

The logo consists of a white circle containing the word "ESSEX" in red, uppercase letters, which is centered within a yellow rectangular background.

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)

The text "2015" is written in a large, white, sans-serif font. Below it, "Interim Report" is written in a smaller, white, sans-serif font. A thin white line forms a partial circle around the "2015" text, ending in a small white dot.

2015
Interim Report



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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Independent Non-executive Directors

Fung Chi Ying
Mauffrey Benoit Jean Marie
Yeow Mee Mooi

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

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

Company Secretary

Yau Lai Man *MBA, ACA, CPA (practising)*

Authorised Representatives

Zhong Sheng
Yau Lai Man

Auditor

BDO Limited

Website Address

www.essexbio.com

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

Headquarter in the PRC

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

Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar

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

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
China Merchants Bank
Industrial and Commercial Bank of China
(Asia) Limited

Stock Code

01061

The board of directors of Essex Bio-Technology Limited (the “Company”) presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 together with the comparative figures for the corresponding period in 2014 and the relevant explanatory notes as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2015 (Unaudited) HK\$'000	For the six months ended 30 June 2014 (Unaudited) HK\$'000
	Notes		
Turnover	4	313,419	231,332
Cost of sales		<u>(56,739)</u>	<u>(41,444)</u>
Gross profit		256,680	189,888
Other revenue	4	3,593	1,001
Distribution and selling expenses		(168,657)	(129,846)
Administrative expenses		(26,121)	(21,844)
Finance costs		<u>(1,271)</u>	<u>(1,836)</u>
Profit before income tax expense	6	64,224	37,363
Income tax expense	7	<u>(12,582)</u>	<u>(6,775)</u>
Profit for the period		51,642	30,588
Other comprehensive expense, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		<u>(123)</u>	<u>(1,768)</u>
Total comprehensive income for the period		<u>51,519</u>	<u>28,820</u>
Profit attributable to owners of the Company		<u>51,642</u>	<u>30,588</u>
Total comprehensive income attributable to owners of the Company		<u>51,519</u>	<u>28,820</u>
Earnings per share			
– Basic	9	<u>HK9.28 cents</u>	<u>HK5.49 cents</u>
– Diluted	9	<u>HK9.17 cents</u>	<u>HK5.49 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	180,101	182,934
Land use rights		7,263	7,342
Goodwill		2,592	2,589
Other intangible assets		32,763	26,099
Total non-current assets		222,719	218,964
Current assets			
Inventories		46,506	35,221
Trade and other receivables	11	197,386	158,558
Deposits and prepayments		11,217	25,624
Convertible note receivable		–	2,700
Cash and cash equivalents		74,094	61,975
		329,203	284,078
Total assets		551,922	503,042
Current liabilities			
Trade and other payables	12	132,892	109,592
Bank borrowings – secured	13	31,621	50,550
Taxation		4,016	337
		168,529	160,479
Net current assets		160,674	123,599
Total assets less current liabilities		383,393	342,563
Non-current liabilities			
Deferred tax liabilities		10,148	11,517
Total liabilities		178,677	171,996
NET ASSETS		373,245	331,046
Capital and reserves attributable to owners of the Company			
Share capital		55,675	55,675
Reserves		317,570	275,371
TOTAL EQUITY		373,245	331,046

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory surplus reserve HK\$'000	Foreign currency translation reserve HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2014	55,675	970	362	31,345	20,592	3,076	141,974	253,994
Profit for the period	-	-	-	-	-	-	30,588	30,588
Other comprehensive income	-	-	-	-	(1,768)	-	-	(1,768)
Total comprehensive income for the period	-	-	-	-	(1,768)	-	30,588	28,820
Dividend paid	-	-	-	-	-	-	(10,022)	(10,022)
Equity settled share-based transaction	-	-	-	-	-	6,300	-	6,300
Appropriation of profits	-	-	-	3,983	-	-	(3,983)	-
At 30 June 2014 (Unaudited)	55,675	970	362	35,328	18,824	9,376	158,557	279,092
At 1 January 2015	55,675	970	362	41,517	19,802	15,667	197,053	331,046
Profit for the period	-	-	-	-	-	-	51,642	51,642
Other comprehensive income	-	-	-	-	(123)	-	-	(123)
Total comprehensive income for the period	-	-	-	-	(123)	-	51,642	51,519
Dividend paid	-	-	-	-	-	-	(12,247)	(12,247)
Equity settled share-based transaction	-	-	-	-	-	2,927	-	2,927
Appropriation of profits	-	-	-	4,646	-	-	(4,646)	-
At 30 June 2015 (Unaudited)	55,675	970	362	46,163	19,679	18,594	231,802	373,245

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	2015 (Unaudited) HK\$'000	For the six months ended 30 June 2014 (Unaudited) HK\$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	54,357	8,767
NET CASH USED IN INVESTING ACTIVITIES	(11,073)	(8,891)
NET CASH USED IN FINANCING ACTIVITIES	(31,217)	(3,705)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	12,067	(3,829)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	61,975	54,527
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	52	(378)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>74,094</u>	<u>50,320</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	<u>74,094</u>	<u>50,320</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL

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

The Group, comprising the Company and its subsidiaries, is principally engaged in investment holding, the development, manufacture and selling of biopharmaceutical products in the People’s Republic of China (“PRC”).

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, except the Group has adopted the following new and amended standards issued by the HKICPA which are mandatory for the financial period beginning on or after 1 January 2015.

HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ¹
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle ²

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

The adoption of the above new and amended HKFRSs in current period does not have any significant financial effect on the interim financial information or result in any substantial changes in the Group’s significant accounting policies.

The HKICPA has issued the following new and amended standards which are not yet effective for the financial period beginning 1 January 2015:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ³
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
HKFRS 15	Revenue from Contracts with Customers ⁴
HKFRS 9 (2014)	Financial Instruments ⁵

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2018

The Group has not early adopted these new and amended standards in the condensed consolidated interim financial information but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group’s significant accounting policies and presentation of its consolidated financial statements will be resulted.

4. TURNOVER AND OTHER REVENUE

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

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

	2015 (Unaudited) HK\$'000	For the six months ended 30 June 2014 (Unaudited) HK\$'000
Turnover:		
Sales of pharmaceutical products	295,708	223,277
Other businesses	17,711	8,055
	313,419	231,332
Other revenue:		
Government grants	3,374	884
Interest income from bank deposits	114	96
Others	105	21
	3,593	1,001
	317,012	232,333

5. SEGMENT REPORTING

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

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

5. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments

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

	For the six months ended 30 June 2015		
	Sales of pharmaceutical products (Unaudited) HK\$'000	Other businesses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Reportable segment revenue			
– Revenue from external customers	<u>295,708</u>	<u>17,711</u>	<u>313,419</u>
Reportable segment profit	<u>63,768</u>	<u>12,442</u>	<u>76,210</u>
	For the six months ended 30 June 2014		
	Sales of pharmaceutical products (Unaudited) HK\$'000	Other businesses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Reportable segment revenue			
– Revenue from external customers	<u>223,277</u>	<u>8,055</u>	<u>231,332</u>
Reportable segment profit	<u>47,155</u>	<u>2,087</u>	<u>49,242</u>

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

	2015 (Unaudited) HK\$'000	For the six months ended 30 June 2014 (Unaudited) HK\$'000
Reportable segment profit	<u>76,210</u>	49,242
Other income not allocated	<u>114</u>	96
Other expenses not allocated	<u>(7,902)</u>	(3,839)
Equity settled share-based payments	<u>(2,927)</u>	(6,300)
Finance costs	<u>(1,271)</u>	(1,836)
Profit before income tax expenses	<u>64,224</u>	<u>37,363</u>

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

Segment assets and segment liabilities are not presented as the Group's other businesses segment is with low utilisation of physical assets and the Group does not fall within provision of such amounts to the chief operating decision maker regularly.

5. SEGMENT REPORTING (CONTINUED)

(b) Geographical information and major customers

For the six months ended 30 June 2015 and 2014, the Group's revenue from external customers is derived solely from its operations in the PRC (country of domicile), where all of the Group's non-current assets are located in the PRC. The geographical location of external customers is based on the location at which the goods are delivered and services rendered.

Revenues from one customer of the Group amounted to approximately HK\$70.6 million (2014: HK\$46.8 million) which represent 22.5% (2014: 21.0%) of the Group's revenue.

6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	2015 (Unaudited) HK\$'000	For the six months ended 30 June 2014 (Unaudited) HK\$'000
Cost of inventories recognised as expenses	51,470	35,457
Staff cost excluding directors' remuneration:–		
Salaries and other benefits	25,372	19,341
Pension fund contributions	1,237	857
Equity settled share-based payment	1,617	3,692
Depreciation of property, plant and equipment	4,927	4,724
Amortisation of other intangible assets	126	63
Amortisation of land use rights	85	85
Equity settled share-based payment	300	300
Auditor's remuneration	294	260
Research and development costs	5,330	5,884

7. INCOME TAX EXPENSE

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

The Group's major operating subsidiary in Zhuhai, the PRC, was established and carries on business in the Special Economic Zones of the PRC as a high technology enterprises. This subsidiary had 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% up to 31 December 2016.

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

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

9. EARNINGS PER SHARE

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

Earnings

	2015 (Unaudited) HK\$'000	For the six months ended 30 June 2014 (Unaudited) HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>51,642</u>	<u>30,588</u>

Number of shares

	2015	2014
Weighted average number of ordinary shares for the purposes of basic earnings per share	556,750,000	556,750,000
Effect of dilutive potential ordinary shares: – options	<u>6,145,746</u>	<u>–</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>562,895,746</u>	<u>556,750,000</u>

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 January 2014	126,424	61,605	4,105	3,678	195,812
Additions	5,905	1,240	283	191	7,619
Write offs	(4,524)	–	–	–	(4,524)
Exchange adjustment	(400)	(263)	(14)	(16)	(693)
At 31 December 2014	127,405	62,582	4,374	3,853	198,214
Additions	–	1,464	468	–	1,932
Exchange adjustment	113	56	3	3	175
At 30 June 2015 (Unaudited)	127,518	64,102	4,845	3,856	200,321
Accumulated depreciation and impairment					
At 1 January 2014	4,406	2,090	1,384	2,244	10,124
Charge of the year	2,490	6,109	597	377	9,573
Write offs	(4,524)	–	–	–	(4,524)
Exchange adjustment	121	(2)	(3)	(9)	107
At 31 December 2014	2,493	8,197	1,978	2,612	15,280
Charge for the period	1,271	3,171	295	190	4,927
Exchange adjustment	2	8	1	2	13
At 30 June 2015 (Unaudited)	3,766	11,376	2,274	2,804	20,220
Carrying amount					
At 30 June 2015 (Unaudited)	<u>123,752</u>	<u>52,726</u>	<u>2,571</u>	<u>1,052</u>	<u>180,101</u>
At 31 December 2014 (Audited)	<u>124,912</u>	<u>54,385</u>	<u>2,396</u>	<u>1,241</u>	<u>182,934</u>

As at 30 June 2015, the buildings and leasehold improvements of approximately HK\$123.8 million (31 December 2014: HK\$124.9 million) were pledged for bank borrowings as set out in note 13.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Trade receivables	193,501	158,392
Other receivables	3,885	166
Total	<u>197,386</u>	<u>158,558</u>

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

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

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
0-60 days	118,696	94,829
61-90 days	40,315	27,908
> 90 days	34,490	35,655
	<u>193,501</u>	<u>158,392</u>

12. TRADE AND OTHER PAYABLES

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Trade payables	1,628	1,155
Other payables	29,398	31,366
Accruals	100,321	74,816
VAT payable	1,545	2,255
	<u>132,892</u>	<u>109,592</u>

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

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
0-60 days	1,388	699
61-90 days	–	73
> 90 days	240	383
	<u>1,628</u>	<u>1,155</u>

13. BANK BORROWINGS – SECURED

The bank borrowings are secured by charges over the assets of a subsidiary company.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Change in Board Lot Size

On 17 July 2015, the board of directors (the “Board”) announced that the board lot size of the shares of the Company for trading on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) would be changed from 4,000 shares to 1,000 shares with effect from 9:00 a.m. on Friday, 7 August 2015. Please refer to the announcement issued by the Company on 17 July 2015.

Included by MSCI as a constituent of the MSCI Global Small Cap Indexes – China

The Company has been included by Morgan Stanley Capital International (“MSCI”) as a constituent of the MSCI Global Small Cap Indexes – China since 29 May 2015.

The Board believes that the inclusion of the Company into such index demonstrates investors’ recognition of the Group’s performance in the capital market. It further enhances the corporate image of the Group and helps the Group’s development of its business in the biopharmaceutical industry.

Distribution Agreement with Elektron Technology UK Limited

On 27 May 2015, Essex Bio-Pharmacy Limited (“Essex Bio-Pharmacy”), an indirect wholly-owned subsidiary of the Company entered into a distribution agreement (“Distribution Agreement”) with Elektron Technology UK Limited (“Elektron”), a company incorporated in England and Wales. Elektron is principally engaged in the manufacturing of electronic components.

Pursuant to the Distribution Agreement, Elektron appointed Essex Bio-Pharmacy as its exclusive distributor of Macular Pigment Screener II including spare parts in the PRC (excluding Taiwan, Hong Kong and Macau).

The Distribution Agreement is for a period of eight years from the date on which Essex Bio-Pharmacy placed the first purchase order with Elektron and may be automatically extended for successive periods of two years each. The Macular Pigment Screener II is a portable screening device that enables early detection of patients at risk of Age-related Macular Degeneration – one of the leading causes of vision loss in people over fifty.

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

Agency Agreement with Wuhan Adv. Dental Co., Ltd.

On 28 April 2015, Essex Medipharma (Zhuhai) Co., Ltd. (“Essex Medipharma”), an indirect wholly-owned subsidiary of the Company entered into an agency agreement (“Agency Agreement”) with Wuhan Adv. Dental Co., Ltd. (“Adv. Dental”). Pursuant to the Agency Agreement, among other things, Essex Medipharma is appointed by Adv. Dental as its exclusive sales agent for products of Carisolv®^{牙典}®^{齶齒微創祛腐技術系統} (“Carisolv Products”) in certain designated areas of Mainland China (excluding Taiwan, Hong Kong and Macau). Carisolv is a system which uses minimally invasive techniques to treat dental caries. Carisolv Products include Carisolv®^{牙典}®^{minimally invasive dental caries removal gel} (齶齒微創祛腐凝膠) and Caritool®^{牙典}®^{minimally invasive dental caries removal tools} (牙科微創祛腐工具). The Agency Agreement is for a term from 1 May 2015 to 31 December 2019. Provided that Essex Medipharma has complied with its obligations under the Agency Agreement, the term shall be automatically extended for three years to 31 December 2022 unless otherwise terminated by either party.

The establishment of business relationship with Adv. Dental is synergetic to the Group's products, Beifuji and Beifuxin, for advancing the Group's business expansion in stomatology department.

Business Review and Prospects

During the period under review, the Group's emphasis continued primarily on manufacturing and selling of its flagship biopharmaceutical products for the treatment and healing of surface wounds and eye wounds.

In addition, the Group strived to improve capacity utilization, examine new clinical applications, and distribute third party products to further expand the scope of business and strengthened competitive advantage.

For the six months ended 30 June 2015, the Group achieved a revenue of approximately HK\$313.4 million (2014: HK\$231.3 million), representing a growth rate of 35.5%. Profit attributable to owners of the Company was HK\$51.6 million, an increase of 68.8% over the same period last year. The Group's sustaining growth performance year-on-year reaffirmed the clinical acceptance of its products and its robust and versatile distribution network and resources in the PRC.

We will work strategically to seek investment opportunities and evaluate for new technologies and products.

Market Development

The Group's sales are propelled by its robust network of independent agents/distributors and directly owned regional sales offices ("RSOs"). At present the Group has 29 RSOs and 16 distributors, with 620 and 180 salespeople respectively, spreading across major cities and provinces of the PRC. RSOs are effectively tasked with the function of promotional programmes of the Group's products to and interacting with pharmaceutical companies, medical practitioners and hospitals. In addition, these RSOs serve another vital role, as market intelligence for the Group's planning on clinical studies and research and development pipeline.

Since 2013, the Group has restructured the sales force by splitting the sales team into two specialized teams, with each responsible for marketing and sale of ophthalmic pharmaceutical products and surgical products, respectively. The ophthalmic sales team and surgical sales team have the headcounts of 480 and 320 respectively as at 30 June 2015.

The Group's flagship products are being marketed by more than 3,500 hospitals spreading across in major cities and provinces in the PRC. During the period under review, the Group had conducted/participated in over 80 seminars and 300 market promotion activities in major cities and provinces in the PRC. Our sales and marketing team is in constant contact with over 31,000 doctors in briefing and educating them on the clinical applications of our products.

Research and Development

The Group's technology platform is built upon a recombinant DNA ("rDNA") more particularly the basic fibroblast growth factor ("bFGF") and its industrialisation technology. To capitalize on the proprietary technique on bFGF the Company plans to deliver a series of high quality products to establish itself as market leader in the arena of biopharmaceutical products for wounds healing and treatment.

The Group has developed a nano antibody research and development platform. We are developing a new VEGF nano-antibody and are investigating the potential of antibody as a future treatment for cancer and Age-related Macular Degeneration.

In addition, a new production technology platform – the Blow-Fill-Seal ("BFS") has established. The establishment of BFS platform has strengthened the Group's core competency in the field of ophthalmology and enable the Group to develop and produce a series of preservative-free single dose drugs. The Group currently has 9 single dose eye drops for the treatment of ocular wound healing, ocular bacterial infection, fatigue, allergy and dry eyes, etc. in the research and development pipeline.

As at the date of this report, a total of nine patents have been granted to the Group in China, seven of which are innovation patents (發明專利) on the application of the recombinant bovine basic fibroblast growth factor. These seven innovation patents provide market protection for the products of the existing Beifuji and Beifushu series until 2030. The remaining two patents are utility patents (實用專利) on product packaging, which are being applied in the products of the existing Beifuji and Beifushu series.

Financial Review

During the period under review, the Group achieved turnover of approximately HK\$313.4 million (2014: HK\$231.3 million), representing a growth rate of 35.5%. The revenue composition is shown in the following table:

Revenue composition for the six months ended 30 June 2015 and 2014

	Surgical products	Ophthalmic products	Other businesses	Total
2015	39.7%	54.6%	5.7%	100%
2014	36.0%	60.5%	3.5%	100%

The revenue growth was largely contributed by selling of flagship biopharmaceutical products, Beifushu and Beifuji series products, and Pfizer Eye Drops. Sales of Beifushu and Beifuji series products increased by 26.0%, compared to the same period last year. Revenue from sale of Pfizer Eye Drops and other businesses increased by 148.9% as compared to the same period last year.

Surgical products include our Beifuji series products such as Beifuji Spray, Beifuji Lyophilized Powder and Beifuxin Gel. It also includes Carisolv Products. Surgical products are suitable for various surgery arena such as burns, dermatology, obstetrics and gynecology, plastic surgery, dentistry, diabetic ulcers, dermatology. The revenue from selling surgical products achieved HK\$124.4 million, an increase of 49.2% as compared to the corresponding previous period.

Ophthalmic products include our Beifushu series products such as Beifushu Eye Drops and Beifushu Eye Gel. It also includes Pfizer Eye Drops. The revenue from selling ophthalmic products achieved HK\$171.3 million, an increase of 22.5% as compared to the corresponding previous period.

The Group's gross profit has grown in tandem with expanded sales. The gross profit for the period ended 30 June 2015 was approximately HK\$256.7 million (2014: HK\$189.9 million), an increase of 35.2%. The overall gross profit ratio for the Beifuji and Beifushu series maintained at 90.9% in 2015.

The Group achieved a profit attributable to owners of the Company of HK\$51.6million (HK\$30.6 million in 2014).

The distribution and selling expenses for the period under review were approximately HK\$168.7 million as compared to approximately HK\$129.8 million of the same period last year, an increase of 29.9%. The increase of distribution and selling expenses was mainly due to the expansion of sales and marketing function, organization of activities for product training and awareness.

The administrative expenses for the period under review were approximately HK\$26.1 million compared to approximately HK\$21.8 million in the corresponding period last year. The increase of administrative expenses was mainly due to the expansion of production capacities and operations. A provision of approximately HK\$1.9 million was fully made for the net book value of convertible note receivable.

The Group had cash and cash equivalents of approximately HK\$74.1 million as at 30 June 2015 (31 December 2014: HK\$62.0 million).

The bank borrowings as at 30 June 2015 were RMB25.0 million (equivalent to approximately HK\$31.6 million). They are repayable within one year and bear interest at prevailing interest rate and are secured by certain assets of the Group.

The total finance costs of the Group for the period ended 30 June 2015 were HK\$1.3 million.

Future Plans for material investments or capital assets

Save as disclosed in this report, as at 30 June 2015, the Group does not have an immediate plan for any other material investments or acquisition of material capital assets.

Liquidity and Financial Resources

As at 30 June 2015, the Group had cash and cash equivalents of approximately HK\$74.1 million as compared to approximately HK\$62.0 million as at 31 December 2014.

The Group monitors its capital structure on the basis of a net debts-to-adjusted capital ratio. For this purpose, the Group defines net debts as total debts (which include interest-bearing loans and borrowings and trade and other payables) less cash and cash equivalents. Adjusted capital comprises all components of equity. The net debts-to-adjusted capital ratio at 30 June 2015 was 24.2% (31 December 2014: 29.7%).

Charges on Group Assets

As at 30 June 2015, the Group's certain assets with carrying amount in aggregate of approximately HK\$131.0 million were pledged to secure its bank borrowings.

Capital Commitments

As at 30 June 2015, the Group had no material capital commitments.

Foreign Exchange Exposure

The Group's assets, liabilities and transactions are mainly denominated either Hong Kong dollars or Renminbi, the directors of the Company are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks and therefore no hedging arrangements were made. However, the Group will review and monitor the relevant foreign exchange exposure from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when appropriate.

Contingent Liabilities

As at 30 June 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

Treasury Policy

The Group generally financed its operations with internally generated cash flows, bank and other borrowings. The Group placed these resources into interest-bearing bank accounts opened with PRC and Hong Kong banks and earned interests in accordance with the PRC and Hong Kong banks rates. Bank deposits were mainly denominated in Renminbi and Hong Kong Dollar.

Employees

As at 30 June 2015, the Group had a total of 801 full-time employees. The aggregate remuneration of the Group's employees, including that of the Directors for the period under review and the preceding period amounted to approximately HK\$31.5 million and approximately HK\$27.5 million respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Share options and bonuses are also available to employees of the Group at the discretion of the Directors depending on the financial performance of the Group.

Each executive Director has entered into a service agreement with the Company for a term of three years commencing from 27 June 2013 and expiring on 26 June 2016 unless it is terminated by either party by giving the other not less than six months' written notice. The annual remuneration of each executive Directors was fixed in his service agreements and he is also entitled to a discretionary annual bonus of such amount (if any) as the Board may determined in its discretion from time to time having regard to the operating results of the Group and his performance in the relevant financial year, provided that (a) the aggregate amount of the discretionary annual bonuses payable to all directors of the Company in any financial year shall not exceed 5% of the consolidated net profit after taxation and non-controlling interests but before extraordinary items of the Company as shown in its consolidated audited accounts for such financial year ("Net Profit"); (b) the Net Profit for such financial year exceeds HK\$30,000,000; and (c) the amount of the discretionary annual bonus payable to each director of the Company in respect of any financial year shall not exceed 1.3 times of his annual basic salary as a director of the Company in respect of such financial year. The discretionary annual bonus, if any, shall be payable in respect of each financial year of the Company within three (3) months after the issue of the consolidated audited accounts of the Group for such financial year.

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

Share-based Payments

(a) *Equity-settled share option scheme*

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

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

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

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

- (i) representing in aggregate over 0.1% of the shares in issue; and
- (ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million,

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

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

- (i) All share options granted were at an exercise price of HK\$2.30 per share;
- (ii) All holders of share options might only exercise their options in the following manner:

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

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

Set out below are details of movements of the outstanding options granted under the Scheme during the period ended 30 June 2015 and 2014:

	Number of share options					Outstanding as at 30 June 2015
	Exercise price	Outstanding as at 1 January 2015	Granted during the Period	Exercised during the Period	Forfeited during the Period	
Executive directors						
– Ngiam Mia Je Patrick	HK\$2.30	500,000	–	–	–	500,000
– Fang Haizhou	HK\$2.30	3,500,000	–	–	–	3,500,000
– Zhong Sheng	HK\$2.30	3,500,000	–	–	–	3,500,000
Employees	HK\$2.30	12,000,000	–	–	–	12,000,000
Total		19,500,000	–	–	–	19,500,000

	Number of share options					Outstanding as at 30 June 2014
	Exercise price	Outstanding as at 1 January 2014	Granted during the Period	Exercised during the Period	Forfeited during the Period	
Executive directors						
– Ngiam Mia Je Patrick	HK\$2.30	500,000	–	–	–	500,000
– Fang Haizhou	HK\$2.30	3,500,000	–	–	–	3,500,000
– Zhong Sheng	HK\$2.30	3,500,000	–	–	–	3,500,000
Employees	HK\$2.30	12,000,000	–	–	–	12,000,000
Total		19,500,000	–	–	–	19,500,000

(b) *Equity-settled service contract*

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

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

- (i) All share options granted were at an exercise price of HK\$2.30 per share;
- (ii) All holders of share options might only exercise their options in the following manner:
 - (1) Up to 50% of the total number of HK Zhixin share options is exercisable during the period from 30 April 2014 to 29 October 2016; and
 - (2) Up to 50% of the total number of HK Zhixin share options is exercisable during the period from 30 October 2014 to 29 October 2016;
- (iii) All outstanding or unexercised HK Zhixin share options shall lapse on 29 October 2016.

The fair values of the services on 30 October 2013 were approximately HK\$1,800,000. These fair values were based on terms and conditions stated in the services contract. The exercise price of the share options outstanding as at 30 June 2015 was HK\$2.30 and the weighted average remaining contractual life was 1.3 years.

All the share options were exercisable as at 30 June 2015.

The Company recognised the total expense of approximately HK\$300,000 for the period ended 30 June 2015 (2014: HK\$300,000) in relation to share options granted by the Company to HK Zhixin.

ADDITIONAL INFORMATION

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

As at 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules were as follows:

Long positions in 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 30 June 2015
Ngiam Mia Je Patrick	Beneficial owner and interests of controlled corporations	153,145,667 <i>(Notes 1 and 2)</i>	27.51%
Fang Haizhou	Beneficial owner	4,738,300	0.85%
Zhong Sheng	Beneficial owner	2,869,150	0.52%

Notes:

1. 146,479,000 shares were registered in the name of Ngiam Mia Je Patrick.
2. 6,666,667 shares were held by Dynatech Ventures Pte Ltd (“Dynatech”) which was wholly owned by Essex Investment (Singapore) Pte Ltd (“Essex Singapore”). Since Essex Singapore was owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares, 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.

Set out below are particulars of interests (all being personal interests) in options to subscribe for ordinary shares of the Company granted/exercisable under the Scheme held by the Directors of the Company in office during the period under reviews:

Number of share options granted under the Scheme:

Name of Director	Date granted (Day/Month/Year)	As at 30 June 2015	Subscription price per share HK\$	Period during which rights exercisable (Day/Month/Year)
Ngiam Mia Je Patrick	30/10/2013	500,000	2.3	30/04/2014 – 29/10/2018
Fang Haizhou	30/10/2013	3,500,000	2.3	30/04/2014 – 29/10/2018
Zhong Sheng	30/10/2013	3,500,000	2.3	30/04/2014 – 29/10/2018

Note: No share option of the Company held by Directors lapsed or was exercised or cancelled during the period ended 30 June 2015.

Save as disclosed above, as at 30 June 2015, 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.

Substantial Shareholders and Other Persons Who Are Required to Disclose Their Interests Pursuant to Part XV of the SFO

As at 30 June 2015, the following persons or entities, other than a Director or chief executive of the Company had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Capacity	Number of shares/ underlying shares in the Company	Approximate percentage of interest in the Company's issued share capital as at 30 June 2015
Ngiam Mia Kiat Benjamin	Beneficial owner and interests of controlled corporations	151,720,667 <i>(Note 1)</i>	27.25%
Lauw Hui Kian	Family interest	153,645,667 <i>(Note 2)</i>	27.60%

Notes:

1.
 - (a) 144,554,000 shares were registered directly in the name of Ngiam Mia Kiat Benjamin.
 - (b) 6,666,667 shares were held by Dynatech which was wholly owned by Essex Singapore, which in turn was owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares. Therefore, Ngiam Mia Kiat Benjamin was deemed to be interested in these shares as he was entitled to exercise or control the exercise of more than one-third of the voting power of Dynatech at general meetings.
 - (c) 500,000 underlying shares are his share option entitlement granted on 30 October 2013 under the share option scheme of the Company as approved by the shareholders of the Company at the annual general meeting on 3 May 2013.
2. Lauw Hui Kian is the spouse of Ngiam Mia Je Patrick (an executive Director). Lauw Hui Kian was deemed to be interested in 153,645,667 shares in which Ngiam Mia Je Patrick was interested of which 500,000 shares are Ngiam Mia Je Patrick's interest in option to subscribe for ordinary shares of the Company granted/exercisable under the Scheme.

Save as disclosed above, as at 30 June 2015, no other persons or entities (other than the directors and chief executive of the Company whose interests are set out under the paragraph headed "Directors' and Chief Executive's interests and short positions in the shares, underlying shares and debentures above) had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

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 period under review.



Corporate Governance

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the period under review.

Audit Committee

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters, including reviewing the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015.

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"). Having made specific enquiry of all Directors, all Directors have confirmed that they have fully complied with the required standards and provisions as set out in the Model Code throughout the period ended 30 June 2015.

ON BEHALF OF THE BOARD

Ngiam Mia Je Patrick

Chairman

Hong Kong

10 August 2015