

ESSEX

ESSEX BIO-TECHNOLOGY LIMITED
億勝生物科技股份有限公司

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

2009
Interim Report





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

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



RESULTS

The board of directors of Essex Bio-Technology Limited (the "Company") presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 June 2009 together with the comparative figures for the corresponding periods in last financial year.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended		For the six months ended	
		30 June		30 June	
	Notes	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover	2	51,254	63,217	118,222	111,962
Cost of sales		(24,691)	(34,662)	(73,734)	(62,396)
Gross profit		26,563	28,555	44,488	49,566
Other income	2	916	4,741	2,481	6,839
Distribution and selling expenses		(19,447)	(16,087)	(33,173)	(27,334)
Administrative expenses		(5,712)	(4,930)	(9,701)	(7,986)
Finance costs		(404)	(566)	(908)	(1,194)
Profit before taxation	4	1,916	11,713	3,187	19,891
Taxation	5	(1,150)	(637)	(1,871)	(1,092)
Profit for the period		766	11,076	1,316	18,799
Other comprehensive income:					
Exchange differences arising on translation of overseas operations		7	1,713	9	4,268
Total comprehensive income for the period		773	12,789	1,325	23,067
Profit attributable to:					
Equity holders of the Company		2,897	8,251	4,709	14,168
Minority interests		(2,131)	2,825	(3,393)	4,631
		766	11,076	1,316	18,799
Total comprehensive income attributable to:					
Equity holders of the Company		2,904	9,743	4,718	17,970
Minority interests		(2,131)	3,046	(3,393)	5,097
		773	12,789	1,325	23,067
Earnings per share – Basic	7	HK0.52 cents	HK1.48 cents	HK0.85 cents	HK2.54 cents



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2009 HK\$'000 (Unaudited)	At 31 December 2008 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	23,228	24,404
Land use rights	9	15,008	7,768
Goodwill		2,383	2,383
Other intangible assets	10	1,949	2,105
Deposit for acquisition of land use rights		-	2,272
		42,568	38,932
CURRENT ASSETS			
Inventories		23,951	55,446
Trade receivables	11	36,627	35,432
Other receivables		2,748	1,609
Deposits and prepayments		4,888	2,339
Pledged bank deposits		-	2,271
Cash and cash equivalents		54,060	49,945
		122,274	147,042
TOTAL ASSETS		164,842	185,974
EQUITY			
Share capital		55,675	55,675
Reserves		46,372	47,222
Equity attributable to equity holders of the Company		102,047	102,897
Minority interests		7,484	10,877
TOTAL EQUITY		109,531	113,774
CURRENT LIABILITIES			
Trade payables	12	5,169	4,198
Other payables		19,796	32,090
Bank borrowings	13	28,844	34,638
Taxation		1,502	1,274
		55,311	72,200
TOTAL EQUITY AND LIABILITIES		164,842	185,974
NET CURRENT ASSETS		66,963	74,842
TOTAL ASSETS LESS CURRENT LIABILITIES		109,531	113,774



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory surplus reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000	Attributable to equity holders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2008	55,675	970	362	3,771	5,282	11,442	77,502	5,391	82,893
Total comprehensive income for the period	-	-	-	-	3,802	14,168	17,970	5,097	23,067
Appropriation of profits	-	-	-	1,137	-	(1,137)	-	-	-
At 30 June 2008	55,675	970	362	4,908	9,084	24,473	95,472	10,488	105,960
At 1 January 2009	55,675	970	362	5,889	8,851	31,150	102,897	10,877	113,774
Total comprehensive income for the period	-	-	-	-	9	4,709	4,718	(3,393)	1,325
2008 final dividend declared	-	-	-	-	-	(5,568)	(5,568)	-	(5,568)
Appropriation of profits	-	-	-	970	-	(970)	-	-	-
At 30 June 2009	55,675	970	362	6,859	8,860	29,321	102,047	7,484	109,531



UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	13,253	14,909
NET CASH USED IN INVESTING ACTIVITIES	(3,342)	(621)
NET CASH USED IN FINANCING ACTIVITIES	(5,794)	(1,136)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,117	13,152
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	49,945	38,371
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2)	1,857
CASH AND CASH EQUIVALENTS AT END OF PERIOD	54,060	53,380
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	54,060	53,380



NOTES

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The Group's unaudited condensed interim financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The Group's unaudited condensed interim financial statements for the six months ended 30 June 2009 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed interim financial statements are consistent with those used in the 2008 audited financial statements.

2. TURNOVER AND OTHER INCOME

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.

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

		For the three months ended 30 June 2008 HK\$'000		For the six months ended 30 June 2008 HK\$'000
	2009 HK\$'000		2009 HK\$'000	
Turnover:				
Sales of biopharmaceutical products	29,406	22,919	49,975	40,203
Sales of agricultural fertilizers	21,848	40,298	68,247	71,759
	51,254	63,217	118,222	111,962
Other income:				
Value added tax refund	655	2,396	2,047	4,306
Write back of provision for trade receivables	-	1,929	-	1,929
Interest income:				
Bank deposits	33	161	121	239
Others	228	255	313	365
	916	4,741	2,481	6,839
	52,170	67,958	120,703	118,801



3. SEGMENT INFORMATION

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		Total	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue from external customers	49,975	40,203	68,247	71,759	118,222	111,962
Segment result	12,042	11,096	(6,028)	10,646	6,014	21,742
Unallocated expenses, net					(1,919)	(657)
Finance costs					(908)	(1,194)
Taxation					(1,871)	(1,092)
Profit for the period					1,316	18,799
Segment assets	82,866	72,857	73,823	80,537	156,689	153,394
Unallocated assets					8,153	7,858
Total assets					164,842	161,252
Segment liabilities	15,998	14,491	38,768	40,222	54,766	54,713
Unallocated liabilities					545	579
Total liabilities					55,311	55,292
Depreciation	847	876	793	681	1,640	1,557
Amortization	205	153	82	80	287	233
Capital expenditure	7,776	–	229	–	8,005	–

(b) Geographical segments

All operating assets and operations of the Group during the periods ended 30 June 2009 and 2008 were located in the PRC. Accordingly, no geographical segment information is presented.



4. PROFIT BEFORE TAXATION

The Group's profit before taxation is stated after charging/(crediting) the following:

	For the three months ended 30 June		For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Cost of inventories sold	24,691	34,662	73,734	62,396
Write back provisions for trade receivables	(51)	(1,929)	(86)	(1,929)
Amortisation of other intangible assets	76	77	155	153
Amortisation of land use rights	91	40	132	80
Depreciation of property, plant and equipment	820	778	1,640	1,557
Staff costs excluding directors' remuneration:				
Salaries and allowances	3,687	4,020	7,639	6,873
Pension fund contributions	230	223	463	393
Auditors' remuneration	120	120	240	220
Research and development costs expensed immediately	564	861	1,106	985

5. TAXATION

	For the three months ended 30 June		For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Current-PRC Provision for the period	1,150	637	1,871	1,092

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

The Group's operating subsidiary in Zhuhai, the PRC, is 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 Enterprises 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, is 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 Group's operating subsidiary in Yantai, the PRC, is subject to enterprise income tax at a concessionary rate of 20% (2008: 18%). No provision for enterprise income tax has been made for the three months and six months ended 30 June 2009 as the subsidiary incurred loss for the three months and six months ended 30 June 2009.

Deferred tax has not been provided as there was no significant temporary differences which would give rise to deferred tax liabilities at the balance sheet date (2008: Nil). The potential tax benefits attributable to tax losses of the Group and the Company have not been recognized due to unpredictability of future profit streams (2008: Nil).



6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2009 is based on the profit attributable to equity holders of the Company of HK\$2,897,000 (2008: HK\$8,251,000) and HK\$4,709,000 (2008: HK\$14,168,000) and 556,750,000 ordinary shares in issue during the three months and six months ended 30 June 2009 and 2008.

There was no diluted earnings per share for both periods ended 30 June 2009 and 2008 since the Company had no dilutive potential shares outstanding as at 30 June 2009 and 2008.

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
At 1 January 2008	15,301	14,677	3,722	1,639	35,339
Additions	252	481	387	1,095	2,215
Disposals	–	(4)	(283)	–	(287)
Exchange adjustments	940	903	201	105	2,149
At 31 December 2008 and 1 January 2009	16,493	16,057	4,027	2,839	39,416
Additions	218	47	114	103	482
Disposals	–	–	–	(185)	(185)
Exchange adjustments	(1)	(1)	–	–	(2)
At 30 June 2009	16,710	16,103	4,141	2,757	39,711
Accumulated depreciation:					
At 1 January 2008	2,344	5,234	2,682	960	11,220
Charge for the year	1,396	1,400	252	224	3,272
Disposals	–	(3)	(252)	–	(255)
Exchange adjustments	150	328	237	60	775
31 December 2008 and 1 January 2009	3,890	6,959	2,919	1,244	15,012
Charge for the period	719	558	168	195	1,640
Write off	–	–	–	(167)	(167)
Exchange adjustments	(1)	(1)	–	–	(2)
At 30 June 2009	4,608	7,516	3,087	1,272	16,483
Net book value:					
At 30 June 2009 (unaudited)	12,102	8,587	1,054	1,485	23,228
At 31 December 2008 (audited)	12,603	9,098	1,108	1,595	24,404



The Group has pledged its buildings and leasehold improvements with a carrying value of HK\$10,958,000 (31 December 2008: HK\$9,963,000) to secure loan facilities granted to the Group.

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

9. LAND USE RIGHTS

	HK\$'000
Cost:	
At 1 January 2008	7,772
Exchange adjustments	477
At 31 December 2008 and 1 January 2009	8,249
Additions	7,523
Exchange adjustments	(1)
At 30 June 2009	15,771
Accumulated amortisation:	
At 1 January 2008	142
Charge for the year	164
Exchange adjustments	10
At 31 December 2008 and 1 January 2009	316
Charge for the period	132
Exchange adjustments	–
At 30 June 2009	448
Carrying amount:	
At 30 June 2009	15,323
Portion classified as current assets (included in other receivables)	(315)
Non-current assets	15,008
At 31 December 2008	7,933
Portion classified as current assets (included in other receivables)	(165)
Non-current assets	7,768

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

The Group has pledged its land use rights with a carrying value of HK\$8,249,000 (31 December 2008: HK\$7,772,000) to secure loan facilities granted to the Group.



10. OTHER INTANGIBLE ASSETS

	Technical Know-how HK\$'000	Development expenditure HK\$'000	Total HK\$'000
Cost:			
At 1 January 2008	235	7,798	8,033
Exchange adjustments	14	479	493
At 31 December 2008 and 1 January 2009	249	8,277	8,526
Exchange adjustments	-	(1)	(1)
At 30 June 2009	249	8,276	8,525
Accumulated amortisation and impairment:			
At 1 January 2008	235	5,517	5,752
Charge for the year	-	286	286
Exchange adjustments	14	369	383
At 31 December 2008 and 1 January 2009	249	6,172	6,421
Charge for the period	-	155	155
Exchange adjustments	-	-	-
At 30 June 2009	249	6,327	6,576
Net book value:			
At 30 June 2009 (unaudited)	-	1,949	1,949
At 31 December 2008 (audited)	-	2,105	2,105

11. TRADE RECEIVABLES

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

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

	At 30 June 2009 HK\$'000 (unaudited)	At 31 December 2008 HK\$'000 (audited)
0-60 days	19,032	13,053
61-90 days	6,550	12,705
> 90 days	11,045	9,674
	36,627	35,432



12. TRADE PAYABLES

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

	At 30 June 2009 HK\$'000 (unaudited)	At 31 December 2008 HK\$'000 (audited)
0-60 days	2,031	3,212
61-90 days	2,825	594
> 90 days	313	392
	5,169	4,198

13. BANK BORROWINGS

	At 30 June 2009 HK\$'000 (unaudited)	At 31 December 2008 HK\$'000 (audited)
Short-term bank borrowings – secured	23,848	34,638
Short-term bank borrowings – unsecured	4,996	–
	28,844	34,638

The short-term bank borrowings is secured on the land and properties of carrying amount of HK\$19,207,000.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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

In the first half of 2009, the Group's pharmaceutical business 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.

The Group's another subsidiary, Baoyuan Bio-Agri (Shandong) Limited ("Shandong Baoyuan"), was engaged in the business of agricultural fertilizers, suffered losses in two consecutive quarters and it is expected to continue trading at depressed conditions for the remaining months of the year.

To pursue the greater development in the pharmaceutical business arena and unlock the cash for its development, the Group has disposed of its entire investment in Shandong Baoyuan on 30 June 2009 at a consideration of RMB8,000,000 (approximately HK\$9,061,600), details of which were announced on 2 July 2009 and in a circular published on 23 July 2009. Upon completion of the disposal, Shandong Baoyuan will cease to be a subsidiary of the Company and consequently the financial results of Shandong Baoyuan would not be consolidated in the accounts of the Group thereon.

MARKET DEVELOPMENT

During the period under review, the Group established 3 more direct representative offices ("DROs") in Nanning, Liuzhou and Hainan. The Group totally maintained 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 50 seminars and 278 market promotion activities in major cities and provinces in the PRC for the period under review, educating more than 11,000 doctors and medical practitioners on the clinical applications of the Group's products.

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 SFDA's approval for commercialisation and GMP certification, the product was launched in second quarter of 2009.

The Group's subsidiary Zhuhai Essex Bio-Pharmaceutical Co. Ltd, 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 & development and market cultivation program, catapulting the Group to excel new heights.

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 to SFDA for approval in the second quarter of 2009.

- 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.

Import and distribution licenses of ursodeoxycholic acid (UDCA) was obtained during the period under review. Licence to distribute UDCA capsules will be applied in the second half of 2009.

RESEARCH AND DEVELOPMENT ("R&D")

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

- 貝復舒單劑量滴眼液 (Beifushi 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") approval in order to commence production. Beifushu single dose eye drop is developed for the treatment and healing of dry eye and cornea after various surgeries.
- 貝復適 (Beifushi) – Clinical trials are in progress. 貝復適 (Beifushi) is a category I biopharmaceutical product designed for the treatment and healing of duodenal ulcers.
- 貝復泰 (Beifutai) – Pre-clinical tests have been concluded and are pending SFDA's approval to start clinical trials. 貝復泰 (Beifutai) is a category I biopharmaceutical product based on rh-bFGF for the treatment of nervous system diseases and damages.
- rh-GDNF – Pre-clinical tests are in progress. rh-GDNF is a neurotrophic factor for the treatment of nervous system damages and diseases.
- 妥布霉素滴眼液 (Tobramycin Eye Drop) — The research and development on this project has been successfully completed and 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 to be launched in the first quarter of 2010.



FINANCIAL REVIEW

The Group recorded approximately HK\$118.2 million in turnover for the six months ended 30 June 2009, an increase of 5.6% over the corresponding period of last year, even though the Group turnover for the three months ended 30 June 2009 was decreased by 18.9% to approximately HK\$51.3 million as compared to approximately HK\$63.2 million in the corresponding previous quarter.

The increase of turnover for the six months ended 30 June 2009 was attributed to the increase of 24.3% of the sale of flagship pharmaceutical products to approximately HK\$50 million as compared to corresponding period of last year. Sale of flagship pharmaceutical products was also increased by 28.3% for the three months ended 30 June 2009 as compared to the corresponding previous quarter. In the first half of 2009, the Group's pharmaceutical business was resilient and able to maintain its organic growth from its core biopharmaceutical products.

The decrease of turnover for the three months ended 30 June 2009 was caused by the significant decrease of 45.8% of the sale of agricultural fertilizers to approximately HK\$21.8 million for the second quarter of 2009 as compared to approximately HK\$40.3 million in the corresponding previous quarter. Turnover from agricultural fertilizers for the six months ended 30 June 2009 also decreased by 4.9% to approximately HK\$68.2 million as compared to approximately HK\$71.8 million in the first half of 2008.

Overall gross profit for the six months ended 30 June 2009 decreased to approximately HK\$44.5 million when compared to approximately HK\$49.6 million recorded in same period of last year. The decline is mainly attributable to the volatility of prices of raw materials for agricultural fertilizers which had a negative impact on the Group's agricultural fertilizers business, whilst the pharmaceutical business of the Group is still contributing positively and maintained at over 88% gross profit ratio throughout the first half of 2009.

Distribution and selling expenses increased to approximately HK\$33.2 million for the six months ended 30 June 2009 when compared to approximately HK\$27.3 million recorded in the same period of last year. The increase was mainly attributable to higher expenses incurred in sales, marketing and promotional activities in the period under review.

Administration expenses increased to approximately HK\$9.7 million in the six months ended 30 June 2009 when compared to approximately HK\$8 million recorded in the corresponding previous period. The increase is in tandem with the expanded operations to support pharmaceutical business expansion.

The Group had cash and cash equivalents of approximately HK\$54.1 million as at 30 June 2009 (31 December 2008: HK\$49.9 million).

As at 30 June 2009, the Group had outstanding bank borrowings of approximately HK\$28.8 million of which an amount of HK\$23.8 million was secured by a charge of the land and properties owned by Shandong Baoyuan and an amount of HK\$5 million was guaranteed by Mr. Liu Bao De, a director of Shandong Baoyuan and a third party.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the period under review. The capital of the Company comprises only ordinary shares. The Group has short-term secured and unsecured bank loans amounted to approximately HK\$28.8 million as at 30 June 2009 (31 December 2008: HK\$34.6 million).



SIGNIFICANT INVESTMENTS

As at 30 June 2009, the Group did not have any significant investments save as those disclosed in this report.

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

On 30 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 will cease to be a subsidiary of the Company. The transaction details please refer to the Company's announcement on 2 July 2009 and the circular issued on 23 July 2009.

GEARING RATIO

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debts as total debt (which includes interest-bearing loans and borrowings and trade and other payables) less cash and cash equivalents. Adjusted capital comprises all components of equity. In this regard, the Group had a net cash position and its gearing ratio should be zero as at 30 June 2009 (31 December 2008: 16.4%).

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group had cash and cash equivalents of approximately HK\$54.1 million as at 30 June 2009 (31 December 2008: HK\$49.9 million).

FOREIGN EXCHANGE EXPOSURE

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

CHARGES ON GROUP ASSETS

As at 30 June 2009, the Group had outstanding bank borrowings of approximately HK\$28.8 million of which an amount of HK\$23.8 million was secured by a charge of the land and properties owned by Shandong Baoyuan and an amount of HK\$5 million was guaranteed by Mr. Liu Bao De, a director of Shandong Baoyuan and a third party.

The short-term secured bank borrowings are secured by a charge over the Group's land and properties.

CONTINGENT LIABILITY

The Group did not have any significant contingent liabilities as at 30 June 2009.

SEGMENTAL INFORMATION

The segmental information of the Group's products is set out on page 7.



EMPLOYEES

As at 30 June 2009, the Group has a total of 270 full-time employees. The aggregate remuneration of the Group's employees, including that of the directors, for the period under review and the previous period amounted to approximately HK\$9 million and approximately HK\$8 million respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending on the financial performance of the Group.

Each of the three executive directors has entered into a service agreement with the Company whereby each of them has been appointed to act as executive directors 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 to 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 exceed 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.

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

As at 30 June 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 Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of the Stock Exchange (the "GEM Listing Rules"), were as follows:

Long positions in ordinary shares of the Company:

Name	Personal interests	Number of issued ordinary shares of HK\$0.10 each in the Company			Total	Approximate percentage of the Company's issued share capital
		Family interests	Corporate interests	Other interests		
Ngiam Mia Je Patrick	2,250,000	–	288,458,000 (Note 1) 6,666,667 (Note 2)	–	297,374,667	53.41
Fang Haizhou	2,000,000	–	–	–	2,000,000	0.36
Zhong Sheng	1,500,000	–	–	–	1,500,000	0.27



Notes:

1. 288,458,000 shares were held by Essex Holdings Limited (“Essex Holdings”) which is owned as to 50% by Ngiam Mia Je Patrick and as to 50% by Ngiam Mia Kiat Benjamin. Therefore, Ngiam Mia Je Patrick was deemed to be interested in these shares as he was entitled to exercise or control the exercise of more than one-third of the voting power of Essex Holdings at general meetings.
2. 6,666,667 shares were held by Dynatech Ventures Pte Ltd (“Dynatech”) which is wholly owned by Essex Investment (Singapore) Pte Ltd (“Essex Singapore”). Since Essex Singapore is owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares and therefore, Ngiam Mia Je Patrick was deemed to be interested in these shares as he was entitled to exercise or control the exercise of more than one-third of the voting power of Dynatech at general meeting.

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

Name	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 30 June 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 Rules 5.46 of the GEM Listing Rules.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed “Directors’ and chief executive’s interest and short positions in shares, underlying shares and debentures” above, at no time during the period 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 30 June 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 under Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Capacity and Nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Essex Holdings Limited	Beneficial owner	288,458,000	51.81
Ngiam Mia Kiat Benjamin	Beneficially 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:

- 325,000 shares were registered directly in the name of Ngiam Mia Kiat Benjamin.
 - 288,458,000 shares were held by Essex Holdings; and
 - 6,666,667 shares were held by Dynatech.
- Lauw Hui Kian is the spouse of Ngiam Mia Je Patrick (an executive director), Lauw Hui Kian was deemed to be interested in the shares in which Ngiam Mia Je Patrick was interested. Ngiam Mia Je Patrick was interested in 297,374,667 shares of the company.

Save as disclosed above, as at 30 June 2009, as far as is known to the directors, there was no other person had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

COMPLIANCE WITH CODE ON 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 throughout the period under review.



DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings under the GEM Listing Rules throughout the period ended 30 June 2009.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflicts of interest with the Group during the period under review which are required to be disclosed under the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Mr Fung Chi Ying, Mr Mauffrey Benoit Jean Marie and Madam Yeow Mee Mooi. All of them are independent non-executive directors of the Company.

The Group's unaudited results for the six months ended 30 June 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 disclosure has been made.

DIRECTORS OF THE COMPANY

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

ON BEHALF OF THE BOARD

Ngiam Mia Je Patrick

Chairman

Hong Kong

12 August 2009