



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)

2008 ANNUAL RESULTS ANNOUNCEMENT

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

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

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

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This announcement, for which the directors of Essex Bio-Technology Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Essex Bio-Technology Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

- Revenue for the year ended 31 December 2008 amounted to approximately HK\$214.1 million (2007: HK\$152.7 million), representing an increase of approximately 40.2% as compared with preceding year.
- Profit attributable to equity holders of the Company for the year ended 31 December 2008 amounted to approximately HK\$21.8 million (2007: HK\$10.6 million).
- Basic earnings per share for the year ended 31 December 2008 amounted to approximately HK3.92 cents (2007: HK1.89 cents). There were no diluted earnings per share for both years ended 31 December 2008 and 2007 since the Company had no dilutive potential shares outstanding as at 31 December 2008 and 2007.

The board of directors (“Directors”) of Essex Bio-Technology Limited (the “Company”) announced the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2008 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 HK\$	2007 HK\$
Turnover	4	214,070,523	152,674,582
Cost of sales		(111,476,818)	(82,837,766)
Gross profit		102,593,705	69,836,816
Other income	5	9,400,869	6,069,849
Other gains and losses	6	(32,575)	(718,562)
Distribution and selling expenses		(63,873,186)	(47,345,905)
Administrative expenses		(16,299,793)	(14,504,807)
Profit from operations		31,789,020	13,337,391
Finance costs		(2,573,169)	(1,214,357)
Profit before taxation	7	29,215,851	12,123,034
Taxation	8	(2,257,169)	(1,121,108)
Profit for the year		26,958,682	11,001,926
Attributable to:			
Equity holders of the Company		21,826,710	10,550,164
Minority interests		5,131,972	451,762
		26,958,682	11,001,926
Dividends	9	5,567,500	–
Earnings per share – Basic	10	3.92 cents	1.89 cents

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	Note	2008 HK\$	2007 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		24,404,633	24,119,316
Land use rights		7,767,640	7,473,973
Goodwill		2,383,299	2,221,677
Other intangible assets		2,105,082	2,281,213
Deposit for acquisition of land use rights		2,271,320	–
		38,931,974	36,096,179
Current assets			
Inventories		55,446,398	19,688,770
Trade and other receivables	11	37,040,654	24,218,335
Deposits and prepayments		2,338,471	18,047,575
Pledged bank deposits		2,271,320	5,703,100
Cash and cash equivalents		49,945,289	38,371,088
		147,042,132	106,028,868
Current liabilities			
Trade and other payables	12	36,287,957	29,137,449
Bank and other borrowings	13	34,637,630	28,890,000
Taxation		1,274,383	1,204,792
		72,199,970	59,232,241
Net current assets		74,842,162	46,796,627
Net assets		113,774,136	82,892,806
EQUITY			
Share capital	14	55,675,000	55,675,000
Reserves		47,222,486	21,826,927
Equity attributable to equity holders of the Company		102,897,486	77,501,927
Minority interests		10,876,650	5,390,879
Total equity		113,774,136	82,892,806

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Statutory surplus reserve HK\$	Foreign currency translation reserve HK\$	Retained earnings HK\$	Attributable to equity holders of the Company HK\$	Minority interests HK\$	Total HK\$
Balance at 1 January 2007	55,675,000	969,871	362,442	2,410,150	1,825,887	2,252,647	63,495,997	4,580,132	68,076,129
Net income recognised directly in equity –									
exchange differences arising on translation of overseas operations	–	–	–	–	3,455,766	–	3,455,766	358,985	3,814,751
Profit for the year	–	–	–	–	–	10,550,164	10,550,164	451,762	11,001,926
Total recognised income and expenses for the year	–	–	–	–	3,455,766	10,550,164	14,005,930	810,747	14,816,677
Appropriation of profits	–	–	–	1,360,453	–	(1,360,453)	–	–	–
Balance at 31 December 2007	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
Net income recognised directly in equity –									
exchange differences arising on translation of overseas operations	–	–	–	–	3,568,849	–	3,568,849	353,799	3,922,648
Profit for the year	–	–	–	–	–	21,826,710	21,826,710	5,131,972	26,958,682
Total recognised income and expenses 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)	–	–	–
Balance 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
Representing:									
2008 proposed final dividend							5,567,500		
Others							97,329,986		
Attributable to equity holders of the Company as at 31 December 2008							102,897,486		

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

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

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies.

The adoption of HK(IFRIC) – Int 11 “HKFRS 2 – Group and treasury share transactions”, HK(IFRIC) – Int 12 “Service concession arrangements”, HK(IFRIC) – Int 14 “HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction” and HKAS 39 & HKFRS 7 Amendments “Reclassification of financial assets” has no impact on these financial statements.

At the date of authorisation of these financial statements, the following HKFRSs were in issue but not yet effective:

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 28	Investments in associates – consequential amendments arising from amendments to HKFRS 3	(ii)
HKAS 31	Investments in joint ventures – consequential amendments arising from amendments to HKFRS 3	(ii)
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellation	(i)
HKFRS 3 (Revised)	Business combinations	(ii)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(iii)
HK(IFRIC) – Int 13	Customer loyalty programmes	(iv)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(v)
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) – Int 18	Transfer of assets from customers	(vi)
HKFRSs (Amendments)	Improvements to HKFRSs	(vii)

Effective date

- (i) Effective for annual periods beginning on or after 1 January 2009
- (ii) Effective for annual periods beginning on or after 1 July 2009
- (iii) Effective for annual periods ending on or after 30 June 2009
- (iv) Effective for annual periods beginning on or after 1 July 2008
- (v) Effective for annual periods beginning on or after 1 October 2008
- (vi) Effective for transfers on or after 1 July 2009
- (vii) Effective for annual period beginning on or after 1 January 2009 except for the amendments HKFRS 5, effective for annual period beginning on or after 1 July 2009

The Group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of their initial application.

3. SEGMENT REPORTING

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

(a) Business segments

The Group has the following main business segments:–

Biopharmaceutical products : Manufacture and sale of biopharmaceutical products

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

	Biopharmaceutical products		Agricultural fertilizers		Consolidated	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
Revenue from external customers	92,868,336	68,329,435	121,202,187	84,345,147	214,070,523	152,674,582
Segment result	22,406,261	13,978,900	13,020,866	2,136,320	35,427,127	16,115,220
Unallocated expenses, net					(3,638,107)	(2,777,829)
Finance costs					(2,573,169)	(1,214,357)
Taxation					(2,257,169)	(1,121,108)
Profit for the year					26,958,682	11,001,926
Segment assets	88,969,190	63,560,300	90,900,134	67,772,019	179,869,324	131,332,319
Unallocated assets					6,104,782	10,792,728
Total assets					185,974,106	142,125,047
Segment liabilities	16,912,602	15,367,855	53,684,473	42,478,272	70,597,075	57,846,127
Unallocated liabilities					1,602,895	1,386,114
Total liabilities					72,199,970	59,232,241
Depreciation	1,821,392	1,641,061	1,450,600	1,180,179		
Amortisation of other intangible assets	285,957	285,957	–	75,336		
Amortisation of land use rights	–	–	164,241	136,800		
(Reversal of)/loss on impairment on trade and other receivables	(312,580)	313,164	–	–		
Capital expenditure	3,465,470	231,696	1,021,311	9,796,737		

(b) Geographical segments

All operating assets and operations of the Group during the years ended 31 December 2008 and 2007 were located in the PRC. Accordingly, no geographical segment information is presented.

4. TURNOVER

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

	2008 HK\$	2007 <i>HK\$</i>
Sales of biopharmaceutical products	92,868,336	68,329,435
Sales of agricultural fertilizers	121,202,187	84,345,147
	214,070,523	152,674,582

5. OTHER INCOME

	2008 HK\$	2007 <i>HK\$</i>
Value added tax refund (<i>note</i>)	7,272,131	5,060,710
Reversal of impairment loss of trade and other receivables	312,580	–
Interest income:		
Bank deposits	1,241,410	577,148
Loans and receivables	–	120,000
Total interest income on financial assets not at fair value through profit or loss	1,241,410	697,148
Others	574,748	311,991
	9,400,869	6,069,849

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

6. OTHER GAINS AND LOSSES

	2008 HK\$	2007 <i>HK\$</i>
Impairment loss on other receivables	–	(800,000)
(Loss)/gain on disposal of property, plant and equipment	(32,575)	15,357
Gain on disposal of trading securities	–	66,081
	(32,575)	(718,562)

7. PROFIT BEFORE TAXATION

	2008 HK\$	2007 HK\$
Profit before taxation is stated after charging/(crediting) the following:		
Cost of inventories sold	111,476,818	82,837,766
(Reversal of)/loss on impairment on trade and other receivables	(312,580)	1,113,164
Amortisation of other intangible assets	285,957	361,293
Amortisation of land use rights	164,241	136,800
Depreciation of property, plant and equipment	3,271,992	2,821,240
Staff costs excluding directors' remuneration:		
Salaries and allowances	16,003,237	12,090,406
Pension fund contributions	922,444	594,257
Exchange gain, net	–	(4,392)
Auditor's remuneration	440,000	448,822
Research and development costs expensed immediately	1,813,612	492,377

8. TAXATION

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

	2008 HK\$	2007 HK\$
Current tax – the PRC		
– Provision for the year	2,257,169	1,121,108

- (b) No provision for Hong Kong profits tax has been made as the Group had no assessable profit subject to Hong Kong profits tax.
- (c) On March 16, 2008, the National People's Congress approved the PRC Enterprise Income Tax Law, which became effective from 1 January 2008. In accordance with the new law, a unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to March 16, 2008 eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until 2012. Accordingly, the Group's subsidiary in Zhuhai and Yantai can continue to enjoy the preferential tax rates during the transitional period.
- (d) The Group's operating subsidiaries in Zhuhai, the PRC, are established and carrying on business in the Special Economic Zones of the PRC as foreign investment enterprises. They are subject to enterprise income tax at a concessionary rate of 18% (2007: 15%). One of the Group's subsidiaries, which engages in production, is entitled to exemption from enterprise income tax for two years starting from the first year of profitable operations after offsetting accumulated losses brought forward, followed by a 50% reduction in enterprise income tax for the next three years. The income tax exemption period of the subsidiary expired and the income tax is calculated at 9% (50% reduction in enterprise income tax) (2007: 7.5%) for the year.
- (e) The Group's operating subsidiary in Yantai, the PRC, is subject to enterprise income tax at a concessionary rate of 18% (2007: 15%). No provision for enterprise income tax has been made for the year ended 31 December 2008 as the subsidiary is entitled to exemption from enterprise income tax for its first two profitable years of operations (i.e. 2008 and 2009) and a 50% reduction in enterprise income tax for the succeeding three years.

(f) The Group's taxation for the year can be reconciled to the accounting profit as follows:

	2008 HK\$	2007 <i>HK\$</i>
Profit before taxation	29,215,851	12,123,034
Taxation calculated at Hong Kong profits tax rate of 16.5% (2007: 17.5%)	4,820,615	2,121,530
Tax effect of expenses not deductible for taxation purpose	67,561	154,373
Tax effect of non-taxable items	(103,976)	(504,236)
Tax effect of unused tax losses not recognised	1,058,190	813,574
Tax effect of temporary differences not recognised	76,951	–
Income tax exemption	(3,662,164)	(1,152,128)
Tax benefits	(323,132)	–
Effect of different tax rate of subsidiaries operating in another jurisdiction	188,098	(186,852)
Utilisation of tax losses	–	(125,153)
Others	135,026	–
Taxation charge for the year	2,257,169	1,121,108

9. DIVIDENDS

The Directors have recommended the payment of a final dividend of HK\$0.01 per share totally HK\$5,567,500 for the financial year ended 31 December 2008 to the shareholders whose names appear on the register of members of the Company on Thursday, 7 May 2009. The final dividend will be payable on Friday, 22 May 2009.

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit for the year attributable to equity holders of the Company of HK\$21,826,710 (2007: HK\$10,550,164), and 556,750,000 (2007: 556,750,000) ordinary shares in issue during the year.

Diluted earnings per share for years ended 31 December 2008 and 2007 are not presented since the Company did not have any dilutive potential shares outstanding as at 31 December 2008 and 2007.

11. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008 HK\$	2007 <i>HK\$</i>	2008 HK\$	2007 <i>HK\$</i>
Trade receivables	35,928,943	23,687,850	–	–
Less: provision for impairment	(496,638)	(2,720,395)	–	–
Trade receivables – net	35,432,305	20,967,455	–	–
Other receivables	1,443,379	4,081,958	342,850	3,100,400
Less: provision for impairment	–	(986,516)	–	(800,000)
Other receivables – net	1,443,379	3,095,442	342,850	2,300,400
Land use rights-current portion	164,970	155,438	–	–
Total	37,040,654	24,218,335	342,850	2,300,400

- (i) The Group's policy is to allow an average credit period of 90 days to its trade customers.
- (ii) The movements in the provision for impairment on trade receivables during the year were as follows:

	The Group		The Company	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
At beginning of year	2,720,395	2,290,896	–	–
Additional allowance	–	313,164	–	–
Uncollectible amounts written off	(2,067,460)	(64,217)	–	–
Reversal of allowance	(312,580)	–	–	–
Exchange adjustment	156,283	180,552	–	–
At end of year	496,638	2,720,395	–	–

The allowance of HK\$496,638 (2007: HK\$2,720,395) has been made for estimated irrecoverable amounts from the sale of goods. This provision has been determined by reference to past default experience.

The following is the aging analysis of trade receivables, net of allowance for impairment of trade receivables, as at the balance sheet date:

	The Group	
	2008	2007
	HK\$	HK\$
0-60 days	13,052,694	9,693,235
61-90 days	12,705,356	3,298,793
> 90 days	9,674,255	7,975,427
	35,432,305	20,967,455

- (iii) The aging analysis of trade receivable that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2008	2007
	HK\$	HK\$
Neither past due or impaired	25,758,050	12,992,028
Less than 3 months past due	9,522,555	7,347,975
	35,280,605	20,340,003

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.

- (iv) The movements in the allowance for impairment on other receivables during the year were as follows:

	The Group		The Company	
	2008 HK\$	2007 <i>HK\$</i>	2008 HK\$	2007 <i>HK\$</i>
At beginning of year	986,516	1,095,863	800,000	–
Additional allowance	–	800,000	–	800,000
Uncollectible amounts written off	(986,516)	(912,999)	(800,000)	–
Exchange adjustment	–	3,652	–	–
At end of year	–	986,516	–	800,000

- (v) The aging analysis of other receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group		The Company	
	2008 HK\$	2007 <i>HK\$</i>	2008 HK\$	2007 <i>HK\$</i>
Neither past due nor impaired	1,443,379	895,442	342,850	100,400

Other receivables that were neither past due nor impaired related to advances to various parties for whom there was no recent history of default.

12. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
Trade payables	4,198,843	7,270,181	–	–
Other payables	5,849,497	4,250,180	–	–
Accruals	12,762,375	11,246,441	1,575,820	1,363,439
VAT payable	2,821,566	3,108,099	–	–
Deposits received	10,655,676	3,262,548	–	–
	36,287,957	29,137,449	1,575,820	1,363,439

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

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

	The Group	
	2008 HK\$	2007 HK\$
0-60 days	3,212,507	7,124,050
61-90 days	593,982	71,561
> 90 days	392,354	74,570
	4,198,843	7,270,181

13. BANK AND OTHER BORROWINGS

	2008	2007
	HK\$	HK\$
The Group		
Bank and other loans repayable within one year:		
Secured bank loans	34,637,630	22,470,000
Unsecured other loan	–	6,420,000
	34,637,630	28,890,000

The Group had six principal secured bank loans in 2008:

- (i) a loan of RMB4,000,000 (equivalent to HK\$4,542,640). The loan was advanced in October 2008 and was repaid in full in January 2009. The loan was secured by a charge over certain of the Group's land and properties. The loan carried fixed interest at 6.732% per annum.
- (ii) a loan of RMB4,000,000 (equivalent to HK\$4,542,640). The loan was advanced in December 2008 and is due for repayment in November 2009. The loan is secured by a charge over certain of the Group's land and properties. The loan carries fixed interest at 6.138% per annum.
- (iii) a loan of RMB4,000,000 (equivalent to HK\$4,542,640). The loan was advanced in November 2008 and is due for repayment in November 2009. The loan is secured by a charge over certain of the Group's land and properties. The loan carries fixed interest rate at 7.326% per annum.
- (iv) a loan of RMB9,000,000 (equivalent to HK\$10,220,940). The loan was advanced in November 2008 and is due for repayment in November 2009. The loan is secured by a charge over certain of the Group's land and properties. The loan carries fixed interest rate at 7.326% per annum.
- (v) a loan of RMB4,500,000 (equivalent to HK\$5,110,770). The loan was advanced in March 2008 and was repaid in full in March 2009. The loan was secured by certain inventories of the Group with a carrying amount of HK\$23,786,000. The loan carried fixed interest rate at 9.711% per annum.
- (vi) a loan of RMB5,000,000 (equivalent to HK\$5,678,000). The loan was advanced in August 2008 and was repaid in full in February 2009. The loan was secured by certain inventories of the Group with a carrying amount of HK\$20,246,000. The loan carried fixed interest rate at 8.54% per annum.

The Group had three principal secured bank loans and an unsecured other loan in 2007:

- (i) a loan of RMB8,000,000 (equivalent to HK\$8,560,000). The loan was advanced in April 2007 and was repaid in full during the year. The loan was secured by a charge over certain of the Group's land and properties. The loan carried fixed interest at 7.029% per annum.
- (ii) a loan of RMB5,000,000 (equivalent to HK\$5,350,000). The loan was advanced in November 2007 and was repaid in full during the year. The loan was secured by a charge over certain of the Group's land and properties. The loan carried fixed interest at 8.019% per annum.
- (iii) a loan of RMB8,000,000 (equivalent to HK\$8,560,000). The loan was advanced in December 2007 and was repaid in full during the year. The loan was secured by a charge over certain of the Group's land and properties. The loan carried fixed interest rate at 8.019% per annum.
- (iv) a loan of RMB6,000,000 (equivalent to HK\$6,420,000). The loan was advanced in March 2007 and was repaid in full during the year. The loan carried fixed interest rate at 9.8% per annum.

14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each HK\$	Amount HK\$
The Company		
Authorised:		
At 31 December 2008 and 2007	1,000,000,000	100,000,000
Issued and fully paid:		
At 31 December 2008 and 2007	556,750,000	55,675,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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

In the year of 2008, the Group was resilient and able to maintain its organic growth from its core biopharmaceutical products, 貝復舒 (Beifushu) and 貝復濟 (Beifuji), the continued growth was made possible through its established distribution network and relentless marketing effort and investments 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 and will continue with the program for its future growth avenue.

In parallel, the Group's effort which dedicated towards cultivating and developing the business of agricultural fertilizers in the past years has started to pay off as witnessed from its significant contributions in this financial year. This business is done through its subsidiary, Baoyuan, which is principally engaged in the research, development and production of organic and chemical formulated agricultural fertilizers, in solid and liquid forms, for the agriculture industry in the PRC.

MARKET DEVELOPMENT

During the year under review, the Group maintained 17 direct representative offices ("DROs"), which are located in major provinces in the PRC. There are over 1,000 hospitals in major provinces in the PRC that carry the Group's flagship biopharmaceutical products.

To cultivate further market coverage and reach for the Group's genetic products, the Group has conducted over 102 seminars and 582 market promotion activities in major cities and provinces in the PRC for the year under review, educating more than 26,000 doctors and medical practitioners on the clinical applications of the Group's biopharmaceutical products.

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

During the year under review, the Group has successfully concluded two strategic business tie-ups with two international pharmaceutical companies, details of which are outlined below:

- 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.
- ABC Farmaceutici S.P.A — One of the Company's subsidiaries, Essex Medipharma (Zhuhai) Company Limited 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. Ursodeoxycholic acid (UDCA) API has obtained import license to the PRC.

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 State Food Drug Administration of China (“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.
- 貝復適 (Beifushi) — Clinical trials are in progress. 貝復適 (Beifushi) is a category I biopharmaceutical product designed for the treatment and healing of duodenal ulcers.
- 貝復泰 (Beifutai) — Pre-clinical tests have been concluded and are pending SFDA’s approval to start clinical trials. 貝復泰 (Beifutai) is a category I biopharmaceutical product based on rh-bFGF for the treatment of nervous system diseases and damages.
- rh-GDNF — Pre-clinical tests are in progress. rh-GDNF is a neurotrophic factor for the treatment of nervous system damages and diseases.
- 妥布霉素滴眼液 (Tobramycin Eye Drop) — The research and development on this project has been successfully completed and is pending receipt of the Good Manufacturing Practice (“GMP”) certification and SFDA’s approval in order to commence production. 妥布霉素滴眼液 (Tobramycin Eye Drop) is developed for the treatment and healing of bacterial contamination.
- 雙氯芬酸鈉滴眼液 (Diclofenac Sodium Eye Drop) — The project has successfully obtained SFDA’s approval for commercialisation and GMP certification. It is being planned for market launch in 2009. 雙氯芬酸鈉滴眼液 (Diclofenac Sodium Eye Drop) is developed for the treatment and healing of keratitis and inflammation after cataract surgery.

FINANCIAL REVIEW

The Group recorded approximately HK\$214.1 million in turnover for the year ended 31 December 2008, a significant increase of 40.2% over the corresponding previous year.

Overall gross profit for the year ended 31 December 2008 increased to approximately HK\$102.6 million when compared to approximately HK\$69.8 million recorded in last year. The increase is attributable to the significant increase in sale of the Group’s flagship pharmaceutical products and agricultural fertilizers, with gross margins of 89% and 15.3% respectively, during the year under review.

The significant increase in turnover and gross profit have resulted in a profit attributable to equity holders of the Company of approximately HK\$21.8 million for the year ended 31 December 2008.

Distribution and selling expenses increased to approximately HK\$63.9 million for the year ended 31 December 2008 when compared to approximately HK\$47.3 million recorded in last year. The increase was mainly attributable to higher expenses incurred in sales, marketing and promotional activities in the year under review.

Administrative expenses increased to approximately HK\$16.3 million in the year ended 31 December 2008 when compared to approximately HK\$14.5 million recorded in the previous year. The increase is in tandem with the expanded operations to support the business expansion.

The Group had cash and cash equivalents of approximately HK\$49.9 million as at 31 December 2008 (2007: HK\$38.4 million).

The Group had pledged deposits of approximately HK\$2.3 million as at 31 December 2008 (2007: HK\$5.7 million).

As at 31 December 2008, short-term secured bank loans amounted to approximately HK\$34.6 million (2007: HK\$22.5 million). The short-term secured bank loans are secured by a charge over the Group’s land, properties and inventories. No other unsecured borrowings as at 31 December 2008 (2007: HK\$6.4 million).

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements. The Directors have recommended the payment of a final dividend of HK\$0.01 per share totally HK\$5,567,500 for the financial year ended 31 December 2008 to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 7 May 2009. The final dividend will be payable on Friday, 22 May 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 5 May 2009 to Thursday, 7 May 2009, 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 Friday, 8 May 2009, 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 Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 4 May 2009.

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

On 30 December 2008, Zhuhai Essex Bio-Pharmaceutical Company Limited, an indirect wholly-owned subsidiary of the Company, was successful in its bid for the land at a consideration of RMB6,431,000 (equivalent to approximately HK\$7,268,000) for the purpose of the construction of a production plant on the land in Zhuhai (the "Land") to facilitate the relocation and development plan of the Group.

A production plant will be built on the Land and the Group's operation in the current production plant will be relocated by stages once the construction of the new production plant is completed. Based on the preliminary planning and estimation with reference to the prevailing market rate of the relevant items, the capital expenditure for the construction of the new production plant and the purchase of machinery and equipment for installation in the new production plant is estimated to be approximately RMB9,100,000 (equivalent to approximately HK\$10,283,000).

Details of the acquisition are stated in the Company's announcement dated 30 December 2008 and circular dated 20 January 2009.

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

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.

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 Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2008 have been reviewed by the audit committee, which is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions on Corporate Governance Practices as set out in 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. A report on the principle corporate governance practices adopted by the Company is set out in the annual report.

ON BEHALF OF THE BOARD

Ngiam Mia Je Patrick

Chairman

Hong Kong
26 March 2009

DIRECTORS OF THE COMPANY

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.essexbio.com.