



# Interim Report 2008



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)

## **Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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”) presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2008 together with the comparative figures for the corresponding periods of the last financial year.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

		For the three months ended		For the six months ended	
		30 June		30 June	
		2008	2007	2008	2007
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Turnover	2	<b>63,217</b>	49,078	<b>111,962</b>	69,470
Cost of sales		<b>(34,662)</b>	(31,679)	<b>(62,396)</b>	(40,343)
Gross profit		<b>28,555</b>	17,399	<b>49,566</b>	29,127
Other income	2	<b>4,741</b>	2,043	<b>6,839</b>	2,809
Distribution and selling expenses		<b>(16,087)</b>	(11,230)	<b>(27,334)</b>	(18,356)
General and administrative expenses		<b>(4,930)</b>	(3,566)	<b>(7,986)</b>	(6,504)
Finance costs		<b>(566)</b>	(351)	<b>(1,194)</b>	(476)
Profit before taxation	4	<b>11,713</b>	4,295	<b>19,891</b>	6,600
Taxation	5	<b>(637)</b>	(311)	<b>(1,092)</b>	(526)
Net profit for the period		<b>11,076</b>	3,984	<b>18,799</b>	6,074
Attributable to:					
Equity holders of the Company		<b>8,251</b>	3,596	<b>14,168</b>	5,971
Minority interests		<b>2,825</b>	388	<b>4,631</b>	103
		<b>11,076</b>	3,984	<b>18,799</b>	6,074
Earnings per share – basic	7	<b>HK1.48 cents</b>	HK0.65 cents	<b>HK2.54 cents</b>	HK1.07 cents

# ESSEX BIO-TECHNOLOGY LIMITED

INTERIM REPORT 2008

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<b>At 30 June 2008 HK\$'000 (Unaudited)</b>	<b>At 31 December 2007 HK\$'000 (Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	24,525	24,119
Land use rights	9	7,856	7,474
Goodwill		2,382	2,222
Other intangible assets	10	2,262	2,281
		<b>37,025</b>	36,096
<b>CURRENT ASSETS</b>			
Inventories		30,978	19,689
Trade receivables	11	27,878	20,967
Other receivables		11,991	21,299
Pledged deposits		–	5,703
Cash and cash equivalents		53,380	38,371
		<b>124,227</b>	106,029
<b>TOTAL ASSETS</b>		<b>161,252</b>	142,125
<b>CURRENT LIABILITIES</b>			
Trade payables	12	1,868	7,270
Other payables		23,563	21,867
Short-term bank and other borrowings	13	28,948	28,890
Tax payable		913	1,205
		<b>55,292</b>	59,232
<b>NET CURRENT ASSETS</b>		<b>68,935</b>	46,797
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>105,960</b>	82,893
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		55,675	55,675
Reserves		39,797	21,827
Equity attributable to equity holders of the Company		<b>95,472</b>	77,502
Minority interests		10,488	5,391
<b>TOTAL EQUITY</b>		<b>105,960</b>	82,893

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory surplus reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained profit HK\$'000	Attributable to equity holders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2007	55,675	970	362	2,410	1,826	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>362</b>	<b>2,410</b>	<b>3,175</b>	<b>8,224</b>	<b>70,816</b>	<b>4,683</b>	<b>75,499</b>
At 1 January 2008	55,675	970	362	3,771	5,282	11,442	77,502	5,391	82,893
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	3,802	-	3,802	466	4,268
Net profit for the period	-	-	-	-	-	14,168	14,168	4,631	18,799
Total recognised income and expenses for the period	55,675	970	362	3,771	9,084	25,610	95,472	10,488	105,960
Appropriation of profits	-	-	-	1,137	-	(1,137)	-	-	-
<b>At 30 June 2008</b>	<b>55,675</b>	<b>970</b>	<b>362</b>	<b>4,908</b>	<b>9,084</b>	<b>24,473</b>	<b>95,472</b>	<b>10,488</b>	<b>105,960</b>

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six  
months ended  
30 June  
2007  
HK\$'000

	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	<b>14,909</b>	4,473
NET CASH USED IN INVESTING ACTIVITIES	<b>(621)</b>	(6,359)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	<b>(1,136)</b>	8,897
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>13,152</b>	7,011
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>38,371</b>	23,101
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>1,857</b>	495
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>53,380</b>	30,607
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	<b>53,380</b>	30,607

NOTES

**1. Principal accounting policies and 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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention.

The Group's unaudited consolidated results for the six months ended 30 June 2008 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results are consistent with those used in the 2007 audited financial statements.

**2. Turnover and other income**

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

An analysis of the Group's turnover and other income is as follows:

	<b>2008</b>	For the three months ended 30 June 2007	<b>2008</b>	For the six months ended 30 June 2007
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Turnover:				
Sales of biopharmaceutical products	<b>22,919</b>	17,378	<b>40,203</b>	29,656
Sales of agricultural fertilisers	<b>40,298</b>	31,700	<b>71,759</b>	39,814
	<b>63,217</b>	49,078	<b>111,962</b>	69,470
Other revenue:				
Value added tax refund	<b>2,396</b>	1,855	<b>4,306</b>	2,389
Write back of provision for trade receivables	<b>1,929</b>	–	<b>1,929</b>	–
Interest income:				
Bank deposits	<b>161</b>	128	<b>239</b>	268
Loans and receivables	–	60	–	120
	<b>161</b>	188	<b>239</b>	388
Others	<b>255</b>	–	<b>365</b>	32
	<b>4,741</b>	2,043	<b>6,839</b>	2,809
	<b>67,958</b>	51,121	<b>118,801</b>	72,279

# ESSEX BIO-TECHNOLOGY LIMITED

INTERIM REPORT 2008

## 3. 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 2008 and 2007.

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	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenue from external customers	40,203	29,656	71,759	39,814	111,962	69,470
Segment result	11,096	7,153	10,646	686	21,742	7,839
Unallocated net loss					(657)	(763)
Finance costs					(1,194)	(476)
Taxation					(1,092)	(526)
Net profit for the period					18,799	6,074
Segment assets	72,857	46,223	80,537	66,069	153,394	112,292
Unallocated assets					7,858	13,561
Total assets					161,252	125,853
Segment liabilities	14,491	9,591	40,222	39,826	54,713	49,417
Unallocated liabilities					579	937
Total liabilities					55,292	50,354
Depreciation	876	703	681	571	1,557	1,274
Amortization	153	141	80	37	233	178

### (b) Geographical segments

All operating assets and operations of the Group during the periods ended 30 June 2008 and 2007 were located in the PRC. Accordingly, no geographical segment information is presented.



4. Profit before taxation

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

	2008 HK\$'000	For the three months ended 30 June 2007 HK\$'000	2008 HK\$'000	For the six months ended 30 June 2007 HK\$'000
Cost of inventories recognised as an expense	34,662	31,679	62,396	40,343
Write back provisions for trade receivables	(1,929)	–	(1,929)	–
Amortisation of other intangible assets	77	89	153	178
Amortisation of land use rights	40	–	80	–
Depreciation of property, plant and equipment	778	837	1,557	1,274
Staff costs excluding directors' remuneration	4,243	2,343	7,266	4,408
Auditor's remuneration	120	137	220	250
Research and development costs	861	130	985	229

5. Taxation

	2008 HK\$'000	For the three months ended 30 June 2007 HK\$'000	2008 HK\$'000	For the six months ended 30 June 2007 HK\$'000
Current-PRC Provision for the period	637	311	1,092	526

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 18%. 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 9% (50% reduction in enterprise income tax) (2007: 7.5%) for the period.

The Group's operating subsidiary in Yantai, the PRC, is subject to enterprise income tax at a concessionary rate of 15%. The subsidiary is entitled to 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. No provision for enterprise income tax has been made for the period ended 30 June 2008 as the subsidiary is enjoying the first year of tax exemption in 2008.

Deferred tax has not been provided as there was no significant temporary differences which would give rise to deferred tax liabilities at the balance sheet date (31 December 2007: 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 (31 December 2007: Nil).

6. 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 2008 (2007: Nil).

# ESSEX BIO-TECHNOLOGY LIMITED

INTERIM REPORT 2008

## 7. Earnings per share

The calculation of basic earnings per share for the three months and six months ended 30 June 2008 is based on the profit attributable to equity holders of the Company of HK\$8,251,000 (2007: HK\$3,596,000) and HK\$14,168,000 (2007: HK\$5,971,000) and 556,750,000 (2007: 556,750,000) ordinary shares in issue during the three months and six months ended 30 June 2008.

There was no diluted earnings per share for both periods ended 30 June 2008 and 2007 since the Company had no dilutive potential shares outstanding as at 30 June 2008 and 2007.

## 8. 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
<b>Cost:</b>					
At 1 January 2007	13,050	12,948	3,443	1,461	30,902
Additions	1,232	741	202	392	2,567
Disposals	–	(4)	(147)	(327)	(478)
Exchange adjustments	1,020	992	224	112	2,348
At 31 December 2007 and 1 January 2008	15,302	14,677	3,722	1,638	35,339
Additions	107	151	121	252	631
Disposals	–	(4)	(82)	–	(86)
Exchange adjustments	935	899	201	107	2,142
At 30 June 2008	16,344	15,723	3,962	1,997	38,026
<b>Accumulated depreciation:</b>					
At 1 January 2007	986	3,764	2,500	728	7,978
Charge for the year	1,233	1,145	157	286	2,821
Written back on disposals	–	(2)	(132)	(115)	(249)
Exchange adjustments	125	327	157	61	670
At 31 December 2007 and 1 January 2008	2,344	5,234	2,682	960	11,220
Charge for the period	669	668	124	96	1,557
Written back on disposals	–	(3)	(73)	–	(76)
Exchange adjustments	162	339	238	61	800
At 30 June 2008	3,175	6,238	2,971	1,117	13,501
<b>Net book value:</b>					
At 30 June 2008	13,169	9,485	991	880	24,525
At 31 December 2007	12,958	9,443	1,040	678	24,119

The Group has pledged buildings and leasehold improvements with a carrying value of HK\$10,131,000 (31 December 2007: HK\$9,737,000) to secure loan facilities granted to the Group.

The Group's buildings are located in the PRC under medium leases.

9. Land use rights

	HK\$'000
<hr/>	
<b>Cost:</b>	
At 1 January 2007	–
Additions	7,462
Exchange adjustments	310
<hr/>	
At 31 December 2007 and 1 January 2008	7,772
Exchange adjustments	473
<hr/>	
<b>At 30 June 2008</b>	<b>8,245</b>
<hr/>	
<b>Accumulated amortisation:</b>	
At 1 January 2007	
Charge for the year	137
Exchange adjustments	6
<hr/>	
At 31 December 2007 and 1 January 2008	143
Charge for the period	80
Exchange adjustments	10
<hr/>	
<b>At 30 June 2008</b>	<b>233</b>
<hr/>	
<b>Net book value:</b>	
<b>At 30 June 2008 (unaudited)</b>	<b>8,012</b>
Portion classified as current assets (included in other receivables)	(156)
<hr/>	
Non-current assets	7,856
<hr/>	
At 31 December 2007 (audited)	7,629
Portion classified as current assets (included in other receivables)	(155)
<hr/>	
Non-current assets	7,474
<hr/>	

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

The land use rights have been pledged to secure borrowings of the Group.

# ESSEX BIO-TECHNOLOGY LIMITED

INTERIM REPORT 2008

## 10. Other intangible assets

	Technical Know-how HK\$'000	Development expenditure HK\$'000	Total HK\$'000
<b>Cost:</b>			
At 1 January 2007	219	7,259	7,478
Exchange adjustments	16	539	555
At 31 December 2007 and 1 January 2008	235	7,798	8,033
Exchange adjustments	14	475	489
At 30 June 2008	249	8,273	8,522
<b>Accumulated amortisation and impairment:</b>			
At 1 January 2007	146	4,825	4,971
Charge for the year	75	286	361
Exchange adjustments	14	406	420
At 31 December 2007 and 1 January 2008	235	5,517	5,752
Charge for the period	–	153	153
Exchange adjustments	14	341	355
At 30 June 2008	249	6,011	6,260
<b>Net book value:</b>			
At 30 June 2008 (unaudited)	–	2,262	2,262
At 31 December 2007 (audited)	–	2,281	2,281

## 11. Trade receivables

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

The following is an ageing analysis of trade receivables, net of allowance for doubtful debts, as of the balance sheet date:

	At 30 June 2008 HK\$'000 (unaudited)	At 31 December 2007 HK\$'000 (audited)
0-60 days	15,703	9,693
61-90 days	4,584	3,299
> 90 days	7,591	7,975
	<b>27,878</b>	20,967

12. Trade payables

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

	<b>At 30 June 2008 HK\$'000 (unaudited)</b>	At 31 December 2007 HK\$'000 (audited)
0-60 days	1,577	7,124
61-90 days	53	71
> 90 days	238	75
	<b>1,868</b>	7,270

13. Short-term bank and other borrowings

	<b>At 30 June 2008 HK\$'000 (unaudited)</b>	At 31 December 2007 HK\$'000 (audited)
Short-term bank borrowings – secured	28,948	22,470
Other borrowing – unsecured	–	6,420
	<b>28,948</b>	28,890

The short-term bank borrowings are secured by a charge over the Group's property, land use rights and inventories.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

During the period under review, one of the Group's two principal activities was 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 the first half year of 2008, the Group maintained 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 promoted 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 was also dedicated towards cultivating and developing the business of agricultural fertilizers through its subsidiary, Yantai Baoyuan, which was 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 17 direct representative offices ("DROs"), which are located in major provinces in the PRC. There are over 1000 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 38 seminars and 312 market promotion activities in major cities and provinces in the PRC during the period under review, educating more than 8,000 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 and has expanded into Hebei province during the period under review. It adopted two 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.

During the period under review, the Group has established two strategic business tie-ups with InSite in USA and ABC in Italy. Details of which are outlined below:

- InSite USA – Essex Bio-Pharmacy Limited has been appointed by InSite to be its exclusive licensee and distributor of InSite's 阿奇霉素滴眼液 (AzaSite®, Azithromycin ophthalmic solution), a product that is for Azithromycin ophthalmic solution. The appointment covers exclusively the mainland China, Hong Kong, Macau and Tibet.
- ABC Farmaceutici S.P.A – Zhuhai Essex Medipharm Co., Ltd. has signed an exclusive licensing and distribution agreement with the Italian company ABC Farmaceutici S.P.A ("ABC") for the distribution of the ursodeoxycholic acid (UDCA) API and UDCA capsules manufactured by ABC throughout the PRC. UDCA capsules are indicated for cholesterol gallstones, gallstones residual in the choledochus or recurrent after operation on the bile pathways as well as biliary reflux gastritis.

## Research and Development (“R&D”)

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

- 貝復舒單劑量滴眼液 (Beifushu single dose eye-drop) – The research and development on this project has been successfully completed and is pending SFDA's approval in order to commence production. Beifushu single dose eye drop is developed for the treatment and healing of dry eye and cornea after various surgeries.
- 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 project has successfully obtained SFDA's approval for commercialisation in early 2008 but is pending the receipt of GMP certification 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 recorded approximately HK\$112 million in turnover for the six months ended 30 June 2008 respectively, a significant increase of 61.2% over the corresponding period of the last financial year. The increase was attributed to the increase of 35.6% of the turnover from flagship pharmaceutical products to approximately HK\$40.2 million and the increase of 80.2% of the turnover from agricultural fertilizers amounted to approximately HK\$71.8 million in the first half of 2008 as compared to corresponding period of last year.

Overall gross profit for the six months ended 30 June 2008 increased to approximately HK\$49.6 million when compared to approximately HK\$29.1 million recorded in same period of last year. The increase was attributable to the significant increase in sale of the Group's flagship pharmaceutical products and agricultural fertilizers, the high gross profit margin of 88% maintained by the flagship pharmaceutical products and a gross margin of 19% achieved by the agricultural fertilisers during the period under review.

The significant increase in turnover and gross profit have resulted in the Group registered a profit attributable to equity holders of the Company of approximately HK\$14.2 million for the six months ended 30 June 2008.

## ESSEX BIO-TECHNOLOGY LIMITED

INTERIM REPORT 2008

Distribution and selling expenses increased to approximately HK\$27.3 million for the six months ended 30 June 2008 when compared to approximately HK\$18.4 million recorded in the same period of last 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\$8 million during the six months ended 30 June 2008 when compared to approximately HK\$6.5 million recorded in the corresponding previous period. The increase was attributed to expanded operations for supporting the business expansion.

The Group had cash and cash equivalents of approximately HK\$53.4 million as at 30 June 2008 (31 December 2007: HK\$38.4 million).

As at 30 June 2008, short-term secured bank loans amounted to approximately HK\$28.9 million. As at 31 December 2007, short-term secured bank loans and other unsecured loan amounted to approximately HK\$22.5 million and HK\$6.4 million respectively. The short-term secured bank loans are secured by a charge over the Group's properties, land use rights and inventories.

### 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 Group has short-term secured bank loans amounted to approximately HK\$28.9 million as at 30 June 2008. As at 31 December 2007, short-term secured bank loans and other unsecured loan amounted to approximately HK\$22.5 million and HK\$6.4 million respectively.

### Significant investments

As at 30 June 2008, 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 investments

The Group had no material acquisitions and disposals during the period under review.

To facilitate the business development plan of the Group, the Group intends to acquire certain piece(s) of land(s) in the PRC for its business operation in the near future. Save as disclosed herein, the Group does not have any plans for material investments or capital assets for the financial year ending 2008.

### Gearing ratio

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debts as total debt (which includes interest-bearing loans and borrowings and trade and other payables) less cash and cash equivalents. Adjusted capital comprises all components of equity. The net debt-to-adjusted capital ratio at 30 June 2008 is 0.9% (31 December 2007: 23.71%).

### Liquidity and financial resources

The Group generally financed its operations with internally generated cash flows, short-term bank and other borrowings.



As at 30 June 2008, the Group had cash and cash equivalents of approximately HK\$53.4 million as compared to approximately HK\$38.4 million as at 31 December 2007.

**Foreign exchange exposure**

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

**Charges on Group assets**

As at 30 June 2008, no cash was pledged. As at 31 December 2007, the Group pledged cash amounting to HK\$5.7 million to a bank in China to secure a loan facility of HK\$5.3 million for use as working capital on the fertilizer business.

As at 30 June 2008, short-term secured bank loans amounted to approximately HK\$28.9 million. As at 31 December 2007, short-term secured bank loans and other unsecured loan amounted to approximately HK\$22.5 million and HK\$6.4 million respectively. The short-term bank loans are secured by a charge over the Group's properties, land use rights inventories.

**Contingent liability**

The Group did not have any significant contingent liabilities as at 30 June 2008.

**Segmental information**

The segmental information of the Group's products is set out on page 6.

**Employees**

As at 30 June 2008, 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\$8 million and approximately HK\$5.3 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. Under the service agreements, each of them has 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 two consecutive service contracts each for a fixed term of three years commencing from 27 June 2004 to 26 June 2007 and from 27 June 2007 to 26 June 2010 respectively. The annual remuneration was fixed in the respective service agreement and each of them is also entitled to a discretionary annual management bonus which shall be in an aggregate amount not exceed 6% of the consolidated net profits after taxation and minority interests but before extraordinary items of the Group 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.

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

Save as disclosed hereof, no information on relation to the Group's performance has changed materially from the information disclosed in the Company's 2007 annual report.

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

As at 30 June 2008, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name	Number of issued ordinary shares of HK\$0.10 each in the Company				Total	Approximate percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
Ngiam Mia Je Patrick	2,250,000	–	288,458,000 <i>(note 1)</i> 6,666,667 <i>(note 2)</i>	–	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:

- 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.
- 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 2008, 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' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2008, the following person had interests and/or short positions in the shares and underlying shares of the Company which was 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 Kiat Benjamin	Beneficially and corporate owned	295,449,667 <i>(note 1)</i>	53.07
Lauw Hui Kian	Family owned	297,374,667 <i>(note 2)</i>	53.41

Notes:

1.
  - (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.
2.
  - (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 2008, there was no person 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, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months period ended 30 June 2008, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

## 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 the required standard of dealings and the Company's code of conduct regarding securities transactions by the directors throughout the six-month period ended 30 June 2008.

## **COMPETING INTEREST**

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 OF CORPORATE GOVERNANCE PRACTICE**

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 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 of the Company.

The Group's unaudited results for the six months ended 30 June 2008 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 has 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  
8 August 2008