



**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)

Interim Report **2007**

## **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.*

## RESULTS

The board of directors of Essex Bio-Technology Limited (the "Company") is pleased to announce the following unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 June 2007 together with the comparative figures for the corresponding periods of the last financial year.

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended 30 June		For the six months ended 30 June	
	Notes	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	3	49,078	17,942	69,470	35,831
Cost of sales		(31,679)	(6,080)	(40,343)	(14,290)
Gross profit		17,399	11,862	29,127	21,541
Other revenue		2,043	551	2,809	708
Distribution and selling expenses		(11,230)	(7,402)	(18,356)	(12,857)
Administrative expenses		(3,566)	(3,464)	(6,504)	(5,963)
Finance costs		(351)	(32)	(476)	(32)
Profit before taxation	5	4,295	1,515	6,600	3,397
Taxation	6	(311)	(332)	(526)	(332)
Net profit for the period		(3,984)	1,183	6,074	3,065
Attributable to:					
Equity shareholders of the Company		3,596	1,212	5,971	2,669
Minority interests		388	(29)	103	396
		3,984	1,183	6,074	3,065
Earnings per share	8				
Basic		HK0.65 cent	HK0.22 cent	HK1.07 cent	HK0.48 cent
Diluted		N/A	HK0.22 cent	N/A	HK0.48 cent

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 June 2007 HK\$'000 (Unaudited)	At 31 December 2006 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	22,961	22,924
Leasehold land	10	7,190	–
Goodwill		2,109	2,040
Other intangible assets	11	2,365	2,507
		<b>34,625</b>	<b>27,471</b>
<b>CURRENT ASSETS</b>			
Inventories		7,303	5,722
Trade and bills receivables	12	30,901	15,261
Prepayments, deposits and other receivables		5,043	8,889
Investments held for trading		3,000	1,767
Pledged deposits		14,374	8,500
Cash and cash equivalents		30,607	23,100
		<b>91,228</b>	<b>63,239</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	22,813	858
Accrued liabilities, deposits received and other payables		12,662	16,014
Bank and other borrowings	14	14,353	4,980
Taxation		526	782
		<b>50,354</b>	<b>22,634</b>
<b>NET CURRENT ASSETS</b>		<b>40,874</b>	<b>40,605</b>
<b>NET ASSETS</b>		<b>75,499</b>	<b>68,076</b>
<b>EQUITY</b>			
Share capital		55,675	55,675
Reserves		15,141	7,821
Equity attributable to equity shareholders of the Company		<b>70,816</b>	<b>63,496</b>
Minority interests		4,683	4,580
<b>TOTAL EQUITY</b>		<b>75,499</b>	<b>68,076</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Capital reserve and contributed surplus HK\$'000	Statutory surplus reserve HK\$'000	Retained profits HK\$'000	Attributable to equity shareholders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2006	55,524	970	479	362	–	104	57,439	5,204	62,643
Exchange differences arising on translation of financial statements of overseas subsidiaries	–	–	36	–	–	–	36	–	36
Exercise of share options	141	–	–	–	–	–	141	–	141
Net profit for the period	–	–	–	–	–	2,669	2,669	396	3,065
<b>At 30 June 2006</b>	<b>55,665</b>	<b>970</b>	<b>515</b>	<b>362</b>	<b>–</b>	<b>2,773</b>	<b>60,285</b>	<b>5,600</b>	<b>65,885</b>
At 1 January 2007	55,675	970	1,826	362	2,410	2,253	63,496	4,580	68,076
Exchange differences arising on translation of financial statements of overseas subsidiaries	–	–	1,349	–	–	–	1,349	–	1,349
Net profit for the period	–	–	–	–	–	5,971	5,971	103	6,074
<b>At 30 June 2007</b>	<b>55,675</b>	<b>970</b>	<b>3,175</b>	<b>362</b>	<b>2,410</b>	<b>8,224</b>	<b>70,816</b>	<b>4,683</b>	<b>75,499</b>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	2007 HK\$'000	For the six months ended 30 June 2006 HK\$'000
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	4,473	(3,927)
NET CASH USED IN INVESTING ACTIVITIES	(6,359)	(3,053)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	8,897	(1,485)
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	7,011	(8,465)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	23,101	30,499
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	495	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	30,607	22,034
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	30,607	22,034

**NOTES:****1. Basis of preparation**

The Group's unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

**2. Principal accounting policies**

The accounting policies and methods of computation used in the preparation of the unaudited consolidated results are consistent with those used in the 2006 audited financial statements.

**3. Turnover**

Turnover represents sales value of biopharmaceutical products and agricultural fertilizers supplied to customers less discounts, returns, value added tax and other applicable local taxes.

**4. Segment information***(a) Business segments*

The following table presents revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the six months ended 30 June 2007 and 2006.

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		Total	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue from external customers	29,656	20,099	39,814	15,732	69,470	35,831
Segment result	7,153	3,336	686	807	7,839	4,143
Unallocated net loss					(763)	(714)
Finance costs					(476)	(32)
Taxation					(526)	(332)
Net profit for the period					6,074	3,065
Segment assets	46,223	40,503	66,069	25,503	112,292	66,006
Unallocated assets					13,561	16,895
Total assets					125,853	82,901
Segment liabilities	9,591	12,151	39,826	3,843	49,417	15,994
Unallocated liabilities					937	1,022
Total liabilities					50,354	17,016
Depreciation	703	752	571	150	1,274	902
Amortization	141	133	37	36	178	169

*(b) Geographical segments*

All operating assets and operations of the Group during the periods ended 30 June 2007 and 2006 were located in the PRC. Accordingly, no geographical segment information is presented.

## 5. Profit before taxation

The Group's profit before taxation is arrived at after charging/(crediting):

	For the three months ended 30 June 2006		For the six months ended 30 June 2006	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Gain on disposal of investments held for trading	–	(391)	66	(401)
Depreciation of property, plant and equipment	837	451	1,274	902
Amortisation of other intangible assets	89	84	178	169
Staff costs excluding directors' remuneration	2,343	1,842	4,408	4,054
Directors' remuneration	437	434	869	869
Auditors' remuneration	137	87	250	159

## 6. Taxation

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

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 period. The current period is the second year this subsidiary to enjoy a 50% reduction in enterprise income tax.

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 period ended 30 June 2007 as the subsidiary obtained the certificate from 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. The current period is the first year this subsidiary to enjoy the tax exemption for its first two profitable years of operations.

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 (2006: Nil). The potential tax benefits attributable to tax losses of the Group and the Company have not been recognised due to unpredictability of future profit streams (2006: Nil).

## 7. Dividends

No dividend has been paid or declared by the Company or any of the companies comprising the Group during the period ended 30 June 2007 (2006: Nil).



## 8. Earnings per share

The calculation of basic earnings per share for the three months and six months ended 30 June 2007 are based on the profit attributable to shareholders of the Company of HK\$3,596,000 (2006: HK\$1,212,000) and HK\$5,971,000 (2006: HK\$2,669,000), and the weighted average of 556,750,000 (2006: 556,650,000) and 556,750,000 (2006: 555,974,189) ordinary shares in issue during the period.

No diluted earnings per share for the three months and six months ended 30 June 2007 are presented as there are no outstanding share options as at 30 June 2007.

The calculation of diluted earnings per share for the three months and six months ended 30 June 2006 are based on the profit attributable to shareholders of the Company of HK\$1,212,000 and HK\$2,669,000, and the weighted average number of 559,875,515 and 559,736,187 ordinary shares in issue during the period, adjusted for the effects of all dilutive potential shares.

The weighted average number of shares used in the calculation of diluted earnings per share for the three months and six months ended 30 June 2006 are calculated based on the weighted average of 556,650,000 and 555,974,189 ordinary shares in issue during the period plus the weighted average of 3,225,515 and 3,761,998 ordinary shares deemed to be issued at no consideration as if all of the Company's outstanding share options have been exercised.

## 9. Property, plant and equipment

	Buildings and leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
At 1 January 2006	3,385	8,150	3,059	1,180	15,774
Additions	9,334	4,422	325	233	14,314
Disposals	–	(20)	(42)	–	(62)
Exchange adjustments	331	396	101	47	875
At 31 December 2006 and 1 January 2007	13,050	12,948	3,443	1,460	30,901
Additions	259	176	316	–	751
Disposals	(34)	–	–	(104)	(138)
Exchange adjustments	386	382	92	41	901
At 30 June 2007	13,661	13,506	3,851	1,397	32,415
Accumulated depreciation:					
At 1 January 2006	–	2,784	2,232	471	5,487
Charge for the year	964	879	237	234	2,314
Disposals	–	(20)	(39)	–	(59)
Exchange adjustments	22	121	69	23	235
At 31 December 2006 and 1 January 2007	986	3,764	2,499	728	7,977
Charge for the period	523	544	117	90	1,274
Disposals	–	–	–	(35)	(35)
Exchange adjustments	36	118	62	22	238
At 30 June 2007	1,545	4,426	2,678	805	9,454
Net book value:					
At 30 June 2007 (unaudited)	12,116	9,080	1,173	592	22,961
At 31 December 2006 (audited)	12,064	9,184	944	732	22,924

## 10. Leasehold land

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

A short-term bank loan of HK\$8,208,000 is secured on the leasehold land of carrying amount of HK\$7,190,000 (31 December 2006: Nil).

## 11. Other intangible assets

	Development expenditure HK\$'000	Technical know-how HK\$'000	Total HK\$'000
Cost:			
At 1 January 2006	7,003	211	7,214
Exchange adjustments	256	8	264
At 31 December 2006 and 1 January 2007	7,259	219	7,478
Exchange adjustments	213	6	219
At 30 June 2007	7,472	225	7,697
Accumulated depreciation and impairment:			
At 1 January 2006	2,926	70	2,996
Charge for the year	271	72	343
Provision for impairment for the year	1,515	–	1,515
Exchange adjustments	113	4	117
At 31 December 2006 and 1 January 2007	4,825	146	4,971
Charge for the period	141	37	178
Exchange adjustments	178	5	183
At 30 June 2007	5,144	188	5,332
Net book value:			
At 30 June 2007 (unaudited)	2,328	37	2,365
At 31 December 2006 (audited)	2,434	73	2,507

## 12. Trade and bills receivables

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

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

	<b>At 30 June 2007 HK\$'000 (unaudited)</b>	At 31 December 2006 HK\$'000 (audited)
0-60 days	22,984	7,491
61-90 days	3,616	1,891
> 90 days	4,301	5,879
	<b>30,901</b>	15,261

## 13. Trade and bills payables

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

	<b>At 30 June 2007 HK\$'000 (unaudited)</b>	At 31 December 2006 HK\$'000 (audited)
0-60 days	17,374	858
61-90 days	112	–
> 90 days	5,327	–
	<b>22,813</b>	858

## 14. Bank and other borrowings

	<b>At 30 June 2007 HK\$'000 (unaudited)</b>	At 31 December 2006 HK\$'000 (audited)
Short-term bank borrowings – secured	8,202	4,980
Other borrowing – unsecured	6,151	–
	<b>14,353</b>	4,980

The short-term bank borrowings are secured on the leasehold land and buildings of carrying amount of HK\$16,500,000 (31 December 2006: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

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

In 2007, the Group maintains its business development strategy to ensure sustaining organic growth from its core biopharmaceutical products, Beifushu and Beifuji, through the established distribution network in the PRC. In addition, the Group strategically promotes its newly commercialized products; 貝復濟凝膠劑型 (Beifuji gel formulation) and 貝復舒凝膠劑型 (Beifushu gel formulation) to be its future growth avenue.

In parallel, Group effort is also dedicated towards cultivating and developing the business of agricultural fertilizers through its 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.

### Market Development

During the period under review, the Group maintained 14 direct representative offices (“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 39 seminars and 200 market promotion activities in major cities and provinces in the PRC for the period under review, educating more than 8,560 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 and has expanded into Guangxi province and Hainan City for the period 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.

## Research and Development (“R&D”)

R&D pipeline during the period 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\$69.5 million in turnover for the period ended 30 June 2007, a significant increase of 93.9% over the corresponding period of the last financial year. Sales of flagship pharmaceutical products increased by 47.5% to approximately HK\$29.7 million as compared to approximately HK\$20 million in the same period of the last financial year. Sales of agricultural fertilizers amounted to approximately HK\$39.8 million in the first half of 2007 as compared to approximately HK\$15.7 million in the corresponding previous period, an increase of 153%.

Overall gross profit for the period ended 30 June 2007 increased to approximately HK\$29.1 million when compared to approximately HK\$21.5 million recorded in the same period of the last financial year. The increase is attributable to the significant increase in sale of flagship pharmaceutical products and agricultural fertilizers as well as the high gross profit margin of 88.6% maintained by the flagship pharmaceutical products in the period under review.

The Group registered a profit of approximately HK\$6 million for the period ended 30 June 2007.

Distribution and selling expenses increased to approximately HK\$18.4 million for period ended 30 June 2007 when compared to approximately HK\$12.9 million recorded in the same period of the last financial year. The increase was mainly attributable to higher expenses incurred in sales, marketing and promotional activities in the period under review.

Administration expenses increased to approximately HK\$6.5 million in the period ended 30 June 2007 when compared to approximately HK\$6 million recorded in the corresponding previous period. The increase was the result of costs incurred by the newly acquired subsidiary in Yantai.

The Group had cash and cash equivalents of approximately HK\$30.6 million as at 30 June 2007 (31 December 2006: HK\$23.1 million).

As at 30 June 2007, short-term secured bank loans amounted to approximately HK\$8.2 million are secured by a charge over the Group’s leasehold land and buildings. Other unsecured borrowings amounted to approximately HK\$6.1 million.

## Capital structure

There has been no change in the capital structure of the Company during period under review. The capital of the Company comprises only ordinary shares. The Company and the Group has bank and other borrowings of approximately HK\$14.3 million as at 30 June 2007 (31 December 2006: HK\$5 million).

## Significant investments

On 23 May 2007, the Group entered into the acquisition agreement with an independent third party to acquire the leasehold land in Yantai at a consideration of RMB7,013,125.91. It constituted a disclosable transaction of the Company under Rule 17.10(1) of the GEM Listing Rules. It was announced on 14 May 2007 on GEM website. The circular was issued on 15 June 2007 to shareholders of the Company.

Apart from the above, as at 30 June 2007, the Group did not have any significant investments.

## Material acquisitions and disposals of subsidiaries/Future plans for material investment

There had been no material acquisitions and disposals during the period. At present, the Company and the Group have no plans for material investments or capital assets.

## Gearing ratio

The gearing ratio of the Group, based on total liabilities to shareholders funds, was 0.67 times as at 30 June 2007 (31 December 2006: 0.33 times).

## Liquidity and financial resources

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

As at 30 June 2007, the Group had cash and cash equivalents of approximately HK\$30.6 million and pledged deposits of approximately HK\$14.4 million for a loan facility. Cash and cash equivalents as at 31 December 2006 was approximately HK\$23.1 million. Bank and other borrowings as at 30 June 2007 was approximately HK\$14.3 million (31 December 2006: approximately HK\$5 million).

## Foreign exchange exposure

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

## Charges on Group assets and Contingent liability

As at 30 June 2007, the Group has pledged its bank deposits of HK\$14.4 million to secure a loan facility. In addition, certain leasehold land and buildings were pledged to secure a short-term bank loan of approximately HK\$8.2 million. Save as aforesaid, the Group did not have any other significant contingent liabilities.

## Segmental information

The segmental information of the Group's products is set out on page 5 of this report.

## Employees

As at 30 June 2007, the Group has a total of 267 full-time employees. The aggregate remuneration of the Group's employees, including that of the directors, for the period under review and the previous period amounted to approximately HK\$5.3 million and approximately HK\$4.6 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.

Each of the three executive directors has entered into a director's service agreement with the Company. The current service agreements will expire on 26 June 2010. The annual remuneration were fixed in the respective service agreement and each of them is also entitled to a management bonus which shall be in an aggregate amount equal to 6% of the consolidated net profits after taxation and minority interests but before extraordinary items for the relevant financial year, provided that such consolidated profits shall exceed HK\$5,000,000, which is payable within three months after the availability of the audited consolidated accounts of the Group for the relevant financial year.

Save as disclosed hereof, no information on relation to the Group's performance has changed materially from the information disclosed in the Company's 2006 annual report.

## OTHER INFORMATION

### Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 30 June 2007, 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:

*Long positions in ordinary shares of the Company:*

Name of director	Personal interests	Number of issued ordinary shares of HK\$0.10 each in the Company			Total	Approximate percentage of the Company's issued share capital
		Family interests	Corporate interests	Other interests		
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 30 June 2007, 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.

### Substantial shareholders’ and other persons’ interests and short positions in shares and underlying shares

As at 30 June 2007, the following persons had interests or short positions in the shares and underlying shares of the Company which as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

*Long positions in ordinary shares of the Company:*

Name	Capacity and Nature of interest	Number of shares held	Approximate percentage of the Company’s Issued share capital
Essex Holdings Limited	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 30 June 2007, 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.

## **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 six months ended 30 June 2007.

## **COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES**

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 Company's 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 period ended 30 June 2007.

## **COMPETING INTERESTS**

None of the directors or the management shareholders and their respective associates of the Company (as defined in the GEM Listing Rules) had any business or interest which competes or may compete with the business of the Group nor any other conflicts of interest with the Group during the period under review.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

## **AUDIT COMMITTEE**

The Company established an audit committee with written terms of reference in compliance with 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 of the Company.

The Group's unaudited results for the six months ended 30 June 2007 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 OF THE COMPANY**

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

ON BEHALF OF THE BOARD

**Ngiam Mia Je Patrick**

*Chairman*

Hong Kong

13 August 2007