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 **2009**

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

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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.

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

Contents

Chairman's Statement

Ngiam Mia Je Patrick

Chairman

On behalf of the board of directors (the "Board") of Essex Bio-Technology Limited (the "Company"), I am pleased to report to you the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009.

Year 2009 had absolutely been a challenging year for most businesses globally. Amid the challenging economic conditions, resulted from the global recession, we were fortunate and had been able to achieve a moderate revenue growth of 25.6% in the Group's core business, the pharmaceuticals.

Leveraging on the large available healthcare market potential in China, we have been able to consecutively cultivate such healthcare market potential into actual sales that benefits our core pharmaceutical products year-on-year, even during the unprecedented challenging economic conditions experienced in 2009. This further confirms that the Group's core pharmaceutical business is well entrenched in its market place.

Financial Highlights

Given the bleak economic conditions in 2009, which has negatively impacted the agricultural fertilisers industry, the business of Baoyuan Bio-Agri (Shandong) Limited ("Shandong Baoyuan") was not spared and was incurring losses. In order to limit the Group's financial exposure in its investment in Shandong Baoyuan, the Board took a decisive position in June 2009 to divest the Group's entire interests in Shandong Baoyuan. The divestment allows the Group to unlock cash and management bandwidth for the Group to pursue greater development in the pharmaceutical business arena.

Profit attributable to owners of the Company, including loss from the discontinued operations in respect of Shandong Baoyuan, decreased by 47.1% to HK$11.6 million. However, our flagship pharmaceutical business achieved satisfactory results for the year of 2009 with revenue and profits before taxation increased by 25.6% and 15.1% to HK$116.7 million and HK$21.6 million respectively.

	Quarterly Results For the three months ended		**Yearly Results**	
	31 December	**31 December**		
	2009	2008	**2009**	2008
	HK$'m	HK$'m	**HK$'m**	HK$'m
		(Restated)		(Restated)
Turnover	**33.3**	24.6	**116.7**	92.9
Profit attributable to owners of the Company	**3.3**	0.1	**11.6**	21.8

The Group maintained a prudent fiscal measure and a sound financial position with approximately HK$67.7 million cash and cash equivalents as at 31 December 2009 (2008: approximately HK$49.9 million).

Chairman's Statement

Business Review

In pursuit of greater development in the pharmaceutical business arena, the Group entered into certain agreements to dispose of its entire investment in the agricultural fertilizers business on 30 June 2009 at a consideration of RMB8,000,000 (approximately HK$9,061,600), details of which were published in the Company's announcement dated 2 July 2009 and the circular dated 23 July 2009. Such disposal was completed in 2009.

The Group had not just weathered through the global recession but had even achieved a moderate revenue growth of 25.6% in its pharmaceutical business in 2009. The sustainability on growth is attributed to the relentless, year-on-year, effort and investments in marketing and through the well established distribution network, which is further strengthened by the Group's 20 direct representative offices (DROs), in the People's Republic of China ("PRC"). In addition, the Group's strategic promotion of 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) has started to see contributions in 2009.

Prospects

Although the worst appears to be over, the recovery of the economy is still on the mend in 2010. Under this scenario, the Group will continue to instil prudent approach in its fiscal management and channel its resources to build a stronger foundation of the core business for a long-term sustainable growth.

Guided by the aforesaid objective, the Group will therefore seek to invest in new pharmaceutical products, particularly in the ophthalmological arena for strengthening its product pipeline for sustaining long-term growth. To cater for greater demands of the manufacturing capacity as the Group's business expanded, the Group has started planning for the building of a new factory in Zhuhai on a land of approximately 13,398.99 sq.m. that was acquired on 30 December 2008. It is expected that the construction of the new factory will complete in 2012. Details of the new factory will be announced in due course.

In addition, we will continue to seek sound investment opportunities to expand the Group's business progressively and to achieve synergistic benefits to its current operations for enhancing its competitiveness and shareholders value.

Appreciation

I would like to take this opportunity to thank our shareholders, management team, business associates and our valued customers for their contributions.

The Board is pleased to recommend the dividend payment of HK$0.01 per share to reward our valued shareholders.

Ngiam Mia Je Patrick
Chairman

Hong Kong
25 March 2010

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)*

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

BDO LIMITED

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
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
China Merchants Bank

Stock Code

8151

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2009	2008
	HK$	HK$
		(Restated)
Results		
Turnover	**116,688,187**	92,868,336
Profit attributable to owners of the Company	**11,550,889**	21,826,710
Assets and liabilities		
Total assets	**130,493,327**	185,974,106
Total liabilities	**(22,459,022)**	(72,199,970)
Total equity	**108,034,305**	113,774,136
Minority interests	**–**	(10,876,650)
Equity attributable to owners of the Company	**108,034,305**	102,897,486

Management Discussion And Analysis

Business Review and Prospects

During the year under review, the Group's principal activities were manufacture and sale of biopharmaceutical products for the treatment and healing of surface wounds and eye wounds. The Group was 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 2009, the Group had not just weathered through the global economic recession but had even achieved a moderate revenue growth of 25.6% in its pharmaceutical business. The continued growth was sustained through the Group's established distribution network and relentless effort and investments in marketing in the PRC. In addition, the Group's strategic promotion of 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) has started to see contributions in 2009.

In pursuit of greater development in the pharmaceutical business arena, the Group entered into certain agreements to dispose of its entire investment in the agricultural fertilizers business on 30 June 2009 at a consideration of RMB8,000,000 (approximately HK$9,061,600), details of which were published in the Company's announcement dated 2 July 2009 and the circular dated 23 July 2009.

Market Development

Seminar held in Zhengchau in March 2009 to share the updated ophthalmology technology

Distribution network

During the year under review, the Group established 3 more direct representative offices ("DROs") in Nanning, Liuzhou and Hainan, the PRC. The Group has now a total of 20 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 140 seminars and 540 market promotion activities in major cities and provinces in the PRC for the year under review, educating more than 30,000 doctors and medical practitioners on the clinical applications of the Group's products.

New Product

雙氯芬酸鈉滴眼液 (Diclofenac Sodium Eye Drop) – This product is for the treatment and healing of keratitis and inflammation at post eye surgery. Following the receipt of approval from State Food Drug Administration of the PRC ("SFDA") for commercialisation and GMP certification, the product was launched in the second quarter of 2009.

Seminar held in August 2009 in Chongqing to share the updated technology on treatment of ocular surface wounds

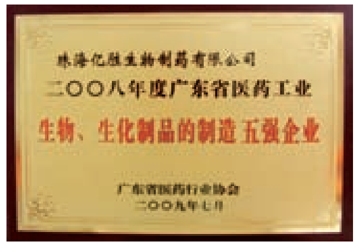
The annual conference of nationwide ophthalmology held in Chongqing in August 2009.

Management Discussion And Analysis

Market Development *(continued)*

Awards

The Group's subsidiary, Zhuhai Essex Bio-Pharmaceutical Co. Ltd ("Essex Bio-Pharm"), has been conferred with two awards from Guangdong Pharmaceutical Profession Association. The two awards are:



1. "2008 Top Five Manufacturing Enterprise in Bio-Technological and Bio-Chemistry Pharmaceutical Industries in Guangzhou" and;

2. "2008 Top Sixty Enterprise in Pharmaceutical Industries in Guangdong".

The receipt of the two awards is the result of the years of relentless investments made in research and development and market cultivation program, catapulting the Group to excel new heights.

Business associates

The development status on two strategic business tie-ups with two international pharmaceutical companies entered in 2008 is outlined as follows:

- InSite USA – One of the Company's subsidiaries, Essex Bio-Pharmacy Limited, has been appointed by InSite USA to be its exclusive licensee and distributor of InSite's AzaSite®, Azithromycin ophthalmic solution (阿奇霉素滴眼液), a product that is for the treatment of bacterial conjunctivitis (pink eye). The appointment covers exclusively the mainland China, Hong Kong and Macau.

  Documents to apply for the clinical trials in the PRC were submitted in the second quarter of 2009 to SFDA for approval.

- ABC Farmaceutici S.P.A – One of the Company's subsidiaries, Essex Medipharma (Zhuhai) Company Limited ("Essex Medipharma"), has signed an exclusive licensing and distribution agreement with an 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.

  Import and distribution licenses of ursodeoxycholic acid (UDCA) were obtained during the year under review. License to distribute UDCA capsules will be applied in the third quarter of 2010.

In addition, Essex Medipharma has signed another distribution agreement with an Indian company, Sun Pharmaceutical Industries Ltd., for the distribution of 拉坦前列素滴眼液 (Latanoprost Ophthalmic Solution) which is indicated for the treatment of Glaucoma, which has been approved by SFDA for sales in the PRC. The product is scheduled for commercial launch in the first quarter of 2010.

Management Discussion And Analysis

Market Development *(continued)*

Collaboration agreements

The Group entered into two ophthalmic pharmaceutical collaboration agreements (the "Collaboration Agreements") with Jinan Bestcomm Pharmaceutical R&D Co., Ltd ("Jinan Bestcomm") in the third quarter of 2009.

Jinan Bestcomm is a high-tech enterprise specializing in the development of new medicine products and is the first enterprise of its kind to obtain ISO-9001 Quality Management System Certification.

Details of the Collaboration Agreements and the two ophthalmology pharmaceutical products covered under the agreements are:

1) *鹽酸倍他洛爾滴眼液 (Betaxolol Hydrochloride Eye Drop)*

   The Group's subsidiary, Essex Medipharma, has obtained an exclusive distribution rights for 10 years from Jinan Bestcomm to distribute 鹽酸倍他洛爾滴眼液 (Betaxolol Hydrochloride Eye Drop) in China. 鹽酸倍他洛爾滴眼液 (Betaxolol Hydrochloride Eye Drop) is an ophthalmology pharmaceutical product for the treatment of Glaucoma. It can lower intraocular pressure effectively to avoid optic nerve damage and reduce the effect on heart and lung to minimal.

   鹽酸倍他洛爾滴眼液 (Betaxolol Hydrochloride Eye Drop) is developed by Jinan Bestcomm and has been approved by SFDA for production and commercialisation. The product is scheduled for commercial launch in the first quarter of 2010.

2) *甲苯磺酸妥舒沙星滴眼液 (Tosufloxacin Tosylate Eye Drop)*

   Another subsidiary, Essex Bio-Pharm, has entered into another collaboration agreement with Jinan Bestcomm for the coorperation in the research and development of another pharmaceutical product, an ophthalmic antibiotics product – 甲苯磺酸妥舒沙星滴眼液 (Tosufloxacin Tosylate Eye Drop). Essex Bio-Pharm and Jinan Bestcomm will jointly perform the pre-clinical and clinical trails of 甲苯磺酸妥舒沙星滴眼液 (Tosufloxacin Tosylate Eye Drop) and shall enjoy the future benefits equally.

   The main ingredient of 甲苯磺酸妥舒沙星滴眼液 (Tosufloxacin Tosylate Eye Drop) is the 4th generation of quinolone. The 4th generation of quinolone has shown strong antibacterial activity and broad antibacterial spectrum but with minor side effect. Among the quinolone based eye drop antibiotics products, our product shall be the first to be considered medically suitable for use in children.

   Pre-clinical trail of Tosufloxacin Tosylate Eye Drop was completed by Jinan Bestcomm in the first quarter of 2009 and is pending SFDA's approval to commence the clinical trial.

Research and Development ("R&D")

R&D pipeline during the year 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 the approval from SFDA 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.

Management Discussion And Analysis

Research and Development ("R&D") *(continued)*

- 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 the approval for commercialisation from SFDA was obtained in July 2009. 妥布霉素滴眼液 (Tobramycin Eye Drop) is developed for the treatment and healing of bacterial contamination. The product is scheduled for commercial launch in the first quarter of 2010.

Financial review

Given the bleak economic conditions in 2009, which has negatively impacted the agricultural fertilisers industry, the business of Baoyuan Bio-Agri (Shandong) Limited ("Shandong Baoyuan") was not spared and was incurring losses. In order to limit the Group's financial exposure in its investment in Shandong Baoyuan, the Board took a decisive position in June 2009 to divest its entire interests in Shandong Baoyuan. The divestment allows the Group to unlock cash and management bandwidth for the Group to pursue greater development in the pharmaceutical business arena.

The Group recorded approximately HK$116.7 million in turnover from sale of pharmaceutical products for the year ended 31 December 2009, a moderate increase of 25.6% over the corresponding figure of 2008.

Overall gross profit for the year ended 31 December 2009 increased to approximately HK$105.6 million when compared to approximately HK$84.0 million recorded in 2008. Gross profit ratio maintained at 90% for the year under review.

Profit before income tax from continuing operations for the year ended 31 December 2009 increased by 15.1% to approximately HK$21.6 million as compared to approximately HK$18.7 million in 2008.

Profit after income tax from continuing operations for the year ended 31 December 2009 slightly increased by 1.6% to HK$16.8 million as compared to HK$16.5 million in 2008. In 2009, it included the provision for deferred tax liabilities arose from withholding tax on distributable profits of a subsidiary in the PRC. No provision was made in 2008. Profit attributable to owners of the Company decreased from HK$21.8 million in 2008 to HK$11.6 million in 2009 as it included loss from discontinued operations.

Distribution and selling expenses increased to approximately HK$69.6 million for the year ended 31 December 2009 when compared to approximately HK$55.1 million recorded in 2008. The increase was mainly attributable to higher expenses incurred in sales, marketing and promotional activities which are in line with the expansion of pharmaceutical business in 2009.

Administrative expenses increased to approximately HK$15.3 million in the year ended 31 December 2009 when compared to approximately HK$11.6 million recorded in 2008. The increase is in tandem with the expanded operations to support the pharmaceutical business expansion.

Management Discussion And Analysis

Financial review *(continued)*

The Group had cash and cash equivalents of approximately HK$67.7 million as at 31 December 2009 (2008: HK$49.9 million).

As at 31 December 2009, the Group has no bank and other borrowings. As at 31 December 2008, short-term secured bank loans amounted to approximately HK$34.6 million. They were secured by a charge over the land, properties and inventories of Shandong Baoyuan. The short-term secured bank loans were removed together with the disposal of interests in Shandong Baoyuan which was completed in 2009.

Material acquisitions and disposals of subsidiaries/Future plans for material investments

In June 2009, Essex Bio-Investment Limited, a wholly-owned subsidiary of the Company, entered into two separate equity transfer agreements with a PRC company and a Hong Kong company ("Purchasers"). Pursuant to the agreements, Essex Bio-Investment Limited agreed to sell the entire equity interest in Shandong Baoyuan to the Purchasers at an aggregate consideration of RMB8,000,000 (approximately HK$9,061,600). Upon completion of the disposal, Shandong Baoyuan ceased to be a subsidiary of the Company.

Details of the transactions are stated in the Company's announcement dated 2 July 2009 and circular dated 23 July 2009.

The Group's objective is to continue to instil prudent approach in its fiscal management and channel its resources to build a stronger foundation of the core business for a long-term sustainable growth. Therefore, the Group will seek to invest in new pharmaceutical products, particularly in the ophthalmological arena for strengthening its product pipeline for sustaining long-term growth. To cater for greater demands of the manufacturing capacity as the Group's business expanded, the Group has started planning for the building of a new factory in Zhuhai on a land of approximately 13,398.99 sq.m. that was acquired on 30 December 2008. It is expected that the construction of the new factory will complete in 2012 and the expected source of funding will be from the Group's internal source. Details of the new factory will be announced in due course.

Save as aforesaid, there had been no material acquisitions and disposals during the year and the Company and the Group have no plans for material investments or capital assets.

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. No bank and other borrowings as at 31 December 2009.

Significant Investments

As at 31 December 2009, the Group did not have any significant investments save for those disclosed in this report.

Gearing Ratio

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debts as total debts (which includes interest-bearing loans and borrowings and trade and other payables) less pledged deposits and cash and cash equivalents. Adjusted capital comprises all components of equity. The net debts-to-adjusted capital ratio at 31 December 2009 is zero as the cash and cash equivalents is more than total debt as at 31 December 2009 (31 December 2008: 16.4%).

Management Discussion And Analysis

Liquidity and Financial Resources

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

As at 31 December 2009, the Group had cash and cash equivalents of approximately HK$67.7 million as compared to approximately HK$49.9 million as at 31 December 2008.

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 31 December 2009, the Group did not have any charges on its assets.

Contingent Liability

The Group did not have any significant contingent liabilities as at 31 December 2009.

Segmental Information

The segmental information of the Group's products is set out in the financial statements on pages 43 to 45.

Employees

As at 31 December 2009, the Group has a total of 179 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$13.9 million and approximately HK$19.5 million, respectively. Employee costs for 2008 included HK$7.4 million for Shandong Baoyuan, which was fully disposed of and classified as discontinued operations in 2009. 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 scheme of the Company are disclosed in note 31 to the financial statements on pages 63 and 64 of this report.

Each of the three executive Directors has entered into a service agreement with the Company whereby each of them had been appointed to act as an executive Director for a term of three years commencing from 27 June 2007 and expiring on 26 June 2010 unless terminated (without cause) by the Company giving not less than six months' prior written notice to the relevant Director. The executive Directors shall not be entitled to terminate their respective appointments at any time during the term unless with the written consent of the Company deliberated by the board of Directors. The annual remuneration of the executive Directors was fixed in the respective service agreements and each of the executive Directors is also entitled to a discretionary management bonus to be determined having regard to the operating results of the Group and his performance in the relevant financial year, provided that the aggregate amount of such management bonuses payable to all executive Directors in any financial year shall not exceed 6% of the consolidated net profits after taxation and minority interests but before extraordinary items of the Company for such financial year and that the said consolidated net profits for such year exceeds HK$5,000,000. Such management bonuses shall be payable within three months after the issue 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. Particulars are detailed in the relevant section of this report.

Profiles Of Directors

Ngiam Mia Je Patrick

Aged 55, graduated in electronic engineering, is the founder of the Group, an executive Director and Chairman of the Company. He is responsible for corporate planning, business development strategy and overall direction of the Group. Dr. Ngiam has received many accolades and awards for his achievements. In 1990, he was awarded the first KPMG Singapore High Tech Entrepreneur Award. Other awards include the DHL & Singapore Press Holdings Business Award for Businessman of the Year in 1994 and the Chevalier DE L'ORDRE NATIONAL DU MERITE conferred by Le President De La Republique Francaise in 1996. He is also a member of the remuneration committee and the chairman of the nomination committee of the Company, a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited and Essex Bio-Pharm, all being subsidiaries of the Company.

Fang Haizhou

Aged 44, Mr. Fang is the executive Director, 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 Essex Bio-Pharm since its establishment in June 1996. Mr. Fang Haizhou is also a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited and Essex Bio-Pharm, all being subsidiaries of the Company.

Zhong Sheng

Aged 45, 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 eleven year experience in financial management and project management. Mr. Zhong is also a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited and Essex Bio-Pharm, all being subsidiaries of the Company. Mr. Zhong is also the compliance officer and an authorized representative of the Company.

Fung Chi Ying

Aged 55, Mr. Fung was appointed as independent non-executive Director on 13 June 2001. Mr. Fung is a practising 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 57, Mr. Mauffrey was appointed as independent non-executive Director 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 47, Madam Yeow was appointed as independent non-executive Director 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 18 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 (the "Director") of Essex Bio-Technology Limited (the "Company") present their report and the audited financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 32 to the financial statements. Given the bleak economic conditions in 2009, which has negatively impacted the agricultural fertilisers industry, the business of Shandong Baoyuan was incurring losses. In order to limit the Group's financial exposure in its investment in Shandong Baoyuan, the Board decided to dispose of the Group's entire interests in Shandong Baoyuan. Such disposal was completed in 2009. Save as disclosed herein, 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 2009 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 24 to 70. The Directors have recommended the payment of a final dividend of HK$0.01 per share for the financial year ended 31 December 2009 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 10 May 2010. The final dividend will be paid on Monday, 24 May 2010.

Closure of register of members

The register of members of the Company will be closed from Thursday, 6 May 2010 to Monday, 10 May 2010, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend to be approved at the forthcoming annual general meeting to be held on Monday, 10 May 2010, all transfer of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Hong Kong share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30pm on Wednesday, 5 May 2010.

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 71 and 72. This summary does not form part of the audited financial statements.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

Share capital and share options

There was no movement in the Company's authorized share capital during the year. Details of the Company's share capital and details of the Company's share option schemes are set out in notes 27 and 31 respectively to the financial statements.

Report Of The Directors

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient prescribed public float under the GEM Listing Rules.

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 26, respectively.

Distributable reserves

The Company had no reserves available for distribution in cash and/or distribution in specie to equity holders of the Company as at 31 December 2009. Before the date of this report, subsidiaries of the Company had declared dividends to the Company and the Company's reserves available for distribution, calculated in accordance with the relevant provisions of the Companies Law of the Cayman Islands, amounted to HK$7,929,528, of which HK$5,567,500 has been proposed as a final dividend for the year.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 21.8% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 5.5% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 54.3% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 13.0% of the Group's total purchases.

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

Report Of The Directors

Directors

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

Executive Directors:

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

Independent non-executive Directors:

Fung Chi Ying
Mauffrey Benoit Jean Marie
Yeow Mee Mooi

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

Directors' service contracts

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 27 June 2007 and expiring on 26 June 2010 unless terminated (without cause) by the Company giving not less than six months' prior written notice to the relevant Director. The executive Directors shall not be entitled to terminate their respective appointments 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 on page 19 of this report.

Save as disclosed in note 10 to the financial statements, there were no other emoluments, pension and any compensation arrangements for the Directors and past Directors as are specified in Sections 161 and 161A of the Companies Ordinance.

The Company confirms that it has received from each of its independent non-executive Directors an annual 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 or any of its subsidiaries within one year without payment of compensation, other than statutory obligations.

Directors' interests in contracts of significance

Save for transactions as disclosed in note 38 to the financial statements, no contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year under review.

Report Of The Directors

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

As at 31 December 2009, 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 GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

	Number of issued ordinary shares of HK$0.10 each in the Company					
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Approximate percentage of the Company's issued share capital**
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, 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.*

Long positions in ordinary shares of the associated corporation of the Company:

Name of Director	**Capacity**	**Associated corporation**	**Number of ordinary shares in associated corporation**	**Approximate percentage of the issued share capital of the associated corporation**
Ngiam Mia Je Patrick	Beneficial owner	Essex Holdings Limited	5,000	50.00

Save as disclosed above, as at 31 December 2009, none of the Directors or chief executive of the Company or their respective associates had any 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.

Report Of The Directors

Directors' rights to acquire shares or debentures

Save as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, at no time during the year under review were rights to acquire benefits by means of the acquisition of shares or underlying shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors or their respective spouses or minor children to acquire such rights in the Company or any other body corporate.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2009, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register 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	Beneficial owner	288,458,000	51.81
Ngiam Mia Kiat Benjamin	Beneficial owner and Corporate interest	295,449,667 *(note 1)*	53.07
Lauw Hui Kian	Family interest	297,374,667 *(note 2)*	53.41
Kee Sue Hwa	Beneficial owner	32,476,000	5.83

Notes:

1. (a) 325,000 shares were registered directly in the name of Ngiam Mia Kiat Benjamin.

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

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

2. (a) Lauw Hui Kian is the spouse of Ngiam Mia Je Patrick (an executive Director). Lauw Hui Kian was deemed to be interest in the shares in which Ngiam Mia Je Patrick was interest. Ngiam Mia Je Patrick was interested in 297,374,667 shares of the Company.

Save as disclosed above, as at 31 December 2009, 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 positions 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 38 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 and substantial shareholders of the Company and 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 or has any other conflict of interests with the Group during the year which are required to be disclosed under the GEM Listing Rules.

Auditor

BDO Limited will retire and a resolution for the re-appointment of auditor of the Company will be proposed at the forthcoming annual general meeting.

Corporate Governance

A report on the principle corporate governance practices adopted by the Company is set out on pages 19 to 22 of this report.

ON BEHALF OF THE BOARD

Ngiam Mia Je Patrick
Chairman

Hong Kong
25 March 2010

Corporate Governance Report

Introduction

The Company has complied with all the code provisions on Corporate Governance Practices as set out in the Appendix 15 to the GEM Listing Rules by establishing formal and transparent procedures to protect and maximize the interests of shareholders during the year 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 under the GEM Listing Rules throughout the year ended 31 December 2009.

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 Profiles of 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 duties effectively and efficiently.

To improve the transparency and independency of the corporate governance of the Company, the chairman and the managing Director (who is responsible for the day-to-day management of the Company's business) of the Company are segregated and are not exercised by the same individual since August 2005. Dr. Ngiam Mia Je Patrick is the chairman of the board of Directors and an executive Director and Mr. Fang Haizhou is the managing Director and an executive Director.

The Company 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. Their respective term of appointment is two years commencing from 30 September 2008, determinable by either party serving not less than one month's written notice on the other, unless both parties agree otherwise.

All Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

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
Executive Directors	
Ngiam Mia Je Patrick	4/4
Fang Haizhou	4/4
Zhong Sheng	4/4
Independent non-executive Directors	
Fung Chi Ying	4/4
Mauffrey Benoit Jean Marie	4/4
Yeow Mee Mooi	4/4

Apart from the above regular board meetings of the year, the board of Directors met 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 of the members of the remuneration committee are 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 year under review, one meeting of the remuneration committee was held. Details of the attendance of the remuneration committee meeting are as follows:

Members	Attendance
Yeow Mee Mooi	1/1
Ngiam Mia Je Patrick	1/1
Fung Chi Ying	1/1
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.

Corporate Governance Report

Nomination of Directors

The nomination committee was established in August 2005. The chairman of the committee is Dr. Ngiam Mia Je Patrick, the chairman and an executive Director of the Company, and other members include Madam Yeow Mee Mooi, Mr. Fung Chi Ying and Mr. Mauffrey Benoit Jean Marie, all being independent non-executive Directors.

The role and function of the nomination committee included recommending the appointment and removal of Directors.

The nomination committee considers the past performance, qualification, general market conditions and the Company's articles of association in selecting and recommending candidates for directorship during the year under review.

During the year under review, one meeting of the nomination committee was held. Details of the attendance of the meeting are as follows:

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

During the meeting, the nomination committee 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.

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**
Fung Chi Ying	4/4
Mauffrey Benoit Jean Marie	4/4
Yeow Mee Mooi	4/4

Corporate Governance Report

Audit committee *(continued)*

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2009 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 disclosures have been duly made.

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 Group has paid an aggregate of HK$430,000 to the external auditor for its services.

Directors' and auditors responsibilities for accounts

The Directors' responsibilities for preparing the accounts, and the reporting responsibilities of the external auditor to the shareholders are set out on page 23 of this report.

Internal control

The Company has conducted review of its system of internal control periodically to ensure the effectiveness and adequacy of the internal control system of the Group. The Company has convened meetings periodically to discuss the financial, operational, and risk management control of the Group.

Investors relations

The Company has disclosed all necessary information to the shareholders in compliance with the GEM Listing Rules. Meetings are held with media and investors 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 their enquiries.

Independent Auditor's Report

BDO Limited
Certified Public Accountants
德豪會計師事務所有限公司

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong
Telephone: (852) 2541 5041
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香港干諾道中 111號
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TO THE MEMBERS OF ESSEX BIO-TECHNOLOGY LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Essex Bio-Technology Limited (the "Company") and its subsidiaries (the "Group") set out on pages 24 to 70, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company 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, in accordance with the terms of our engagement 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 the Group as at 31 December 2009 and of the Group's profit and cash flows 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.

BDO Limited
Certified Public Accountants
Shiu Hong NG
Practising Certificate Number: P03752

Hong Kong, 25 March 2010

Consolidated Statement Of Comprehensive Income

For The Year Ended 31 December 2009

	Notes	2009 HK$	2008 HK$ (Restated)
Continuing operations			
Turnover	7	**116,688,187**	92,868,336
Cost of sales		**(11,038,491)**	(8,854,289)
Gross profit		**105,649,696**	84,014,047
Other revenue	8	**833,569**	1,393,583
Distribution and selling expenses		**(69,618,126)**	(55,061,490)
Administrative expenses		**(15,301,513)**	(11,603,748)
Profit before income tax expense	9(a)	**21,563,626**	18,742,392
Income tax expense	13	**(4,810,871)**	(2,257,169)
Profit for the year from continuing operations		**16,752,755**	16,485,223
Discontinued operations			
(Loss)/profit for the year from discontinued operations	9(b)	**(8,594,063)**	10,473,459
Profit for the year		**8,158,692**	26,958,682
Other comprehensive income			
Exchange differences on translating foreign operations		**109,805**	3,922,648
Less: reclassification adjustment of exchange reserve on disposal of a subsidiary included in profit or loss	33	**(956,375)**	–
		(846,570)	3,922,648
Total comprehensive income for the year		**7,312,122**	30,881,330
Profit/(loss) attributable to:			
– Owners of the Company		**11,550,889**	21,826,710
– Minority interests		**(3,392,197)**	5,131,972
		8,158,692	26,958,682
Total comprehensive income attributable to:			
– Owners of the Company		**10,704,319**	25,395,559
– Minority interests		**(3,392,197)**	5,485,771
		7,312,122	30,881,330
Earnings per share from continuing and discontinued operations – Basic	16	**HK2.07 cents**	HK3.92 cents
Earnings per share from continuing operations – Basic	16	**HK3.00 cents**	HK2.96 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$	2008 HK$
Non-current assets			
Property, plant and equipment	17	**5,939,801**	24,404,633
Land use rights	18	**7,260,388**	7,767,640
Goodwill	19	**2,278,489**	2,383,299
Convertible note receivable	23	**4,500,220**	–
Other intangible assets	20	**2,891,698**	2,105,082
Deposit for acquisition of land use rights		**–**	2,271,320
Total non-current assets		**22,870,596**	38,931,974
Current assets			
Inventories	21	**2,215,067**	55,446,398
Trade and other receivables	22	**35,150,478**	36,875,685
Deposits and prepayments		**2,516,124**	2,503,440
Pledged bank deposits	24	**–**	2,271,320
Cash and cash equivalents	24	**67,741,062**	49,945,289
		107,622,731	147,042,132
Total assets		**130,493,327**	185,974,106
Current liabilities			
Trade and other payables	25	**19,845,899**	36,287,957
Bank and other borrowings (secured)		**–**	34,637,630
Taxation		**1,533,123**	1,274,383
		21,379,022	72,199,970
Net current assets		**86,243,709**	74,842,162
Total assets less current liabilities		**109,114,305**	113,774,136
Non-current liabilities			
Deferred tax liabilities	26	**1,080,000**	–
Total liabilities		**22,459,022**	72,199,970
TOTAL NET ASSETS		**108,034,305**	113,774,136
Capital and reserves attributable to owners of the Company			
Share capital	27	**55,675,000**	55,675,000
Reserves		**52,359,305**	47,222,486
Equity attributable to owners of the Company		**108,034,305**	102,897,486
Minority interests		**–**	10,876,650
TOTAL EQUITY		**108,034,305**	113,774,136

On behalf of the Board

Fang Haizhou **Zhong Sheng**

Consolidated Statement Of Changes In Equity

For The Year Ended 31 December 2009

	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Foreign currency translation reserve	Retained profits	Attributable to owners of the Company	Minority interests	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
			Note 28(i)	Note 28(ii)	Note 28(iii)				
At 1 January 2008	**55,675,000**	**969,871**	**362,442**	**3,770,603**	**5,281,653**	**11,442,358**	**77,501,927**	**5,390,879**	**82,892,806**
Total comprehensive income for the year	–	–	–	–	3,568,849	21,826,710	25,395,559	5,485,771	30,881,330
Appropriation of profits	–	–	–	2,118,803	–	(2,118,803)	–	–	–
At 31 December 2008	**55,675,000**	**969,871**	**362,442**	**5,889,406**	**8,850,502**	**31,150,265**	**102,897,486**	**10,876,650**	**113,774,136**
Total comprehensive income for the year	–	–	–	–	(846,570)	11,550,889	10,704,319	(3,392,197)	7,312,122
Dividend paid	–	–	–	–	–	(5,567,500)	(5,567,500)	–	(5,567,500)
Disposal of a subsidiary	–	–	–	–	–	–	–	(7,484,453)	(7,484,453)
Appropriation of profits	–	–	–	2,474,078	–	(2,474,078)	–	–	–
At 31 December 2009	**55,675,000**	**969,871**	**362,442**	**8,363,484**	**8,003,932**	**34,659,576**	**108,034,305**	**–**	**108,034,305**

Representing:

	Note	
For the year ended 31 December 2008:		
2008 proposed final dividend	15	5,567,500
Others		97,329,986
Attributable to owners of the Company as at 31 December 2008		102,897,486
For the year ended 31 December 2009:		
2009 proposed final dividend	15	5,567,500
Others		102,466,805
Attributable to owners of the Company as at 31 December 2009		108,034,305

Consolidated Statement Of Cash Flows

For The Year Ended 31 December 2009

	Notes	2009 HK$	2008 HK$
Cash flows from operating activities			
Profit/(loss) before income tax expense:			
From continuing operations		**21,563,626**	18,742,392
From discontinued operations	9(b)	**(8,594,063)**	10,473,459
		12,969,563	29,215,851
Adjustments for:			
Interest expenses		**894,438**	2,573,169
Interest income		**(258,264)**	(1,241,410)
Loss on disposal of a subsidiary		**1,671,215**	–
Reversal of impairment on trade and other receivables		**(190,819)**	(312,580)
Inventories written down		**1,821,232**	2,562,849
Depreciation of property, plant and equipment		**2,648,007**	3,271,992
Amortisation of other intangible assets		**354,598**	285,957
Amortisation of land use rights		**207,424**	164,241
Loss on disposal of property, plant and equipment		**4,892**	32,575
Property, plant and equipment written off		**77,832**	–
Operating cash flows before working capital changes		**20,200,118**	36,552,644
Decrease /(increase) in inventories		**29,244,577**	(38,320,477)
Increase in trade and other receivables		**(8,639,622)**	(12,509,739)
(Increase)/decrease in deposits and prepayments		**(3,063,509)**	17,980,104
Increase in trade and other payables		**13,258,332**	4,879,508
Cash generated from operations		**50,999,896**	8,582,040
Interest paid		**(894,438)**	(2,573,169)
Profits tax paid		**(3,474,295)**	(2,262,174)
Net cash generated from operating activities		**46,631,163**	3,746,697

Consolidated Statement Of Cash Flows

For The Year Ended 31 December 2009

	Notes	2009 HK$	2008 HK$
Cash flows from investing activities			
Disposal of a subsidiary, net of cash disposed of	33	**(6,741,942)**	–
Purchase of property, plant and equipment		**(2,434,216)**	(2,215,461)
Proceeds from sale of property, plant and equipment		**13,652**	–
Purchase of land use rights		**(5,261,047)**	(2,271,320)
Purchase of other intangible assets		**(1,137,656)**	–
Purchase of convertible note receivable		**(4,500,220)**	–
Changes in pledged bank deposits		**2,271,320**	3,431,780
Interest received		**258,264**	1,241,410
Net cash (used in)/generated from investing activities		**(17,531,845)**	186,409
Cash flows from financing activities			
Repayment of bank loans		**(10,807,736)**	(28,890,000)
Proceeds from new bank loans		**5,005,688**	34,637,630
Dividends paid to owners of the Company		**(5,567,500)**	–
Net cash (used in)/ generated from financing activities		**(11,369,548)**	5,747,630
Net increase in cash and cash equivalents		**17,729,770**	9,680,736
Cash and cash equivalents at beginning of year		**49,945,289**	38,371,088
Effect of exchange rate changes on cash and cash equivalents		**66,003**	1,893,465
Cash and cash equivalents at end of year	24	**67,741,062**	49,945,289

Statement Of Financial Position

For The Year Ended 31 December 2009

	Notes	2009 HK$	2008 HK$
Non-current assets			
Interests in subsidiaries	32	**51,500,154**	35,588,247
Current assets			
Trade and other receivables	22	**–**	342,850
Deposits and prepayments		**241,697**	259,643
Cash and cash equivalents	24	**3,032,389**	3,922,947
Total current assets		**3,274,086**	4,525,440
Total assets		**54,774,240**	40,113,687
Current liabilities			
Other payables and accruals	25	**1,199,841**	1,575,820
Net current assets		**2,074,245**	2,949,620
Total net assets		**53,574,399**	38,537,867
Capital and reserves attributable to owners of the Company			
Share capital	27	**55,675,000**	55,675,000
Reserves	28	**(2,100,601)**	(17,137,133)
TOTAL EQUITY		**53,574,399**	38,537,867

On behalf of the Board

Fang Haizhou **Zhong Sheng**

Notes To The Financial Statements

31 December 2009

1. General

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

The Company is an investment holding company. Its subsidiaries principally engage in the development, manufacture and selling of biopharmaceutical products in the PRC. The subsidiary that engaged in the development, production and selling of organic and chemical formulated agricultural fertilisers was disposed of during the year (Note 33).

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

(a) The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers

Notes To The Financial Statements

31 December 2009

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(a) (continued)

The adoption of the above new / revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for the following changes. Comparative figures have been restated or included in these financial statements in order to achieve a consistent presentation. The statements of financial position, previously known as balance sheets, at the beginning of the year of 2008 have not been presented as there were no changes to the originally published statements.

HKAS 1 (Revised), Presentation of Financial Statements – The revised standard affects certain disclosures of financial statements. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statement are renamed as the "Statement of Comprehensive Income", the "Statement of Financial Position" and the "Statement of Cash Flows" respectively. All income and expenses arising from transaction with non-owners are presented under the "Statement of Comprehensive Income"; while the owners' changes in equity are presented in the "Statement of Changes in Equity".

HKFRS 8, Operating Segments – HKFRS 8 replaces HKAS 14 "Segment Reporting", and requires operating segments to be identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to the chief operating decision-maker as required by HKFRS 8, there are no changes to the operating segments and the relevant segment information on the adoption of HKFRS 8.

In addition, the Group has early adopted the amendment to HKFRS 5 under "Improvements to HKFRSs 2009" issued in May 2009. Accordingly, disclosure requirements in HKFRSs other than HKFRS 5 do not generally apply to non-current assets classified as held for sale and discontinued operations unless otherwise specified.

(b) Potential impact arising on HKFRSs not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009, except for amendments to HKFRS 5[2]
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKFRS 3 (Revised)	Business Combinations[1]

Notes To The Financial Statements

31 December 2009

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(b) Potential impact arising on HKFRSs not yet effective (continued)

HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[4]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKFRS 9	Financial Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January, 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

The amendment to HKAS 17 made under "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met.

The Group is in the process of making an assessment of the potential impact of other new / revised HKFRSs and the directors so far concluded that the application of the other new / revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

Notes To The Financial Statements

31 December 2009

4. Significant Accounting Policies

(a) *Basis of consolidation*

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies are eliminated in full in preparing the consolidated financial statements.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

Minority interests represent the portion of profit or loss and net assets of subsidiaries attributable to equity interests that are not owned directly or indirectly through subsidiaries, by the Company. Minority interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss for the year between minority interests and the owners of the Company.

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

(b) *Subsidiaries*

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(c) *Goodwill*

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as a separate asset with any impairment in carrying amount being recognised in profit or loss.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Notes To The Financial Statements

31 December 2009

4. Significant Accounting Policies *(continued)*

(c) *Goodwill (continued)*

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(d) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The annual rates are as follows:

Building and leasehold improvements	5% – 18% or the remaining lease period whichever is shorter
Plant and machinery	9% – 19%
Furniture, fixtures and office equipment	18% – 20%
Motor vehicles	18% – 19%

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) *Land use rights*

Land use rights represent payments for leasehold land held for own use under operating leases. The Group made up-front payments to obtain operating lease of land use rights on which the property is developed. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as expense.

Notes To The Financial Statements

31 December 2009

4. Significant Accounting Policies *(continued)*

(f) Leasing

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

Payment made under operating leases (net of any incentives received from the lessor are charged to profit or loss on a straight line basis over the period of the lease.

(g) Intangible assets

i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Technical know-how	3 years
Distribution rights	10 years

ii) Research and development expenditure

Expenditure on internally developed products is capitalised if it can be demonstrated that:

1. it is technically feasible to develop the product for it to be sold;
2. adequate resources are available to complete the development;
3. there is an intention to complete and sell the product;
4. the Group is able to sell the product;
5. sale of the product will generate future economic benefits; and
6. expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

iii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (Note 4(n)).

Notes To The Financial Statements

31 December 2009

4. Significant Accounting Policies *(continued)*

(h) Financial instruments

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

i) Financial assets

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Convertible note receivables

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract. Where the Group needs to separate an embedded derivative from the host contract but is unable to measure the embedded derivative separately, the combined instruments are designated as at fair value through profit or loss. The Group may conclude, however, that the equity component of the combined instrument may be sufficiently significant to preclude it from obtaining a reliable estimate of the entire instrument because the embedded derivative will be settled by an unquoted equity instrument whose fair value cannot be reliably measured. In that case, the combined instrument is measured at cost less any accumulated impairment losses.

ii) Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

Notes To The Financial Statements

31 December 2009

4. Significant Accounting Policies *(continued)*

(h) *Financial instruments (continued)*

ii) *Impairment of financial assets (continued)*

For loan and receivables and convertible notes

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 asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

iii) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred. All of the Group's financial liabilities are financial liabilities at amortised cost.

Financial liabilities at amortised cost including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Notes To The Financial Statements

31 December 2009

4. Significant Accounting Policies *(continued)*

(h) Financial instruments (continued)

v) Equity instruments

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

vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or it transfers the asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the asset and also recognises a collateralised borrowing for the proceeds received

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Interest income is accrued on a time-apportioned basis taking into account the principal outstanding and effective interest rate applicable.

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. 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. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Notes To The Financial Statements

31 December 2009

4. Significant Accounting Policies *(continued)*

(k) Income taxes (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

(l) Foreign currency

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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 are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollar using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in foreign currency translation reserve within equity. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Notes To The Financial Statements

31 December 2009

4. Significant Accounting Policies *(continued)*

(m) 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 end of the reporting period 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 entitled.

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 profit or loss 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.

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

(n) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- land use rights and other intangible assets; and
- investments in subsidiaries.

Notes To The Financial Statements

31 December 2009

4. Significant Accounting Policies *(continued)*

(n) Impairment of other assets (continued)

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(q) 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.

Notes To The Financial Statements

31 December 2009

4. Significant Accounting Policies *(continued)*

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgments in applying accounting policies

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.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

Impairment of trade and other receivables

Provision for impairment of trade and other receivables is made based on assessment of the recoverability of trade receivables and other receivables. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying amount of trade receivables and other receivables and doubtful debt expenses/written back in the period in which the estimate has been changed.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

6. Segment Reporting

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately as each business offers different products requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Continuing operations

Biopharmaceutical products : Manufacture and sale of biopharmaceutical products

Discontinued operations

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

(a) *Reportable segments*

	Continuing operations Biopharmaceutical products		Discontinued operations Agricultural fertilisers		Total	
	2009 HK$	2008 HK$	**2009 HK$**	2008 HK$	**2009 HK$**	2008 HK$
Revenue from external customers	**116,688,187**	92,868,336	**68,247,271**	121,202,187	**184,935,458**	214,070,523
Reportable segment profit/(loss)	**26,979,545**	22,406,262	**(8,594,063)**	10,473,459	**18,385,482**	32,879,721
Interest income	**203,140**	355,617	**55,124**	885,793	**258,264**	1,241,410
Interest expenses	**–**	–	**894,438**	2,547,407	**894,438**	2,547,407
Depreciation and amortisation	**2,334,764**	2,107,349	**875,265**	1,614,841	**3,210,029**	3,722,190
Reversal of impairment loss	**(190,819)**	(312,580)	**–**	–	**(190,819)**	(312,580)
Income tax expenses	**(4,810,871)**	(2,257,169)	**–**	–	**(4,810,871)**	(2,257,169)
Reportable segment assets	**109,168,853**	90,391,374	**–**	89,477,950	**109,168,853**	179,869,324
Additions to non-current assets	**986,474**	3,465,470	**1,447,742**	1,021,311	**2,434,216**	4,486,781
Reportable segment liabilities	**(20,187,011)**	(16,912,602)	**–**	(53,684,473)	**(20,187,011)**	(70,597,075)

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6. Segment Reporting *(continued)*

(b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	2009 HK$	2008 HK$
Revenue		
Reportable segment revenue and consolidated revenue	**184,935,458**	214,070,523

	2009 HK$	2008 HK$
Profit before income tax expenses and discontinued operations		
Reportable segment profit	**18,385,482**	32,879,721
Segment loss/(profit) from discontinued operations	**8,594,063**	(10,473,459)
Unallocated corporate expenses	**(5,415,919)**	(3,663,870)
Consolidated profit before income tax expenses from continuing operations	**21,563,626**	18,742,392

	2009 HK$	2008 HK$
Assets		
Reportable segment assets of continuing operations	**109,168,853**	90,391,374
Segment assets of discontinued operations	**–**	89,477,950
Unallocated corporate assets	**21,324,474**	6,104,782
Consolidated total assets	**130,493,327**	185,974,106

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31 December 2009

6. Segment Reporting *(continued)*

(b) *Reconciliation of reportable segment revenue, profit or loss, assets and liabilities (continued)*

	2009 HK$	2008 HK$
Liabilities		
Reportable segment liabilities of continuing operations	**(20,187,011)**	(16,912,602)
Segment liabilities of discontinued operations	**–**	(53,684,473)
Deferred tax liabilities	**(1,080,000)**	–
Unallocated corporate liabilities	**(1,192,011)**	(1,602,895)
Consolidated total liabilities	**(22,459,022)**	(72,199,970)

The unallocated corporate expenses mainly included directors' remuneration and salaries and allowances and the unallocated corporate assets mainly included convertible note receivable and cash at banks.

(c) *Geographical information and major customers*

The Group's revenue from external customers is derived solely from its operations in the PRC, where all its non-current assets are located. For the year of 2009 and 2008, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue.

7. Turnover

Turnover, which is also the revenue, 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:

	2009 HK$	2008 HK$
Continuing operations		
Sales of biopharmaceutic products	**116,688,187**	92,868,336
Discontinued operations		
Sales of agricultural fertilisers (Note 9(b))	**68,247,271**	121,202,187
	184,935,458	214,070,523

Notes To Financial Statements

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8. Other Revenue

	2009 HK$	2008 HK$
Continuing operations		
Reversal of impairment loss of trade and other receivables (Note 22)	**190,819**	312,580
Others	**439,610**	5,239
Interest income from bank deposits	**203,140**	355,617
Management fees income	**–**	720,147
	833,569	1,393,583

9. Profit Before Income Tax Expense

(a) *Profit before income tax expense from continuing operations is arrived at after charging:*

	2009 HK$	2008 HK$
Cost of inventories recognised as expenses	**11,038,491**	8,854,289
Staff costs excluding directors' remuneration:		
Salaries and other benefits	**9,136,288**	9,076,401
Pension fund contributions	**519,270**	501,961
Depreciation of property, plant and equipment	**1,855,282**	1,821,392
Amortisation of other intangible assets	**354,598**	285,957
Amortisation of land use rights	**124,884**	–
Auditor's remuneration	**430,000**	440,000
Research and development costs expensed immediately	**3,040,751**	1,813,612

Notes To Financial Statements

31 December 2009

9. Profit Before Income Tax Expense *(continued)*

(b) Discontinued operations

In June 2009, the Group disposed of Baoyuan Bio-Agri (Shandong) Limited ("Shandong Baoyuan" or "Disposed Company") which was engaged in research, development and production of organic and chemical formulated agricultural fertilisers in the PRC. The disposal was effected to streamline the core business of the Group. The sales, results and cash flows from 1 January 2009 to the date of disposal of Baoyuan were as follows:

	From 1 January 2009 to date of disposal HK$	12 months to 31 December 2008 HK$
Revenue from external customers	**68,247,271**	121,202,187
Other revenue	**2,415,129**	8,756,891
	70,662,400	129,959,078
Operating costs	**(76,690,810)**	(116,938,212)
Operating (loss)/profit	**(6,028,410)**	13,020,866
Finance costs	**(894,438)**	(2,547,407)
(Loss)/profit before income tax expense	**(6,922,848)**	10,473,459
Income tax expense	**–**	–
(Loss)/profit after tax	**(6,922,848)**	10,473,459
Loss on disposal of a subsidiary	**(1,671,215)**	–
(Loss)/profit for the year from discontinued operations	**(8,594,063)**	10,473,459
Operating cash flows	**13,074,501**	(7,510,196)
Investing cash flows	**878,702**	1,024,942
Financing cash flows	**(5,100,000)**	5,747,630
Total cash flows	**8,853,203**	(737,624)

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9. Profit Before Income Tax Expense *(Continued)*

(b) Discontinued operations (continued)

The carrying amounts of the assets and liabilities of Shandong Baoyuan at the date of disposal are disclosed in Note 33.

A loss of HK$1.67 million arose on the disposal of Shandong Baoyuan, being the proceeds of disposal less the carrying amount of the subsidiary's net assets and attributable goodwill. A capital gain tax charge of HK$269,596 arose from the disposal which was included in the calculation of loss on disposal of a subsidiary.

For the purpose of presenting discontinued operations, the comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

10. Directors' Emoluments

The emoluments paid or payable to each of the 6 (2008: 6) directors were as follows:

	Executive directors			**Non-executive directors**			
	Fang Haizhou	**Zhong Sheng**	**Ngiam Mia Je Patrick**	**Fung Chi Ying**	**Mauffrey Benoit Jean Marie**	**Yeow Mee Mooi**	**Total 2009**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Fee	–	–	–	150,000	150,000	150,000	450,000
Other emoluments							
Salaries and other benefits	417,208	350,000	500,000	–	–	–	1,267,208
Contributions to pension schemes	23,190	12,000	–	–	–	–	35,190
Discretionary bonuses	160,000	140,000	200,000	–	–	–	500,000
	600,398	502,000	700,000	150,000	150,000	150,000	2,252,398

							Total 2008
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Fee	–	–	–	150,000	150,000	150,000	450,000
Other emoluments							
Salaries and other benefits	428,109	350,000	500,000	–	–	–	1,278,109
Contributions to pension schemes	24,934	12,000	–	–	–	–	36,934
Discretionary bonuses	256,000	224,000	320,000	–	–	–	800,000
	709,043	586,000	820,000	150,000	150,000	150,000	2,565,043

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10. Directors' Emoluments *(Continued)*

No share option was granted to the directors during the years ended 31 December 2009 and 2008.

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 (2008: Nil). There were no arrangements under which a director waived or agreed to waive any remuneration during the years (2008: Nil).

11. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2008: three) were directors of the Company whose emoluments are included in the disclosures in Note 10 above. The emoluments of the remaining two (2008: two) individuals were as follows:

	2009 HK$	2008 HK$
Salaries and other benefits	**1,079,000**	780,000
Contributions to retirement benefits schemes	**24,000**	35,778
	1,103,000	815,778

Their emoluments were within the following bands:

	2009 No. of employees	2008 No. of employees
Nil to HK$1,000,000	**2**	2

During the year, no emoluments were paid by the Group to the highest paid, non-director employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

12. 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 2009 amounted to HK$554,460 (2008: HK$538,895).

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13. Income Tax Expense

The amount of taxation in the consolidated statement of comprehensive income represents:

	2009 HK$	2008 HK$
Continuing operations		
Current tax - the PRC		
– Provision for the year	**3,730,871**	2,257,169
– Deferred tax (Note 26)	**1,080,000**	–
	4,810,871	2,257,169

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

The Group's operating subsidiary in Zhuhai, the PRC, was established and carrying on business in the Special Economic Zones of the PRC as a high technology enterprises. The subsidiary has obtained a 高新技術企業證書 (High Technology Enterprise Certificate) and is entitled to enjoy the enterprise income tax at the concessionary rate of 15% for three years from 2008 to 2010.

The Group's another operating subsidiary in Zhuhai, the PRC, was established and carrying on business in the Special Economic Zones of the PRC is subject to enterprise income tax at a concessionary rate of 20% (2008: 18%).

The income tax expense for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2009 HK$	2008 HK$
Continuing operations		
Profit before income tax expense	**21,563,626**	18,742,392
Tax calculated at Hong Kong profits tax rate of 16.5% (2008: 16.5%)	**3,557,998**	3,092,494
Effect of different tax rates of subsidiaries operating in other jurisdictions	**652,905**	188,097
Tax effect of expenses not deductible for tax purposes	**339,809**	350,474
Tax effect of revenue not taxable for tax purposes	**(783,598)**	(214,031)
Tax effect of tax loss not recognised	**1,501,838**	811,119
Deferred tax on undistributed earnings of a subsidiary in PRC	**1,080,000**	–
Tax benefits	**(1,615,705)**	(2,292,337)
Others	**77,624**	321,353
Income tax expense	**4,810,871**	2,257,169

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14. Loss Attributable to Owners of the Company

Loss attributable to owners of the Company includes an amount of HK$3,395,968 (2008: HK$2,424,654) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit/(loss) for the year:

	2009 **HK$**	2008 HK$
Amount of loss attributable to owners of the Company dealt with in the Company's financial statements	**(3,395,968)**	(2,424,654)
Final dividends from subsidiaries attributable to the profits of the previous financial year approved and paid	**24,000,000**	–
Company's profit/(loss) for the year	**20,604,032**	(2,424,654)

15. Dividends

	2009 **HK$**	2008 HK$
Final, proposed – HK$ 0.01(2008: HK$ 0.01) per share	**5,567,500**	5,567,500

The directors propose a final dividend of HK$0.01 (2008: HK$0.01) per ordinary share to be paid. The amount of proposed final dividend for 2009 is based on 556,750,000 shares (2008: 556,750,000) issued as at 31 December 2009. This proposed dividend is not reflected as dividend payable as at the end of the reporting period but will be reflected as an appropriation of retained profits for the year ending 31 December 2010.

16. Earnings Per Share

For continuing and discontinued operations

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

Earnings

	2009 **HK$**	2008 HK$
Earnings for the purposes of basic earnings per share	**11,550,889**	21,826,710

Notes To Financial Statements

31 December 2009

16. Earnings Per Share *(Continued)*

From continuing operations

The calculation of the basic earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	2009 **HK$**	2008 HK$
Profit for the year attributable to owners of the Company	**11,550,889**	21,826,710
Add:		
Loss/(profit) for the year from discontinued operations	**5,201,866**	(5,341,487)
Earnings for the purposes of basic earnings per share from continuing operations	**16,752,755**	16,485,223

The denominator used for both earnings per share from continuing and discontinued operations and from continuing operations is the number of ordinary shares of 556,750,000 (2008:556,750,000) in issue during the year.

From discontinued operations

Basic loss per share for the discontinued operations is HK0.93 cents per share (2008: profit of HK0.96 cents per share), based on the loss for the period/year from the discontinued operations of HK$5.2 million (2008: profit of HK$5.3 million) and the number of ordinary shares of 556,750,000 (2008:556,750,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2009 and 2008 are not presented since the Company did not have any dilutive potential ordinary shares outstanding during both years.

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17. Property, Plant and Equipment

The Group

	Buildings and leasehold improvements HK$	Plant and machinery HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
Cost					
At 1 January 2008	15,301,584	14,676,705	3,722,482	1,638,628	35,339,399
Additions	251,685	481,127	387,482	1,095,167	2,215,461
Disposals	–	(4,274)	(283,410)	–	(287,684)
Exchange differences	940,100	902,763	200,861	105,455	2,149,179
At 31 December 2008	16,493,369	16,056,321	4,027,415	2,839,250	39,416,355
Additions	502,490	354,550	238,731	1,338,445	2,434,216
Disposals	–	–	–	(185,439)	(185,439)
Write offs	–	(364,284)	(434,948)	–	(799,232)
Disposals of a subsidiary	(12,613,536)	(7,056,415)	(591,309)	(2,299,697)	(22,560,957)
Exchange differences	6,147	15,038	5,079	2,123	28,387
At 31 December 2009	4,388,470	9,005,210	3,244,968	1,694,682	18,333,330
Accumulated depreciation and impairment					
At 1 January 2008	2,343,718	5,233,747	2,682,279	960,339	11,220,083
Charge for the year	1,396,599	1,400,313	251,508	223,572	3,271,992
Disposals	–	(3,073)	(252,036)	–	(255,109)
Exchange differences	150,072	327,419	237,333	59,932	774,756
At 31 December 2008	3,890,389	6,958,406	2,919,084	1,243,843	15,011,722
Charge for the year	1,150,654	908,817	291,691	296,845	2,648,007
Eliminated on disposal	–	–	–	(166,895)	(166,895)
Write offs	–	(335,217)	(386,183)	–	(721,400)
Disposal of a subsidiary	(1,663,287)	(2,016,294)	(279,526)	(436,728)	(4,395,835)
Exchange differences	4,001	8,684	3,786	1,459	17,930
At 31 December 2009	3,381,757	5,524,396	2,548,852	938,524	12,393,529
Carrying amount					
At 31 December 2009	1,006,713	3,480,814	696,116	756,158	5,939,801
At 31 December 2008	12,602,980	9,097,915	1,108,331	1,595,407	24,404,633

Notes To Financial Statements

31 December 2009

17. Property, Plant and Equipment *(continued)*

The Group had pledged its buildings and leasehold improvements which belong to the discontinued operations with a carrying amount of HK$9,963,000 as at 31 December 2008 to secure loan facilities granted to the Disposed Company.

The Group's buildings are located on land in the PRC under medium-term leases.

18. Land Use Rights

The Group

	HK$
Cost:	
At 1 January 2008	7,771,896
Exchange differences	476,918
As at 31 December 2008	8,248,814
Additions	7,536,360
Disposal of a subsidiary	(8,248,378)
Exchange differences	(810)
At 31 December 2009	7,535,986
Accumulated amortisation:	
At 1 January 2008	142,485
Charge for the year	164,241
Exchange differences	9,479
As at 31 December 2008	316,205
Charge for the year	207,424
Disposal of a subsidiary	(398,672)
Exchange differences	(79)
At 31 December 2009	124,878
Carrying amount:	
At 31 December 2009	7,411,108
Portion classified as current assets (included in Deposits and prepayments)	(150,720)
Non-current assets	7,260,388
At 31 December 2008	7,932,609
Portion classified as current assets (included in Deposits and prepayments)	(164,969)
Non-current assets	7,767,640

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

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19. Goodwill

The Group

	HK$
Cost:	
At 1 January 2008	2,221,677
Exchange adjustment	161,622
At 31 December 2008	2,383,299
Exchange adjustment	24,824
Eliminated on disposal of a subsidiary (Note 33)	(129,634)
At 31 December 2009	2,278,489

Impairment Testing On 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 belong on the value in use basis. The calculation is based on the most recent financial budgets approved by management. The following key assumptions have been made for the purpose of analysis:

1 Gross margin ratio of 62% (2008:73%)
2 Pre tax discount rate of 14.3% (2008: 14.3%) per year
3 Average growth rate of 10% (2008:10%)

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 2009 and 2008.

The directors believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

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20. Other Intangible Assets

The Group

	Technical know-how HK$	Development expenditure HK$	Distribution rights HK$	Total HK$
Cost				
At 1 January 2008	235,400	7,798,225	–	8,033,625
Exchange differences	14,445	478,534	–	492,979
At 31 December 2008	249,845	8,276,759	–	8,526,604
Additions	–	–	1,137,656	1,137,656
Disposal of a subsidiary	(249,832)	–	–	(249,832)
Exchange differences	(13)	14,139	(56)	14,070
At 31 December 2009	–	8,290,898	1,137,600	9,428,498
Amortisation				
At 1 January 2008	235,400	5,517,012	–	5,752,412
Amortisation	–	285,957	–	285,957
Exchange differences	14,445	368,708	–	383,153
At 31 December 2008	249,845	6,171,677	–	6,421,522
Amortisation	–	316,676	37,922	354,598
Disposal of a subsidiary	(249,832)	–	–	(249,832)
Exchange differences	(13)	10,527	(2)	10,512
At 31 December 2009	–	6,498,880	37,920	6,536,800
Carrying amount				
At 31 December 2009	–	1,792,018	1,099,680	2,891,698
At 31 December 2008	–	2,105,082	–	2,105,082

During the year, the directors reviewed the carrying amounts of the development expenditure and the distribution rights and identified that the future economic benefits generated from them to be not less than their carrying amounts. Accordingly, no impairment loss was recognised for the year (2008: HK$Nil).

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21. Inventories

	The Group	
	2009 **HK$**	2008 HK$
Raw materials	**1,340,011**	31,477,584
Work in progress	**447,855**	1,262,338
Finished goods	**427,201**	22,706,476
	2,215,067	55,446,398

Inventories with a carrying amount of HK$44,032,000 for year ended 31 December 2008 had been pledged as security for certain of the Disposed Company's bank borrowings as at 31 December 2008.

22. Trade and Other Receivables

	The Group		The Company	
	2009 **HK$**	2008 HK$	**2009** **HK$**	2008 HK$
Trade receivables	**35,198,222**	35,928,943	**–**	–
Less: provision for impairment	**(306,676)**	(496,638)	**–**	–
Trade receivables – net	**34,891,546**	35,432,305	**–**	–
Other receivables	**258,932**	1,443,380	**–**	342,850
Total	**35,150,478**	36,875,685	**–**	342,850

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

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22. Trade and Other Receivables *(continued)*

(ii) The movements in the provision for impairment on trade receivables during the year were as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
At beginning of year	**496,638**	2,720,395	**–**	–
Uncollectible amounts written off	**–**	(2,067,460)	**–**	–
Reversal of allowance	**(190,819)**	(312,580)	**–**	–
Exchange adjustment	**857**	156,283	**–**	–
At end of year	**306,676**	496,638	**–**	–

The allowance of HK$306,676 (2008: HK$496,638) has been made for estimated irrecoverable amounts from sale of goods. This provision has been determined by reference to past default experience.

The following is an ageing analysis of trade receivables, net of allowance for impairment of trade receivables, as at the end of the reporting period:

	The Group	
	2009	2008
	HK$	HK$
0 – 60 days	**19,366,538**	13,052,694
61 – 90 days	**5,728,523**	12,705,356
> 90 days	**9,796,485**	9,674,255
	34,891,546	35,432,305

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2009	2008
	HK$	HK$
Not past due	**15,428,158**	25,758,050
Less than 3 months past due	**5,673,973**	9,522,555
Over 3 months past due	**382,062**	–
	21,484,193	35,280,605

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22. Trade and Other Receivables *(continued)*

(ii) (continued)

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

23. Convertible Note Receivable

	The Group	
	2009	2008
	HK$	HK$
Unlisted debt security, at cost	**4,500,220**	–

During the year, the Group entered into an agreement to subscribe for a convertible note with a principal amount of HK$4,500,220 (the "Note") from a private company in Indonesia (the "Borrower"). Pursuant to the agreement, the Borrower will repay to the Group the principal amount plus a lump sum payment computed at 20% of the principal amount at maturity which is 30 July 2011. Subject to the terms and conditions of the agreement, if earlier termination is made by the Borrower, the lump sum payment shall be computed at 35% instead of 20%. The Note also confers a right to the Group to convert the principal amount into shares of the Borrower subject to a qualifying initial public offering ("IPO") being achieved. The conversion price of the Note shall be at 50% discount from the offer price per share under the IPO. If the qualifying IPO is not achieved before 30 July 2011, the Group shall have an option to extend the conversion period by a further six months. In the event that the Group agrees to the extension for additional six months, the conversion ratio shall be at 65% discount from the offer price per share under the IPO.

In the opinion of the directors, the fair value of the embedded derivative or the combined unlisted debt security cannot be reliably measured because the variability in the range of reasonable fair value estimates is significant, the Note is stated at cost less any impairment losses.

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24. Pledged Bank Deposits and Cash and Cash Equivalents

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Cash and bank balance	**65,207,607**	46,112,204	**498,934**	89,863
Time deposits	**2,533,455**	3,833,085	**2,533,455**	3,833,084
Cash and cash equivalents	**67,741,062**	49,945,289	**3,032,389**	3,922,947
Pledged bank deposits	**–**	2,271,320	**–**	–
	67,741,062	52,216,609	**3,032,389**	3,922,947

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 approximates their fair value.

As at 31 December 2009, cash and bank balances denominated in RMB amounted to approximately HK$46,000,000 (2008: approximately HK$42,100,000). 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.

Bank deposits of HK$2,271,320 as at 31 December 2008 which belong to the discontinued operations was pledged to a bank to secure trade finance facilities granted to the Disposed Company.

25. Trade and Other Payables

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Trade payables	**274,852**	4,198,843	**–**	–
Other payables	**5,204,132**	5,849,497	**–**	–
Accruals	**10,891,337**	12,762,375	**1,199,841**	1,575,820
VAT payable	**3,204,829**	2,821,566	**–**	–
Deposits received	**270,749**	10,655,676	**–**	–
	19,845,899	36,287,957	**1,199,841**	1,575,820

Notes To The Financial Statements

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25. Trade and Other Payables *(continued)*

Trade payables principally comprise amounts outstanding for trade purchases.

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

The following is an ageing analysis of trade payables as at the end of the reporting period:

	The Group	
	2009	2008
	HK$	HK$
0 – 60 days	**166,441**	3,212,507
61 – 90 days	**–**	593,982
> 90 days	**108,411**	392,354
	274,852	4,198,843

26. Deferred Tax Liabilities

The deferred tax liabilities arose from withholding tax on distributable profits of a subsidiary in the PRC, which is calculated at 5% on the estimated profits that will be distributed to the holding company with its principal place of business in Hong Kong.

As at the end of the reporting period, the Group had unused tax losses of approximately HK$23,170,000 (2008: HK$17,613,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax loss may be carried forward indefinitely.

27. Share Capital

Authorised

	2009	**2009**	2008	2008
	Number	**HK$**	Number	HK$
Ordinary shares of HK$0.1 each	**1,000,000,000**	**100,000,000**	1,000,000,000	100,000,000

Issued and fully paid

	2009	**2009**	2008	2008
	Number	**HK$**	Number	HK$
Ordinary shares of HK$0.1 each				
At the beginning and end of the reporting period	**556,750,000**	**55,675,000**	556,750,000	55, 675,000

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28. Reserves

The Company

	Share premium HK$	Accumulated losses HK$	Total HK$
Balance at 1 January 2008	969,871	(15,682,350)	(14,712,479)
Loss for the year	–	(2,424,654)	(2,424,654)
Balance at 31 December 2008	969,871	(18,107,004)	(17,137,133)
Profit for the year	–	20,604,032	20,604,032
Dividend paid	–	(5,567,500)	(5,567,500)
Balance at 31 December 2009	969,871	(3,070,472)	(2,100,601)

The nature and purpose of each reserve of the Group are set out below.

(i) Capital reserve

The capital reserve represents discount on acquisition of a subsidiary arose in prior years.

(ii) Statutory surplus reserve

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. The statutory surplus reserve is non–distributable. In 2009, a PRC subsidiary transferred HK$2,474,078 (2008: HK$2,118,803) to statutory surplus reserve which represented 10% of the PRC subsidiary's profit after tax.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 4(I).

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29. Operating Lease Arrangements

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 5 years at fixed rent.

Minimum lease payments paid during the year under operating leases (included in administrative expenses) were as follows:

	The Group	
	2009	2008
	HK$	HK$
Minimum leases payments		
Properties	**1,489,113**	1,339,392
Plant and machinery and others	**–**	339,941
	1,489,113	1,679,333

The total future minimum lease payments is due as follows:

	2009		2008	
	Properties	**Plant and machinery and others**	Properties	Plant and machinery and others
	HK$	**HK$**	HK$	HK$
Not later than one year	**1,521,373**	**204,768**	1,006,555	226,478
Later than one year and not later than five years	**1,083,044**	**–**	977,735	204,419
	2,604,417	**204,768**	1,984,290	430,897

30. Major Non-cash Transaction

Deposit paid for acquisition of inventories amounted to HK$ Nil (2008: HK$2,271,000) was settled by bills payable which was included in trade and other payables.

31. Share Option

Share Option Scheme

On 20 June 2003, a share option scheme was approved. The purpose of the share option scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the share option 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.

Notes To The Financial Statements

31 December 2009

31. Share Option *(continued)*

Share Option Scheme (continued)

The total number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under this 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 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 share option 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 are 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 the end of the reporting period, no share option was outstanding under this share option scheme.

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32. Interests In Subsidiaries

	2009 HK$	2008 HK$
Unlisted equity investments, at cost	**100,031**	100,031
Amounts due from subsidiaries (i)	**51,400,154**	35,488,247
Amounts due to a subsidiary	**(31)**	(31)
	51,500,154	35,588,247

(i) The amounts due from subsidiaries are unsecured, interest-free and in substance represents the Company's investments in the subsidiaries in the form of quasi-equity loans.

Details of the subsidiaries as at the end of the reporting period were as follows:

Name of subsidiary	Form of business structure	Place of incorporation and operation	Issued and fully paid share capital/registered capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly	Principal activity
Essex Bio-Investment Limited	Limited liability company	The British Virgin Islands/Hong Kong	US$5	100%	–	Investment holding
Essex Bio-Pharmacy Limited	Limited liability company	Hong Kong	HK$8,000,000	–	100%	Investment holding
Zhuhai Essex Bio-Pharmaceutical Company Limited	Limited liability company	The PRC	RMB20,000,000	–	100%	Manufacture and selling of biopharmaceutical products
Essex Medipharma (Zhuhai) Company Limited	Limited liability company	The PRC	RMB3,000,000	–	100%	Marketing and distribution of biopharmaceutical products

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33. Disposal Of A Subsidiary

As referred to in note 9(b), in June 2009, the Group disposed of its entire equity interest in Shandong Baoyuan which is engaged in research, development and production of organic and chemical formulated agricultural fertilisers to two unrelated parties at a total cash consideration of HK$9,047,527. The net tangible assets of Shandong Baoyuan at the date of disposal and at 31 December 2008 were as follows:

	Date of disposal	**31 December 2008**
	HK$	HK$
Property, plant and equipment	18,165,121	17,511,475
Land use rights	7,849,706	7,932,611
Inventories	22,165,522	53,441,323
Trade and other receivables	7,657,550	9,185,751
Deposits and prepayments	3,050,826	3,088,259
Cash and cash equivalents	14,933,822	3,809,299
Trade and other payables	(29,700,390)	(38,133,842)
Loan and other borrowings	(28,844,240)	(34,637,630)
	15,277,917	22,197,246
51% of equity interest disposed of	7,791,737	
Attributable goodwill	129,634	
Release of exchange reserve	(956,375)	
Waiver of amounts due to the Group	2,898,099	
Costs directly attributable to the disposal	855,647	
Loss on disposal	(1,671,215)	
Total consideration satisfied by cash	9,047,527	
Net cash outflow arising on disposal:		
Total consideration received	9,047,527	
Bank balances and cash disposed of	(14,933,822)	
Costs directly attributable to the disposal	(855,647)	
	(6,741,942)	

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34. Capital Commitments

	The Group	
	2009	2008
	HK$	HK$
On acquisition of property, plant and equipment:		
contracted for but not provided for	**889,376**	877,531
On acquisition of land use rights:		
contracted for but not provided for	**–**	5,032,694
	889,376	5,910,225

35. Financial Risk Management

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and commodity price risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables. Normally, the Group does not obtain collateral from customers. The Group's maximum exposure to credit risk at the end of reporting period represents the carrying amounts of financial assets.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Notes To The Financial Statements

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35. Financial Risk Management *(continued)*

(b) *Liquidity risk (continued)*

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of the reporting period and the earliest date the Group can be required to pay.

	Carrying amount HK$	**Total contractual undiscounted cash flow** HK$	**Within 1 year or on demand** HK$
As at 31 December 2009			
Trade and other payables	16,638,235	16,638,235	16,638,235
As at 31 December 2008			
Trade and other payables	36,287,957	36,287,957	36,287,957
Bank and other borrowings	34,637,630	36,115,045	36,115,045
	70,925,587	72,403,002	72,403,002

(c) *Interest rate risk*

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

(d) *Currency risk*

The Group mainly operated in the PRC with most of the transactions settled in Renminbi and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(e) *Price risk*

The Group is not exposed to any equity securities risk. The Group was exposed to the commodity price risk primarily through its purchase of raw materials for the production of fertilisers. After the disposal of Shandong Baoyuan as stated in note 9(b), the Group is no longer exposed to this risk.

(f) *Fair values*

All financial instruments other than the convertible note receivable are carried at amounts not materially different from their fair values as at 31 December 2009 and 2008.

Notes To The Financial Statements

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36. Capital Risk Management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debts-to-adjusted capital ratio. For this purpose the Group defines net debts as total debts (which include interest-bearing loans and borrowings and trade and other payables) less pledged deposits and cash and cash equivalents. Adjusted capital comprises all components of equity.

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debts.

	2009 **HK$**	2008 HK$
Trade and other payables	**19,845,899**	36,287,957
Bank and other borrowings	**–**	34,637,630
Total debts	**19,845,899**	70,925,587
Less: Pledged bank deposits and cash and cash equivalents	**(67,741,062)**	(52,216,609)
Net debts	**(47,895,163)**	18,708,978
Adjusted capital	**108,034,305**	113,774,136
Net debts-to-adjusted capital ratio	**N/A**	16.44%

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37. Summary of Financial Assets and Financial Liabilities By Category

The following table shows the carrying amount of financial assets and liabilities as defined in Note 4(h).

	2009 Carrying amount HK$	2008 Carrying amount HK$
Financial assets		
Loans and receivables (including cash and bank balances)	**107,391,760**	91,528,583
Financial liabilities		
Financial liabilities measured at amortised cost	**16,370,321**	60,269,911

38. Related Party Transactions

(a) Members of key management during the year comprised the three executive directors only whose remuneration is set out in Note 10 to the financial statements.

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

39. Approval of Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on 25 March 2010.

Financial Summary

31 December 2009

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				
	2009	2008	2007	2006	2005
	HK$	HK$	HK$	HK$	HK$
RESULTS					
Continuing operations					
TURNOVER	**116,688,187**	92,868,336	68,329,435	49,162,350	46,093,480
Cost of sales	**(11,038,491)**	(8,854,289)	(7,042,053)	(6,290,804)	(5,022,712)
Gross profit	**105,649,696**	84,014,047	61,287,382	42,871,546	41,070,768
Other revenue	**833,569**	1,393,583	749,155	550,220	895,493
Distribution and selling expenses	**(69,618,126)**	(55,061,490)	(40,886,824)	(28,184,512)	(27,665,516)
Administrative expenses	**(15,301,513)**	(11,603,748)	(9,230,080)	(8,184,919)	(9,091,357)
Other gains and loses	**–**	–	(718,563)	(882,405)	10,091,869
PROFIT BEFORE TAXATION	**21,563,626**	18,742,392	11,201,070	6,169,930	15,301,257
Income tax expense	**(4,810,871)**	(2,257,169)	(1,121,108)	(781,686)	–
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**16,752,755**	16,485,223	10,079,962	5,388,244	15,301,257
Discontinued operations					
(Loss)/profit for the year from discontinued operations	**(8,594,063)**	10,473,459	921,964	(1,624,967)	246,496
PROFIT FOR THE YEAR	**8,158,692**	26,958,682	11,001,926	3,763,277	15,547,753
Other comprehensive income	**(846,570)**	3,922,648	3,814,751	1,519,288	(10,324,176)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,312,122**	30,881,330	14,816,677	5,282,565	5,223,577
Attributable to:					
Owners of the Company	**10,704,319**	25,395,559	14,005,930	5,906,309	5,097,874
Minority interests	**(3,392,197)**	5,485,771	810,747	(623,744)	125,703
	7,312,122	30,881,330	14,816,677	5,282,565	5,223,577

Financial Summary

31 December 2009

ASSETS AND LIABILITIES

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$	HK$	HK$	HK$	HK$
Non-current assets	**22,870,596**	38,660,654	36,096,179	27,470,690	17,179,547
Current assets	**107,622,731**	147,313,452	106,028,868	63,239,266	58,699,670
Current liabilities	**(21,379,022)**	(72,199,970)	(59,232,241)	(22,633,827)	(13,236,253)
Net current assets	**86,243,709**	75,113,482	46,796,627	40,605,439	45,463,417
Non-current liabilities	**(1,080,000)**	–	–	–	–
Net assets	**108,034,305**	113,774,136	82,892,806	68,076,129	62,642,964

Notes:

1. The summary of consolidated results of the Group includes the results of the Company and its subsidiaries as if the current Group structure had been in existence throughout the financial periods, or from the respective dates of their incorporation where this is a shorter period. The consolidated results of the Group for the years ended 31 December 2007, 2006 and 2005 are extracted from the published audited financial statements for these years. The consolidated results of the Group for the years ended 31 December 2009 and 2008 are as set out on page 24 of the audited financial statements.

2. The consolidated statement of financial position as at 31 December 2007, 2006 and 2005 are extracted from the published audited financial statements for the years ended 31 December 2007, 2006 and 2005, prepared on the basis as if the Group had been in existence for these years. The consolidated statement of financial position of the Group as at 31 December 2009 and 2008 are as set out on page 25 of the audited financial statements.