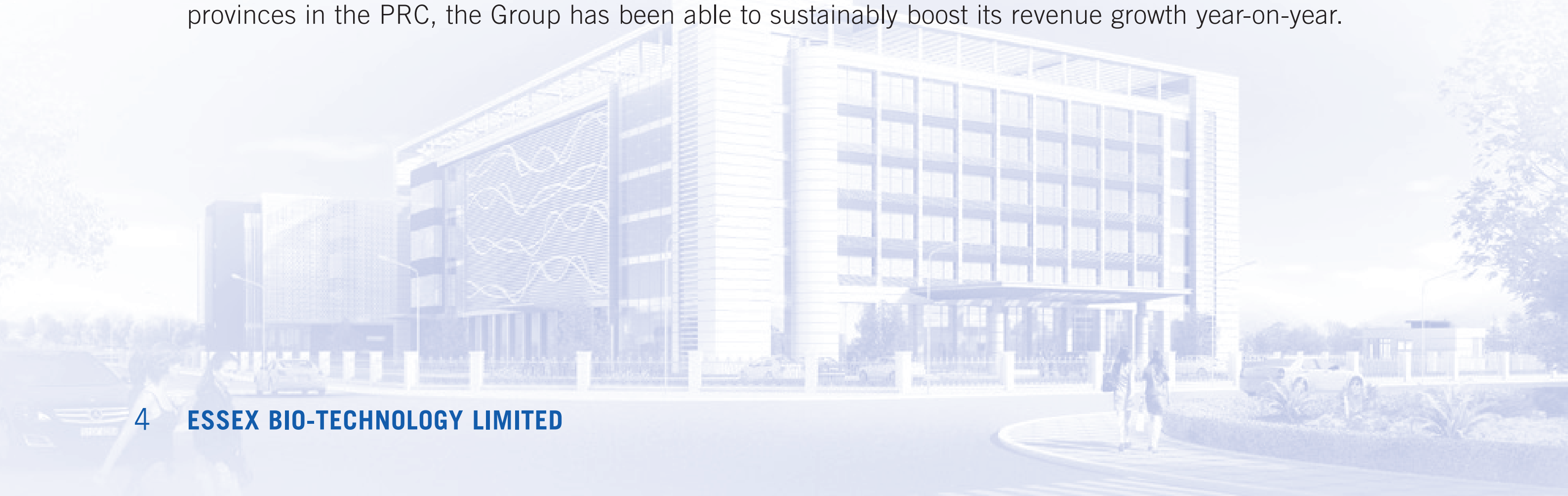
The Group's core business in biopharmaceutical products has made encouraging progress, with a recorded turnover of approximately HK$212.7 million for the year ended 31 December 2011, representing an increase of 45.4% as compared with approximately HK$146.3 million in the year 2010. Profit attributable to owners of the Company has increased to approximately HK$33.2 million, representing an increase of 24.9% from approximately HK$26.6 million in the year 2010. The increase in turnover and profit was attributed to wider market coverage and sustaining clinical acceptance of the Group's core products.

Construction of New Factory

The construction of the building of the new factory in Zhuhai, the People's Republic of China (the "PRC") had been completed at the end of 2011. It is now undergoing installation of facilities, plant and equipment, and is in the process of obtaining its GMP certification under the regulatory requirements of the State Food and Drug Administration of the PRC ("SFDA"), targeted for completion by mid 2013. The new factory will have a total manufacturing floor area of approximately 20,000 sq.m., an increase of approximately 15,000 sq.m. over the current factory space. The additional space and facilities provided by the new factory will enable the Group's future operational expansion, in both the research and development capability and manufacturing capacity for reaching greater competitiveness and economies of scale of the Group.

Distribution Network

The Group established 4 new regional sales offices ("RSOs") (formerly known as direct representative offices) in Shaanxi, Ganzhou, Shantou and Nanjing, the PRC, bringing the total number of RSOs to 27 during the year under review. Leveraging on the establishment of RSOs throughout major cities and provinces in the PRC, the Group has been able to sustainably boost its revenue growth year-on-year.



Chairman's Statement

Outlook and Prospects

The overall global economic outlook for 2012 remains bleak and uncertain. In the Mainland China, the PRC government continues to implement an active fiscal policy and appropriately apply monetary easing policy to boost domestic demand and tackle inflation, as well as, amongst others, continuing with the health care reform.

Amid the challenges, the Group remains committed to prudently and pragmatically channeling its resources and investments in new markets and products development that will contribute to near-term growth and harness long-term sustainability for its core business.

In addition, we will continue to seek sound investment opportunities to expand the Group's business progressively and to achieve synergistic benefits to its current operations, with a view to enhance the Group's competitiveness and shareholders value.

Appreciation

In appreciation to the shareholders' continued support, the Board proposed a final dividend of HK1.20 cents per share for the financial year ended 31 December 2011.

I would like to take this opportunity to thank our shareholders, business associates, our valued customers and every member of the Group for their support and contributions.

Mr. Ngiam Mia Je Patrick
Chairman

Hong Kong
23 March 2012

Profiles Of Directors And Senior Management

Mr. Ngiam Mia Je Patrick

Aged 57, Mr. Ngiam graduated in electronics engineering and is the founder of the Group, an executive Director and Chairman of the Company. He is responsible for corporate planning, business development strategy and overall direction of the Group. Mr. Ngiam has received many accolades and awards for his achievements. 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. He is also a member of the remuneration committee and nomination committee of the Company, a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited and Zhuhai Essex Bio-Pharmaceutical Company Limited, all being subsidiaries of the Company. Mr. Ngiam is also a director of Essex Holdings Limited which has 51.81% interest in the share capital of the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Mr. Fang Haizhou

Aged 46, Mr. Fang is the executive Director, the managing Director and 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 Haizhou is also a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited, Essex Medipharma (Zhuhai) Company Limited and Zhuhai Essex Bio-Pharmaceutical Company Limited, all being subsidiaries of the Company.

Mr. Zhong Sheng

Aged 47, 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 fifteen year experience in financial management and project management. Mr. Zhong is also a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited and Zhuhai Essex Bio-Pharmaceutical 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. Mr. Zhong is a director of Essex Holdings Limited which has 51.81% interest in the share capital of the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Profiles Of Directors And Senior Management

Mr. Fung Chi Ying

Aged 57, Mr. Fung was appointed as 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.

Mr. Mauffrey Benoit Jean Marie

Aged 59, Mr. Mauffrey was appointed as 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.

Ms. Yeow Mee Mooi

Aged 49, Ms. Yeow was appointed as 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 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 practising accountant of The Hong Kong Institute of Certified Public Accountants and The Australian Society of Certified Practising Accountants. Ms. Yeow has over 20 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.

Mr. Wang Xinzhi

Aged 48, Mr. Wang joined the Group on 10 November 2000 and was appointed as 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 serveral industries in the PRC.

Ms. Yau Lai Man

Aged 48, Ms. Yau was appointed as financial controller and company secretary of the Company in 2001. Ms. Yau graduated from The University of Warwick in the United Kingdom with a master degree in business administration. Ms. Yau is a member holding Practising Certificate of the Hong Kong Institute of Certified Public Accountants. She is also a member of the Institute of Chartered Accountants in England and Wales. Ms. Yau is an authorised representative of the Company. She has over 21 years auditing and commercial experiences.

Management Discussion And Analysis

Essex's Sales and distribution network

Business Review and Prospects

Year 2011 is a remarkable year for the Group. The Company had successfully transferred the listing of its shares from the Growth Enterprise Market to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2011. The Board believes that the transfer of listing will improve the liquidity of the shares and enhance the profile of the Company. The Board considers that the transfer of listing will be beneficial to the future growth and business development of the Group as well as its financing flexibility.

During the year under review, the Group's principal activities were manufacture and sale of biopharmaceutical products for the treatment and healing of surface wounds and eye wounds. The Group was also engaged in the research and development of bFGF products for new indications, as well as other ophthalmic pharmaceutical projects.

The Group's revenue for the year 2011 increased by 45.4% to approximately HK$212.7 million (2010: HK$146.3 million).

During the year under review, the revenue of the Group's flagship biopharmaceutical products, Beifushu and Beifuji, represents over 90% of the overall Group's revenue. The significant growth is a testament to the function and purpose of the network of the regional sales offices ("RSOs"), which have been established and nurtured over the last few years, and the proven clinical efficacy of its products.

The Group's years of relentless investments in market cultivation and the seeking of new clinical applications of its products have gained stronger foothold for sustainable growth prospects.

Market Development

The Group established 4 new RSOs in Shaanxi, Ganzhou, Shantou and Nanjing, the PRC, bringing the total number of RSOs to 27 during the year under review. There are over 1,300 hospitals in major provinces in the PRC that carry the Group's flagship pharmaceutical products.

To cultivate wider market coverage for reaching out to potential patients of the Group's genetic products, the Group has conducted and/or participated in over 178 seminars and 673 market promotion activities in major cities and provinces in the PRC during the year under review, educating and briefing more than 50,000 doctors and medical practitioners on the clinical applications of the Group's products.

The 12th Ophthalmology Conference of Guangdong Province was held on 10 December 2011 in Shantou, Guangdong

The 13th Five Northwestern Provinces (Region) Ophthalmology Academic Conference was held on 24 June 2011 in Urumqi, Xinjiang

Research and Development ("R&D")

The Group's R&D initiative continues to capitalise on its core-competency in the recombinant of DNA arena (rDNA), in particular, the basic fibroblast growth factor – bFGF. Proliferating new products using bFGF as the main ingredient for new indications as well as ever improving on the quality standard are pragmatic investments undertaken to enable the Group to maintain its leading position in the application of bFGF for various clinical indications.

In addition, the Group will focus on expanding its R&D efforts to create a large portfolio of eye care and treatment products to enable the Group to become a key player in the eye care and treatment arena in the PRC in years to come.

Strengthening on the Group's intellectual properties is relentlessly being cultivated. A total of five applications for patents have been filed with the Patent Office in the PRC, and one patent on "bFGF medical amniotic membrane" had been granted during the year under review, others are pending approval.

Financial Review

During the year ended 31 December 2011, the Group maintained a rapid and continuous growth, with a recorded turnover for the year ended 31 December 2011 reaching approximately HK$212.7 million, representing a significant increase of 45.4% as compared with approximately HK$146.3 million in the preceding year.

Overall gross profit for the year ended 31 December 2011 increased to approximately HK$192.4 million when compared to approximately HK$134.3 million recorded in the preceding year.

Profit attributable to the owners of the Company for the year ended 31 December 2011 increased by 24.9% to approximately HK$33.2 million as compared to approximately HK$26.6 million in the preceding year.

Management Discussion And Analysis

Distribution and selling expenses increased to approximately HK$133.6 million for the year ended 31 December 2011 when compared to approximately HK$89.7 million recorded in the preceding year. The increase was mainly attributable to the establishment of 4 new RSOs in the year under review. Higher expenses incurred in sales, marketing and promotional activities which are in line with the expansion of pharmaceutical business in the year under review.

Administrative expenses rose by 66.6% to approximately HK$19.9 million in the year ended 31 December 2011 when compared to approximately HK$11.9 million recorded in 2010. The increase was due to the continuous expansion of the operations. The addition of new products for development has resulted in the increase of research and development expenses to approximately HK$7.9 million as compared to approximately HK$2 million in 2010.

The Group had cash and cash equivalents of approximately HK$36.8 million as at 31 December 2011 (2010: HK$78.9 million). The decrease was mainly due to cash used for the construction of new factory in Zhuhai, the PRC. As at 31 December 2011, the pledged bank deposits of RMB15.5 million (equivalent to HK$18.9 million) were pledged to a bank for the guarantees of the construction agreement in respect of the construction work of the factory in Zhuhai and acquisition of plant and machinery from overseas suppliers.

As at 31 December 2011 and 2010, the Group had no bank and other borrowings.

On 16 January 2012, the Group obtained a bank loan of RMB20 million at up-floated 20% over the PRC's benchmark lending interest rate per annum. It is secured by the land use rights and construction in progress and is repayable on 16 January 2013. The purpose of the loan is to finance the acquisition of raw materials and working capital of the Group.

Future Plans for Material Investments or Capital Assets

The construction of the building of the new factory in Zhuhai, the PRC had been completed at the end of 2011. It is now undergoing installation of facilities, plant and equipment, and is in the process of obtaining its GMP certification under the regulatory requirements of the State Food and Drug Administration of the PRC, targeted for completion by mid 2013. The new factory will have a total manufacturing floor area of approximately 20,000 sq.m., an increase of approximately 15,000 sq.m. over the current factory space. The additional space and facilities provided by the new factory will enable the Group's future operational expansion, in both the research and development capability and manufacturing capacity for reaching greater competitiveness and economies of scale of the Group.

The expected source of funding for the construction of the new factory and acquisition of new facilities, plant and equipment will come from the Group's internal sources and short-term bank borrowings.

Management Discussion And Analysis

Liquidity and Financial Resources

As at 31 December 2011, the Group had cash and cash equivalents of approximately HK$36.8 million as compared to approximately HK$78.9 million as at 31 December 2010.

As at 31 December 2011, the pledged bank deposits of RMB15.5 million (equivalent to HK$18.9 million) were pledged to a bank for the guarantees of the construction agreement in respect of the construction work of the factory in Zhuhai and acquisition of plant and machinery from overseas suppliers.

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 includes 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 at 31 December 2011 is 8.3% (2010: zero).

Charges on Group Assets

As at 31 December 2011, the Group's pledged bank deposits, land use rights and certain construction in progress with carrying amount in aggregate of approximately HK$57.6 million were pledged to secure its bank facility.

Commitments

As at 31 December 2011, the Group had contracted capital commitments of approximately HK$20.8 million (2010: HK$24.6 million).

Contingent Liabilities

As at 31 December 2011, the Group did not have any significant contingent liabilities (2010: Nil).

Bank Borrowings

The Group had no outstanding bank borrowings as at 31 December 2011 (2010: Nil).

On 16 January 2012, the Group obtained a bank loan of RMB20 million at up-floated 20% over the PRC's benchmark lending interest rate per annum. It is secured by the land use rights and construction in progress and is repayable on 16 January 2013. The purpose of the loan is to finance the acquisition of raw materials and working capital of the Group.

Foreign Exchange Exposure

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

Management Discussion And Analysis

Treasury Policy

The Group generally financed its operations with internally generated cash flows, short-term 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 2011, the Group had a total of 320 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$20.6 million and approximately HK$14.1 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 and depending on the financial performance of the Group. Details of the share option scheme of the Company are disclosed in note 31 to the financial statements on page 71 of this report.

Each of the three executive Directors has entered into a service agreement with the Company whereby each of them had been appointed to act as an executive Director for a term of three years commencing from 27 June 2010 and expiring on 26 June 2013 unless terminated (without cause) by the Company giving not less than six months' prior written notice to the relevant Director. The executive Directors shall not be entitled to terminate their respective appointments at any time during the term unless with the written consent of the Company deliberated by the board of Directors. The annual remuneration of the executive Directors was fixed in the respective service agreements and each of the executive Directors is also entitled to a discretionary management bonus to be determined having regard to the operating results of the Group and his performance in the relevant financial year, provided that the aggregate amount of such management bonuses payable to all executive Directors in any financial year shall not exceed 6% of the consolidated net profits after taxation and non-controlling interests but before extraordinary items of the Company for such financial year and that the said consolidated net profits for such year exceeds HK$5,000,000. Such management bonuses shall be payable within three months after the issue of the audited consolidated accounted of the Group for the relevant financial year.

Other remuneration and benefits, including retirement benefits scheme, remained at appropriate level. Particulars are detailed in the relevant section of this report.

Report Of The Directors

The directors (the "Directors") of the Company are pleased to present their report and the audited financial statements of the Company and the consolidated financial statements of the Group for the year ended 31 December 2011.

The Company had transferred the listing of its shares from the Growth Enterprise Market to the Main Board of the Stock Exchange on 23 June 2011.

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 32 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 28 to 76. The Directors have recommended the payment of a final dividend of HK1.20 cents per share for the financial year ended 31 December 2011 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 16 May 2012. The final dividend will be payable on 28 May, 2012.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 2 May 2012 to Monday, 7 May 2012, both days inclusive, for ascertaining shareholders' right to attend and vote at the forthcoming annual general meeting to be held on Monday, 7 May 2012. 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, 30 April 2012.

The register of members of the Company will be closed from Monday, 14 May 2012 to Wednesday, 16 May 2012 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 Monday, 7 May 2012, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Hong Kong share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 11 May 2012.

Report Of The Directors

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 77 to 78. This summary does not form part of the audited financial statements.

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. Details of the Company's share capital and details of the Company's share option schemes are set out in notes 28 and 31 respectively 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 (the "Listing Rules").

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.

Reserves

Details of movements in the reserves of the Company and of the Group during the year under review are set out in note 29 to the financial statements and in the consolidated statement of changes in equity on page 30, respectively.

Report Of The Directors

Distributable Reserves

As at 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands as detailed in note 29 to the financial statements, amounted to HK$2,788,891. 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$9,788,891, of which HK$6,681,000 has been proposed as a final dividend for the year.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 37.7% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 20.0% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 68.2% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 16.0% of the Group's total purchases.

None of the Directors, or any of their 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 the year and up to the date of this report were:

Executive Directors:

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

Independent non-executive Directors:

Mr. Fung Chi Ying
Mr. Mauffrey Benoit Jean Marie
Ms. Yeow Mee Mooi

In accordance with the Company's articles of association and as recommended by the nomination committee of the Company, Mr. Fang Haizhou and Mr. Zhong Sheng will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting to be held on Monday, 7 May 2012.

Report Of The Directors

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 27 June 2010 and expiring on 26 June 2013 unless terminated (without cause) by the Company giving not less than six months' prior written notice to the relevant Director. The executive Directors shall not be entitled to terminate their respective appointments at any time during the term unless with the written consent of the Company deliberated by the board of Directors.

Details of the appointments of the independent non-executive Directors are set out in the Corporate Governance Report on page 21 of this report.

Save as disclosed in note 10 to the financial statements, there were no other emoluments, pension and any compensation arrangements for the Directors and past Directors as are specified in Sections 161 and 161A of the Companies Ordinance (Chapter 32, 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

No 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 had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year under review.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2011, 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 (the "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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name	**Capacity**	**Number of ordinary shares in the Company**	**Approximate percentage of interest in the Company's issued share capital as at 31 December 2011**
Mr. Ngiam Mia Je Patrick	Beneficial owner and interests of controlled corporations	297,374,667 *(Notes 1, 2 and 3)*	53.41%
Mr. Fang Haizhou	Beneficial owner	4,738,300	0.85%
Mr. Zhong Sheng	Beneficial owner	2,869,150	0.52%

Notes:

1. *2,250,000 shares were registered in the name of Mr. Ngiam Mia Je Patrick.*

2. *288,458,000 shares were held by Essex Holdings Limited ("Essex Holdings") which is owned as to 50% by Mr. Ngiam Mia Je Patrick and as to 50% by Mr. Ngiam Mia Kiat Benjamin. Therefore, Mr. Ngiam Mia 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 Essex Holdings at general meetings.*

3. *6,666,667 shares were held by Dynatech Ventures Pte Ltd ("Dynatech") which is wholly owned by Essex Investment (Singapore) Pte Ltd ("Essex Singapore"). Since Essex Singapore is owned by Mr. Ngiam Mia Je Patrick and Mr. Ngiam Mia Kiat Benjamin in equal shares, Mr. Ngiam Mia 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.*

Long positions in ordinary shares of the associated corporation of the Company:

Name	Capacity	Associated corporation	Number of ordinary shares in associated corporation	Approximate percentage of the issued share capital of the associated corporation
Mr. Ngiam Mia Je Patrick	Beneficial owner	Essex Holdings Limited	5,000	50.00%

Save as disclosed above, as at 31 December 2011, none of the Directors and the chief executive of the Company or their respective associates 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 2011, 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 ordinary shares of the Company:

Name	**Capacity**	**Number of ordinary shares in the Company**	**Approximate percentage of interest in the Company's issued share capital as at 31 December 2011**
Essex Holdings Limited	Beneficial owner	288,458,000	51.81%
Mr. Ngiam Mia Kiat Benjamin	Beneficial owner and interests of controlled corporations	295,449,667 *(Note 1)*	53.07%
Ms. Lauw Hui Kian	Family interest	297,374,667 *(Note 2)*	53.41%

Notes:

1. (a) *325,000 shares were registered directly in the name of Mr. Ngiam Mia Kiat Benjamin.*

   (b) *288,458,000 shares were held by Essex Holdings which was owned as to 50% by Mr. Ngiam Mia Je Patrick and as to 50% by Mr. Ngiam Mia Kiat Benjamin. Therefore, Mr. 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 Essex Holdings at general meetings.*

   (c) *6,666,667 shares were held by Dynatech which was wholly owned by Essex Singapore, which in turn was owned by Mr. Ngiam Mia Je Patrick and Mr. Ngiam Mia Kiat Benjamin in equal shares. Therefore, Mr. 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.*

2. *Ms. Lauw Hui Kian is the spouse of Mr. Ngiam Mia Je Patrick (an executive Director). Ms. Lauw Hui Kian was deemed to be interested in the shares in which Mr. Ngiam Mia Je Patrick was interested. Mr. Ngiam Mia Je Patrick was interested in 297,374,667 shares of the Company.*

Save as disclosed above, as at 31 December 2011, 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 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.

Report Of The Directors

Connected and Related Party Transactions

Details of the related party transactions for the year under review are set out in note 38 to the financial statements. There were no transactions during the year to be disclosed as connected and related party transactions in accordance with the requirements of the Listing Rules and the Rules Governing the Listing of Securities on the Growth Enterprise Market on the Stock Exchange ("GEM Listing Rules"), as applicable, and accounting principles generally accepted in Hong Kong.

Competition and Conflict of Interests

None of the Directors, the management shareholders and substantial shareholders of the Company and any of their respective 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 and the GEM Listing Rules (as applicable).

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, 7 May 2012.

Corporate Governance

The Company has complied with the code provisions on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules and the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, as applicable, throughout the year under review. Please refer to the Corporate Governance Report on pages 21 to 25 of this report.

ON BEHALF OF THE BOARD

Mr. Ngiam Mia Je Patrick
Chairman

Hong Kong
23 March 2012

Corporate Governance Report

Corporate Governance Practices

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules and the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, as applicable, throughout the financial year ended 31 December 2011.

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 (the "Model Code") and the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "GEM Dealings Standard"), as applicable. Having made specific enquiry of all Directors, all the Directors have confirmed that they have fully complied with the required standards and provisions as set out in the Model Code and the GEM Dealings Standard, as applicable, throughout the financial year ended 31 December 2011.

Board of Directors

The Board of Directors, 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 Profiles of Directors and Senior Management. All 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. Mr. Ngiam Mia Je Patrick is the chairman of the Board and an executive Director, and Mr. Fang Haizhou is the managing Director and an executive Director.

Corporate Governance Report

Board of Directors *(Continued)*

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 shareholders. Mr. Fung Chi Ying, Mr. Mauffrey Benoit Jean Marie and Ms. Yeow Mee Mooi are the independent non-executive Directors. Each of their term of appointment is two years commencing from 30 September 2010, determinable by either party serving not less than one month's written notice on the other, unless both parties agree otherwise.

All 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.

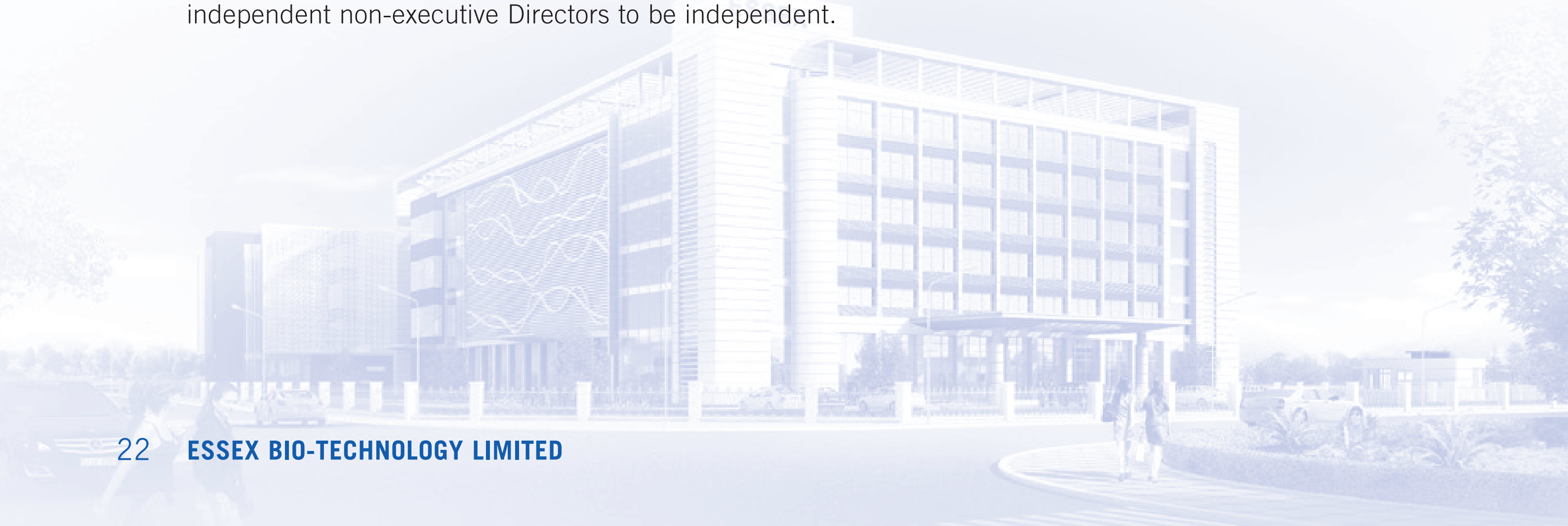
The Board held a full board meeting for each quarter.

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 (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") (together, the "Board Committees") 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.



Board of Directors *(Continued)*

The attendance record for the Board meetings during the year ended 31 December 2011 is as follows:

Directors	Attendance
Executive Directors	
Mr. Ngiam Mia Je Patrick	4/4
Mr. Fang Haizhou	4/4
Mr. Zhong Sheng	4/4
Independent Non-executive Directors	
Mr. Fung Chi Ying	4/4
Mr. Mauffrey Benoit Jean Marie	4/4
Ms. Yeow Mee Mooi	4/4

Remuneration of Directors

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

The role and function of the remuneration committee included 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.

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
Ms. Yeow Mee Mooi	1/1
Mr. Ngiam Mia Je Patrick	1/1
Mr. Fung Chi Ying	1/1
Mr. Mauffrey Benoit Jean Marie	1/1

The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors. The remuneration committee of the Company 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.

Corporate Governance Report

Nomination of Directors

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

The role and function of the nomination committee included 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.

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

Members	**Attendance**
Mr. Ngiam Mia Je Patrick	1/1
Mr. Fung Chi Ying	1/1
Mr. Mauffrey Benoit Jean Marie	1/1
Ms. Yeow Mee Mooi	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, Mr. Fang Haizhou and Mr. Zhong Sheng 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 an audit committee in June 2001 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. New terms of reference of the audit committee have been adopted in March 2012 in compliance with the Listing Rules. During the year under review, the primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three members, Mr. Fung Chi Ying, Mr. Mauffrey Benoit Jean Marie and Ms. Yeow Mee Mooi, all being independent non-executive Directors. The chairman of the audit committee is Mr. Fung Chi Ying.

Audit Committee *(Continued)*

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
Mr. Fung Chi Ying	4/4
Mr. Mauffrey Benoit Jean Marie	4/4
Ms. Yeow Mee Mooi	4/4

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2011 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.

Auditor's Remuneration

During the year under review, the Group has paid in aggregate of HK$447,456 and HK$92,100 to the external auditor for its audit and non-audit services respectively.

Directors' and Auditor's Responsibilities for Accounts

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 December 2011, the Directors have selected appropriate accounting policies and applied them consistently, and have prepared the financial statements on a going concern basis.

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.

Investor Relations and Communication with Shareholders

The Company has established the following communication channels with shareholders and investors: (i) dispatching printed copies of corporate communication documents to shareholders; (ii) the opportunity for shareholders 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 in respect of all share registration matters.

Independent Auditor's Report

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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 (together the "Group") set out on pages 28 to 76, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of 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.

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 judgment, 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 state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Shiu Hong NG
Practising Certificate Number: P03752

Hong Kong, 23 March 2012

Consolidated Statement Of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
Turnover	7	**212,716,340**	146,281,574
Cost of sales		**(20,277,655)**	(11,936,206)
Gross profit		**192,438,685**	134,345,368
Other revenue, gains and (losses)	8	**1,126,117**	(1,466,001)
Distribution and selling expenses		**(133,552,801)**	(89,748,373)
Administrative expenses		**(19,884,567)**	(11,932,228)
Profit before income tax expense	9	**40,127,434**	31,198,766
Income tax expense	13	**(6,924,806)**	(4,614,394)
Profit for the year		**33,202,628**	26,584,372
Other comprehensive income			
Exchange differences on translating foreign operations		**3,307,433**	3,267,231
Total comprehensive income for the year		**36,510,061**	29,851,603
Profit attributable to:			
– Owners of the Company		**33,202,628**	26,584,372
– Non-controlling interests		**–**	–
		33,202,628	26,584,372
Total comprehensive income attributable to:			
– Owners of the Company		**36,510,061**	29,851,603
– Non-controlling interests		**–**	–
		36,510,061	29,851,603
Earnings per share – Basic and diluted	16	**HK5.96 cents**	HK4.77 cents

On behalf of the Board

Fang Haizhou **Zhong Sheng**

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011 HK$	2010 HK$
Non-current assets			
Property, plant and equipment	17	**35,601,836**	11,436,931
Land use rights	18	**7,481,891**	7,379,016
Goodwill	19	**2,488,928**	2,384,580
Other intangible assets	20	**9,533,331**	7,611,128
Convertible note receivable	24	**–**	2,250,110
Deposits and prepayments	23	**21,118,246**	–
Deferred tax assets	27	**2,206,173**	–
Total non-current assets		**78,430,405**	31,061,765
Current assets			
Inventories	21	**4,262,422**	3,662,225
Trade and other receivables	22	**74,587,032**	50,764,174
Deposits and prepayments	23	**2,185,668**	2,217,721
Convertible note receivable	24	**2,700,130**	–
Pledged bank deposits	25	**18,921,233**	2,578,649
Cash and cash equivalents	25	**36,812,068**	78,906,770
		139,468,553	138,129,539
Total assets		**217,898,958**	169,191,304
Current liabilities			
Trade and other payables	26	**50,369,096**	34,508,163
Taxation		**3,188,893**	2,148,549
		53,557,989	36,656,712
Net current assets		**85,910,564**	101,472,827
Total assets less current liabilities		**164,340,969**	132,534,592
Non-current liabilities			
Deferred tax liabilities	27	**1,080,000**	216,184
Total liabilities		**54,637,989**	36,872,896
NET ASSETS		**163,260,969**	132,318,408
Capital and reserves attributable to owners of the Company			
Share capital	28	**55,675,000**	55,675,000
Reserves		**107,585,969**	76,643,408
Equity attributable to owners of the Company		**163,260,969**	132,318,408
Non-controlling interests		**–**	–
TOTAL EQUITY		**163,260,969**	132,318,408

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2011

	Share capital HK$	Share premium HK$	Capital reserve HK$ Note 29(i)	Statutory surplus reserve HK$ Note 29(ii)	Foreign currency translation reserve HK$ Note 29(iii)	Retained profits HK$	Total HK$
At 1 January 2010	**55,675,000**	**969,871**	**362,442**	**8,363,484**	**8,003,932**	**34,659,576**	**108,034,305**
Profit or loss	–	–	–	–	–	26,584,372	26,584,372
Other comprehensive income	–	–	–	–	3,267,231	–	3,267,231
Total comprehensive income for the year	–	–	–	–	3,267,231	26,584,372	29,851,603
Dividend paid	–	–	–	–	–	(5,567,500)	(5,567,500)
Appropriation of profits	–	–	–	4,530,775	–	(4,530,775)	–
At 31 December 2010	**55,675,000**	**969,871**	**362,442**	**12,894,259**	**11,271,163**	**51,145,673**	**132,318,408**
Profit or loss	–	–	–	–	–	33,202,628	33,202,628
Other comprehensive income	–	–	–	–	3,307,433	–	3,307,433
Total comprehensive income for the year	–	–	–	–	3,307,433	33,202,628	36,510,061
Dividend paid	–	–	–	–	–	(5,567,500)	(5,567,500)
Appropriation of profits	–	–	–	4,254,564	–	(4,254,564)	–
At 31 December 2011	**55,675,000**	**969,871**	**362,442**	**17,148,823**	**14,578,596**	**74,526,237**	**163,260,969**

Consolidated Statement Of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
Cash flows from operating activities			
Profit before income tax expense:		**40,127,434**	31,198,766
Adjustments for:			
Interest expenses		**–**	36,424
Bank interest income		**(1,005,132)**	(228,128)
Interest income on a convertible note receivable		**(450,020)**	(629,890)
Reversal of impairment on trade and other receivables		**(284,052)**	(38,765)
Reversal of accruals and other payables		**(43,418)**	–
Impairment on convertible note receivable		**–**	2,880,000
Impairment on deposits and prepayments		**781,700**	–
Depreciation of property, plant and equipment		**920,809**	1,699,690
Exchange gains and losses, net		**(1,601,342)**	(994,361)
Amortisation of other intangible assets		**120,613**	114,937
Amortisation of land use rights		**159,814**	152,294
Impairment on other intangible assets		**3,615,378**	–
Property, plant and equipment written off		**4,138**	13,216
Operating cash flows before working capital changes		**42,345,922**	34,204,183
Increase in inventories		**(460,691)**	(1,327,063)
Increase in trade and other receivables		**(21,396,114)**	(13,831,329)
(Increase)/decrease in deposits and prepayments		**(1,115,445)**	325,196
Increase in trade and other payables		**11,274,854**	13,601,720
Cash generated from operations		**30,648,526**	32,972,707
Interest paid		**–**	(36,424)
Profits tax paid		**(7,268,117)**	(4,812,831)
Net cash generated from operating activities		**23,380,409**	28,123,452

Consolidated Statement Of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
Cash flows from investing activities			
Purchase of property, plant and equipment		**(21,097,163)**	(6,845,994)
Prepayment of purchase of property, plant and equipment		**(20,431,646)**	–
Additions to other intangible assets		**(5,437,471)**	(4,727,943)
Changes in pledged bank deposits		**(16,024,605)**	(2,578,649)
Bank interest received		**1,005,132**	228,128
Net cash used in investing activities		**(61,985,753)**	(13,924,458)
Cash flows from financing activities			
Dividend paid to owners of the Company		**(5,567,500)**	(5,567,500)
Net cash used in financing activities		**(5,567,500)**	(5,567,500)
Net (decrease)/ increase in cash and cash equivalents		**(44,172,844)**	8,631,494
Cash and cash equivalents at beginning of year		**78,906,770**	67,741,062
Effect of exchange rate changes on cash and cash equivalents		**2,078,142**	2,534,214
Cash and cash equivalents at end of year	25	**36,812,068**	78,906,770

Statement Of Financial Position

For the year ended 31 December 2011

	Notes	**2011** **HK$**	2010 HK$
Non-current assets			
Interests in subsidiaries	32	**59,160,847**	55,848,032
Current assets			
Deposits and prepayments	23	**239,383**	241,440
Cash and cash equivalents	25	**1,050,416**	1,867,556
Total current assets		**1,289,799**	2,108,996
Total assets		**60,450,646**	57,957,028
Current liabilities			
Other payables and accruals	26	**1,986,755**	1,799,860
Net current (liabilities)/assets		**(696,956)**	309,136
Total assets less current liabilities		**58,463,891**	56,157,168
Capital and reserves attributable to owners of the Company			
Share capital	28	**55,675,000**	55,675,000
Reserves	29	**2,788,891**	482,168
TOTAL EQUITY		**58,463,891**	56,157,168

On behalf of the Board

Fang Haizhou **Zhong Sheng**

Notes To The Financial Statements

31 December 2011

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 originally listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited until on 23 June 2011, the Company's shares was transferred to 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 development, manufacture 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 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and considered as no impact on the current and comparative periods related party transactions disclosure. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

Notes To The Financial Statements

31 December 2011

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

   (a) Adoption of new/revised HKFRSs – effective 1 January 2011 (Continued)

   HKAS 24 (Revised) – Related Party Disclosures (Continued)

   HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

   The adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

   (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.

Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[1]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 12	Disclosure of Interest in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 27 (2011)	Separate Financial Statements[3]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 July 2012
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 January 2014
5 Effective for annual periods beginning on or after 1 January 2015

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

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

   Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

   The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

   Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

   The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

   HKFRS 9 – Financial Instruments

   Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Notes To The Financial Statements

31 December 2011

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 10 – Consolidated Financial Statements

   HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements.

   The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

   HKFRS 12 – Disclosure of Interests in Other Entities

   HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

Notes To The Financial Statements

31 December 2011

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 13 – Fair Value Measurement

   HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

   The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

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. 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.

   (b) Basis of measurement

   The consolidated financial statements have been prepared under the historical cost basis.

   (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) *Business combination and basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. Significant Accounting Policies *(Continued)*

(a) Business combination and basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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 by the Company on the basis of dividend received and receivable.

(c) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, 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 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)*

(c) *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. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(d) *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:

Building and 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% – 19%

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

4. Significant Accounting Policies *(Continued)*

(d) Property, plant and equipment (Continued)

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.

(e) 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.

(f) 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.

Payment made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

(g) Intangible assets

i) Acquired intangible assets

Intangible assets acquired separately are initially 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	10 years

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4. Significant Accounting Policies *(Continued)*

(g) Intangible assets (Continued)

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.

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 and included in administrative expenses.

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(n)).

(h) Financial instruments

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.

4. Significant Accounting Policies *(Continued)*

(h) *Financial instruments (Continued)*

i) *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.

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.

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4. Significant Accounting Policies *(Continued)*

(h) *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.

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, 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)*

(h) 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 it transfers the asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the asset and also recognises a collateralised borrowing for the proceeds received.

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

(i) 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.

(j) 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.

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

(k) 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.

4. Significant Accounting Policies *(Continued)*

(k) Income taxes (Continued)

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.

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.

(l) Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the 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.

4. Significant Accounting Policies *(Continued)*

(l) Foreign currency (Continued)

Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollar using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in foreign currency translation reserve within equity. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(m) Employee benefits

i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service as a result of services rendered by employees up to the end of the reporting period less accumulated pension benefits attributable to contributions made by the Group.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are entitled.

4. Significant Accounting Policies *(Continued)*

(m) *Employee benefits (Continued)*

iii) *Retirement benefits scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's contributions as employer vest fully with the employees when contributed into the Scheme.

The Group has joined a mandatory central pension scheme organised by the PRC government for certain of its employees, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and are charged to profit or loss as they became payable, in accordance with the rules of the scheme. The employer's contributions vest fully once they are made.

(n) *Impairment of other 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 and other intangible assets; and
- investments in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs to sell 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 immediately in profit or loss.

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 immediately in profit or loss.

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4. Significant Accounting Policies *(Continued)*

(o) *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.

(p) *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.

(q) *Related parties*

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

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

(ii) has significant influence over the Group; or

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

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

(i) 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).

(ii) 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).

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

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

4. Significant Accounting Policies *(Continued)*

(q) Related parties (Continued)

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

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

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

(vii) 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).

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:

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

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

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

5. Critical Accounting Judgments 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.

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.

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

(a) *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 are as follows:

Impairment of trade and other receivables

Provision for impairment of trade and other receivables is made based on assessment of the recoverability of trade receivables and other 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 trade receivables and other receivables and doubtful debt expenses/ written back in the period in which the estimate has been changed.

6. Segment Reporting

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

(a) *Reportable segments*

No separate business segment information is presented as the Group has only one business segment which is the manufacture and sale of biopharmaceutical products.

(b) *Geographical information and major customers*

During the year under review, the Group's revenue from external customers is derived solely from its operations in the PRC, where all its non-current assets are located. For the year ended 31 December 2010, the Group's revenue from external customers was derived solely from its operations in the PRC, where all its non-current assets, other than the convertible note receivable, were located.

Revenue from one customer of the Group amounted to HK$42,569,000 (2010: HK$29,582,000) which represents 20% or more of the Group's revenue.

7. Turnover

Turnover, which is also the revenue, represents sales value of biopharmaceutical products supplied to customers less discounts, returns, value added tax and other applicable local taxes.

8. Other Revenue, Gains and (Losses)

	2011	2010
	HK$	HK$
Interest income from bank deposits	**1,005,132**	228,128
Interest income on a convertible note receivable	**450,020**	629,890
Reversal of impairment loss of trade and other receivables	**284,052**	38,765
Reversal of accruals and other payables	**43,418**	–
Impairment on deposits and prepayments	**(781,700)**	–
Impairment on convertible note receivable	**–**	(2,880,000)
Others	**125,195**	517,216
	1,126,117	(1,466,001)

9. Profit Before Income Tax Expense

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

	2011	2010
	HK$	HK$
Cost of inventories recognised as expenses	**20,277,655**	11,936,206
Staff costs excluding directors' remuneration:–		
Salaries and other benefits	**16,520,523**	10,690,390
Pension fund contributions	**918,155**	511,547
Depreciation of property, plant and equipment	**920,809**	1,699,690
Exchange gain	**(1,558,400)**	(1,139,664)
Amortisation of other intangible assets	**120,613**	114,937
Amortisation of land use rights	**159,814**	152,294
Auditor's remuneration:–		
Current year	**400,000**	380,000
Under provision for last year	**47,456**	47,979
	447,456	427,979
Research and development costs expensed:		
As incurred	**4,264,005**	1,952,068
Impaired	**3,615,378**	–
	7,879,383	1,952,068

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10. Directors' Emoluments

The emoluments paid or payable to each of the six (2010: six) directors were as follows:

	Executive directors			**Non-executive directors**			
	Fang Haizhou	**Zhong Sheng**	**Ngiam Mia Je Patrick**	**Fung Chi Ying**	**Mauffrey Benoit Jean Marie**	**Yeow Mee Mooi**	**Total 2011**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Fee	–	–	–	180,000	165,000	165,000	510,000
Other emoluments							
Salaries and other benefits	473,751	385,000	550,000	–	–	–	1,408,751
Contributions to pension schemes	24,131	12,000	–	–	–	–	36,131
Discretionary bonuses	384,000	336,000	480,000	–	–	–	1,200,000
	881,882	733,000	1,030,000	180,000	165,000	165,000	3,154,882

							Total 2010
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Fee	–	–	–	180,000	165,000	165,000	510,000
Other emoluments							
Salaries and other benefits	462,675	385,000	550,000	–	–	–	1,397,675
Contributions to pension schemes	24,275	12,000	–	–	–	–	36,275
Discretionary bonuses	320,000	280,000	400,000	–	–	–	1,000,000
	806,950	677,000	950,000	180,000	165,000	165,000	2,943,950

No share option was granted to the directors during the years ended 31 December 2011 and 2010.

During the years ended 31 December 2011 and 2010, 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 during the years ended 31 December 2011 and 2010.

11. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2010: three) were directors of the Company whose emoluments are included in the disclosures in Note 10 above. The emoluments of the remaining two (2010: two) individuals were as follows:

	2011 **HK$**	2010 HK$
Salaries and other benefits	**1,192,000**	1,083,000
Contributions to retirement benefits schemes	**24,000**	24,000
	1,216,000	1,107,000

Their emoluments were within the following bands:

	2011 **No. of** **employees**	2010 No. of employees
Nil to HK$1,000,000	**2**	2

During the years ended 31 December 2011 and 2010, no emoluments were paid by the Group to the highest paid, non-director employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

12. 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 2011 amounted to HK$954,286 (2010: HK$547,822).

13. Income Tax Expense

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

	2011	2010
	HK$	HK$
Current tax – the PRC		
– Provision for the year	**8,217,960**	5,455,288
– Deferred tax (Note 27)	**(1,293,154)**	(840,894)
	6,924,806	4,614,394

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

The Group's operating subsidiary in Zhuhai, the PRC, carries on business in the Special Economic Zones of the PRC as a high technology enterprise. The subsidiary 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 three years from 2008 to 2010. The subsidiary successfully renewed its status as a high technology enterprise and continues to enjoy enterprise income tax at the concessionary rate of 15% up to 31 December 2013.

The Group's other operating subsidiary in Zhuhai, the PRC, which carries on business in the Special Economic Zones of the PRC, is subject to enterprise income tax at the concessionary rate of 24% (2010: 22%).

In accordance with the new law on PRC Enterprise Income Tax approved on 16 March 2008, an unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until fully effective in 2012.

13. Income Tax Expense *(Continued)*

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

	2011	2010
	HK$	HK$
Profit before income tax expense	**40,127,434**	31,198,766
Tax calculated at Hong Kong profits tax rate of 16.5% (2010: 16.5%)	**6,621,027**	5,147,796
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(749,681)**	(1,390,564)
Tax effect of expenses not deductible for tax purposes	**246,601**	4,725,808
Tax effect of revenue not taxable for tax purposes	**(365,506)**	(3,859,178)
Tax effect of tax loss not recognised	**1,575,278**	140,463
Tax effect of deductible temporary differences previously not recognised	**–**	221,773
Tax benefits	**(713,769)**	(436,909)
Others	**310,856**	65,205
Income tax expense	**6,924,806**	4,614,394

14. Loss Attributable to Owners of the Company

Loss attributable to owners of the Company includes an amount of HK$4,125,777 (2010: HK$2,849,731) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2011	2010
	HK$	HK$
Amount of loss attributable to owners of the Company dealt with in the Company's financial statements	**(4,125,777)**	(2,849,731)
Final dividends from subsidiaries attributable to the profits of the previous financial year approved and paid	**12,000,000**	11,000,000
Company's profit for the year	**7,874,223**	8,150,269

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15. Dividends

	2011	2010
	HK$	HK$
Final, proposed – HK1.20 cents (2010: HK1.00 cents) per share	**6,681,000**	5,567,500

The directors propose a final dividend of HK1.20 cents (2010: HK1.00 cent) per ordinary share to be paid. The amount of proposed final dividend for 2011 is based on 556,750,000 shares (2010: 556,750,000) issued as at 31 December 2011. 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 profits for the year ending 31 December 2012.

16. 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

	Group	
	2011	2010
	HK$	HK$
Earnings for the purposes of basic and diluted earnings per share	**33,202,628**	26,584,372

The denominator used for earnings per share is the number of ordinary shares of 556,750,000 (2010: 556,750,000) in issue during the years.

There was no potential ordinary share in issue for the years ended 31 December 2011 and 2010. Accordingly, the diluted earnings per share is same as the basic earnings per share for both years.

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17. Property, Plant and Equipment

The Group

	Buildings and leasehold improvements HK$	Construction in progress HK$	Plant and machinery HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
Cost						
At 1 January 2010	4,388,470	–	9,005,210	3,244,968	1,694,682	18,333,330
Additions	–	5,930,095	833,342	82,557	–	6,845,994
Reclassification	(314,096)	314,096	–	–	–	–
Write offs	–	–	–	(110,535)	–	(110,535)
Exchange adjustment	154,399	173,510	363,894	(312,172)	64,206	443,837
At 31 December 2010	4,228,773	6,417,701	10,202,446	2,904,818	1,758,888	25,512,626
Additions	–	24,055,370	120,474	174,997	–	24,350,841
Write offs	–	–	–	(41,389)	–	(41,389)
Exchange adjustment	151,830	568,774	368,004	88,037	63,151	1,239,796
At 31 December 2011	4,380,603	31,041,845	10,690,924	3,126,463	1,822,039	51,061,874
Accumulated depreciation and impairment						
At 1 January 2010	3,381,757	–	5,524,396	2,548,852	938,524	12,393,529
Charge for the year	699,816	–	625,834	193,438	180,602	1,699,690
Write offs	–	–	–	(97,319)	–	(97,319)
Exchange adjustment	147,200	–	226,361	(334,246)	40,480	79,795
At 31 December 2010	4,228,773	–	6,376,591	2,310,725	1,159,606	14,075,695
Charge for the year	–	–	593,414	143,856	183,539	920,809
Write offs	–	–	–	(37,251)	–	(37,251)
Exchange adjustment	151,830	–	237,292	67,448	44,215	500,785
At 31 December 2011	4,380,603	–	7,207,297	2,484,778	1,387,360	15,460,038
Carrying amount						
At 31 December 2011	–	31,041,845	3,483,627	641,685	434,679	35,601,836
At 31 December 2010	–	6,417,701	3,825,855	594,093	599,282	11,436,931

The Group's buildings and construction in progress are built on land in the PRC under medium-term leases.

As at 31 December 2011, the Group's construction in progress was pledged as a security for a bank facility granted by a PRC bank as set out in note 34.

18. Land Use Rights

The Group

	HK$
Cost:	
As at 1 January 2010	7,535,986
Exchange adjustment	285,514
At 31 December 2010	7,821,500
Exchange adjustment	280,824
At 31 December 2011	8,102,324
Accumulated amortisation:	
As at 1 January 2010	124,878
Charge for the year	152,294
Exchange adjustment	8,882
At 31 December 2010	286,054
Charge for the year	159,814
Exchange adjustment	12,519
At 31 December 2011	458,387
Carrying amount:	
At 31 December 2011	7,643,937
Portion classified as current assets (included in deposits and prepayments)	(162,046)
Non-current assets	7,481,891
At 31 December 2010	7,535,446
Portion classified as current assets (included in deposits and prepayments)	(156,430)
Non-current assets	7,379,016

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

As at 31 December 2011, the Group's land use rights were pledged as a security for a bank facility granted by a PRC bank as set out in note 34.

19. Goodwill

The Group

	HK$
Cost	
As at 1 January 2010	2,278,489
Exchange adjustment	106,091
As 31 December 2010	2,384,580
Exchange adjustment	104,348
As 31 December 2011	2,488,928

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 to the value in use basis. The calculation is based on the most recent financial budgets approved by management. The following key assumptions have been made for the purpose of analysis:

1 Gross margin ratio of 90% (2010: 88%)
2 Pre tax discount rate of 14.3% (2010: 14.3%) per year
3 Average growth rate of 20% (2010: 20%)

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 amount of the goodwill determined in the above manner suggested that there was no impairment in the value of goodwill as at 31 December 2011 and 2010.

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.

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20. Other Intangible Assets

The Group

	Development expenditure HK$	Distribution rights HK$	Total HK$
Cost			
At 1 January 2010	8,290,898	1,137,600	9,428,498
Additions	4,727,943	–	4,727,943
Exchange adjustment	314,115	43,100	357,215
At 31 December 2010	13,332,956	1,180,700	14,513,656
Additions	5,437,471	–	5,437,471
Exchange adjustment	478,708	42,393	521,101
At 31 December 2011	19,249,135	1,223,093	20,472,228
Amortisation			
At 1 January 2010	6,498,880	37,920	6,536,800
Amortisation	–	114,937	114,937
Exchange adjustment	246,221	4,570	250,791
At 31 December 2010	6,745,101	157,427	6,902,528
Amortisation	–	120,613	120,613
Impairment loss	3,615,378	–	3,615,378
Exchange adjustment	293,030	7,348	300,378
At 31 December 2011	10,653,509	285,388	10,938,897
Carrying amount			
At 31 December 2011	8,595,626	937,705	9,533,331
At 31 December 2010	6,587,855	1,023,273	7,611,128

During the year, the directors reviewed the carrying amounts of the development expenditure and the distribution rights and found that the future economic benefits of development expenditure on certain projects may not be recoverable. Accordingly, an impairment loss of HK$3,615,378 was recognised for the year (2010: Nil).

21. Inventories

	The Group	
	2011	2010
	HK$	HK$
Raw materials	**2,220,168**	1,564,956
Work in progress	**1,119,778**	754,515
Finished goods	**922,476**	1,342,754
	4,262,422	3,662,225

22. Trade and Other Receivables

	The Group	
	2011	2010
	HK$	HK$
Trade receivables	**74,171,808**	50,737,138
Less: provision for impairment	**–**	(278,064)
Trade receivables – net	**74,171,808**	50,459,074
Other receivables	**415,224**	305,100
Total	**74,587,032**	50,764,174

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

(ii) The movements in the provision for impairment on trade receivables during the year were as follows:

	The Group	
	2011	2010
	HK$	HK$
At beginning of year	**278,064**	306,676
Reversal of allowance	**(284,052)**	(38,765)
Exchange adjustment	**5,988**	10,153
At end of year	**–**	278,064

22. 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 2011 (2010: HK$278,064).

The following is an ageing analysis of trade receivables, net of allowance for impairment of trade receivables, as at the end of the reporting period:

	The Group	
	2011	2010
	HK$	HK$
0 – 60 days	**44,100,044**	31,125,469
61 – 90 days	**14,337,157**	9,314,133
> 90 days	**15,734,607**	10,019,472
	74,171,808	50,459,074

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

	The Group	
	2011	2010
	HK$	HK$
Not past due	**58,437,200**	40,439,602
Less than 3 months past due	**15,734,608**	10,019,472
	74,171,808	50,459,074

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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23. Deposits and Prepayments

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$	HK$	**HK$**	HK$
Deposits	**521,738**	509,385	**–**	–
Prepayments	**22,782,176**	1,708,336	**239,383**	241,440
Total	**23,303,914**	2,217,721	**239,383**	241,440
Included in current assets	**(2,185,668)**	(2,217,721)	**(239,383)**	(241,440)
	21,118,246	–	**–**	–

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

Prepayments of the Group mainly represent costs of construction in progress and purchase of machinery prepaid.

24. Convertible Note Receivable

	The Group	
	2011	2010
	HK$	HK$
Unlisted debt security, at cost	**4,500,220**	4,500,220
Accrued interest income	**1,079,910**	629,890
	5,580,130	5,130,110
Less: Impairment on convertible note	**(2,880,000)**	(2,880,000)
	2,700,130	2,250,110

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").

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.

24. Convertible Note Receivable *(Continued)*

Pursuant to the extension letter dated 21 July 2011, due to a delay in the IPO, an extension of maturity date to 15 April 2012 was agreed.

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.

The directors have assessed the impacts on the recoverable amount of the financial asset and concluded that no further impairment loss need to be made. The management considered the Note will be realised within twelve months after the end of reporting period and, classified it as a current asset.

25. Pledged Bank Deposits and Cash and Cash Equivalents

	The Group		**The Company**	
	2011	2010	**2011**	2010
	HK$	HK$	**HK$**	HK$
Cash and bank balance	**30,696,608**	60,162,356	**1,050,416**	833,642
Time deposits	**6,115,460**	18,744,414	**–**	1,033,914
Cash and cash equivalents	**36,812,068**	78,906,770	**1,050,416**	1,867,556
Pledged bank deposits	**18,921,233**	2,578,649	**–**	–
	55,733,301	81,485,419	**1,050,416**	1,867,556

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods within three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The carrying amount of the cash and cash equivalents approximates its fair value.

As at 31 December 2011, cash and bank balances denominated in RMB amounted to approximately HK$52,200,000 (2010: approximately HK$77,700,000). 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.

Bank deposits of HK$18,921,233 (2010: HK$2,578,649) were pledged to a bank to secure certain guarantees issued by the bank in respect of the payments for construction in progress and acquisition of plant and machinery from overseas suppliers.

26. Trade and Other Payables

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$	HK$	**HK$**	HK$
Trade payables	**349,520**	210,153	**–**	–
Other payables	**12,075,297**	12,140,690	**–**	–
Accruals	**32,387,861**	17,680,325	**1,986,755**	1,799,860
VAT payable	**5,556,418**	4,476,995	**–**	–
	50,369,096	34,508,163	**1,986,755**	1,799,860

The Group's operating subsidiaries in the PRC are subject to VAT, the principal indirect PRC tax which is charged on the selling price of finished products at a general rate of 17%. An input credit is available whereby input VAT previously paid on purchase of raw materials and plant and machinery can be used to offset the output VAT on sales to determine the net VAT payable.

Other payables and accurals principally consist of construction cost payable, bonus, promotion and distribution and selling expenses payables.

The following is an ageing analysis of trade payables at the end of the reporting period:

	The Group	
	2011	2010
	HK$	HK$
0–60 days	**349,520**	126,150
61–90 days	**–**	22,856
> 90 days	**–**	61,147
	349,520	210,153

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27. Deferred Tax Liabilities

Details of the deferred tax (assets) and liabilities recognised and movements during the current and prior years:

The Group

	Other deductible temporary difference HK$	**Development expenditure** HK$	**Withholding tax** (Note) HK$	**Total** HK$
At 1 January 2010	–	–	1,080,000	1,080,000
Charge/(credit) to profit or loss for the year	(1,802,851)	961,957	–	(840,894)
Exchange differences	(49,143)	26,221	–	(22,922)
At 31 December 2010	(1,851,994)	988,178	1,080,000	216,184
Charge/(credit) to profit or loss for the year	(1,555,155)	262,001	–	(1,293,154)
Exchange differences	(88,367)	39,164	–	(49,203)
At 31 December 2011	(3,495,516)	1,289,343	1,080,000	(1,126,173)

Note: The liability represents withholding tax calculated at 5% on the distributable profits of a subsidiary 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, distributable profits of the subsidiary in the PRC on which deferred tax has not been provided for amounted to approximately HK$92,000,000 (equivalent to RMB81,000,000) (2010: HK$57,856,000; equivalent to RMB49,000,000).

For the purpose of presentation in statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group **2011** **HK$**	2010 HK$
Deferred tax assets	**(2,206,173)**	(1,851,994)
Deferred tax liabilities	**1,080,000**	2,068,178
	(1,126,173)	216,184

As at the end of the reporting period, subject to formal agreement by the tax authority, the Group had unused tax losses of HK$15,760,000 (2010: HK$8,688,000) available for offset against future profits arising in Hong Kong. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams of the Group's operation in Hong Kong. The tax loss may be carried forward indefinitely.

28. Share Capital

Authorised

	2011 Number	**2011 HK$**	2010 Number	2010 HK$
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

	2011 Number	**2011 HK$**	2010 Number	2010 HK$
Ordinary shares of HK$0.1 each				
At the beginning and end of the reporting period	**556,750,000**	**55,675,000**	556,750,000	55,675,000

29. Reserves

The Company

	Share premium HK$	**Retained profit/ (accumulated losses)** HK$	**Total** HK$
Balance at 1 January 2010	969,871	(3,070,472)	(2,100,601)
Profit for the year	–	8,150,269	8,150,269
Dividend paid	–	(5,567,500)	(5,567,500)
Balance at 31 December 2010	969,871	(487,703)	482,168
Profit for the year	–	7,874,223	7,874,223
Dividend paid	–	(5,567,500)	(5,567,500)
Balance at 31 December 2011	969,871	1,819,020	2,788,891

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

(i) Capital reserve

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

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29. Reserves *(Continued)*

(ii) 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. In 2011, a PRC subsidiary transferred HK$4,254,564 (2010: HK$4,530,775) to statutory surplus reserve which represented 10% of that PRC subsidiary's profit after tax.

(iii) 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(l).

30. Operating Lease Arrangements

Operating lease payments represent rentals payable by the Group on certain properties, plant and equipment. Leases are negotiated for a term of between 2 to 5 years at fixed rent.

Minimum lease payments paid during the year under operating leases (included in administrative expenses) were as follows:

	The Group	
	2011	2010
	HK$	HK$
Minimum leases payments:		
– Properties	**1,945,980**	1,558,480
– Plant and machinery and others	**176,125**	212,526
	2,122,105	1,771,006

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30. Operating Lease Arrangements *(Continued)*

The total future minimum lease payments is due as follows:

	2011		2010	
	Properties HK$	**Plant and machinery and others HK$**	Properties HK$	Plant and machinery and others HK$
Not later than one year	**1,494,340**	**176,125**	1,897,317	–
Later than one year and not later than five years	**1,404,012**	**–**	2,801,026	–
	2,898,352	**176,125**	4,698,343	–

31. Share Option

Share Option Scheme

On 20 June 2003, a share option scheme was approved. The purpose of the share option scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the share option scheme include directors of the Company or any of its subsidiaries, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, person or entity that provides research, development or other technological support to the Group, and any minority shareholder in the Company's subsidiaries.

The total number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under this scheme of the Company must not 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.

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31. Share Option *(Continued)*

Share Option Scheme (Continued)

Any grant of options under the share option scheme to a connected person or any of their respective associates must be approved by all the independent non-executive directors (excluding any independent non-executive directors who are the grantee). Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

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

(b) having an aggregate value, based on the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the relevant offer date of each offer, in excess of HK$5 million,

such further grant of options must be approved by shareholders (to whom a circular of the Company has been issued) of the Company. All connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such must be taken on a poll.

At the end of the reporting period of 2011 and 2010, no share option was issued or outstanding under this share option scheme.

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32. Interests in Subsidiaries

	The Company 2011 HK$	2010 HK$
Unlisted equity investment, at cost	**100,031**	100,031
Amounts due from subsidiaries (i)	**59,060,847**	55,748,032
Amount due to a subsidiary	**(31)**	(31)
	59,160,847	55,848,032

(i) The amounts due from subsidiaries are unsecured, interest-free and in substance represents the Company's investments in the subsidiaries in the form of quasi-equity loans.

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	the 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
Zhuhai Essex Bio-Pharmaceutical Company Limited	Limited liability company	the PRC	RMB20,000,000	–	100%	Manufacture and selling of biopharmaceutical products
Essex Medipharma (Zhuhai) Company Limited	Limited liability company	the PRC	RMB3,000,000	–	100%	Marketing and distribution of biopharmaceutical products

33. Capital Commitments

	The Group 2011 HK$	2010 HK$
On acquisition of property, plant and equipment:		
– authorised but not contracted for	–	–
– contracted for but not provided	**20,750,272**	24,642,258

34. Bank Facility

During the year under review, the Group obtained a bank facility to the extent of RMB67,500,000 (equivalent to HK$82,559,000) from a bank. The bank facility is secured by the Group's (i) construction in progress and land use rights (notes 17 and 18) and (ii) pledged bank deposit (note 25). As at 31 December 2011, the Group utilised approximately RMB27,470,000 (equivalent to HK$33,598,000) of the facility for the issuance of a letter of credit and guarantees.

35. 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. 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 25% (2010: 19%) and 36% (2010: 32%) 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 22.

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35. Financial Risk Management *(Continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All financial liabilities are either repayable on demand or due to repay within one year.

(c) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

(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.

(e) Fair values

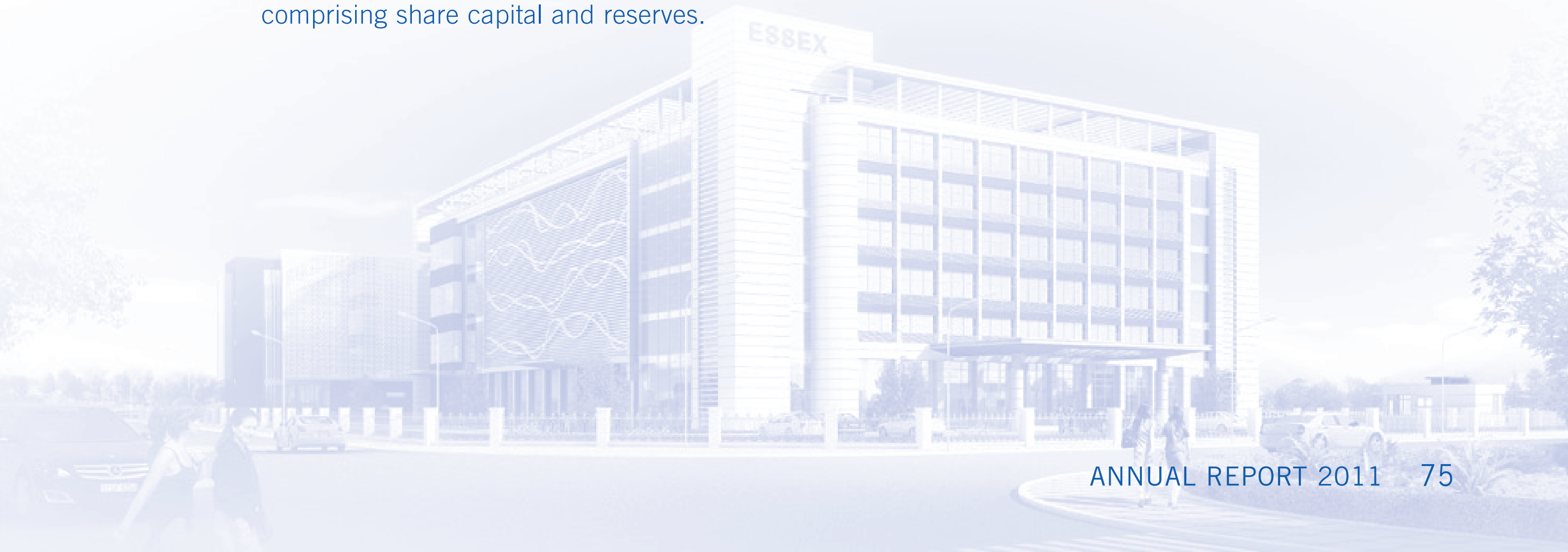
All financial instruments other than the convertible note receivable are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010.

36. 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 equity attributable to owners of the Company only, comprising share capital and reserves.



37. 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(h).

	2011 Carrying amount HK$	2010 Carrying amount HK$
Financial assets		
Fair value through profit or loss		
– Designated upon initial recognition	**2,700,130**	2,250,110
Loans and receivables (including cash and bank balances)	**130,320,333**	132,249,593
	133,020,463	134,499,703
Financial liabilities		
Financial liabilities measured at amortised cost	**44,812,678**	30,031,168

38. Related Party Transactions

(a) Members of key management during the year comprised the three executive directors only whose remuneration is set out in note 10 to the consolidated financial statements.

(b) The immediate and ultimate parent of the Company is Essex Holdings Limited which was incorporated in Hong Kong.

39. Non-cash Transaction

Purchase of property, plant and equipment amounted to HK$3,253,678 during the year has been recorded in other payables.

40. Event after the Reporting Period

On 16 January 2012, the Group obtained a bank loan of RMB20 million at up-floated 20% over the PRC's benchmark lending interest rate per annum. It is secured by the land use rights and construction in progress and is repayable on 16 January 2013. The purpose of the loan is to finance the acquisition of raw materials and working capital of the Group.

41. Approval of Consolidated Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2012.

Five Year Financial Summary

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				
	2011	2010	2009	2008	2007
	HK$	HK$	HK$	HK$	HK$
RESULTS					
Continuing operations					
TURNOVER	**212,716,340**	146,281,574	116,688,187	92,868,336	68,329,435
Cost of sales	**(20,277,655)**	(11,936,206)	(11,038,491)	(8,854,289)	(7,042,053)
Gross profit	**192,438,685**	134,345,368	105,649,696	84,014,047	61,287,382
Other revenue, gains and (losses)	**1,126,117**	(1,466,001)	833,569	1,393,583	30,592
Distribution and selling expenses	**(133,552,801)**	(89,748,373)	(69,618,126)	(55,061,490)	(40,886,824)
Administrative expenses	**(19,884,567)**	(11,932,228)	(15,301,513)	(11,603,748)	(9,230,080)
PROFIT BEFORE INCOME TAX EXPENSES	**40,127,434**	31,198,766	21,563,626	18,742,392	11,201,070
Income tax expense	**(6,924,806)**	(4,614,394)	(4,810,871)	(2,257,169)	(1,121,108)
PROFIT FOR THE YEAR FROM CONTINUING OPERATION	**33,202,628**	26,584,372	16,752,755	16,485,223	10,079,962
Discontinued operation					
(Loss)/profit for the year from discontinued operation	**–**	–	(8,594,063)	10,473,459	921,964
PROFIT FOR THE YEAR	**33,202,628**	26,584,372	8,158,692	26,958,682	11,001,926
Other comprehensive income/(expenses)	**3,307,433**	3,267,231	(846,570)	3,922,648	3,814,751
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**36,510,061**	29,851,603	7,312,122	30,881,330	14,816,677
Attributable to:					
Owners of the Company	**36,510,061**	29,851,603	10,704,319	25,395,559	14,005,930
Non-controlling interests	**–**	–	(3,392,197)	5,485,771	810,747
	36,510,061	29,851,603	7,312,122	30,881,330	14,816,677

Five Year Financial Summary

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$	HK$	HK$	HK$	HK$
ASSETS AND LIABILITIES					
Non-current assets	**78,430,405**	31,061,765	22,870,596	38,660,654	36,096,179
Current assets	**139,468,553**	138,129,539	107,622,731	147,313,452	106,028,868
Current liabilities	**(53,557,989)**	(36,656,712)	(21,379,022)	(72,199,970)	(59,232,241)
Net current assets	**85,910,564**	101,472,827	86,243,709	75,113,482	46,796,627
Non-current liabilities	**(1,080,000)**	(216,184)	(1,080,000)	–	–
Net assets	**163,260,969**	132,318,408	108,034,305	113,774,136	82,892,806

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 2009, 2008 and 2007 are extracted from the published audited financial statements for these years. The consolidated results of the Group for the years ended 31 December 2011 and 2010 are as set out on page 28 of the audited financial statements.

2 The consolidated statement of financial position as at 31 December 2009, 2008 and 2007 are extracted from the published audited financial statements for the years ended 31 December 2009, 2008 and 2007, 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 2011 and 2010 are as set out on page 29 of the audited financial statements.