

ESSEX

ESSEX BIO-TECHNOLOGY LIMITED  
億勝生物科技有限公司

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

2009  
Third Quarterly Report





## **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 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 consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2009 together with the comparative figures for the corresponding periods in last financial year.

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2009 HK\$'000	2008 HK\$'000 (Restated)	2009 HK\$'000	2008 HK\$'000 (Restated)
<b>Continuing operations</b>					
Turnover	2	33,412	28,103	83,386	68,306
Cost of sales		(2,731)	(2,387)	(7,955)	(6,627)
Gross profit		30,681	25,716	75,431	61,679
Other income	2	120	188	186	349
Distribution and selling expenses		(20,227)	(15,610)	(48,881)	(38,623)
Administrative expenses		(4,816)	(3,666)	(10,855)	(6,337)
Finance costs		(7)	–	(20)	–
Profit before taxation		5,751	6,628	15,861	17,068
Taxation	3	(1,074)	(701)	(2,945)	(1,793)
Profit from continuing operations		4,677	5,927	12,916	15,275
<b>Discontinued operations</b>					
Profit/(loss) from discontinued operations for the period		(1,091)	3,587	(8,014)	13,038
Profit for the period		3,586	9,514	4,902	28,313
<b>Other comprehensive income:</b>					
Exchange differences arising on translation of overseas operations		5	(857)	14	3,410
Total comprehensive income for the period		3,591	8,657	4,916	31,723
<b>Profit attributable to:</b>					
Equity holders of the Company		3,586	7,756	8,295	21,924
Minority interests		–	1,758	(3,393)	6,389
		3,586	9,514	4,902	28,313
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		3,591	6,899	8,309	25,334
Minority interests		–	1,758	(3,393)	6,389
		3,591	8,657	4,916	31,723
<b>Earnings per share – Basic</b>					
From continuing and discontinued operations	5	HK0.64 cents	HK1.40 cents	HK1.49 cents	HK3.94 cents
From continuing operations		HK0.84 cents	HK1.06 cents	HK2.32 cents	HK2.74 cents



Notes

**1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION**

The Group's third quarterly unaudited results of 2009 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 consolidated results for the nine months ended 30 September 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 consolidated results 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 September		For the nine months ended 30 September	
	2009 HK\$'000	2008 HK\$'000 (Restated)	2009 HK\$'000	2008 HK\$'000 (Restated)
<b>Continuing operations</b>				
Turnover:				
Sales of biopharmaceutical products	33,412	28,103	83,386	68,306
Other income:				
Interest income-bank deposits	37	183	103	343
Others	83	5	83	6
	120	188	186	349
<b>Discontinued operations</b>				
Turnover:				
Agricultural fertilizers	18,092	34,471	86,339	106,230
Other income	564	245	2,979	6,923

**3. TAXATION**

	For the three months ended 30 September		For the nine months ended 30 September	
	2009 HK\$'000	2008 HK\$'000 (Restated)	2009 HK\$'000	2008 HK\$'000 (Restated)
Current-PRC Provision for the period	1,074	701	2,945	1,793



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 Enterprise Certificates) 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 discontinued operations 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 nine months ended 30 September 2009 as the subsidiary incurred loss for the three months and nine months ended 30 September 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).

#### 4. DIVIDENDS

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

#### 5. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	For the three months ended 30 September		For the nine months ended 30 September	
	2009 HK\$'000	2008 HK\$'000 (Restated)	2009 HK\$'000	2008 HK\$'000 (Restated)
<b>For continuing and discontinued operations</b>				
Profit for the period attributable to equity holders of the Company	<b>3,586</b>	7,756	<b>8,295</b>	21,924
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	<b>556,750,000</b>	556,750,000	<b>556,750,000</b>	556,750,000
<b>For continuing operations</b>				
Profit for the period attributable to equity holders of the Company	<b>3,586</b>	7,756	<b>8,295</b>	21,924
Less: Profit/(loss) for the period from discontinued operations	<b>(1,091)</b>	1,829	<b>(4,621)</b>	6,649
Earnings for the purposes of basic earnings per share from continuing operations	<b>4,677</b>	5,927	<b>12,916</b>	15,275

Diluted earnings per share is not presented as there were no dilutive potential shares in issue during the three months and nine months ended 30 September 2009 and 2008.



## 6. RESERVES

	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	970	362	3,771	5,282	11,442	21,827	5,391	27,218
Total comprehensive income for the period	-	-	-	3,411	21,924	25,335	6,389	31,724
Appropriation of profits	-	-	1,797	-	(1,797)	-	-	-
At 30 September 2008	970	362	5,568	8,693	31,569	47,162	11,780	58,942
As 1 January 2009	970	362	5,889	8,851	31,150	47,222	10,877	58,099
Released upon disposal of a subsidiary	-	-	-	(885)	-	(885)	-	(885)
Total comprehensive income for the period	-	-	-	14	8,295	8,309	(10,877)	(2,568)
2008 final dividend declared	-	-	-	-	(5,568)	(5,568)	-	(5,568)
Appropriation of profits	-	-	1,712	-	(1,712)	-	-	-
At 30 September 2009	970	362	7,601	7,980	32,165	49,078	-	49,078

## 7. DISCONTINUED OPERATIONS

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). The transaction was completed and Shandong Baoyuan has since ceased to be a subsidiary of the Company. Accordingly, the business segment of agricultural fertilizers was classified as discontinued operation for the nine months ended 30 September 2009.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

During the period under review, the Group's principal activities were 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 three quarters 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 sustained 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.

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. The transaction was completed and Shandong Baoyuan has since ceased 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

#### *Distribution network*

During the period under review, the Group established 3 more direct representative offices ("DROs") in Nanning, Liuzhou and Hainan. 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 90 seminars and 400 market promotion activities in major cities and provinces in the PRC for the period under review, educating more than 24,000 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 SFDA's approval for commercialisation and GMP certification, the product was launched in second quarter of 2009.

#### *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 AzaSiteR® 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) was obtained during the period under review. Licence to distribute UDCA capsules will be applied in the fourth quarter of 2009.

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 from SFDA for sales in the PRC. The product is scheduled for commercial launch in the first quarter of 2010.

## Collaboration agreements

The Group has 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 damaged and reducing 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 fourth quarter of 2009.





## 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 cooperation 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 trials 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 trial 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 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”) 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 for commercial launch in the first quarter of 2010.

### **FINANCIAL REVIEW**

The Group recorded approximately HK\$83.4 million in turnover for the sale of pharmaceutical products for the nine months ended 30 September 2009, an increase of 22.1% over the corresponding period of last year.

Overall gross profit for the nine months ended 30 September 2009 increased to approximately HK\$75.4 million when compared to approximately HK\$61.7 million recorded in same period of last year.

Distribution and selling expenses increased to approximately HK\$48.9 million for the nine months ended 30 September 2009 when compared to approximately HK\$38.6 million recorded in the same period of last year. The increase was mainly attributable to higher expenses incurred in sales, marketing and promotional activities and the establishment of three new DROs in the period under review.



Administration expenses increased to approximately HK\$10.9 million in the nine months ended 30 September 2009 when compared to approximately HK\$6.3 million recorded in the corresponding previous period. The increase is in tandem with the expanded operations to support the business expansion.

Results of discontinued operations represented operating results of the agricultural business in Yantai. It turned into loss in the first half of 2009 and the Group decided to dispose of its entire interests in it at the end of June 2009. The disposal transaction was completed and the agricultural business will not be consolidated to the Group thereon.

The Group had cash and cash equivalents of approximately HK\$64.6 million as at 30 September 2009 (31 December 2008: HK\$50 million).

The Group had no outstanding bank borrowings as at 30 September 2009.

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

As at 30 September 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:

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



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

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

Save as disclosed above, as at 30 September 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 September 2009, the following persons other than the directors or chief executive of the Company, had interest or short positions in the share and underlying shares of the Company as recorded in the registered of interests required to be kept by the Company pursuant to Section 336 of the SFO:

*Long positions in ordinary shares of the Company:*

<b>Name</b>	<b>Capacity and Nature of interest</b>	<b>Number of shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
Essex Holdings Limited <i>(Note 1)</i>	Beneficial owner	288,458,000	51.81
Ngiam Mia Kiat Benjamin	Beneficially owner and corporate interest	295,449,667 <i>(note 2)</i>	53.07
Lauw Hui Kian	Family interest	297,374,667 <i>(note 3)</i>	53.41
Kee Sue Hwa	Beneficial owner	32,476,000	5.83



*Notes:*

1. The directors of Essex Holdings are Mr. Ngiam Mia Je Patrick (an executive Director), Mr. Zhong Sheng (an executive Director) and Mr. Ngiam Mia Kiat Benjamin.
2. (a) 325,000 shares were registered directly in the name of Ngiam Mia Kiat Benjamin.  
(b) 288,458,000 shares are held by Essex Holdings; and  
(c) 6,666,667 shares are held by Dynatech.
3. (a) 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 September 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 GOVERNMENT 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 September 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 nine months ended 30 September 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 November 2009