ESSEX BIO-TECHNOLOGY LIMITED

億 勝 生 物 科 技 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8151)

Annual Report | 2005

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This report, for which the directors of Essex Bio-Technology Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Essex Bio-Technology Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Chairman's Statement

Ngiam Mia Je Patrick
Chairman

Essex Bio-Technology Limited (the "Company") concluded the year 2005 with encouraging and commendable performance. The Group achieved and recorded in both profit and turnover of approximately HK$15.4 million and HK$49.2 million respectively.

The Group has achieved significant success on one of its flagship products, the Beifushu, for the treatment and healing of corneal wounds and diseases, over the past years. It is the direction of the Group to capitalize on the success and to develop a series of drugs for the treatment of eye wounds and diseases over the next 5 years. For this objective, in August 2005, the Group's major subsidiary, Zhuhai Essex Bio-Pharmaceutical Company Limited ("Zhuhai Essex") has appointed five Chinese renounced eye surgeons and pharmaceutical experts to form an advisory board (the "Advisory Board"). Their appointment is for a period of three years commencing in August 2005.

The Advisory Board is to provide strategic input, guidance and connections to the Group for its pursuits of development and marketing of drugs for the treatment and healing of eye wounds and diseases.

In November 2005, the Group has strategically acquired a 51% equity stake in 煙台開發區寶源生物實業有限公司 (Baoyuan Bio-Agri Technology (Yantai) Ltd.) ("Yantai Baoyuan"). Yantai Baoyuan was incorporated in Shandong, the People's Republic of China (the "PRC") on 5 January 2004 and commenced its business in June 2004. It is principally engaged in the research, development and production of organic and chemical formulated agricultural fertilizers, in solid and liquid forms, for the agriculture industry in the PRC.

The investment in Yantai Baoyuan is part of the Group's expansion plan into another bio-technology related industry to further strengthen on the Group's core business and on the basis that it shall contribute to the positive growth and enhance the Shareholders' value of the Group.

FINANCIAL HIGHLIGHTS

During the year under review, sales of flagship biopharmaceutical products increased significantly by around 18.5% to approximately HK$46.1 million. The Group registered a profit attributable to shareholders of the Company of approximately HK$15.4 million for the year ended 31 December 2005, an increase of approximately 102.9% over the previous year.

	Quarterly Results For the three months ended		**Yearly Results**	
	31 December 2005	31 December 2004	**2005**	2004
	HK$'m	*HK$'m*	***HK$'m***	*HK$'m*
Turnover	**16.8**	11.9	**49.2**	38.9
Profit attributable to shareholders of the Company	**1.8**	0.8	**15.4**	7.6

The board of directors (the "Directors") of the Company does not recommend the payment of a final dividend for the year ended 31 December 2005.

BUSINESS REVIEW

Year 2005 was another sterling performing year. Leveraging on the fastest growing economy of China and the effectiveness of the Group's development strategies, the Group achieved with an impressive financial results in the year under review. The successfully implementation of direct representative offices ("DROs") in strategic cities strengthened our distribution network and market coverage.

Sales of the flagship biopharmaceutical products rose 18.5% to approximately HK$46.1 million for the year under review.

During the year under review, the Group entered into the Capital Injection Agreement with the independent third parties to acquire approximately 51% equity interest in Yantai Baoyuan for a cash consideration of approximately HK$5.4 million. Further the Group provided an interest-free shareholders' loan in an aggregate principal amount of HK$4.2 million to Yantai Baoyuan after completion of the capital injection in 2005.

The acquisition of Yantai Baoyuan during the year enabled the Group to expand into another bio-technology related industry, on the basis that it will contribute to the positive growth and enhance the shareholders' value of the Group. Turnover contributed by Yantai Baoyuan since the date of acquisition to 31 December 2005 amounted to approximately HK$3.1 million.

While the Directors consider that the capital injection and provision of the shareholders' loan to Yantai Baoyuan will not have any material impact on the assets and liabilities of the Group, the capital injection to Yantai Baoyuan will have a positive effect on the earnings of the Group as a result of consolidation of Yantai Baoyuan's performance into the Group.

PROSPECTS

The great accomplishments in 2005 further confirmed that our development strategy and management approach are on sound track going forward. We will stay focused on driving progressive growth on its core biopharmaceutical products and expanding the newly acquired agricultural fertilizers business of Yantai Baoyuan in 2006.

The Group will continue to seek good investment opportunities to expand the Group's business progressively and achieving synergistic benefits to its current operations.

APPRECIATION

I would like to express my appreciation to our shareholders, business partners, associates, and staff for their support extended to and confidence shown in the Group.

Ngiam Mia Je Patrick
Chairman

Hong Kong
27 February 2006

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

COMPANY SECRETARY

Yau Lai Man CPA *(Practising)*

QUALIFIED ACCOUNTANT

Yau Lai Man CPA *(Practising)*

COMPLIANCE OFFICER

Zhong Sheng

AUDIT COMMITTEE

Fung Chi Ying
Mauffrey Benoit Jean Marie
Yeow Mee Mooi

AUTHORISED REPRESENTATIVES

Zhong Sheng
Yau Lai Man

WEBSITE ADDRESSES

www.essexbio.com

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

Horwath Hong Kong CPA Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
Bank of Communications

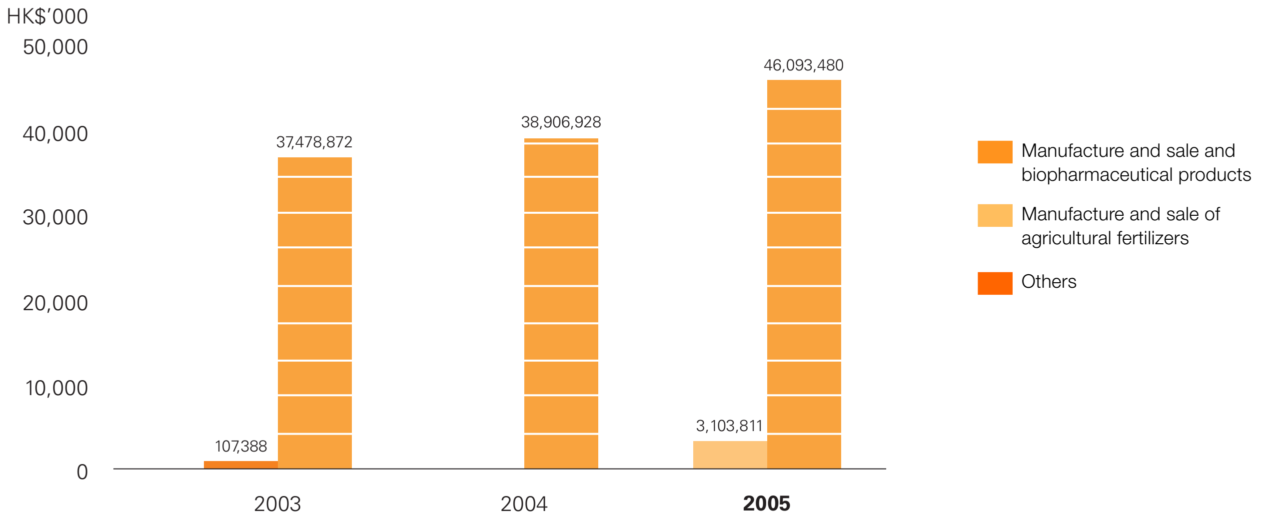
STOCK CODE

8151

Financial Highlights

	Year ended 31 December	
	2005	2004
	HK$	*HK$*
Results		
Turnover	**49,197,291**	38,906,928
Profit attributable to shareholders of the Company	**15,426,970**	7,604,639
Assets and liabilities		
Total assets	**75,879,217**	51,355,948
Total liabilities	**(13,236,253)**	(9,808,426)
Total equity	**62,642,964**	41,547,522
Minority interests	**(5,203,876)**	–
Equity attributable to shareholders of the Company	**57,439,088**	41,547,522

Turnover by business segments



Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

During the year under review, the Group was principally engaged in the manufacture and sale of biopharmaceutical products for the treatment and healing of surface wounds and eye wounds. The Group also engaged in the research and development of biopharmaceutical products for the treatment of duodenal ulcers and nervous system damages and diseases, as well as other ophthalmic pharmaceutical projects.

In 2005, the Group stayed focusing on driving organic growth from its core biopharmaceutical products through the established distribution network in the PRC.

In addition, the Group has strategically expanded into the business of agricultural fertilizers through taking a 51% equity stake in Yantai Baoyuan, which is principally engaged in the research, development and production of organic and chemical formulated agricultural fertilizers, in solid and liquid forms, for the agriculture industry in the PRC.

MARKET DEVELOPMENT

The Group continued to execute its plan of establishing and nurturing a network of direct representative offices ("DROs") in strategic cities to complement the already established distribution network and are aimed at providing more effective control and management of market coverage and reach. Over 1,000 hospitals in major provinces in the PRC carry the Group's flagship pharmaceutical products.

The Group currently has nine DROs located in major provinces in the PRC.

To cultivate further market coverage and reach for the Group's genetic products, the Group has conducted over 78 seminars and 567 market promotion activities, educating more than 10,000 doctors and medical practitioners on the clinical applications of the Group's products, in major cities and provinces in the PRC for the year under review.

- Asia-Pacific Conference on Burns Medicine in November 2005

- 2005 National Annual Conference of Ophthalmology

- Conference of Guangdong Provincial Committee of Ophthalmology

During the year under review, the Group's flagship biopharmaceutical products have been successfully approved for the Medical Insurance coverage in 7 major provinces in the PRC.

PRODUCTS DEVELOPMENT

貝復濟凝膠劑型 (Beifuji gel formulation) – It is a derivative of the existing commercialised 貝復濟 (Beifuji) in lyophilized powder and liquid forms. 貝復濟凝膠劑型 (Beifuji gel formulation), namely 貝復新 (Beifuxin), is comparatively persistent when being used on wounds, which in turn promotes therapeutic efficacy. The approval from the State Food Drug Administration of China ("SFDA") for the commercial production and the requisite Good Manufacturing Practice ("GMP") certificate for the production of 貝復新 (Beifuxin) were obtained in 2004. The Group has started to manufacture and distribute 貝復新 (Beifuxin) in early 2005.

PRODUCTS DEVELOPMENT *(continued)*

貝復舒凝膠劑型 (Beifushu gel formulation) – It is used for the treatment of corneal wounds. It is a derivative of the flagship category I biopharmaceutical product 貝復舒 (Beifushu) eye-drop. The current eye-drop form of 貝復舒 (Beifushu) has been prescribed in hospitals. Beifushu gel is perceived to be comparative easy-to-use and more comfortable as a result of a smoother and even distribution when applying on conjunctiva. Moreover, it is more stable in physical nature, which extends the product's persistency. The Group had obtained the SFDA's approval for the commercial production of 貝復舒凝膠劑型 (Beifushu gel formulation) and the requisite GMP certificate in the fourth quarter of 2005. The Group will start the manufacturing and distribution of 貝復舒凝膠劑型 (Beifushu gel formulation) in the first quarter of 2006.

The Group's genetic drug product spectrum focuses on the treatment and healing of surface wound, corneal wound, duodenal ulcers and nervous system diseases and damages.

RESEARCH AND DEVELOPMENT ("R&D")

R&D pipeline during the year under review included the following projects:

- 貝復適 (Beifushi) – Clinical trials are in progress. 貝復適 (Beifushi) is a category I biopharmaceutical product designed for the treatment and healing of duodenal ulcers.

- 貝復泰 (Beifutai) – Pre-clinical tests have been concluded and are pending SFDA's approval to start clinical trials. 貝復泰 (Beifutai) is a category I biopharmaceutical product based on rh-bFGF for the treatment of nervous system diseases and damages.

- rh-GDNF – Pre-clinical tests are in progress. rh-GDNF is a neurotrophic factor for the treatment of nervous system damages and diseases.

- 妥布霉素滴眼液 (Tobramycin Eye Drop) – The research and development on this project has been successfully completed during the year under review and is pending receipt of the GMP certification and SFDA's approval in order to commence production. 妥布霉素滴眼液 (Tobramycin Eye Drop) is developed for the treatment and healing of bacterial contamination.

- 雙氯芬酸鈉滴眼液 (Diclofenac Sodium Eye Drop) – The research and development on this project has been successfully completed during the year under review and is pending the receipt of the GMP certification and SFDA's approval in order to commence production. 雙氯芬酸鈉滴眼液 (Diclofenac Sodium Eye Drop) is developed for the treatment and healing of keratitis and inflammation after cataract surgery.

FINANCIAL REVIEW

The Group reported approximately HK$49.2 million in turnover for the year ended 31 December 2005, an increase of 26.4% over last year.

Overall gross profit for the year ended 31 December 2005 increased to approximately HK$41.7 million when compared to approximately HK$34.5 million recorded in last year.

The Group registered a profit attributable to shareholders of approximately HK$15.4 million for the year ended 31 December 2005, an increase of over 102.9% when compared to last year. The significant increase is mainly attributed to the increase in sale of flagship biopharmaceutical products.

Distribution and selling expenses increased to approximately HK$27.7 million for the year ended 31 December 2005 when compared to approximately HK$23.3 million recorded in last year. The increase was mainly attributable to the increase in marketing and promotional activities and sales commission payable that were associated with the higher sales volume of the Group's genetic products in the year under review.

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Administrative expenses decreased to approximately HK$9.5 million for the year ended 31 December 2005 when compared to approximately HK$10.4 million recorded in last year. The decrease was the result of cost containment efforts instituted by senior Group management during the year under review.

During the year under review, the Group incurred a capital expenditure of approximately HK$4.6 million for upgrading and expanding the manufacturing capacity and capability of its plant in Zhuhai and enlarging its Zhuhai office space. The upgrading programme is to cope with anticipated higher demands of its current and future products. The whole construction was completed by the end of 2005.

The board of Directors approved the grant of a loan up to HK$8.5 million to Yantai Baoyuan in 2006 for its working capital. As at the date of this report, the Group had already granted RMB5 million to Yantai Baoyuan in the first quarter of 2006 at an interest rate of 5.6% per annum and is repayable within three months. The loan is generated by the Group's internal fund.

The Group maintained a healthy financial position with approximately HK$30.5 million cash on hand as at 31 December 2005 (2004: approximately HK$23.4 million).

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the year under review. The capital of the Company comprises only ordinary shares. The Company and the Group have no borrowing or long-term debts.

SIGNIFICANT INVESTMENTS

During the year under review, the Group entered into the Capital Injection Agreement with independent third parties to acquire approximately 51% equity interest in Yantai Baoyuan for a cash consideration of approximately HK$5.4 million. Further the Group provided an interest-free shareholders' loan in an aggregate principal amount of HK$4.2 million to Yantai Baoyuan immediately after completion of the capital injection in 2005.

The investment in Yantai Baoyuan is part of the Group's expansion plan into another bio-technology related industry, on the basis that it shall contribute to the positive growth and enhance the Shareholders' value of the Group. Details of the acquisition have been set out in the circular of the Company dated 28 November 2005.

While the Directors consider that the capital injection and provision of the shareholders' loan to Yantai Baoyuan will not have any material impact on the assets and liabilities of the Group, the capital injection will have a positive effect on the earnings of the Group as a result of consolidation of Yantai Baoyuan's performance into the Group.

Apart from the above, the Group did not have other significant investments as at 31 December 2005.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES/FUTURE PLANS FOR MATERIAL INVESTMENT

Save as to the acquisition of Yantai Baoyuan in November 2005 (details of which are set out in the circular of the Company dated 28 November 2005), there had been no material acquisitions and disposals during the year under review. At present, the Company and the Group have no plans for material investments or capital assets.

GEARING RATIO

The gearing ratio of the Group, based on total liabilities to shareholders' funds, was 0.21 times as at 31 December 2005 (2004: 0.24 times).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations with internally generated cash flows.

As at 31 December 2005, the Group has cash and cash equivalents of approximately HK$30.5 million, as compared to approximately HK$23.4 million of the previous year.

FOREIGN EXCHANGE EXPOSURE

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

CHARGES ON GROUP ASSETS

As at 31 December 2005, the Group did not have any charges on its assets.

CONTINGENT LIABILITY

The Group did not have any significant contingent liabilities as at 31 December 2005.

SEGMENTAL INFORMATION

The segmental information of the Group products is set out in the financial statements on page 36.

EMPLOYEES

As at 31 December 2005, the Group has a total of 139 full-time employees. The aggregate remuneration of the Group's employees, including that of the Directors, for the year under review and the previous year amounted to approximately HK$6.9 million and approximately HK$6.7 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 schemes are disclosed in note 29 to the financial statements of this report.

Each of the three executive Directors has entered into a Director's service agreement with the Company. Under the service agreements, they have been appointed to act as executive Directors for an initial term of three years commencing from 27 June 2001 and expiring on 26 June 2004. It was extended by another service agreement for a fixed term of three years commencing from 27 June 2004 to 26 June 2007 unless terminated by the Company giving not less than six month's prior written notice to the respective Director. The annual remuneration were fixed in the respective service agreement and each of them is also entitled to a discretionary management bonus which shall not exceed 6% of the consolidated net profits after taxation and minority interests but before extraordinary items for the relevant financial year, provided that such consolidated profits shall exceed HK$5,000,000, which is payable within three months after the availability of the audited consolidated accounts of the Group for the relevant financial year. The basis of determining the emolument payable to the Directors are set out in the sub-section headed "Remuneration of Directors" under the section headed "Corporate governance report" of this report.

Pursuant to a pre-IPO share option scheme adopted by the Company on 13 June 2001, the Company had granted pre-IPO share options to 149 employees (including three executive Directors) of the Group to subscribe for a total of 39,725,000 shares, representing in aggregate approximately 7.75% of the issued share capital of the Company immediately following the completion of the Placing and the capitalization issue, at a subscription price ranging from 20% to 70% of the issue price of HK$0.50 per share.

At the date of this report, no share options have been granted under the post-IPO share option scheme adopted by the Company on 20 June 2003.

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

Profiles of Directors

Ngiam Mia Je Patrick
Aged 51, Dr. Ngiam is the founder of the Group. Dr. Ngiam is an executive Director and the chairman of the Company. He is responsible for corporate planning, business development strategy and overall direction of the Group. He was awarded the first KPMG Singapore High Tech Entrepreneur Award in 1990. Dr. Ngiam was also awarded the Businessman of the Year in Singapore in 1994. In 1996, Dr. Ngiam was bestowed with an award from France, the Chevalier DE L'ORDRE NATIONAL DU MERITE. Dr. Ngiam is a founder of the Group which was established in February 1999. Dr. Ngiam is also a member of the remuneration committee and the chairman of the nomination committee of the Company. Dr. Ngiam is also a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited and Zhuhai Essex, all being subsidiaries of the Company.

Fang Haizhou
Aged 40, Mr. Fang is 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 since its establishment in June 1996. Mr. Fang Haizhou is also a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited, Zhuhai Essex and Yantai Baoyuan, all being subsidiaries of the Company.

Zhong Sheng
Aged 41, 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 nine year experience in financial management and project management. Mr. Zhong is also a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited, Zhuhai Essex and Yantai Baoyuan, all being subsidiaries of the Company. Mr. Zhong is also the compliance officer and an authorised representative of the Company.

Fung Chi Ying
Aged 51, Mr. Fung was appointed as independent non-executive Director on 13 June 2001. Mr. Fung is a practicing solicitor in Hong Kong. He is presently a partner of Adrian Yeung & Cheng, Solicitors. Mr. Fung is also the chairman of the audit committee, a member of the remuneration committee and nomination committee of the Company.

Mauffrey Benoit Jean Marie
Aged 53, Mr. Mauffrey was appointed as independent non-executive director of the Company 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 and nomination committee of the Company.

Yeow Mee Mooi
Aged 43, Madam Yeow was appointed as independent non-executive director of the Company on 30 September 2004. Madam Yeow graduated from The University of Southwestern Louisiana, the United States of America, with a bachelor degree in business administration. Madam Yeow further obtained her postgraduate diploma in financial management from The University of New England, Australia. Madam Yeow is a certified practising accountant of The Hong Kong Institute of Certified Public Accountants and The Australian Society of Certified Practising Accountants. Madam Yeow has over 14 years' taxation, auditing and commercial experience in Hong Kong. Madam Yeow is now a director of a management consulting firm in Hong Kong. She is also the chairman of the remuneration committee, a member of the audit committee and nomination committee of the Company.

Report of the Directors

The Directors present their report and the audited financial statements of Essex Bio-Technology Limited (the "Company") and of the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 20 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 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 20 to 52.

The Directors do not recommend the payment of any dividends in respect of the year.

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 53 to 54. 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 are set out in note 16 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There was no movement in the Company's authorised and issued share capital during the year. Details of the Company's share capital and share option schemes are set out in notes 27 and 29 to the financial statements.

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 are set out in note 28 to the financial statements and in the consolidated statement of changes in equity on page 22, respectively.

DISTRIBUTABLE RESERVES

The Company had no reserves available for cash distribution and/or distribution in specie to shareholders of the Company as at 31 December 2005, as computed in accordance with the Companies Law of the Cayman Islands. The Company's share premium account, with a balance of HK$969,871, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 43.7% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 12.7% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 63.9% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 18% 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.

Report of the Directors

DIRECTORS

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

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

Independent non-executive Directors:
Fung Chi Ying
Mauffrey Benoit Jean Marie
Yeow Mee Mooi

In accordance with the proposed amendments to 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.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for term of three years commencing from 27 June 2004 and expiring on 26 June 2007 unless terminated by the Company giving not less than six month's prior written notice to the respective Director.

Details of the appointments of the independent non-executive Directors are set out in the Corporate Governance Report.

Save as disclosed in note 9 to the financial statements, there were no other emoluments, pension and any compensation arrangements for the Directors and past Directors as are specified on Sections 161 and 161A of the Companies Ordinance.

The Company confirms that it has received from each of its independent non-executive Directors a confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

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 within one year without payment of compensation, other than statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the year under review.

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

As at 31 December 2005, 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 Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of the Stock Exchange (the "GEM Listing Rules"), were as follows:

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Long positions in ordinary shares of the Company:

Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the Company's issued share capital
	Number of issued ordinary shares of HK$0.10 each in the Company					
Ngiam Mia Je Patrick	2,250,000	–	288,458,000 *(note 1)* 6,666,667 *(note 2)*	–	297,374,667	53.56
Fang Haizhou	2,000,000	–	–	–	2,000,000	0.36
Zhong Sheng	1,500,000	–	–	–	1,500,000	0.27

Notes:

1. 288,458,000 shares were held by Essex Holdings Limited ("Essex Holdings") which is owned as to 50% by Ngiam Mia Je Patrick and as to 50% by Ngiam Mia Kiat Benjamin. Therefore, 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.

2. 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 Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares and therefore, 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 meeting.

Interest in underlying shares of the Company:

Share options granted under the Pre-Scheme (note):

Name of Director	Number of share options beneficially and directly held by the Directors and outstanding as at 31 December 2005	Approximate percentage of the Company's issued share capital as at 31 December 2005
Ngiam Mia Je Patrick	2,250,000	0.41
Fang Haizhou	2,000,000	0.36
Zhong Sheng	1,500,000	0.27

Note: Please refer to note 29 to the financial statements for details of the Pre-Scheme (as defined in note 29 to the financial statements) and share options granted thereunder, including the above share options granted to the above Directors.

Save as disclosed above, as at 31 December 2005, none of the Directors or chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that 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 Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above and in the share option scheme disclosures in note 29 to the financial statements, at no time during the year under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2005, the following persons had interests or short positions in the shares and underlying shares of the Company which as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Capacity and Nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Essex Holdings Limited	Beneficially owned	288,458,000	51.95
Ngiam Mia Je Patrick	Beneficially and corporate owned	297,374,667 *(note 1)*	53.56
Ngiam Mia Kiat Benjamin	Beneficially and corporate owned	295,449,667 *(note 2)*	53.21
Lauw Hui Kian	Family owned	297,374,667 *(note 3)*	53.56

Notes:

1. (a) 2,250,000 shares are registered directly in the name of Ngiam Mia Je Patrick;

   (b) 288,458,000 shares are held by Essex Holdings; and

   (c) 6,666,667 shares are held by Dynatech.

2. (a) 325,000 shares are registered directly in the name of Ngiam Mia Kiat Benjamin;

   (b) 288,458,000 shares are held by Essex Holdings; and

   (c) 6,666,667 shares are held by Dynatech.

3. (a) 297,374,667 shares are held by Ngiam Mia Je Patrick, the spouse of Lauw Hui Kian.

Save as disclosed above, as at 31 December 2005, there was no person (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 position 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.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year are set out in note 35 to the financial statements. Save as disclosed therein, there were no other transactions to be disclosed as connected and related party transactions in accordance with the requirements of the GEM Listing Rules and accounting principles generally accepted in Hong Kong.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or 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, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the year.

AUDITORS

Horwath Hong Kong CPA Limited retire and a resolution for their re-appointment as auditors of the Company is to be proposed at the forthcoming annual general meeting.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 16 to 18 of this report.

ON BEHALF OF THE BOARD

Ngiam Mia Je Patrick
Chairman

Hong Kong
27 February 2006

Corporate Governance Report

INTRODUCTION

Subject to the deviations as disclosed in this report, the Company has complied with all the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules during the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2005.

BOARD OF DIRECTORS AND BOARD MEETING

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 of Directors 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 of Directors, 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 Report of the Directors. 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/her duties effectively and efficiently. Dr. Ngiam Mia Je Patrick is the chairman of the board of Directors and an executive Director. Mr. Fang Haizhou is the managing Director of the Company and an executive Director.

To improve the transparency and independency of the corporate governance, the chairman and managing Director of the Company are segregated and are not exercised by the same individual during the year under review.

The executive Directors include Dr. Ngiam Mia Je Patrick, Mr. Fang Haizhou and Mr. Zhong Sheng. The Company also 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 Madam Yeow Mee Mooi are the independent non-executive Directors.

The term of appointment for Mr. Fung Chi Ying and Mr. Mauffrey Benoit Jean Marie commenced from 13 June 2001 and expired on the date on which the annual general meeting of the Company for the year of 2004 was held. Their appointments were further extended for a term expiring on the date on which the annual general meeting of the Company for the year of 2005 was held and would continue thereafter subject to retirement by rotation and other related provisions as stipulated in the articles of association of the Company, provided that the appointments may be terminated by the Company or Mr. Fung Chi Ying/Mr. Mauffrey Benoit Jean Marie with a written notice of not less than one month unless both parties agree otherwise.

Madam Yeow Mee Mooi has been appointed as an independent non-executive Director for a term of two years commencing on 30 September 2004 and is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association, provided that the appointment may be terminated by the Company or Madam Yeow Mee Mooi with a written notice of not less than one month unless both parties agree otherwise.

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

The board of Directors held a full board meeting for each quarter.

Details of the attendance of the board of Directors are as follows:

Directors	**Attendance**
Dr. Ngiam Mia Je Patrick	4/4
Mr. Fang Haizhou	4/4
Mr. Zhong Sheng	4/4
Mr. Fung Chi Ying	4/4
Mr. Mauffrey Benoit Jean Marie	4/4
Madam Yeow Mee Mooi	4/4

Apart from the above regular board meetings of the year, the board of Directors will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

REMUNERATION OF DIRECTORS

The remuneration committee was established in August 2005. The chairman of the committee is Madam Yeow Mee Mooi, an independent non-executive Director, and other members include Dr. Ngiam Mia Je Patrick, Mr. Fung Chi Ying and Mr. Mauffrey Benoit Jean Marie, the majority being 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 make 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 period under review, a meeting of the remuneration committee was held in August 2005. Details of the attendance of the remuneration committee meeting are as follows:

Members	**Attendance**
Madam Yeow Mee Mooi	1/1
Dr. 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.

NOMINATION OF DIRECTORS

The nomination committee was established in August 2005. The chairman of the committee is Dr. Ngiam Mia Je Patrick, the chairman of the Company, and other members include Mr. Fung Chi Ying, Mr. Mauffrey Benoit Jean Marie and Madam Yeow Mee Mooi, all are 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 period under review, a meeting of the nomination committee was held in August 2005 for nomination of Directors. Details of the attendance of the meeting are as follows:

Members	**Attendance**
Dr. Ngiam Mia Je Patrick	1/1
Mr. Fung Chi Ying	1/1
Mr. Mauffrey Benoit Jean Marie	1/1
Madam Yeow Mee Mooi	1/1

During the meeting, the board of Directors 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 (subject to the proposed amendments at the forthcoming annual general meeting), 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.

Corporate Governance Report

NOMINATION OF DIRECTORS *(continued)*

Under the code provision A.4.2 of the Corporate Governance Practices, every Director should be subject to retirement by rotation at least once every three years. The existing articles of association of the Company provide that no Director holding office as chairman and/or managing Director shall be subject to retirement by rotation. Accordingly, as at the date of this report, Dr. Ngiam Mia Je Patrick, being the chairman of the Company, and Mr. Fang Haizhou, being the managing Director, are not subject to retirement by rotation. In order to comply with the code provision A.4.2 of the Corporate Governance Practices, amendments will be proposed at the forthcoming annual general meeting to specify that every Director shall be subject to retirement by rotation at least once every three years. Further, Mr. Zhong Sheng, an executive Director, has not retired for more than three years. As Dr. Ngiam Mia Je Patrick, Mr. Fang Haizhou and Mr. Zhong Sheng are the only three executive Directors, the nomination committee of the Company recommended that Mr. Fang Haizhou and Mr. Zhong Sheng shall retire by rotation at the annual general meeting this year and Dr. Ngiam Mia Je Patrick shall retire at the annual general meeting next year.

AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Company has paid an aggregate of HK$294,256 to the external auditor for its services including audit, due diligence and other advisory services.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Mr. Fung Chi Ying, Mr. Mauffrey Benoit Jean Marie and Madam Yeow Mee Mooi. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Fung Chi Ying.

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
Madam Yeow Mee Mooi	4/4

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2005 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.

DIRECTORS' AND AUDITORS RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 19 of this report.

INTERNAL CONTROL

The Company has conducted a review of its system of internal control periodically to ensure the effective and adequate internal control system. The Company convened meeting periodically to discuss financial, operational and risk management control. The Directors are of the view that the existing system of internal control is effective and adequate to the Group.

INVESTORS RELATIONS

The Company disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. Meeting with media and investors periodically. The Company also replied the enquires from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer to their enquiries.

Report of the Auditors

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 financial statements on pages 20 to 52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

Hong Kong
Shiu Hong Ng
Practising Certificate number P03752
27 February 2006

Consolidated Income Statement

Year ended 31 December 2005

	Notes	2005 HK$	2004 HK$ Restated
Turnover	4	**49,197,291**	38,906,928
Cost of sales		**(7,534,672)**	(4,399,848)
Gross profit		**41,662,619**	34,507,080
Other revenue	6	**1,081,416**	2,008,222
Distribution and selling expenses		**(27,747,759)**	(23,311,697)
Administrative expenses		**(9,494,094)**	(10,387,657)
Finance costs		**(46,298)**	(7,850)
Other gains and losses	7	**10,091,869**	4,796,541
Profit before taxation	8	**15,547,753**	7,604,639
Taxation	12(a)	**–**	–
Net profit for the year		**15,547,753**	7,604,639
Attributable to:			
Equity shareholders of the Company	14	**15,426,970**	7,604,639
Minority interests		**120,783**	–
		15,547,753	7,604,639
Earnings per share	15		
Basic		**HK2.78 cents**	HK1.37 cents
Diluted		**HK2.77 cents**	HK1.37 cents

Consolidated Balance Sheet

31 December 2005

	Notes	2005 HK$	2004 HK$
Assets and liabilities			
Non-current assets			
Property, plant and equipment	16	**10,286,323**	4,127,452
Construction in progress	17	**721,715**	–
Goodwill	18	**1,953,127**	1,797,019
Other intangible assets	19	**4,218,382**	4,259,461
Available-for-sale investments	21	**–**	3,761,031
		17,179,547	13,944,963
Current assets			
Inventories	22	**2,047,573**	467,040
Trade and other receivables	23	**22,835,035**	13,583,632
Investments held for trading	21	**3,318,237**	–
Cash and cash equivalents	24	**30,498,825**	23,360,313
		58,699,670	37,410,985
Current liabilities			
Trade and other payables	25	**12,352,517**	9,735,892
Amount due to a minority shareholder of a subsidiary	35(a)	**883,736**	–
Obligations under finance leases	26	**–**	72,534
		13,236,253	9,808,426
Net current assets		**45,463,417**	27,602,559
Net assets		**62,642,964**	41,547,522
Equity			
Capital and reserves			
Share capital	27	**55,524,400**	55,524,400
Reserves		**1,914,688**	(13,976,878)
Equity attributable to equity shareholders of the Company		**57,439,088**	41,547,522
Minority interests		**5,203,876**	–
Total equity		**62,642,964**	41,547,522

Director

Director

Consolidated Statement of Changes in Equity

31 December 2005

	Share capital (Note 27)	Share premium	Capital reserve and contributed surplus	Exchange reserves	Investment revaluation reserve	Retained profits/ (Accumulated losses)	Attributable to equity shareholders of the Company	Minority interests	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January 2004	55,524,000	969,871	362,442	14,493	–	(22,928,323)	33,942,483	–	33,942,483
Net profit for the year	–	–	–	–	–	7,604,639	7,604,639	–	7,604,639
Ordinary shares issued on exercise of share options	400	–	–	–	–	–	400	–	400
At 31 December 2004	55,524,400	969,871	362,442	14,493	–	(15,323,684)	41,547,522	–	41,547,522
Redesignation of available-for-sale investments	–	–	–	–	10,793,692	–	10,793,692	–	10,793,692
At 31 December 2004 as redesignated	55,524,400	969,871	362,442	14,493	10,793,692	(15,323,684)	52,341,214	–	52,341,214
Changes in fair value on available-for-sale investments	–	–	–	–	(79,455)	–	(79,455)	–	(79,455)
Released on disposal of available-for-sale investments	–	–	–	–	(10,714,237)	–	(10,714,237)	–	(10,714,237)
Exchange differences arising on translation of financial statements of overseas subsidiaries	–	–	–	464,596	–	–	464,596	4,920	469,516
Net expense recognised directly in equity	–	–	–	464,596	(10,793,692)	–	(10,329,096)	4,920	(10,324,176)
Net profit for the year	–	–	–	–	–	15,426,970	15,426,970	120,783	15,547,753
Total recognised income and expenses for the year	–	–	–	464,596	(10,793,692)	15,426,970	5,097,874	125,703	5,223,577
Arising from acquisition of a subsidiary	–	–	–	–	–	–	–	5,078,173	5,078,173
At 31 December 2005	55,524,400	969,871	362,442	479,089	–	103,286	57,439,088	5,203,876	62,642,964

Consolidated Cash Flow Statement

Year ended 31 December 2005

	Notes	2005 HK$	2004 HK$
Operating activities			
Profit before taxation		**15,547,753**	7,604,639
Adjustments for:			
Finance costs		**46,298**	7,850
Interest income		**(155,080)**	(43,319)
Gain on disposal of available-for-sale investments		**(9,217,527)**	(4,597,916)
Gain on disposal of a subsidiary		**–**	(205,050)
Provision for impairment of trade and other receivables written back		**(307,545)**	(1,421,452)
Other payables written back		**(431,634)**	–
Fair value gains on trading securities		**(895,781)**	–
Depreciation of property, plant and equipment		**1,091,213**	1,046,139
Amortisation of other intangible assets		**273,357**	51,282
Amortisation of goodwill		**–**	231,874
(Gain)/loss on disposal of property, plant and equipment		**(7,341)**	6,425
Development expenditure written off		**–**	648,943
Property, plant and equipment written off		**28,780**	–
Operating cash flows before working capital changes		**5,972,493**	3,329,415
Decrease/(increase) in inventories		**699,716**	(37,801)
Increase in trade and other receivables		**(7,915,202)**	(1,252,216)
(Decrease)/increase in trade and other payables		**(1,866,703)**	800,434
Increase in amount due to a minority shareholder of a subsidiary		**883,736**	–
Effect of foreign exchange rate changes		**47,378**	–
Cash (used in)/generated from operations		**(2,178,582)**	2,839,832
Interest paid		**(40,358)**	–
Finance leases interest paid		**(5,940)**	(7,850)
Net cash (outflow)/inflow from operating activities		**(2,224,880)**	2,831,982
Investing activities			
Proceeds from disposal of property, plant and equipment		**34,854**	942
Proceeds from disposal of available-for-sale investments		**12,978,558**	12,813,485
Net cash inflow arising from acquisition of a subsidiary	*30*	**4,047,141**	–
Disposal of a subsidiary	*31*	**–**	107,526
Payments to acquire trading securities		**(2,422,456)**	(2,616,600)
Payments to acquire property, plant and equipment		**(5,551,624)**	(245,749)
Interest received		**155,080**	43,319
Net cash inflow from investing activities		**9,241,553**	10,102,923
Financing activities			
Payments of finance leases		**(72,534)**	(96,712)
Net increase in cash and cash equivalents		**6,944,139**	12,838,193
Cash and cash equivalents at beginning of year		**23,360,313**	10,522,120
Effect of foreign exchange rate changes		**194,373**	–
Cash and cash equivalents at end of year		**30,498,825**	23,360,313
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	*24*	**16,898,417**	23,360,313
Time deposits with original maturity of less than three months when acquired	*24*	**13,600,408**	–
		30,498,825	23,360,313

Balance Sheet

31 December 2005

	Notes	2005 HK$	2004 HK$
Assets and liabilities			
Non-current assets			
Interest in a subsidiary	20	**39,490,649**	44,142,762
Current assets			
Trade and other receivables	23	**195,732**	242,428
Investments held for trading	21	**3,318,237**	–
Cash and cash equivalents	24	**1,734,402**	670,476
		5,248,371	912,904
Current liabilities			
Trade and other payables	25	**984,662**	853,448
Net current assets		**4,263,709**	59,456
Net assets		**43,754,358**	44,202,218
Equity			
Capital and reserves			
Share capital	27	**55,524,400**	55,524,400
Reserves	28	**(11,770,042)**	(11,322,182)
Total equity		**43,754,358**	44,202,218

Director

Director

Notes to Financial Statements

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 31 July 2000 under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. Its subsidiaries principally engage in the development, manufacture and selling of biopharmaceutical products and organic and chemical formulated agricultural fertilizers in the People's Republic of China (the "PRC").

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRS"), which also include all Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(SIC)-Int") (collectively "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The applicable HKFRSs are set out below:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenues
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease

The adoption of new or revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 28, 33, 37 and HK(SIC)-Int 27 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests and other disclosures.
- HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 23, 27, 28, 33, 37 and HK(SIC)-Int 27 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.
- HKAS 24 has affected the identification of related parties and some other related party disclosures as detailed in note 35 to the financial statements.
- HKAS 38 had no material effect on the Group's policy. The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

Notes to Financial Statements

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The major effects on adoption of the other HKFRSs are summarised as follows:

(a) Amortisation of positive and negative goodwill (HKFRS 3 – Business combinations and HKAS 36 – Impairment of assets)

In prior periods:

- positive or negative goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the profit and loss account until disposal or impairment of the acquired business;

- positive goodwill which arose on or after 1 January 2001 was amortised on a straight-line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

- negative goodwill which arose on or after 1 January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the profit and loss account as those expected losses were incurred.

With effect from 1 January 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill had been allocated exceeds its recoverable amount. Also with effect from 1 January 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the profit or loss as it arises. Further details of these new policies are set out in note 3(e) to the financial statements.

The new policy in respect of the amortisation of positive goodwill has been applied prospectively after 1 January 2005 in accordance with the transitional arrangements under HKFRS 3. As detailed in note 18 to the financial statements, the Group's accumulated amortisation of goodwill of HK$521,716 has been eliminated against the cost of goodwill as at 1 January 2005. The adoption of this new policy also reduced the amortisation of goodwill of HK$231,874 would have been charged for the current year had the Group not adopted this new policy.

Also in accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 January 2001) will not be recognised in the profit and loss account on disposal or impairment of the acquired business, or under any other circumstances.

The change in policy relating to negative goodwill had no effect on these consolidated financial statements as there was no negative goodwill deferred as at 31 December 2004.

(b) Retranslation of goodwill relating to a net investment in a foreign operation (HKAS 21 – The effects of changes in foreign exchange rates)

In prior years, goodwill arising on the acquisition of a foreign operation was translated at the exchange rates ruling at the transaction dates.

With effect from 1 January 2005, in order to comply with HKAS 21, the Group has changed its accounting policy relating to retranslation of goodwill. Under the new policy, any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation. Thus it is expressed in the functional currency of that foreign operation and is retranslated at the closing rate at each balance sheet date. Any resulting exchange difference is taken directly to the exchange reserves, together with any other differences arising from the re-translation of the net assets of the foreign operation.

In accordance with the transitional provisions in HKAS 21, this new policy has not been adopted retrospectively and will only be applied to acquisitions occurring on or after 1 January 2005.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(c) Financial instruments (HKAS 32 – Financial Instruments: Disclosure and Presentation and HKAS 39 – Financial Instruments: Recognition and Measurement)

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosures of financial instruments. Under HKAS 39, financial assets are classified into four categories including financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables or held-to-maturity financial assets. Financial liabilities are generally classified as financial liabilities at fair value through profit or loss or other financial liabilities. Details of the change in accounting policy of the financial instruments are summarised in note 3(j) to the financial statements.

Available-for-sale investments

In prior years, the Group classified its other investments as long term investments which were held for non-trading purposes and were stated at cost less any impairment losses.

Upon the adoption of HKAS 32 and HKAS 39, these investments are classified as available-for-sale investments. After initial recognition, available-for-sale investments are measured at fair value with gains and losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit or loss for the period. Unquoted equity investments for which fair value cannot be measured reliably are stated at cost less any impairment losses.

The application of HKAS 32, which requires retrospective application, has had no material effect on the presentation of financial instruments in the financial statements of the Group.

HKAS 39 generally does not permit the retrospective application. Accordingly, the redesignated available-for-sale investments of the Group at 1 January 2005 had been revalued to approximately HK$14,554,723 resulting in an increase in fair value of approximately HK$10,793,692 which was credited to the investment revaluation reserve as at that date as detailed in statement of changes in equity to this report. These available-for-sale investments were fully disposed of during the year and the cumulative revaluation gain of approximately HK$10,714,237 was released from investment revaluation reserve.

(d) Employee share option scheme (HKFRS 2 – Share-based Payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for employee share options. Under the new policy, the fair value of such share options is recognised as an expense with a corresponding increase recognised in a capital reserve within equity. Further details of the new policy are set out in note 3(r)(iv) to the financial statements.

The application of this new accounting policy, which requires retrospective application, has had no material effect on the recognition and measurement of share-based payment of the Group. The Group has taken advantage of the transitional provisions set out in HKFRS 2, under which the new recognition and measurement policies have not been applied to the following options:

(a) all options granted to employees on or before 7 November 2002; and

(b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

The Group has not early adopted the following new HKFRSs, that have been issued but are not yet effective, to these financial statements. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these HKFRSs would have a significant impact on its result of operation and financial position.

Notes to Financial Statements

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

		Effective for accounting periods on or after
HKAS1 (Amendment)	Presentation of Financial Statements: Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HK(IFRIC) – Int 4	Determining Whether an Arrangement Contains a Lease	1 January 2006

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of financial instruments and in accordance with HKFRSs, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date 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.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the company.

Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

(c) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their values at the acquisition date.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Business combinations *(continued)*

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(d) Subsidiaries

A subsidiary is an enterprise in which the Company has the power, directly or indirectly, to govern the financial and operating polices so as to obtain benefits from its activities.

The Group's investments in foreign investment enterprises in the People's Republic of China (the "PRC") are in the form of a sino-foreign equity joint venture or wholly foreign owned enterprise. The profit sharing ratios and share of net assets are in proportion to their equity interests as set out in the foreign investment contracts. Investments in these foreign investment enterprises are accounted for as subsidiaries as the Group controls their boards of directors and is in a position to exercise control over the financial and operating policies of the enterprises.

In the Company's balance sheet, investment in subsidiaries is stated at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable. In previous years, the Company stated its investment in Essex Bio-Investment Limited at the directors' valuation to reflect the value of the underlying assets and liabilities of that company as at the balance sheet date. In view that Essex Bio-Investment Limited and all of its subsidiaries are unlisted private companies, the directors find it more appropriate to account for the Company's investment in subsidiaries at cost less impairment. This change in policy has been applied retrospectively by redesignating the revaluation deficit as at 31 December 2004 as impairment provision.

(e) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhead costs, is charged to profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset.

Notes to Financial Statements

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Property, plant and equipment *(continued)*

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

Leasehold improvements	18%
Plant and machinery	9% – 19%
Furniture, fixtures and office equipment	18% – 20%
Motor vehicles	18% – 19%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Construction in progress represents buildings, plant and machinery and other property, plant and equipment under construction and is stated at costs. Cost comprises direct cots of construction as well as interest charges during the period of construction, installation and testing and certain exchange differences on any related borrowed funds. Capitalisation of interest charges ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. Construction in progress is transferred to fixed assets when it is completed and ready for its intended use.

(g) Other intangible assets

(i) Technical know-how

Technical know-how acquired by the Group during the course of business is capitalised on the basis of the cost incurred to acquire and bring to use the specific technical know-how. The cost is amortised on the straight line basis over its estimated useful life of three years.

(ii) Research and development expenditure

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised as an expense in the year in which it is incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete the development. Expenditure capitalised includes cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and any impairment losses. Other development expenditure is recognised as an expense in the year in which it is incurred.

Capitalised development expenditure is amortised on a straight line basis over a period of five years, which represents the time period where the related products are expected to be sold, starting from the commencement of sales. The directors consider this treatment results in a proper matching of cost and revenue.

(h) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) Impairment of tangible and intangible assets excluding goodwill *(continued)*

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduce to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method of costing and includes all costs incurred in bringing the goods to their present location and condition. Net realisable value is based on estimated normal selling prices in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

(j) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet which the Group becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade and other receivables for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debts securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. 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 investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to Financial Statements

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

(ii) ***Investments*** *(continued)*

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulate gain or loss previously recognised in equity is included in the profit or loss for the period. Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

(iii) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iv) ***Trade and other payables***

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is on longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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, whose existence 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.

(m) Leases

(i) Finance leases

Leases where substantially all the risks and rewards of ownership of assets are transferred to the lessees are accounted for as finance leases. The amount capitalised as an asset at the inception is the present value of minimum lease payments payable during the term of the lease. The corresponding leasing commitments less the interest element are recorded as obligations under finance leases. Rentals payable in respect of finance leases are apportioned between finance charges and reduction of outstanding lease obligations based upon the interest rates implicit in the relevant leases.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(n) Translation of foreign currencies

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 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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. 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.

Notes to Financial Statements

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(p) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(q) Revenue recognition

(i) Revenue is recognised when the outcome of a transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Sales revenue is recognised when the merchandise is delivered and title has passed to the customers.

(ii) Interest income on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(r) 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 balance sheet date 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 settled.

(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 the profit and loss account 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. No forfeited contributions are available to reduce the contributions payable in future years.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(r) Employee benefits *(continued)*

(iii) Retirement benefits scheme (continued)

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 the profit and loss account as they became payable, in accordance with the rules of the scheme. The employer's contributions vest fully once they are made.

(iv) Share based payment

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(s) Distribution and selling expenses

This primarily comprise advertising and promotion fees, commissions payable to marketing agents, salaries and allowances, travelling and accommodation, rent and building management fees and goods transportation expenses. Distribution and marketing expenses are charged to the profit and loss account in the year in which they are incurred.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

(u) Use of estimate

The preparation of these financial statements in conformity with HKFRSs requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Notes to Financial Statements

4. TURNOVER

Turnover represents sales value of biopharmaceutical products and agricultural fertilizers supplied to customers less discounts, returns, value added tax and other applicable local taxes and is analysed as follows:

	2005	2004
	HK$	*HK$*
Sales of biopharmaceutic products	**46,093,480**	38,906,928
Sales of agricultural fertilizers	**3,103,811**	–
	49,197,291	38,906,928

5. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

The Group comprises the following main business segments:–

Biopharmaceutical products : Manufacture and sale of biopharmaceutical products

Agricultural fertilizers : Manufacture and sale of organic and chemical formulated agricultural fertilizers

	Biopharmaceutical products		**Agricultural fertilizers**		**Consolidated**	
	2005	2004	**2005**	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Revenue from external customers	**46,093,480**	38,906,928	**3,103,811**	–	**49,197,291**	38,906,928
Segment result	**10,026,476**	6,349,091	**286,854**	–	**10,313,330**	6,349,091
Unallocated net gains					**5,280,721**	1,263,398
Finance costs					**(46,298)**	(7,850)
Taxation					**–**	–
Net profit for the year					**15,547,753**	7,604,639
Segment assets	**39,066,788**	31,374,178	**16,411,857**	–	**55,478,645**	31,374,178
Unallocated assets					**20,400,572**	19,981,770
Total assets					**75,879,217**	51,355,948
Segment liabilities	**10,611,409**	8,899,881	**1,365,508**	–	**11,976,917**	8,899,881
Unallocated liabilities					**1,259,336**	908,545
Total liabilities					**13,236,253**	9,808,426
Depreciation for the year	**1,047,748**	1,046,139	**43,465**	–	**1,091,213**	1,046,139
Amortisation for the year	**264,549**	283,156	**8,808**	–	**273,357**	283,156
Capital expenditure incurred during the year	**5,198,166**	245,749	**120,372**	–	**5,318,538**	245,749

(b) Geographical segments

All operating assets and operations of the Group during the years ended 31 December 2005 and 2004 were located in the PRC. Accordingly, no geographical segment information is presented.

6. OTHER REVENUE

	2005 HK$	2004 HK$ (Restated)
Provision for impairment of trade and other receivables written back	**307,545**	1,421,452
Other payables written back	**431,634**	–
Value added tax refund *(Note)*	**183,325**	–
Interest income	**155,080**	43,319
Net foreign exchange gain	**–**	499,286
Sundries	**3,832**	44,165
	1,081,416	2,008,222

Note: A tax concession has been granted by the PRC tax authority to the PRC subsidiary of the Group which engages in the manufacture of agricultural fertilizers. Under this concession, the PRC subsidiary is entitled to a refund of value added tax ("VAT") at an effective rate of 6% on yearly approval basis. The amount of VAT refund is recognised as other revenue on an accrual basis.

7. OTHER GAINS AND LOSSES

	2005 HK$	2004 HK$ (Restated)
Gain on disposal of available-for-sale investments	**9,217,527**	4,597,916
Fair value gains on trading securities	**895,781**	–
Gain/(loss) on disposal of property, plant and equipment	**7,341**	(6,425)
Property, plant and equipment written off	**(28,780)**	–
Gain on disposal of a subsidiary	**–**	205,050
	10,091,869	4,796,541

8. PROFIT BEFORE TAXATION

	2005 HK$	2004 HK$
Profit before taxation is stated after charging the following:–		
Amortisation of other intangible assets	**273,357**	51,282
Depreciation of property, plant and equipment	**1,091,213**	1,046,139
Amortisation of goodwill	**–**	231,874
Staff costs excluding directors' remuneration:–		
Salaries and allowances	**4,806,006**	4,754,272
Pension fund contributions	**327,821**	266,025
Auditors' remuneration	**294,256**	274,130
Net foreign exchange loss	**821,138**	–
Research and development costs	**755,688**	1,027,870
Development costs written off	**–**	648,943
Finance leases interest	**5,940**	7,850
Other loan interest	**40,358**	–

Notes to Financial Statements

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Rules Governing the Listing of Securities on the GEM of the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance is as follows:–

	Directors fees	Salaries, Allowances and benefits in kind	Discre-tionary bonuses	Share-based payments	Pension fund con-tributions	2005 Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive Directors						
Ngiam Mia Je Patrick	–	500,000	–	–	–	500,000
Fang Haizhou	–	400,000	–	–	21,771	421,771
Zhong Sheng	–	350,000	–	–	12,000	362,000
Independent non-executive Directors						
Fung Chi Ying	150,000	–	–	–	–	150,000
Mauffrey Benoit Jean Marie	150,000	–	–	–	–	150,000
Yeow Mee Mooi	150,000	–	–	–	–	150,000
	450,000	1,250,000	–	–	33,771	1,733,771

	Directors fees	Salaries, Allowances and benefits in kind	Discre-tionary bonuses	Share-based payments	Pension fund con-tributions	2004 Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive Directors						
Ngiam Mia Je Patrick	–	480,000	–	–	–	480,000
Fang Haizhou	–	413,040	–	–	21,656	434,696
Zhong Sheng	–	379,600	–	–	12,000	391,600
Independent non-executive Directors						
Fung Chi Ying	150,000	–	–	–	–	150,000
Mauffrey Benoit Jean Marie	150,000	–	–	–	–	150,000
Yeow Mee Mooi	37,500	–	–	–	–	37,500
	337,500	1,272,640	–	–	33,656	1,643,796

9. DIRECTORS' REMUNERATION *(continued)*

Number of the Directors whose remuneration falls within the following bands:–

	2005 Number of Directors	2004 Number of Directors
HK$Nil – HK$1,000,000	**6**	6

No share option was granted to the Directors during the years ended 31 December 2005 and 2004.

During the year, 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 year.

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year included three (2004: three) Directors, whose remuneration is set out in note 9 above. Details of the remuneration of the remaining two (2004: two) highest paid, non-director employees during the year is as follows:–

	2005 *HK$*	2004 *HK$*
Salaries and other benefits	**975,000**	975,000
Retirement scheme contributions	**21,250**	21,250
	996,250	996,250

The number of the highest paid, non-director employees whose remuneration fell within the following bands:–

	2005 Number of employee	2004 Number of employee
HK$Nil – HK$1,000,000	**2**	2

During the year, 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.

11. 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 2005 amounted to HK$361,592 (2004: HK$299,681).

Notes to Financial Statements

12. TAXATION

(a) No provision for Hong Kong profits tax has been made as the Group had no assessable profit subject to Hong Kong profits tax.

(b) The Group's operating subsidiaries in Zhuhai, the PRC, are established and carrying on business in the Special Economic Zones of the PRC as foreign investment enterprises. They are subject to enterprise income tax at a concessionary rate of 15%. One of the Group's subsidiaries, which engages in production, is entitled to exemption from enterprise income tax for two years starting from the first year of profitable operations after offsetting accumulated losses brought forward, followed by a 50% reduction in enterprise income tax for the next three years. No provision for enterprise income tax had been made for the year as it is the second year of profitable operations of the subsidiary. Thereafter, the income tax exemption period of the subsidiary expired.

(c) The Group's newly acquired subsidiary in Yantai, the PRC, is subject to enterprise income tax at a concessionary rate of 30%. No provision for enterprise income tax has been made for the period from 16 November 2005 (date of acquisition) to 31 December 2005 as the subsidiary has tax losses brought forward to offset against the estimated assessable profits for the period. The subsidiary is in the process of applying to the PRC tax authority for exemption from enterprise income tax for its first two profitable years of operations and a 50% reduction in enterprise income tax for the succeeding three years.

(d) The Group's taxation charge for the year can be reconciled to the profit as stated in the financial statements as follows:–

	2005	2004
	HK$	*HK$*
Profit before taxation	**15,426,970**	7,604,639
Taxation calculated at Hong Kong profits tax rate of 17.5%	**2,699,720**	1,330,812
Tax effect of expenses not deductible for taxation purpose	**9,181**	980
Tax effect of non-taxable items	**(2,816)**	(245)
Deferred tax assets not recognised	**658,896**	602,935
Income tax exemption	**(1,516,223)**	(945,632)
Effect of different tax rate of subsidiaries operating in other jurisdiction	**(189,702)**	(128,531)
Utilisation of tax losses	**(52,811)**	–
Income and expenses not subject to tax	**(1,606,245)**	(860,319)
Taxation charge for the year	**–**	–

13. DEFERRED TAX

Deferred tax has not been provided as there were no significant timing differences which would give rise to deferred tax liabilities at the balance sheet date (2004: HK$Nil).

The principal components of the Group's and Company's deferred tax assets not provided for, calculated at 15% – 17.5% (2004: 15% – 17.5%) on the cumulative timing differences at the balance sheet date, are as follows:–

	The Group		**The Company**	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Tax losses	**2,935,967**	2,272,438	**50,100**	50,100

The potential tax benefits attributable to tax losses of the Group and the Company have not been recognised due to the unpredictability of future profit streams (2004: HK$Nil).

14. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

During the year ended 31 December 2005, the Group's profit attributable to equity shareholders of the Company included a loss of HK$547,891 after elimination of the write back of impairment provision on interest in a subsidiary of HK$100,031 as referred to in note 20 to the financial statements (2004: loss of HK$110,466) which has been dealt with in the financial statements of the Company.

15. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit for the year attributable to shareholders of the Company of HK$15,426,970 (2004: HK$7,604,639), and the 555,244,000 (2004: weighted average of 555,243,156) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year is based on the profit for the year attributable to shareholders of the Company of HK$15,426,970 (2004: HK$7,604,639), and the weighted average number of 556,355,072 (2004: 555,613,683) ordinary shares in issue during the year, adjusted for the effects of all dilutive potential shares.

The weighted average of number of shares used in the calculation of diluted earnings per share is calculated based on the 555,244,000 (2004: 555,243,156) ordinary shares in issue during the year plus the weighted average of 1,111,072 (2004: 370,527) ordinary shares deemed to be issued at no consideration as if all of the Company's outstanding share options have been exercised.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	Plant and machinery HK$	Furniture, fixtures and office equipment HK$	Motor vehicles HK$	Total HK$
The Group					
Cost:					
At 1 January 2004	–	7,325,208	2,667,507	757,368	10,750,083
Additions	–	62,527	183,222	–	245,749
Disposal of a subsidiary	–	(2,329,811)	(137,863)	–	(2,467,674)
Disposals	–	(7,715)	–	–	(7,715)
At 31 December 2004	–	5,050,209	2,712,866	757,368	8,520,443
Additions	3,384,797	1,503,451	273,189	157,101	5,318,538
Acquisition of a subsidiary	–	1,649,699	24,844	403,998	2,078,541
Disposals	–	–	–	(152,604)	(152,604)
Write off	–	(171,376)	–	–	(171,376)
Exchange adjustments	–	118,242	48,269	14,261	180,772
At 31 December 2005	3,384,797	8,150,225	3,059,168	1,180,124	15,774,314
Accumulated depreciation:					
At 1 January 2004	–	2,516,975	1,274,905	303,900	4,095,780
Charge for the year	–	414,723	502,741	128,675	1,046,139
Disposal of a subsidiary	–	(694,394)	(54,186)	–	(748,580)
Disposals	–	(348)	–	–	(348)
At 31 December 2004	–	2,236,956	1,723,460	432,575	4,392,991
Charge for the year	–	482,531	472,436	136,246	1,091,213
Acquisition of a subsidiary	–	156,785	5,300	20,172	182,257
Disposals	–	–	–	(125,026)	(125,026)
Write off	–	(142,277)	–	–	(142,277)
Exchange adjustments	–	50,022	31,245	7,566	88,833
At 31 December 2005	–	2,784,017	2,232,441	471,533	5,487,991
Net book value:					
At 31 December 2005	3,384,797	5,366,208	826,727	708,591	10,286,323
At 31 December 2004	–	2,813,253	989,406	324,793	4,127,452

The net book value of the property, plant and equipment of the Group included an amount of HK$Nil (2004: HK$264,339) in respect of assets held under finance leases. The related depreciation charge was HK$60,320 (2004: HK$79,715).

Notes to Financial Statements

17. CONSTRUCTION IN PROGRESS

The Group	***HK$***
Cost:	
Acquisition of a subsidiary	488,156
Additions	233,086
Exchange adjustments	473
At 31 December 2005	721,715

18. GOODWILL

The Group	***HK$***
Cost:	
At 1 January 2004 and 31 December 2004	2,318,735
Opening balance adjustment to eliminate accumulated amortisation	(521,716)
Addition arising on acquisition of a subsidiary	109,585
Exchange adjustments	46,523
At 31 December 2005	1,953,127
Accumulated amortisation:	
At 1 January 2004	289,842
Charge for the year	231,874
At 31 December 2004	521,716
Opening balance adjustment to eliminate against cost	(521,716)
At 31 December 2005	–
Carrying amount:	
At 31 December 2005	1,953,127
At 31 December 2004	1,797,019

In 2004, goodwill was amortised on a straight line basis over 10 years. As explained further in note 2(a) to the financial statements, with effect from 1 January 2005 the Group no longer amortises goodwill. In accordance with the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 January 2005 was eliminated against the cost of goodwill as at that date.

Impairment of Goodwill
The recoverable amount of the goodwill is determined based on the cash generating unit ("CGU") to which the goodwill belong on 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 No change in gross margin
2 Pre tax discount rate of 14.3% per year
3 Average growth rate of 16%

Management determined the gross margin based mainly on past performance of the CGU. The discount rate is determined based on the PRC risk free interest rate adjusted by the specific risk associated with the CGU. Management has also obtained a valuation of the GSP license and distribution network of the CGU by a firm of independent valuers in the PRC.

Both the recoverable amount of the goodwill determined in the above manner and valuation of the GSP license and distribution network of the CGU by the valuers suggested that there was no impairment in the value of goodwill as at 31 December 2005.

19. OTHER INTANGIBLE ASSETS

	Technical know-how HK$	Development expenditure HK$	Total HK$
The Group			
Cost:			
At 1 January 2004	–	8,774,850	8,774,850
Disposal of a subsidiary	–	(1,260,554)	(1,260,554)
Write off	–	(648,943)	(648,943)
At 31 December 2004	–	6,865,353	6,865,353
Acquisition of a subsidiary	211,193	–	211,193
Exchange adjustments	205	137,744	137,949
At 31 December 2005	211,398	7,003,097	7,214,495
Accumulated amortisation:			
At 1 January 2004	–	2,554,610	2,554,610
Charge for the year	–	51,282	51,282
At 31 December 2004	–	2,605,892	2,605,892
Acquisition of a subsidiary	61,598	–	61,598
Charge for the year	8,808	264,549	273,357
Exchange adjustments	60	55,206	55,266
At 31 December 2005	70,466	2,925,647	2,996,113
Net book value:			
At 31 December 2005	140,932	4,077,450	4,218,382
At 31 December 2004	–	4,259,461	4,259,461

The Group's newly acquired subsidiary in Yantai, the PRC, acquired certain technical know-how from中國農業科學院土壤肥料研究所 for the manufacture of agricultural fertilizers for a three years term commencing from 21 June 2004 for a consideration of RMB220,000 (equivalent to HK$211,193).

At 31 December 2005, all projects whose capitalised, development expenditure was subject to amortisation were in commercial production.

In addition to development costs capitalised the Group expensed research and development costs of HK$755,688 during the year (2004: HK$1,027,870).

Total amortisation charges of HK$273,357 (2004: HK$51,282) are included in administrative expenses in the profit or loss for the year.

20. INTEREST IN A SUBSIDIARY

	Company	
	2005 HK$	2004 HK$
Unlisted shares, at cost	**100,031**	100,031
Impairment provision	**–**	(100,031)
	100,031	–
Add: Amount due from a subsidiary	**39,390,649**	44,142,793
Less: Amount due to a subsidiary	**(31)**	(31)
	39,490,649	44,142,762

Notes to Financial Statements

20. INTEREST IN A SUBSIDIARY *(continued)*

As explained in note 3(d) to the financial statements, investment in a subsidiary is stated at cost less impairment loss. Previously the Company stated its investment in Essex Bio-Investment Limited at the directors' valuation.

The amounts due from/(to) a subsidiary are unsecured, non-interest bearing and without pre-determined repayment terms.

Details of the Company's subsidiaries as at 31 December 2005 were as follows:

Name of company	Place of incorporation and operations	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Essex Bio-Investment Limited	The British Virgin Islands	US$5	100%	–	Investment holding
Essex Bio-Pharmacy Limited	Hong Kong	HK$8,000,000	–	100%	Investment holding
Zhuhai Essex Bio-Pharmaceutical Company Limited	The People's Republic of China	RMB20,000,000	–	100%	Manufacture and selling of biopharmaceutical products
Essex Medipharma (Zhuhai) Company Limited	The People's Republic of China	RMB3,000,000	–	100%	Marketing and distribution of biopharmacetical products
Baoyuan Bio-Agri Technology (Yantai) Ltd. ("Yantai Baoyuan")	The People's Republic of China	RMB11,020,000	–	51%	Research, development and production of organic and chemical formulated agricultural fertilizers

21. INVESTMENT IN SECURITIES

Available-for-sale investments

	2005 *HK$*	2004 *HK$*
The Group		
Listed equity securities – outside Hong Kong	–	3,761,031

In 2004, the Group classified its listed equity securities held for long term purposes as other investments and stated them at cost. On 1 January 2005, in order to comply with HKAS 32 and HKAS 39, the Group redesignated other investments into available-for-sale investments and stated them at fair value. Further details of the effect of the change in accounting policy are set out in note 2(c) to the financial statements.

During the year, the Group disposed of its entire available-for-sale investments which resulted in a gain of HK$9,217,527.

21. INVESTMENT IN SECURITIES *(continued)*

Investments held for trading

	2005	2004
	HK$	*HK$*
The Group and the Company		
Listed equity securities, at fair value – outside Hong Kong	**3,318,237**	–

The above listed equity investments offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices.

22. INVENTORIES

	2005	2004
	HK$	*HK$*
The Group		
Raw materials at cost	**1,683,694**	276,609
Work in progress at cost	**159,817**	94,540
Finished goods at cost	**204,062**	95,891
	2,047,573	467,040

23. TRADE AND OTHER RECEIVABLES

	The Group		**The Company**	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Trade receivables	**16,823,060**	14,501,498	**–**	–
Less: provision for impairment	**(1,947,742)**	(3,259,170)	**–**	–
Trade receivables – net	**14,875,318**	11,242,328	**–**	–
Other receivables	**1,431,634**	1,650,810	**400**	400
Less: provision for impairment	**(1,063,817)**	–	**–**	–
Other receivables – net	**367,817**	1,650,810	**400**	400
Deposits and prepayments	**7,591,900**	690,494	**195,332**	242,028
	22,835,035	13,583,632	**195,732**	242,428

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

The following is an aged analysis of trade receivables, net of provision for impairment of trade receivables, as of the balance sheet date:

	The Group	
	2005	2004
	HK$	*HK$*
0-60 days	**7,860,957**	6,039,142
61-90 days	**2,663,584**	1,680,995
> 90 days	**4,350,777**	3,522,191
	14,875,318	11,242,328

As at 31 December 2005, trade and other receivables denominated in Renminbi ("RMB") amounted to approximately HK$22,904,000 (2004: approximately HK$12,524,000).

Notes to Financial Statements

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Cash and bank balances	**16,898,417**	23,360,313	**314,794**	670,476
Time deposits	**13,600,408**	–	**1,419,608**	–
	30,498,825	23,360,313	**1,734,402**	670,476

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 cash and cash equivalents approximate to their fair values.

As at 31 December 2005, cash and bank balances denominated in RMB amounted to approximately HK$15,905,000 (2004: approximately HK$9,770,000). 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.

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Trade payables	**253,141**	242,548	**–**	–
Other payables	**1,420,150**	702,636	**22,546**	22,546
Accruals	**8,121,186**	6,749,297	**962,116**	830,902
VAT payable	**2,030,201**	1,693,419	**–**	–
Deposits received	**527,839**	347,992	**–**	–
	12,352,517	9,735,892	**984,662**	853,448

Trade payables principally comprise amounts outstanding for trade purchases and going costs.

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 can be used to offset the output VAT on sales to determine the net VAT payable.

The following is an aged analysis of trade payables at the balance sheet date:

	The Group	
	2005	2004
	HK$	*HK$*
0-60 days	**247,222**	242,548
61-90 days	**–**	–
> 90 days	**5,919**	–
	253,141	242,548

As at 31 December 2005, trade and other payables denominated in RMB amounted to approximately HK$11,530,000 (2004: approximately HK$8,827,000).

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Amounts payable under finance leases:				
Within one year	**–**	78,422	**–**	72,534
In the second to fifth years inclusive	**–**	–	**–**	–
	–	78,422	**–**	72,534
Less: Future finance charges	**–**	(5,888)		
Present value of lease obligations	**–**	72,534		
Less: Amount due for settlement within 12 months (shown under current liabilities)			**–**	(72,534)
Amount due for settlement after 12 months			**–**	–

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is three years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payment.

27. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	Amount
		HK$
The Company		
Authorised:		
At 31 December 2004 and 31 December 2005	1,000,000,000	100,000,000
Issued and fully paid:		
At 1 January 2004	555,240,000	55,524,000
Exercise of share options *(Note)*	4,000	400
At 31 December 2004 and 31 December 2005	555,244,000	55,524,400

Note: During the year ended 31 December 2004, the subscription rights attaching to 4,000 share options were exercised at the subscription price of HK$0.1 per share, resulting in the issue of 4,000 shares of HK$0.10 each for a total cash consideration of HK$400.

Notes to Financial Statements

28. RESERVES

	Share Premium HK$	Accumulated losses HK$	Total HK$
The Company			
At 1 January 2004	969,871	(12,181,587)	(11,211,716)
Net loss for the year	–	(110,466)	(110,466)
At 31 December 2004	969,871	(12,292,053)	(11,322,182)
Net loss for the year	–	(447,860)	(447,860)
At 31 December 2005	969,871	(12,739,913)	(11,770,042)

In accordance with the PRC Companies Law, the Law of the PRC on Sole Foreign Investment Enterprises and the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment, 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 the statutory surplus reserve and at a percentage as determined by management, to the public welfare fund and the enterprise expansion fund. The statutory surplus reserve may be distributed to stockholders subject to PRC regulations and the subsidiaries' articles of association. The enterprise expansion fund is non-distributable. The public welfare fund must be used for capital expenditure on staff welfare facilities. No transfer has been made in these financial statements as the PRC subsidiaries did not have any accumulated profits which would trigger such transfer under the laws of the PRC.

29. SHARE OPTIONS

(i) Pre-IPO share option scheme

Pursuant to the pre-IPO share option scheme (the "Pre-Scheme") adopted by the Company on 13 June 2001, the Company had granted pre-IPO share options to 149 employees (including three executive Directors) of the Group to subscribe for a total of 39,725,000 shares, representing in aggregate approximately 7.75% of the issued share capital of the Company immediately following the completion of the Placing and the capitalization issue, at a subscription price ranging from 20% to 70% of the listing issue price of HK$0.5 per share.

No further share options would be granted under the Pre-Scheme after listing of the Company's shares on the GEM. All these share options were granted on 13 June 2001 and may be exercised in the following manner:

(a) 50% of the share options so granted to him/her (rounded down to the nearest whole number) after the expiry of 12 months from 27 June 2001 on which the shares are listed on the GEM;

(b) 25% of the share options so granted to him/her (rounded down to the nearest whole number) after the expiry of 24 months from 27 June 2001; and

(c) the remaining 25% of the share options so granted to him/her (rounded down to the nearest whole number) after the expiry of 36 months from 27 June 2001.

Each grantee had paid HK$1 to the Company as the consideration for such grant.

The Pre-Scheme remains in force for a period of 10 years with effect from 13 June 2001.

29. SHARE OPTIONS *(continued)*

(i) Pre-IPO share option scheme *(continued)*

The following share options are outstanding under the Pre-Scheme:

	Number of share options				
Name of participant	**At 1 January 2005**	**Exercised during the year**	**Lapsed during the year**	**At 31 December 2005**	**Exercise price** *HK$*
Directors					
Ngiam Mia Je Patrick	2,250,000	–	–	2,250,000	0.10
Fang Haizhou	2,000,000	–	–	2,000,000	0.10
Zhong Sheng	1,500,000	–	–	1,500,000	0.10
146 other employees	12,306,000	–	(180,000)	12,126,000	0.10 to 0.35
	18,056,000	–	(180,000)	17,876,000	

(ii) Share Option Scheme

On 20 June 2003, a further share option scheme (the "Post-Scheme") was approved. The purpose of the Post-Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Post-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 the Post-Scheme and other schemes (including the Pre-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 Post-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 options under the Post-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 is 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.

Notes to Financial Statements

30. ACQUISITION OF A SUBSIDIARY

On 15 November 2005, the Group acquired 51% of the paid up capital of Yantai Baoyuan by capital contribution of HK$5,388,500. This transaction has been accounted for by the acquisition method of accounting.

The net assets acquired in the transaction, and the goodwill arising, were as follows:

	HK$
Property, plant and equipment	1,896,284
Construction in progress	488,156
Intangible assets	149,595
Inventories	2,280,249
Trade and other receivables	1,028,656
Cash and bank balances	9,435,641
Trade and other payables	(4,914,962)
Net assets	10,363,619
Percentage of shares purchased	51%
Share of net assets acquired	5,285,446
Goodwill	109,585
Effect of foreign exchange rate changes	(6,531)
Capital contribution	5,388,500
Net cash inflow arising on acquisition:	
Capital contribution	(5,388,500)
Cash and bank balances acquired	9,435,641
	4,047,141

The goodwill arising on the acquisition of Yantai Baoyuan is attributable to the anticipated profitability from the distribution of its products and future operating synergies to be gained from the combination.

Yantai Baoyuan contributed HK$3,103,811 of revenue and HK$246,496 of profit before taxation for the period from the date of acquisition to the balance sheet date.

During the period since acquisition, Yantai Baoyuan has net cash outflow from operating activities of HK$4,496,320 and utilised HK$350,860 on investing activities.

31. DISPOSAL OF A SUBSIDIARY

The effects of disposal of a subsidiary on the financial position of the Group during the year were as follows:–

	2005 ***HK$***	2004 *HK$*
Net liabilities disposed of:		
Property, plant and equipment	–	1,719,094
Intangible assets	–	1,260,554
Other receivables	–	470
Cash and bank balances	–	16,818
Other payables and accruals	–	(2,054,590)
Amounts due to the Group	–	(782,028)
Minority interests	–	(54,508)
	–	105,810
Gain on disposal of a subsidiary	–	205,050
Consideration	–	310,860
Satisfied by:		
Cash	–	124,344
Consideration receivable	–	186,516
	–	310,860

31. DISPOSAL OF A SUBSIDIARY *(continued)*

The subsidiary disposed of during the year ended 31 December 2004 had no contribution to the Group's net operating cash flows and no utilisation on investing activities.

Analysis of the net cash inflow in respect of the disposal of a subsidiary:

	2005	2004
	HK$	*HK$*
Cash received	**–**	124,344
Cash and bank balances disposed of	**–**	(16,818)
Net cash inflow in respect of the disposal of a subsidiary	**–**	107,526

32. CAPITAL COMMITMENT

	2005	2004
	HK$	*HK$*
Contracted for but not provided	**478,883**	–

33. OPERATING LEASE ARRANGEMENTS

Minimum lease payments paid under operating leases were as follows:–

	2005	2004
	HK$	*HK$*
Properties	**1,082,769**	796,821
Plant and machinery	**171,072**	339,579
	1,253,841	1,136,400

At 31 December 2005, the total future minimum lease payments under non-cancellable operating leases were payable as follows:–

	2005		2004	
	Properties	**Plant and machinery**	Properties	Plant and machinery
	HK$	***HK$***	*HK$*	*HK$*
The Group				
Within 1 year	**827,277**	**172,962**	1,198,118	–
After 1 year but within 5 years	**3,309,109**	**691,848**	2,433,016	–
After 5 years	**–**	**–**	1,622,011	–
	4,136,386	**864,810**	5,253,145	–

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

34. FINANCIAL INSTRUMENTS

(a) Financial risk factors

The main risks arising from the Group's financial instruments are credit risk, foreign exchange risk, price risk, liquidity risk and interest rate risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

Notes to Financial Statements

34. FINANCIAL INSTRUMENTS *(continued)*

(a) Financial risk factors *(continued)*

(i) Credit risk

The Group has no significant concentration of credit risk. The carrying amounts of trade receivables included in the balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. No other financial assets carry a significant exposure to credit risk.

(ii) Foreign exchange risk

The Group's main operations are in the PRC and has no significant exposure to any specific foreign currency other than Renminbi.

(iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets held for trading with any changes in fair value through profit or loss. The Group is not exposed to commodity price risk.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, other liquid assets and the ability to close market positions. The Group maintains sufficient cash and bank balances at the balance sheet date.

(v) Fair value and cash flow interest rate risk

The Group has no significant interest-bearing assets, as such its income and operating cash flows are substantially independent of changes in market interest rates.

(b) Fair value estimation

The Group's investments held for trading are listed equity securities traded in active market. The fair value of these investments in based on quoted market prices at the balance sheet date.

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values.

35. RELATED PARTY TRANSACTIONS

(a) The amount due to a minority shareholder of a subsidiary is unsecured, interest free and has no fixed terms of repayment.

(b) Members of key management during the year comprised only of the three executive Directors whose remuneration is set out in note 9 to the financial statements.

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

36. COMPARATIVE FIGURES

As further explained in note 2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain opening balance adjustments have been made and certain comparative amounts have been reclassified/restated to conform with the current year's presentation and accounting treatment.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 27 February 2006.

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 3 below:

	Year ended 31 December				
	2005	2004	2003	2002	2001
RESULTS	***HK$***	*HK$*	*HK$*	*HK$*	*HK$*
TURNOVER					
Continuing operations	**49,197,291**	38,906,928	37,478,872	35,675,080	26,431,073
Discontinuing operations	**–**	–	107,388	–	2,370,260
	49,197,291	38,906,928	37,586,260	35,675,080	28,801,333
Cost of sales	**(7,534,672)**	(4,399,848)	(18,004,125)	(11,484,334)	(5,728,073)
Gross profit	**41,662,619**	34,507,080	19,582,135	24,190,746	23,073,260
Other revenue	**1,081,416**	2,008,222	868,584	1,600,931	1,706,011
Distribution and selling costs	**(27,747,759)**	(23,311,697)	(20,429,200)	(19,474,593)	(14,853,653)
Administrative expenses	**(9,494,094)**	(10,387,657)	(19,037,341)	(11,146,765)	(7,556,829)
Finance costs	**(46,298)**	(7,850)	(297,822)	(61,897)	(41,238)
Other gains and losses	**10,091,869**	4,796,541	(848,178)	–	–
PROFIT/(LOSS) BEFORE TAXATION					
Continuing operations	**15,547,753**	7,604,639	(14,847,909)	(1,574,878)	3,086,934
Discontinuing operations	**–**	–	(5,313,913)	(3,316,700)	(759,383)
	15,547,753	7,604,639	(20,161,822)	(4,891,578)	2,327,551
Taxation	**–**	–	–	–	–
NET PROFIT/(LOSS) FOR THE YEAR	**15,547,753**	7,604,639	(20,161,822)	(4,891,578)	2,327,551
Attributable to:					
Equity shareholders of the Company	**15,426,970**	7,604,639	(18,355,091)	(3,763,900)	2,585,742
Minority interests	**120,783**	–	(1,806,731)	(1,127,678)	(258,191)
	15,547,753	7,604,639	(20,161,822)	(4,891,578)	2,327,551

Five Year Financial Summary

ASSETS AND LIABILITIES

	Year ended 31 December				
	2005	2004	2003	2002	2001
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets	**17,179,547**	13,944,963	14,903,436	18,540,209	12,073,920
Current assets	**58,699,670**	37,410,985	30,252,849	55,144,251	52,861,057
Current liabilities	**(13,236,253)**	(9,808,426)	(11,086,760)	(19,236,558)	(7,577,731)
Net current assets	**45,463,417**	27,602,559	19,166,089	35,907,693	45,283,326
Non-current liabilities	**–**	–	(72,534)	(289,089)	–
Net assets	**62,642,964**	41,547,522	33,996,991	54,158,813	57,357,246

Notes:

1. Due to the adoption of new and revised HKFRSs during the current year as further explained in note 2 to the financial statements, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts for the years ended 31 December 2004, 2003, 2002 and 2001 have been reclassified/restated to conform with the current year's presentation and accounting treatment.

2. 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 2003, 2002 and 2001 are extracted from the published audited financial statements for these years. The consolidated results of the Group for the years ended 31 December 2005 and 2004 are as set out on page 20 of the audited financial statements.

3. The consolidated balance sheets as at 31 December 2003, 2002 and 2001 are extracted from the published audited financial statements for the years ended 31 December 2003, 2002 and 2001. The consolidated balance sheets of the Group as at 31 December 2005 and 2004 are as set out on page 21 of the audited financial statements.