ESSEX

ESSEX BIO-TECHNOLOGY LIMITED
億勝生物科技有限公司

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 8151)

Annual Report **2006**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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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

In 2006, the Company and its subsidiaries (the "Group") executed well its growth plan for the biopharmaceutical business and the organic and chemical formulated agricultural fertilizers business. The Group achieved a record turnover of HK$82.8 million, which is more than 1.6 times of that of 2005. The significant growth is attributed to the sustainable growth from the Group's biopharmaceutical business and the contribution from the Group's organic and chemical formulated agricultural fertilizers business. This is a testament to the positive development direction taken by the Group in recent years.

Ngiam Mia Je Patrick
Chairman

A profit attributable to shareholders of HK$4.6 million was recorded in the year under review.

Operationally, the Group has laid firmer foundation to enable future growth and enhance profitability. Significant implementations and achievements in the year under review are summarised as follows:

1. 5 new direct representative offices ("DROs") were established, bringing a total of 14 DROs for its biopharmaceutical products;

2. the biopharmaceutical flagship product, 貝復舒(Beifushu), has penetrated into new clinical application, post-Lasik treatment;

3. commercialisation of new products, gel formulation of 貝復濟(Beifuji) and 貝復舒(Beifushu), started;

4. Baoyuan Bio-Agri Technology (Yantai) Ltd. ("Yantai Baoyuan") has expanded its manufacturing capacity from 50,000 tonnes to 150,000 tonnes per year;

5. the quality control system of Yantai Baoyuan had been awarded with ISO9001 and satisfied for A-grade Green Food production requirements;

6. Yantai Baoyuan had been validated by the scientific and technological achievements of Shandong Province, for attaining leading and advanced standards in its technology and products development;

7. Yantai Baoyuan was also appointed as an authorised supplier of the formulated fertilisers in Shandong Province.

FINANCIAL HIGHLIGHTS

During the year under review, sales of flagship biopharmaceutical products increased by around 6.7% to approximately HK$49.2 million. Further, the Group's subsidiary, Yantai Baoyuan, generated approximately HK$33.6 million in turnover. As a result, the Group recorded a turnover of approximately HK$82.8 million for the year of 2006 as compared to approximately HK$49.2 million in 2005. The Group registered a profit attributable to shareholders of the Company of approximately HK$4.6 million for the year ended 31 December 2006.

	Quarterly Results For the three months ended		**Yearly Results**	
	31 December 2006	31 December 2005	**2006**	2005
	HK$'m	*HK$'m*	***HK$'m***	*HK$'m*
Turnover	**27.9**	16.8	**82.8**	49.2
Profit/(loss) attributable to equity shareholders of the Company	**(0.1)**	1.8	**4.6**	15.4

The board of directors (the "**Directors**") of the Company does not recommend the payment of any dividends in respect of the year.

The Group maintained a prudent fiscal measure and a healthy financial position with approximately HK$23.1 million cash and cash equivalents as at 31 December 2006 (2005: approximately HK$30.5 million).

PROSPECTS

The Group will continue to strengthen the distribution network and research and development function progressively. We will stay focused on driving a progressive growth on the core biopharmaceutical products and expanding the newly acquired agricultural fertilisers business of Yantai Baoyuan in 2007.

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

APPRECIATION

I would like to take this opportunity to thank our shareholders, directors, business partners, associates, and staff for their support extended to and confidence shown in the Group.

Ngiam Mia Je Patrick
Chairman

Hong Kong
19 March 2007

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 *MBA, ACA, CPA(practising)*

QUALIFIED ACCOUNTANT

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

COMPLIANCE OFFICER

Zhong Sheng

AUDIT COMMITTEE

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

AUTHORISED REPRESENTATIVES

Zhong Sheng
Yau Lai Man

WEBSITE ADDRESS

www.essexbio.com

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

AUDITOR

Horwath Hong Kong CPA Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
Grand Cayman
Cayman Islands
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

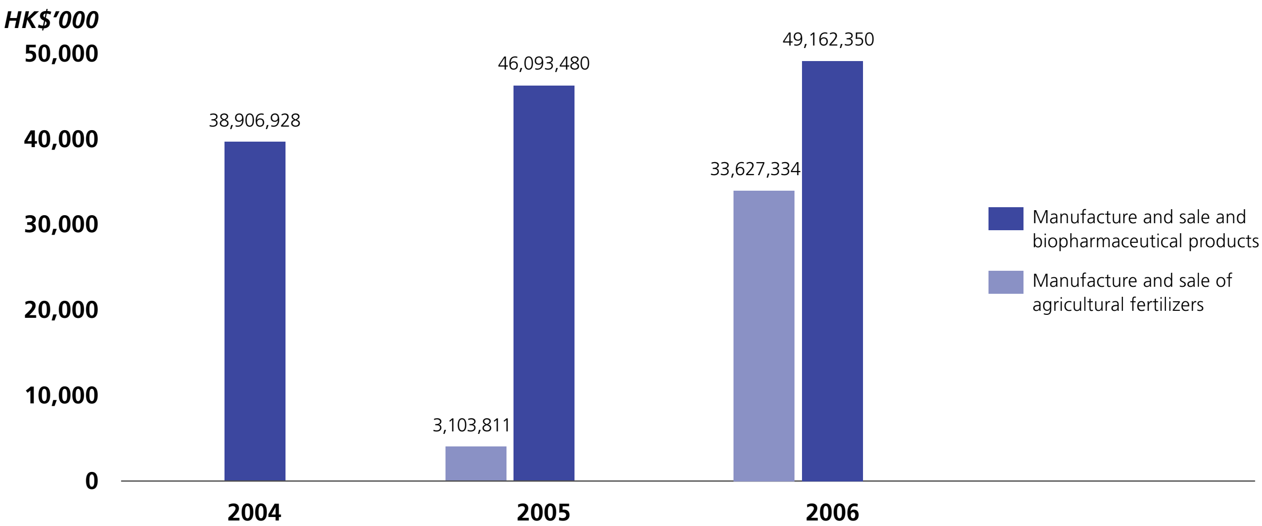
STOCK CODE

8151

Financial Highlights

	Year ended 31 December	
	2006	2005
	HK$	*HK$*
Results		
Turnover	**82,789,684**	49,197,291
Profit attributable to equity shareholders of the Company	**4,559,511**	15,426,970
Assets and liabilities		
Total assets	**90,709,956**	75,879,217
Total liabilities	**(22,633,827)**	(13,236,253)
Total equity	**68,076,129**	62,642,964
Minority interests	**(4,580,132)**	(5,203,876)
Equity attributable to equity shareholders of the Company	**63,495,997**	57,439,088

TURNOVER BY BUSINESS SEGMENTS



Management Discussion and Analysis

BUSINESS REVIEW

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 and agricultural fertilizers. 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 2006, the Group stayed focus on driving organic growth from its core biopharmaceutical products through the established distribution network in the PRC.

In addition, the Group grew and expanded the business of agricultural fertilizers through its newly acquired subsidiary, 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.

Biopharmaceutical products

During the year under review, turnover from biopharmaceutical products represented approximately 59.4% or HK$49.2 million of the Group's turnover. The progressive sale growth of 貝復舒 (Beifushu) eye-drop is the key contributing factor to the turnover of biopharmaceutical products.

貝復舒 (Beifushu) eye-drop is a self-developed, category I, biopharmaceutical product based on rb-bFGF for the treatment and healing of corneal wounds.

Organic and chemical formulated agricultural fertilizers

The performance of the business of organic and chemical formulated agricultural fertilizers in the year under review is encouraging.

During the year under review, Yantai Baoyuan was appointed by the Soil & Fertilizer General Station of Shandong Province as one of the authorized manufacturers in Shandong Province, being responsible for the production and supply of formulated fertilizers required by the Shandong Soil & Fertilizer Network.

The main objectives of the Project of Formulated Fertilization Based on Soil Testing organized by the Ministry of Agriculture in Shandong Province are to provide free technical services of formulated fertilization based on soil testing to approximately 5 million farmers and to provide training to 250,000 farmers. The adoption of formulated fertilizers can increase the fertilizer utilization rate by 3 to 5%. Yantai Baoyuan has been appointed as one of the 16 authorized manufacturers for the supply of 600,000 tonnes of formulated fertilizers on the Project of Formulated Fertilization Based on Soil Testing in Shandong Province during the year under review.

- Beijing Asia Pacific Conference on Cataract Held in June 2006

- Beifushu Eye Gel Launch Conference Come off in April 2006 in Jiangsu Province

- Expert Appraisal Conference on the Science and Technology Achievement of Shuangbao Fertilizer

BUSINESS REVIEW *(continued)*

Organic and chemical formulated agricultural fertilizers *(continued)*

In order to meet the demand in 2006 second half and onward, on 12 June 2006, the Group has entered into the Workshop Acquisition Agreement ("**Workshop Acquisition Agreement**"), the Equipment and Machinery Acquisition Agreement ("**E&M Acquisition Agreement**") and the Research and Development Centre Construction Agreement ("**Construction Agreement**") for the expansion of its production facilities to 150,000 tonnes per year.

Further, Yantai Baoyuan was granted the certificate of ISO9001 valid through 25 May 2006 to 24 May 2009, for the recognition of its quality control system.

Yantai Baoyuan passed the PRC Green Food Development Center examination and was granted the Certificate of Conformity of Quality System Certification, certifying that the 雙寶牌 fertilizers produced by Yantai Baoyuan have satisfied the A-grade green food production requirements.

During the year under review, Yantai Baoyuan was validated by the scientific and technological achievements of Shandong Province in which the research and development and application of its 雙鰲合 organic and chemical compound fertilizers have attained the leading standards in the PRC while 雙鰲合 liquid fertilizer for fruits and vegetables have also achieved the advanced standards in the PRC. Yantai Baoyuan is also recognized by the Ministry of Science and Technology as a high-tech enterprise in Shandong Province.

Market Development

During the year under review, the Group established 5 new DROs, bringing a total of 14 DROs which are located in major provinces in the PRC. There are over 1,000 hospitals in major provinces in the PRC that carry the Group's flagship pharmaceutical products.

To cultivate further market coverage and reach for the Group's genetic products, the Group has conducted over 68 seminars and 305 market promotion activities in major cities and provinces in the PRC for the year under review, educating more than 19,000 doctors and medical practitioners on the clinical applications of the Group's products.

In respect of the Group's agricultural fertilizers business, the Group is primarily focusing on penetrating the market in Shandong Province for the year under review. It adopted two pronged marketing development strategies: (i) servicing major customers directly and (ii) servicing through distributors to reach out to smaller customers. Currently, the Group's agricultural fertilizers are specially formulated for the cultivations of fruits, ground nuts, corns and leafy veggies.

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 acting on wounds, which in turn promotes therapeutic efficacy. The approval from the State Food Drug Administration of the PRC ("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 started to manufacture and distribute 貝復新 (Beifuxin) in Beijing and Sichuan in the PRC.

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 in the PRC. Beifushu gel is perceived to be comparatively 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 approval from SFDA for the commercial production of 貝復舒凝膠劑型 (Beifushu gel formulation) and the requisite GMP certification in 2005. The Group started the manufacturing and distribution of 貝復舒凝膠劑型 (Beifushu gel formulation) in Beijing, Guandong and Fujian in the PRC.

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.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

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 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 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$82.8 million in turnover for the year ended 31 December 2006, an increase of 68.3% over last year.

Overall gross profit for the year ended 31 December 2006 increased to approximately HK$48.7 million when compared to approximately HK$41.7 million recorded in last year.

The Group registered a profit of approximately HK$4.6 million for the year ended 31 December 2006. Last year's profit included a gain of approximately HK$9.2 million from the disposal of available-for-sale investments, the gain on disposal of investments held for trading in the current year reduced to approximately HK$0.6 million. As a result, the Group registered a profit of approximately HK$4.6 million during the year under review.

Distribution and selling expenses increased to approximately HK$32.7 million for year ended 31 December 2006 when compared to approximately HK$27.7 million recorded in last year. The increase was mainly attributable to higher expenses incurred in sales, marketing and promotional activities that were associated with the higher sales volume of the Group in the year under review.

Administration expenses increased to approximately HK$12.9 million in the year ended 31 December 2006 when compared to approximately HK$9.5 million recorded in last year. The increase was mainly attributed to such expenses incurred in the newly acquired subsidiary in Yantai.

During the year under review, the Group incurred capital expenditure of approximately HK$13.1 million for upgrading and expanding the manufacturing capacity and capability of its plant in Yantai Baoyuan and enlarging its Yantai office space. The upgrading programme is to cope with anticipated higher demands of its current and future products. The whole project was completed in 2006.

The Group maintained a healthy financial position with approximately HK$23.1 million cash and cash equivalents as at 31 December 2006 (2005: approximately HK$30.5 million). As at 31 December 2006, time deposits with a carrying amount of HK$8.5 million have been pledged to a bank to secure loan facilities granted to the Group.

As at 31 December 2006, short-term secured bank loans amounted to approximately HK$5 million are secured by a charge over certain of the Group's plant and equipment, properties and motor vehicles owned by two minority shareholders of a subsidiary of the Group.

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 Group has short-term secured bank loans amounted to approximately HK$5 million but no long-term debts as at 31 December 2006.

SIGNIFICANT INVESTMENTS

As at 31 December 2006, the Group did not have any significant investments save as those disclosed in this report.

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

On 12 June 2006, the Board announced that the Company, through its indirectly non-wholly owned subsidiary, Yantai Baoyuan, entered into the Workshop Acquisition Agreement, the E&M Acquisition Agreement and the Construction Agreement for the expansion of its production facilities.

Pursuant to the Workshop Acquisition Agreement, Yantai Baoyuan shall pay a consideration of approximately RMB4,600,000 (equivalent to approximately HK$4,466,000) in cash for the acquisition of the Workshops.

Pursuant to the E&M Acquisition Agreement, Yantai Baoyuan shall pay an aggregate consideration of approximately RMB1,370,000 (equivalent to approximately HK$1,330,000) in cash for the acquisition of the Equipment and Machinery.

Pursuant to the Construction Agreement, Yantai Baoyuan shall pay a consideration of approximately RMB2,100,000 (equivalent to approximately HK$2,039,000) in cash to engage Yantai Fuan for the construction of the Yantai Baoyuan Research and Development Centre.

The Workshop Acquisition Agreement, the E&M Acquisition Agreement and the Construction Agreement, together, constitute a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

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 of the Group and enhance the shareholders' value. In view of the satisfactory performance of Yantai Baoyuan, the management of Yantai Baoyuan and the Directors considered that without the expansion of its production facilities, Yantai Baoyuan may not be able to cope with the future demand of the biological fertilisers in 2007 and thereafter. The operation of the new production facilities and the Yantai Baoyuan Research & development Centre under the Construction Agreement commenced in the end of 2006. The Directors consider that the Workshop Acquisition Agreement, the E&M Acquisition Agreement and the Construction Agreement will further strengthen the Group's production capacities and profitability in the future.

Details of the acquisitions are stated in the Company's announcement of 12 June 2006 and circular issued on 30 June 2006.

Save as aforesaid, there had been no material acquisitions and disposals during the year. 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' fund, was 0.33 times as at 31 December 2006 (2005: 0.21 times).

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2006, the Group has cash and cash equivalents of approximately HK$23.1 million, as compared to approximately HK$30.5 million of the previous year.

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

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

CHARGES ON GROUP ASSETS

As at 31 December 2006, the Group pledged cash amounting to HK$8.5 million to a bank in Hong Kong to enable Zhuhai Essex to secure for a loan facility of HK$8.5 million for use as working capital on its business expansion in 2006.

In addition, as at 31 December 2006, short-term secured bank loans amounted to approximately HK$5 million are secured by a charge over certain of the Group's plant and equipment, properties and machinery owned by the minority shareholders of Yantai Baoyuan.

CONTINGENT LIABILITY

The Group did not have any significant contingent liabilities as at 31 December 2006.

SEGMENTAL INFORMATION

The segmental information of the Group products is set out in the financial statements on page 39.

EMPLOYEES

As at 31 December 2006, the Group has a total of 265 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$11.4 million and approximately HK$6.9 million respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending on the financial performance of the Group. Details of the share option schemes are disclosed in note 30 of 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 contract for a fixed term of three years commencing from 27 June 2004 to 26 June 2007. The annual remuneration were fixed in the respective service agreement and each of them is also entitled to a discretionary annual management bonus which shall not exceed 6% of the audited consolidated profits after taxation and minority interests but before extraordinary items of the Company 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 are outstanding under the share option schemes adopted by the Company.

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 52, 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 41, 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 42, 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 authorized representative of the Company.

Fung Chi Ying

Aged 52, 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 54, 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 44, 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 15 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 2006.

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 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 21 to 56. 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 57 to 58. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the fixed assets 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 share capital during the year. Details of movements in the Company's share capital, together with the reasons therefor, and details of the Company's share option schemes are set out in notes 27 and 30 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 23, 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 2006, 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 27% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 7% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 41% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 12% of the Group's total purchases.

None of the Directors, or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

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

Executive Directors:
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 Company's articles of association and as recommended by the nomination committee of the Company, Mr. Ngiam Mia Je Patrick and Mr. Fung Chi Ying will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors has entered into a service agreement 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 respectve Director. The Directors shall not be entitled to terminate his appointment at any time during the term unless with the written consent of the Company deliberated by the board of Directors.

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

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.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

Save for transactions as disclosed in note 34 to the financial statements, 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 2006, 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:

	Number of issued ordinary shares of HK$0.10 each in the Company					Approximate percentage of the Company's issued share capital
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	
Ngiam Mia Je Patrick	2,250,000	–	288,458,000 *(note 1)* 6,666,667 *(note 2)*	–	297,374,667	53.41
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.

Save as disclosed above, as at 31 December 2006, 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 30 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.

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

As at 31 December 2006, the following person 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 position 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	Corporate owned	288,458,000	51.81
Ngiam Mia Je Patrick	Beneficially and corporate owned	297,374,667 *(note 1)*	53.41
Ngiam Mia Kiat Benjamin	Beneficially and corporate owned	295,449,667 *(note 2)*	53.07
Lauw Hui Kian	Family owned	297,374,667 *(note 3)*	53.41

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 2006, 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.

Report of the Directors

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year are set out in note 34 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.

AUDITOR

Horwath Hong Kong CPA Limited retires and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 17 to 19 of this report.

ON BEHALF OF THE BOARD

Ngiam Mia Je Patrick
Chairman

Hong Kong
19 March 2007

Corporate Governance Report

INTRODUCTION

The Company has complied with all the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules by establishing formal and transparent procedures to protect and maximize the interests of shareholders 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 2006.

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 Director 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 of the Company, 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.

Madam Yeow Mee Mooi has been appointed as an independent non-executive Director for a term of two years commenced on 30 September 2004, which has been extended by another appointment letter for a fixed term of two years commenced from 30 September 2006. Madam Yeow 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 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.

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.

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(continued)*

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 Mr. Fung Chi Ying, Mr. Mauffrey Benoit Jean Marie and Dr. Ngiam Mia Je Patrick, 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 on 16th March 2007. 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 Madam Yeow Mee Mooi, Mr. Fung Chi Ying and Mr. Mauffrey Benoit Jean Marie, 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 period under review.

NOMINATION OF DIRECTORS *(continued)*

During the period under review, a meeting of the nomination committee was held on 16th March 2007 meeting 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, Dr. Ngiam Mia Je Patrick and Mr. Fung Chi Ying will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Under 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. As Dr. Ngiam Mia Je Patrick, Mr. Fang Haizhou and Mr. Zhong Sheng are the only three executive Directors, and Mr. Fang Haizhou and Mr. Zhong Sheng were subject to retirement by rotation at the annual general meeting last year, the nomination committee recommends that Dr. Ngiam Mia Je Patrick shall be subject to retirement by rotation at the forthcoming annual general meeting.

AUDITOR'S 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$413,986 to the external auditor for its audit service.

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 2006 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 made.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditor to the shareholders are set out on page 20.

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 meetings 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 as to the Group.

INVESTORS RELATIONS

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

Report of the Auditor

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ESSEX BIO-TECHNOLOGY LIMITED

（億勝生物科技有限公司）

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Essex Bio-Technology Limited set out on pages 21 to 56, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2006 and of the profit and cash flows of the group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

2001 Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Shiu Hong Ng
Practising Certificate number P03752

19 March 2007

Consolidated Income Statement

For the year ended 31 December 2006
(Expressed in Hong Kong dollars)

	Note	**2006** **HK$**	2005 HK$
Turnover	4	**82,789,684**	49,197,291
Cost of sales		**(34,132,253)**	(7,534,672)
Gross profit		**48,657,431**	41,662,619
Other revenue	6	**2,630,079**	1,081,416
Distribution and selling expenses		**(32,703,045)**	(27,747,759)
Administrative expenses		**(12,894,462)**	(9,494,094)
Finance costs		**(262,635)**	(46,298)
Other gains and losses	7	**(882,405)**	10,091,869
Profit before taxation	8	**4,544,963**	15,547,753
Taxation	12(a)	**(781,686)**	–
Net profit for the year		**3,763,277**	15,547,753
Attributable to:			
Equity shareholders of the Company	14	**4,559,511**	15,426,970
Minority interests		**(796,234)**	120,783
		3,763,277	15,547,753
Earnings per share			
– Basic	15	**0.82 cents**	2.78 cents
– Diluted	15	**0.82 cents**	2.77 cents

Consolidated Balance Sheet

At 31 December 2006

(Expressed in Hong Kong dollars)

	Note	**2006 HK$**	2005 HK$
Assets and liabilities			
Non-current assets			
Property, plant and equipment	16	**22,923,711**	10,286,323
Construction in progress	17	**–**	721,715
Goodwill	18	**2,039,565**	1,953,127
Other intangible assets	19	**2,507,414**	4,218,382
		27,470,690	17,179,547
Current assets			
Inventories	22	**5,721,963**	2,047,573
Trade and other receivables	23	**24,150,453**	22,835,035
Investments held for trading	21	**1,766,267**	3,318,237
Pledged deposits	24	**8,500,000**	–
Cash and cash equivalents	24	**23,100,583**	30,498,825
		63,239,266	58,699,670
Current liabilities			
Trade and other payables	25	**16,872,061**	12,352,517
Amount due to a minority shareholder of a subsidiary	34(a)	**–**	883,736
Short-term bank borrowing – secured	26	**4,980,080**	–
Taxation		**781,686**	–
		22,633,827	13,236,253
Net current assets		**40,605,439**	45,463,417
Net assets		**68,076,129**	62,642,964
Equity			
Share capital	27	**55,675,000**	55,524,400
Reserves		**7,820,997**	1,914,688
Equity attributable to equity shareholders of the Company		**63,495,997**	57,439,088
Minority interests		**4,580,132**	5,203,876
Total equity		**68,076,129**	62,642,964

Director
Fang Haizhou

Director
Zhong Sheng

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006
(Expressed in Hong Kong dollars)

	Share capital HK$ (Note 27)	Share premium HK$	Capital reserve and contributed surplus HK$	Statutory surplus reserve HK$ (Note)	Exchange reserves HK$	Investment revaluation reserve HK$	Retained profits/ (accumulated losses) HK$	Attributable to equity share-holders of the Company HK$	Minority interests HK$	Total HK$
Balance at 1 January 2005	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 1 January 2005 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 from 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
Balance at 31 December 2005	55,524,400	969,871	362,442	–	479,089	–	103,286	57,439,088	5,203,876	62,642,964
Net profit for the year	–	–	–	–	–	–	4,559,511	4,559,511	(796,234)	3,763,277
Transferred to statutory surplus reserve	–	–	–	2,410,150	–	–	(2,410,150)	–	–	–
Ordinary shares issued on exercise of share options	150,600	–	–	–	–	–	–	150,600	–	150,600
Exchange differences arising from translation of financial statements of overseas subsidiaries	–	–	–	–	1,346,798	–	–	1,346,798	172,490	1,519,288
Balance at 31 December 2006	55,675,000	969,871	362,442	2,410,150	1,825,887	–	2,252,647	63,495,997	4,580,132	68,076,129

Note: In accordance with the PRC Companies Law, the Company's PRC subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to the statutory surplus reserve and a percentage of not less than 5% as determined by management of the profit after tax to the public welfare fund. With the amendment of the PRC Companies Law which was effective from 1 January 2006, enterprises in the PRC are no longer required to transfer any profit to the public welfare fund. Any balance of public welfare fund brought forward from 31 December 2005 should be transferred to the statutory surplus reserve. The statutory surplus reserve is non-distributable. In 2006, a PRC subsidiary transferred HK$1,892,877 and HK$517,273 to the statutory surplus reserve and public welfare fund respectively, which represents 10% of the PRC subsidiary's 2005 and 2006 profit after tax and 5% of the PRC subsidiary's 2005 profit after tax respectively. In accordance with the revised Companies Law, the public welfare fund of HK$517,273 was transferred to statutory surplus reserve, resulting in a total of statutory surplus reserve of HK$2,410,150 as at 31 December 2006.

Consolidated Cash Flow Statement

For the year ended 31 December 2006
(Expressed in Hong Kong dollars)

	2006	2005
	HK$	*HK$*
Operating activities		
Profit before taxation	**4,544,963**	15,547,753
Adjustments for:		
Finance costs	**262,635**	46,298
Interest income	**(560,463)**	(155,080)
Gain on disposal of investments held for trading	**(636,045)**	–
Gain on disposal of available-for-sale investments	**–**	(9,217,527)
Provision for impairment of trade and other receivables made/(written back)	**266,109**	(307,545)
Other payables written back	**–**	(431,634)
Unrealised gain on trading securities	**–**	(895,781)
Provision for impairment of development expenditure	**1,514,841**	–
Depreciation of property, plant and equipment	**2,314,576**	1,091,213
Amortisation of other intangible assets	**342,685**	273,357
Loss/(gain) on disposal of property, plant and equipment	**3,609**	(7,341)
Property, plant and equipment written off	**–**	28,780
Operating cash flows before working capital changes	**8,052,910**	5,972,493
(Increase)/decrease in inventories	**(3,674,390)**	699,716
Increase in trade and other receivables	**(1,581,527)**	(7,915,202)
Increase/(decrease) in trade and other payables	**2,753,277**	(1,866,703)
(Decrease)/increase in amount due to a minority shareholder of a subsidiary	**(883,736)**	883,736
Effect of foreign exchange rate changes	**–**	47,378
Cash generated from/(used in) operations	**4,666,534**	(2,178,582)
Interest paid	**(262,635)**	(40,358)
Finance leases interest paid	**–**	(5,940)
Net cash inflow/(outflow) from operating activities	**4,403,899**	(2,224,880)

Consolidated Cash Flow Statement

For the year ended 31 December 2006
(Expressed in Hong Kong dollars)

	Note	2006 HK$	2005 HK$
Investing activities			
Proceeds from disposal of property, plant and equipment		–	34,854
Proceeds from disposal of available-for-sale investments		–	12,978,558
Net cash inflow arising from acquisition of a subsidiary		–	4,047,141
Proceeds from disposal of investments held for trading		3,954,282	–
Payments to acquire investments held for trading		–	(2,422,456)
Payments to acquire property, plant and equipment		(13,592,024)	(5,551,624)
Interest received		560,463	155,080
Payment to acquire pledged time deposit		(8,500,000)	–
Net cash (outflow)/inflow from investing activities		(17,577,279)	9,241,533
Financing activities			
Payments of finance leases		–	(72,534)
Proceeds from new loan		4,980,080	–
Proceeds from shares issued under share option scheme		150,600	–
Net cash inflow/(outflow) from financing activities		5,130,680	(72,534)
Net (decrease)/increase in cash and cash equivalents		(8,042,700)	6,944,139
Cash and cash equivalents at beginning of year		30,498,825	23,360,313
Effect of foreign exchange rate changes		644,458	194,373
Cash and cash equivalents at end of year		23,100,583	30,498,825
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	24	17,740,730	16,898,417
Time deposits with original maturity of less than three months when acquired	24	5,359,853	13,600,408
		23,100,583	30,498,825

Balance Sheet

At 31 December 2006

(Expressed in Hong Kong dollars)

	Note	**2006** ***HK$***	2005 *HK$*
Assets and liabilities			
Non-current assets			
Interests in subsidiaries	*20*	**34,813,472**	39,490,649
Current assets			
Trade and other receivables	*23*	**379,450**	195,732
Investments held for trading	*21*	**–**	3,318,237
Cash and cash equivalents	*24*	**9,232,711**	1,734,402
		9,612,161	5,248,371
Current liabilities			
Trade and other payables	*25*	**1,083,649**	984,662
Net current assets		**8,528,512**	4,263,709
Net assets		**43,341,984**	43,754,358
Equity			
Share capital	*27*	**55,675,000**	55,524,400
Reserves	*28*	**(12,333,016)**	(11,770,042)
Total equity		**43,341,984**	43,754,358

Director
Fang Haizhou

Director
Zhong Sheng

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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 registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, 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 fertilisers in the People's Republic of China (the "PRC").

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

• HKAS 21 Amendment	Net Investment in a Foreign Operation
• HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
• HKAS 39 Amendment	The Fair Value Option
• HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
• HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above new and revised standards and interpretations has had no material effect on these financial statements.

(a) HKAS 21 "The Effect of Changes in Foreign Exchange Rates"

Upon the adoption of HKAS 21 Amendment regarding the net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognized in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 and 2005.

(b) HKAS 39 "Financial Instruments: Recognition and Measurement"

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered as insurance contracts, to be recognized initially at fair value and to be re-measured at the higher of the amount determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 "Revenue". The adoption of this amendment has had no material impact on these financial statements as the Group did not have any guarantee given during the year or on the balance sheet date.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset to be measured at fair value through the income statement. The adoption of this amendment has had no effect on these financial statements.

(Expressed in Hong Kong dollars)

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

(b) HKAS 39 "Financial Instruments: Recognition and Measurement" *(continued)*

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

The amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transaction, the amendment has had no effect on these financial statements.

(c) HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease"

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

The Group has not early adopted the following new HKFRSs, that have been issued but are not yet effective, to these financial statements.

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics	1 March 2006
HK(IFRIC) – Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment	1 November 2006

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. In the opinion of the directors, while the adoption of HKAS 1 Amendment and HKFRS 7 will result in new and amended disclosures, these new and revised HKFRSs should not have any significant impact on the Group's results of operations and financial position.

3. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

(b) 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 which have been measured in fair value.

3. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) 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.

(d) 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 date 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 fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

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.

3. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) Subsidiaries

A subsidiary is an enterprise in which the group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another enterprise.

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, investments in subsidiaries are stated at cost less impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(f) 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.

(g) 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 overhaul 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.

Depreciation is charged so as to write off the cost or valuation of assets, other than properties under construction, over their estimated useful lives and after taking into account of their estimated residual value, 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:

Buildings and leasehold improvements	5% – 18%
Plant and machinery	9% – 19%
Furniture, fixtures and office equipment	18% – 20%
Motor vehicles	18% – 19%

3. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

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.

(h) 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.

(i) Impairment of tangible and intangible assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment 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 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.

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 reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

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, but so 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 the profit and loss account, 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.

(j) 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.

(k) Financial instruments

Financial assets and financial liabilities are recognised on the Group's or Company's balance sheet which a group company or the Company 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 and loss account 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.

(k) 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 cumulative 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 with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(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.

(v) Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(vi) Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

(l) 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) Taxation *(continued)*

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 no 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.

(m) 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.

(n) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

3. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

(n) Leases *(continued)*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(o) 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 financial statements.

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

(p) 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.

(q) 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.

3. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

(q) Borrowing costs *(continued)*

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.

(r) 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.

(s) 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.

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.

3. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

(s) Employee benefits *(continued)*

(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).

(t) 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.

(u) 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.

(Expressed in Hong Kong dollars)

3. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

(v) Critical accounting estimates and judgements

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimation as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the company has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of the Company's assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2006 was HK$2,039,565. Further details set out in Note 18 to the financial statements.

4. TURNOVER

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

	2006	2005
	HK$	*HK$*
Sales of biopharmaceutic products	**49,162,350**	46,093,480
Sales of agricultural fertilisers	**33,627,334**	3,103,811
	82,789,684	49,197,291

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 fertilisers	:	Manufacture and sale of organic and chemical formulated agricultural fertilisers

	Biopharmaceutical products		Agricultural fertilisers		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Revenue from external customers	**49,162,350**	46,093,480	**33,627,334**	3,103,811	**82,789,684**	49,197,291
Segment result	**7,523,866**	8,826,476	**(1,476,858)**	286,854	**6,047,008**	9,113,330
Unallocated net (loss)/gains					**(1,239,410)**	6,480,721
Finance costs					**(262,635)**	(46,298)
Taxation					**(781,686)**	–
Net profit for the year					**3,763,277**	15,547,753

	Biopharmaceutical products		Agricultural fertilisers		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment assets	**43,224,983**	41,019,915	**30,310,157**	16,411,857	**73,535,140**	57,431,772
Unallocated assets					**17,174,816**	18,447,445
Total assets					**90,709,956**	75,879,217
Segment liabilities	**11,518,545**	10,611,409	**8,235,691**	1,365,508	**19,754,236**	11,976,917
Unallocated liabilities					**2,879,591**	1,259,336
Total liabilities					**22,633,827**	13,236,253
Provision for impairment on capital expenditure for the year	**1,514,841**	–	**–**	–	**1,514,841**	–
Depreciation for the year	**1,687,809**	1,047,748	**626,767**	43,465	**2,314,576**	1,091,213
Amortisation for the year	**271,229**	264,549	**71,456**	8,808	**342,685**	273,357
Capital expenditure incurred during the year	**1,186,113**	5,198,166	**13,127,627**	120,372	**14,313,740**	5,318,538

(b) Geographical segments

All operating assets and operations of the Group during the years ended 31 December 2006 and 2005 were located in the PRC. Accordingly, no geographical segment information is presented.

(Expressed in Hong Kong dollars)

6. OTHER REVENUE

	2006	2005
	HK$	*HK$*
Provision for impairment of trade and other receivables written back	**–**	307,545
Other payables written back	**–**	431,634
Value added tax refund *(Note)*	**2,017,694**	183,325
Interest income	**560,463**	155,080
Sundries	**51,922**	3,832
	2,630,079	1,081,416

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 fertilisers. 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

	2006	2005
	HK$	*HK$*
Provision for impairment of development expenditure	**(1,514,841)**	–
Gain on disposal of available-for-sale investments	**–**	9,217,527
Fair value gains on trading securities	**–**	895,781
(Loss)/gain on disposal of property, plant and equipment	**(3,609)**	7,341
Property, plant and equipment written off	**–**	(28,780)
Gain on disposal of investments held for trading	**636,045**	–
	(882,405)	10,091,869

8. PROFIT BEFORE TAXATION

	2006	2005
	HK$	*HK$*
Profit before taxation is stated after charging the following:–		
Impairment loss on trade and other receivables	**266,109**	–
Amortisation of other intangible assets	**342,685**	273,357
Depreciation of property, plant and equipment	**2,314,576**	1,091,213
Staff costs excluding directors' remuneration:–		
Salaries and allowances	**9,295,245**	4,806,006
Pension fund contributions	**418,718**	327,821
Auditor's remuneration	**413,986**	294,256
Net foreign exchange loss	**–**	821,138
Research and development costs	**479,952**	755,688
Finance leases interest	**–**	5,940
Bank loan interest – wholly repayable within 5 years	**262,635**	40,358

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 *HK$*	**Salaries, allowances and benefits in kind** *HK$*	**Discre-tionary bonuses** *HK$*	**Share-based payments** *HK$*	**Pension fund con-tributions** *HK$*	**2006 Total** *HK$*
Executive directors						
Fang Haizhou	**–**	**400,000**	**–**	**–**	**21,797**	**421,797**
Zhong Sheng	**–**	**350,000**	**–**	**–**	**12,000**	**362,000**
Ngiam Mia Je Patrick	**–**	**500,000**	**–**	**–**	**–**	**500,000**
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**	**–**	**–**	**33,797**	**1,733,797**

	Directors fees *HK$*	Salaries, allowances and benefits in kind *HK$*	Discre-tionary bonuses *HK$*	Share-based payments *HK$*	Pension fund con-tributions *HK$*	2005 Total *HK$*
Executive directors						
Fang Haizhou	–	400,000	–	–	21,771	421,771
Zhong Sheng	–	350,000	–	–	12,000	362,000
Ngiam Mia Je Patrick	–	500,000	–	–	–	500,000
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

No share option was granted to the directors during the years ended 31 December 2006 and 2005.

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.

(Expressed in Hong Kong dollars)

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year included three (2005: three) directors, whose remuneration is set out in Note 9. Details of the remuneration of the remaining two (2005: two) highest paid, non-director employees during the year is as follows:–

	2006	2005
	HK$	*HK$*
Salaries and other benefits	**1,011,517**	975,000
Retirement scheme contributions	**24,534**	21,250
	1,036,051	996,250

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

	2006	2005
	Number of employee	Number of employee
$Nil – $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 2006 amounted to HK$452,515 (2005: HK$361,592).

12. INCOME TAX

(a) Taxation in the consolidated income statement represents:–

	2006	2005
	HK$	*HK$*
Current tax – PRC		
– Provision for the year	**781,686**	–

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

12. INCOME TAX *(continued)*

(c) 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. The income tax exemption period of the subsidiary expired and the income tax is calculated at 7.5% (50% reduction in enterprise income tax) for the year.

(d) The Group's 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 year ended 31 December 2006 as the subsidiary has sustained tax losses for the year. 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.

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

	2006	2005
	HK$	*HK$*
Profit before taxation	**4,544,963**	15,547,753
Taxation calculated at Hong Kong profits tax rate of 17.5%	**795,368**	2,720,857
Tax effect of expenses not deductible for taxation purpose	**732,125**	9,181
Tax effect of non-taxable items	**–**	(2,816)
Deferred tax assets not recognised	**749,456**	637,759
Income tax exemption	**(912,015)**	(1,516,223)
Effect of different tax rate of subsidiaries operating in other jurisdiction	**(130,281)**	(189,702)
Utilisation of tax losses	**(202,040)**	(52,811)
Income and expenses not subject to tax	**(250,927)**	(1,606,245)
Taxation charge for the year	**781,686**	–

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

13. DEFERRED TAX

Deferred tax has not been provided as there were no significant temporary differences which would give rise to deferred tax liabilities at the balance sheet date (2005: Nil).

The principal components of the Group's and Company's deferred tax assets not provided for, calculated at 15% – 17.5% (2005: 15% – 17.5%) on the cumulative temporary differences at the balance sheet date, are as follows:–

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Tax losses	**3,706,108**	2,935,967	**567,829**	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 (2005: Nil).

14. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

During the year ended 31 December 2006, the Group's profit attributable to equity shareholders of the Company included a loss of HK$562,974 (2005: loss of HK$447,860) 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$4,559,511 (2005: HK$15,426,970), and the weighted average of 556,306,833 (2005: weighted average of 555,244,000) ordinary shares in issue during the year.

There were no dilutive potential shares at 31 December 2006. The calculation of diluted earnings per share for the previous year was based on the profit for that year attributable to shareholders of the Company of HK$15,426,970, and the weighted average number of 556,355,072 ordinary shares in issue during that year, adjusted for the effects of all dilutive potential shares.

The weight average of number of shares used in the calculation of diluted earnings per share in the previous year was calculated based on the 555,244,000 ordinary shares in issue during that year plus the weighted average of 1,111,072 ordinary shares deemed to have been issued at no consideration as if all of the Company's outstanding share options had been exercised.

16. PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings and leasehold improvements *HK$*	Plant and machinery *HK$*	Furniture, fixtures and office equipment *HK$*	Motor vehicles *HK$*	Total *HK$*
Cost:					
At 1 January 2005	–	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
Additions	9,333,971	4,422,160	324,532	233,077	14,313,740
Disposals	–	(20,101)	(42,159)	–	(62,260)
Exchange adjustments	330,760	395,503	101,283	48,298	875,844
At 31 December 2006	**13,049,528**	**12,947,787**	**3,442,824**	**1,461,499**	**30,901,638**
Accumulated depreciation:					
At 1 January 2005	–	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
Charge for the year	964,468	879,474	236,627	234,007	2,314,576
Disposals	–	(20,101)	(38,631)	–	(58,732)
Exchange adjustments	21,396	120,806	69,468	22,422	234,092
At 31 December 2006	**985,864**	**3,764,196**	**2,499,905**	**727,962**	**7,977,927**
Net book value:					
At 31 December 2006	**12,063,664**	**9,183,591**	**942,919**	**733,537**	**22,923,711**
At 31 December 2005	3,384,797	5,366,208	826,727	708,591	10,286,323

The Group has pledged plant and machinery with a carrying value HK$2,446,560 at 31 December 2006 (2005: Nil) to secure loan facilities granted to the Group.

The Group is in the process of applying for the property ownership certificate of the buildings acquired during the year.

(Expressed in Hong Kong dollars)

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
Additions	9,914,139
Transfer out to property, plant and equipment	(10,635,854)
At 31 December 2006	**–**

18. GOODWILL

The Group

	HK$
Cost:	
At 1 January 2005	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
Exchange adjustments	86,438
At 31 December 2006	**2,039,565**
Accumulated amortisation:	
At 1 January 2005	521,716
Opening balance adjustment to eliminate against cost	(521,716)
At 31 December 2005 and 31 December 2006	–
Carrying amount:	
At 31 December 2006	**2,039,565**
At 31 December 2005	1,953,127

Impairment of goodwill

The recoverable amount of the goodwill is determined based on the cash generating unit ("CGU") of the Group's sales network of biopharmaceutical products to which the goodwill belongs 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 10%

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.

The recoverable amount of the goodwill determined in the above manner suggested that there was no impairment in the value of goodwill as at 31 December 2006.

19. OTHER INTANGIBLE ASSETS

	Technical know-how *HK$*	Development expenditure *HK$*	Total *HK$*
The Group			
Cost:			
At 1 January 2005	–	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
Exchange adjustments	7,726	255,927	263,653
At 31 December 2006	**219,124**	**7,259,024**	**7,478,148**
Accumulated amortisation and impairment:			
At 1 January 2005	–	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
Charge for the year	71,456	271,229	342,685
Provision for impairment for the year	–	1,514,841	1,514,841
Exchange adjustments	4,161	112,934	117,095
At 31 December 2006	**146,083**	**4,824,651**	**4,970,734**
Net book value:			
At 31 December 2006	**73,041**	**2,434,373**	**2,507,414**
At 31 December 2005	140,932	4,077,450	4,218,382

The technical know-how acquired from 中國農業科學院土壤肥料研究所 for the manufacture of agricultural fertilisers has a three years term commencing from 21 June 2004 for a consideration of RMB220,000 (equivalent to HK$211,193).

During the year, the directors reviewed the carrying value of the development expenditure and identified that the future economic benefits generated from certain projects to be less than their carrying value. Accordingly, an impairment loss of HK$1,514,841 was recognised for the year ended 31 December 2006.

In addition to development expenditures capitalised, the Group expensed research and development expenditures of HK$479,952 during the year (2005: HK$755,688).

Total amortisation charges of HK$342,685 (2005: HK$273,357) are included in administrative expenses in the profit and loss account for the year.

(Expressed in Hong Kong dollars)

20. INTERESTS IN SUBSIDIARIES

	Company 2006 HK$	2005 HK$
Unlisted shares, at cost	**100,031**	100,031
Add: Amounts due from subsidiaries	**34,713,472**	39,390,649
Less: Amount due to a subsidiary	**(31)**	(31)
	34,813,472	39,490,649

As explained in Note 3(e) to the financial statements, investment in a subsidiary is stated at cost less impairment loss.

The amounts due from subsidiaries are unsecured, non-interest bearing and in substance represent the Company's investments in the subsidiaries in the form of quasi-equity loans.

Details of the Company's subsidiaries as at 31 December 2006 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.	The People's Republic of China	RMB11,020,000	–	51%	Research, development and production of organic and chemical formulated agricultural fertilisers

21. INVESTMENT HELD FOR TRADING

Investments held for trading

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Listed equity securities, at fair value				
– outside Hong Kong	**1,766,267**	3,318,237	**–**	3,318,237

The above listed equity investments offer the Group or the Company 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

	2006	2005
The Group	***HK$***	*HK$*
Raw materials at cost	**2,863,194**	1,683,694
Work in progress at cost	**848,333**	159,817
Finished goods at cost	**2,010,436**	204,062
	5,721,963	2,047,573

23. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Trade receivables	**17,552,334**	16,823,060	**–**	–
Less: provision for impairment	**(2,290,896)**	(1,947,742)	**–**	–
Trade receivables – net	**15,261,438**	14,875,318	**–**	–
Other receivables	**2,124,915**	1,431,634	**100,400**	400
Less: provision for impairment	**(1,095,863)**	(1,063,817)	**–**	–
Other receivables – net	**1,029,052**	367,817	**100,400**	400
Deposits and prepayments	**7,859,963**	7,591,900	**279,050**	195,332
	24,150,453	22,835,035	**379,450**	195,732

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

23. TRADE AND OTHER RECEIVABLES *(continued)*

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	
	2006	2005
0-60 days	**7,491,272**	7,860,957
61-90 days	**1,891,158**	2,663,584
> 90 days	**5,879,008**	4,350,777
	15,261,438	14,875,318

As at 31 December 2006, trade and other receivables net of provision for impairment of trade and other receivables, denominated in Renminbi ("RMB") amounted to approximately HK$23,158,000 (2005: approximately HK$22,904,000).

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$$***	*HK$*
Cash and bank balances	**17,740,730**	16,898,417	**482,783**	314,794
Time deposits	**5,359,853**	13,600,408	**249,928**	1,419,608
Pledged time deposits	**8,500,000**	–	**8,500,000**	–
	31,600,583	30,498,825	**9,232,711**	1,734,402

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

As at 31 December 2006, cash and bank balances denominated in RMB amounted to approximately HK$16,900,000 (2005: approximately HK$15,905,000). 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.

Time deposits with a carrying amount of HK$8,500,000 have been pledged to a bank to secure loan facilities granted to the Group.

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Trade payables	**858,320**	253,141	**–**	–
Other payables	**3,297,894**	1,420,150	**1,766,285**	22,546
Accruals	**8,778,154**	8,121,186	**1,083,631**	962,116
VAT payable	**2,397,392**	2,030,201	**–**	–
Deposits received	**1,540,301**	527,839	**–**	–
	16,872,061	12,352,517	**2,849,916**	984,662

Trade payables principally comprise amounts outstanding for trade purchases and related 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	
	2006	2005
	HK$	*HK$*
0-60 days	**858,200**	247,222
61-90 day	**–**	–
> 90 days	**120**	5,919
	858,320	253,141

As at 31 December 2006, trade and other payables denominated in RMB amounted to approximately HK$14,770,000 (2005: approximately HK$11,530,000).

26. SHORT-TERM BANK BORROWINGS – SECURED

The loans carry interest at 7.254% per annum and are repayable within six months from the grant dates. The loans are secured by a charged over certain of the Group's plant and equipment (refer to Note 16 for details), properties and motor vehicles owned by two minority shareholders of a subsidiary of the Group. Details are set out in Note 34(c). The carrying amounts as at 31 December 2006 approximated their fair value.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

27. SHARE CAPITAL

	Number of ordinary shares of $0.10 each	Amount
		HK$
The Company		
Authorised:		
At 31 December 2005 and 31 December 2006	1,000,000,000	100,000,000
Issued and fully paid:		
At 1 January 2005 and 1 January 2006	555,244,000	55,524,400
Exercise of share options *(Note)*	1,506,000	150,600
At 31 December 2006	556,750,000	55,675,000

Note: During the year, the subscription rights attaching to 1,506,000 share options were exercised at the subscription price of HK$0.1 per share, resulting in the issue of 1,506,000 shares of HK$0.10 each for a total cash consideration of HK$150,600.

28. RESERVES

	Share premium	Accumulated losses	Total
	HK$	*HK$*	*HK$*
The Company			
At 1 January 2005	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)
Net loss for the year	–	(562,974)	(562,974)
At 31 December 2006	969,871	(13,302,887)	(12,333,016)

29. MAJOR NON-CASH TRANSACTION

Acquisition of investments held for trading amounted to HK$1,766,267 was not yet settled and the amount of payable was included in trade and other payables.

30. 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 3 executive directors of the Company) 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 exercisable in the following manner:

(a) no share options granted are exercisable in the first Year;

(b) up to 50% of the share options granted to him/her on 27 June 2001 (or if applicable as subsequently adjusted in accordance with the Pre-Scheme) in the second Year;

(c) all shares comprised in the share options granted to him/her which were not previously exercised from the third Year and thereafter.

the word "Year" means each successive period of twelve months, the first such period commencing on 27 June 2001, the date of which the shares were listed on the GEM.

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

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

The following are movement of share options under the Pre-Scheme:

	Number of share options				
Name of participant	**At 1 January 2006**	**Exercised during the year**	**Lapsed during the year**	**At 31 December 2006**	**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	12,126,000	(1,506,000)	(10,620,000)	–	0.10 to 0.35
	17,876,000	(1,506,000)	(16,370,000)	–	

(Expressed in Hong Kong dollars)

30. SHARE OPTIONS *(continued)*

(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.

As at balance sheet date, no share option was outstanding under the Post-Scheme.

31. CAPITAL COMMITMENT

Capital commitment outstanding at 31 December not provided for in the financial statements were as follows:

	2006	2005
	HK$	*HK$*
Acquisition of property, plant and equipment:		
Contracted for but not provided for	**529,820**	478,883

32. OPERATING LEASE ARRANGEMENTS

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

	2006 *HK$*	2005 *HK$*
Properties	**1,796,836**	1,082,769
Plant and machinery and others	**229,617**	171,072
	2,026,453	1,253,841

At 31 December 2006, the total future minimum lease payments under non-cancellable operating leases were payable as follows:–

	2006		2005	
	Properties *HK$*	**Plant and machinery and others** *HK$*	Properties *HK$*	Plant and machinery and others *HK$*
The Group				
Within 1 year	**1,485,006**	**249,001**	827,277	172,962
After 1 year but within 5 years	**4,583,165**	**626,915**	3,309,109	691,848
After 5 years	**6,274,800**	**–**	–	–
	12,342,971	**875,916**	4,136,386	864,810

Operating lease payments represent rentals payable by the Group on certain properties, plant and equipment. Leases are negotiated for a term of between 3 to 25 years at fixed rentals.

33. 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:

(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.

33. FINANCIAL INSTRUMENTS *(continued)*

(a) Financial risk factors *(continued)*

(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 investments 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

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's fair value interest rate risk relates primarily to fixed rate borrowings from a financial institution (see Note 26 for details of these borrowings). As this loan is fully repayable within one year, the Group's exposure to fair value interest rate risk is minimal.

(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 is 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.

34. RELATED PARTY TRANSACTIONS

(a) The amount due to a minority shareholder of a subsidiary is unsecured, interest free and had 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) During the year and at balance sheet date, properties and motor vehicles owned by Liu Bao De, a minority shareholder of a subsidiary, and Zhu Oi Men, the spouse of Ren Chun Bao, another minority shareholder of the subsidiary, were pledged to a bank for a loan facility granted to the Group.

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

35. POST BALANCE SHEET EVENT

In January 2007, the Group obtained a bank facility of RMB2,000,000 (equivalent to HK$1,992,032) which was secured by a floating charge on the Group's inventories with carrying value of approximately HK$4 millions.

In March 2007, the Group obtained a short term loan of RMB6,000,000 (equivalent to HK$6,000,000) from a third party.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 March 2007.

Five Year Financial Summary

The following is a summary of the consolidated results and of the assets and liabilities of the Group, prepared on the basis set out in Notes 1 to 2 below:

	Year ended 31 December				
	2006	2005	2004	2003	2002
RESULTS	***HK$***	*HK$*	*HK$*	*HK$*	*HK$*
Turnover					
Continuing operations	**82,789,684**	49,197,291	38,906,928	37,478,872	35,675,080
Discontinuing operations	**–**	–	–	107,388	–
	82,789,684	49,197,291	38,906,928	37,586,260	35,675,080
Cost of sales	**(34,132,253)**	(7,534,672)	(4,399,848)	(18,004,125)	(11,484,334)
Gross profit	**48,657,431**	41,662,619	34,507,080	19,582,135	24,190,746
Other revenue	**2,630,079**	1,081,416	2,008,222	868,584	1,600,931
Distribution and selling costs	**(32,703,045)**	(27,747,759)	(23,311,697)	(20,429,200)	(19,474,593)
Administrative expenses	**(12,894,462)**	(9,494,094)	(10,387,657)	(19,037,341)	(11,146,765)
Finance costs	**(262,635)**	(46,298)	(7,850)	(297,822)	(61,897)
Other gains and losses	**(882,405)**	10,091,869	4,796,541	(848,178)	–
Profit/(loss) before taxation					
Continuing operations	**4,544,963**	15,547,753	7,604,639	(14,847,909)	(1,574,878)
Discontinuing operations	**–**	–	–	(5,313,913)	(3,316,700)
	4,544,963	15,547,753	7,604,639	(20,161,822)	(4,891,578)
Taxation	**(781,686)**	–	–	–	–
Net profit/(loss) for the year	**3,763,277**	15,547,753	7,604,639	(20,161,822)	(4,891,578)
Attributable to:					
Equity shareholders of the Company	**4,559,511**	15,426,970	7,604,639	(18,355,091)	(3,763,900)
Minority interests	**(796,234)**	120,783	–	(1,806,731)	(1,127,678)
	3,763,277	15,547,753	7,604,639	(20,161,822)	(4,891,578)

Five Year Financial Summary

ASSETS AND LIABILITIES

	Year ended 31 December				
	2006	2005	2004	2003	2002
RESULTS	***HK$***	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets	**27,470,690**	17,179,547	13,944,963	14,903,436	18,540,209
Current assets	**63,239,266**	58,699,670	37,410,985	30,252,849	55,144,251
Current liabilities	**(22,633,827)**	(13,236,253)	(9,808,426)	(11,086,760)	(19,236,558)
Net current assets	**40,605,439**	45,463,417	27,602,559	19,166,089	35,907,693
Non-current liabilities	–	–	–	(72,534)	(289,089)
Net assets	**68,076,129**	62,642,964	41,547,522	33,996,991	54,158,813

Notes:

1. The consolidated results of the Group for the years ended 31 December 2004, 2003 and 2002 are extracted from the published audited financial statements for these years. The consolidated results of the Group for the years ended 31 December 2006 and 2005 are as set out on page 21 of the audited financial statements.

2. The consolidated balance sheets as at 31 December 2004, 2003 and 2002 are extracted from the published audited financial statements for the years ended 31 December 2004, 2003 and 2002. The consolidated balance sheets of the Group as at 31 December 2006 and 2005 are as set out on page 22 of the audited financial statements.