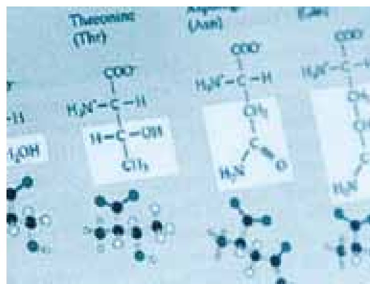
ESSEX BIO-TECHNOLOGY LIMITED

億勝生物科技有限公司

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

Annual Report 2010



Contents

Chairman's Statement

On behalf of the board of directors (the "Board") of Essex Bio-Technology Limited (the "Company" or "Essex"), I am pleased to report to you the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010.

Ngiam Mia Je Patrick
Chairman

Having consolidated itself to stay focused in the core-pharmaceutical business in 2009, the Group channeled its resources into expanding sales at inner cities and counties of major provinces in the People's Republic of China (the "PRC") in 2010, turning the year of 2010 into a harvest-year, with quarter-to-quarter growth, and pathing a firmer foundation for a sustainable growth going forward.

Financial Highlights

During the year under review, the Group's total turnover increased by 25.4% to HK$146.3 million as compared to the previous year. Profit attributable to owners of the Company has increased by 130.2% to HK$26.6 million.

	Quarterly Results for the three months ended		**Yearly Results**	
	31 December 2010 HK$'m	31 December 2009 HK$'m	**2010 HK$'m**	2009 HK$'m
Turnover	**44.2**	33.3	**146.3**	116.7
Profit attributable to owners of the Company	**7.9**	3.3	**26.6**	11.6

Business Review

During the year under review, the Group has further expanded its direct representative offices ("DROs") network by adding 3 new DROs, which were established in Shanghai, Jilin and Lanzhou, the PRC. With the new addition of these 3 DROs, the Group has established a total of 23 DROs, which are spreading throughout the major cities and provinces in the PRC, resulting in a stronger foot-hold achieved for the Group's sales and marketing network.

To cater for higher manufacturing capacity and capability as the Group's business expands going forward, in December 2010, the Group has started the construction of a new factory in Zhuhai, the PRC, which is targeted for completion in year 2012. Upon completion, the new factory will have a total manufacturing floor space of approximately 20,000 sq.m.

Chairman's Statement

Artist view new factory in Zhuhai, the PRC

Prospects

The Group will continue to instil prudent fiscal management and channel its resources into building a stronger foundation for its core business.

Guided by the aforesaid objective, the Group will seek investment in new pharmaceutical products, particularly in ophthalmology, for its product pipeline enhancement and remain committed to expand its sales and marketing coverage for reaching out to potential patients of its products. In addition, we will continue to seek sound investment opportunities to expand the Group's business progressively and to achieve synergistic benefits to its current operations, with a view to enhance the Group's competitiveness and shareholders value.

Appreciation

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

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

Ngiam Mia Je Patrick
Chairman

Hong Kong
28 March 2011

Corporate Information

Board of Directors

Executive Directors

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

Independent non-executive Directors

Fung Chi Ying
Mauffrey Benoit Jean Marie
Yeow Mee Mooi

Company Secretary

Yau Lai Man *MBA, ACA, CPA (practising)*

Compliance Officer

Zhong Sheng

Audit Committee

Fung Chi Ying (Chairman)
Mauffrey Benoit Jean Marie
Yeow Mee Mooi

Authorised Representatives

Zhong Sheng
Yau Lai Man

Website Addresses

www.essexbio.com

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business

Room 2818
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Auditor

BDO LIMITED

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Share Registrar

Hong Kong Registrars Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
Bank of Communications
China Merchants Bank
Industrial and Commercial Bank of China
(Asia) Limited

Stock Code

8151

Financial Highlights

	Year ended 31 December	
	2010	2009
	HK$	HK$
Results		
Turnover	**146,281,574**	116,688,187
Profit attributable to owners of the Company	**26,584,372**	11,550,889
Assets and liabilities		
Total assets	**169,191,304**	130,493,327
Total liabilities	**(36,872,896)**	(22,459,022)
Total equity	**132,318,408**	108,034,305

Management Discussion And Analysis

Business Review and Prospects

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

During the year under review, the Group has been able to overcome the negative factors associated with the medical reforms in the PRC and managed to turn in quarter-to-quarter growth with record results of approximately HK$146.3 million and HK$26.6 million of turnover and after tax profit respectively. The positive results are attributed to the effective execution of the Group's sales and marketing strategies.

To cater for higher manufacturing capacity and capability as the Group's business expands going forward, in December 2010, the Group has started the construction of a new factory in Zhuhai, the PRC, which is targeted for completion in year 2012. Upon completion of the construction, the new factory will have a total manufacturing floor space of approximately 20,000 sq.m.

The Group will continue to instil prudent fiscal management and channel its resources into building a stronger foundation for its core business.

Guided by the aforesaid objective, the Group will seek investment in new pharmaceutical products, particularly in ophthalmology, for its product pipeline enhancement and remain committed to expand its sales and marketing coverage for reaching out to potential patients of its products.

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

Market Development

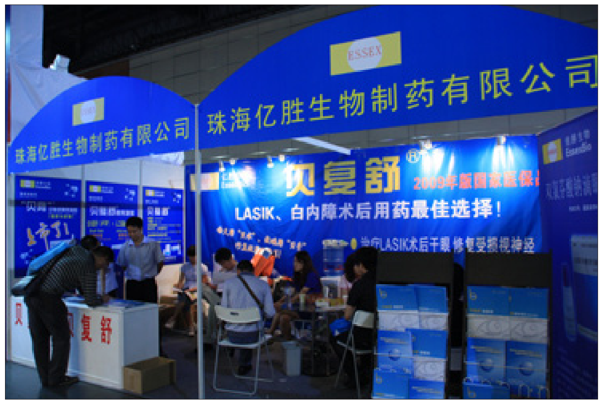
Distribution network

During the year under review, the Group has established 3 new direct representative offices ("DROs") in Shanghai, Jilin and Lanzhou, the PRC. With the new addition of these 3 DROs, the Group has established a total of 23 DROs, which are located in major cities and provinces in the PRC. There are over 1,300 hospitals in major provinces in the PRC that carry the Group's flagship pharmaceutical products.

To cultivate further market coverage for reaching out to potential patients of the Group's genetic products, the Group has conducted over 134 seminars and 621 market promotion activities in major cities and provinces in the PRC during the year under review, educating more than 35,000 doctors and medical practitioners on the clinical applications of the Group's products.

Management Discussion And Analysis

Seminar held on 18 September 2010 in Beijing to share the updated technology on treatment of ocular surface wounds



The 15th Congress of the Chinese Ophthalmological Society held in September 2010

New Product

雙氯芬酸鈉滴眼液 (Diclofenac Sodium Eye Drop) is for the treatment and healing of keratitis and inflammation at post eye surgery. Following the receipt of approval from the State Food Drug Administration of the PRC ("SFDA") for commercialisation and Good Manufacturing Practice ("GMP") certification, the products were launched in the second quarter of 2009 in Beijing, Henan, Shandong, Jiangsu and Yunnan.

Business Associates

Major business associates of the Group included InSite USA, ABC Farmaceutici S.P.A. and Sun Pharmaceutical Industries Ltd.

One of the Company's subsidiaries, Essex Bio-Pharmacy Limited, has been appointed by InSite USA as its exclusive licensee and distributor of InSite's AzaSite®, Azithromycin ophthalmic solution (阿奇霉素滴眼液), a product that is for the treatment of bacterial conjunctivitis (pink eye). The appointment covers exclusively the mainland China, Hong Kong and Macau. Documents to apply for the clinical trials in the PRC were submitted in the second quarter of 2009 to SFDA for approval.

Another subsidiary of the Company, Essex Medipharma (Zhuhai) Company Limited ("Essex Medipharma"), has signed an exclusive licensing and distribution agreement with an Italian company, ABC Farmaceutici S.P.A ("ABC"), for the distribution of the ursodeoxycholic acid (UDCA) API and UDCA capsules manufactured by ABC throughout the PRC. UDCA capsules are indicated for cholesterol gallstones, gallstones residual in the choledochus or recurrent after operation on the bile pathways as well as biliary reflux gastritis.

Import and distribution licenses of ursodeoxycholic acid (UDCA) were obtained in 2009. Application for license to distribute UDCA capsules in the PRC is in progress.

In addition, Essex Medipharma has signed a 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), indicated for the treatment of Glaucoma, which has been approved by SFDA for sales in the PRC. The commercial launch of the product is pending SFDA's approval.

Management Discussion And Analysis

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 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 in the PRC.

Under one of the Collaboration Agreements, the Group has obtained an exclusive distribution right for 10 years from Jinan Bestcomm to distribute 鹽酸倍他洛爾滴眼液 (Betaxolol Hydrochloride Eye Drop) in the PRC. 鹽酸倍他洛爾滴眼液 (Betaxolol Hydrochloride Eye Drop) is an ophthalmology pharmaceutical product for the treatment of Glaucoma. It can lower intraocular pressure effectively to avoid optic nerve damage and reduce the effect on heart and lung to minimal. The product was launched in the second quarter of 2010.

The other Collaboration Agreement was entered into by the Group with Jinan Bestcomm for the cooperation in the research and development of an ophthalmic antibiotics product – 甲苯磺酸妥舒沙星滴眼液 (Tosufloxacin Tosylate Eye Drop). 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 2009 and is pending SFDA's approval to commence the clinical trial.

Research and Development ("R&D")

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

- 貝復舒單劑量滴眼液 (Beifushu single dose eye-drop) – The research and development on this project has been successfully completed and is pending the approval from SFDA in order to commence production. Beifushu single dose eye drop is developed for the treatment and healing of dry eye and cornea after various surgeries.

- 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.

Management Discussion And Analysis

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

- rh-GDNF – Pre-clinical tests are in progress. rh-GDNF is a neurotrophic factor for the treatment of nervous system damages and diseases.

- bFGF 藥物羊膜 (bFGF medical amniotic membrane) – Pre-clinical tests are in progress. bFGF medical amniotic membrane is mainly used for repairing corneal and conjunctival defects caused by multiple factors as well as filtration bleb after glaucoma surgery.

Financial Review

The Group recorded approximately HK$146.3 million in turnover from sale of pharmaceutical products for the year ended 31 December 2010, a significant increase of 25.4% over the corresponding period in the previous year.

Overall gross profit for the year ended 31 December 2010 increased to approximately HK$134.3 million when compared to the figure of approximately HK$105.6 million recorded in the previous year.

Profit from continuing operations for the year ended 31 December 2010 increased by 58.7% to approximately HK$26.6 million as compared to the figure of approximately HK$16.8 million in the previous year. Profit attributable to owners of the Company increased from approximately HK$11.6 million in the previous year to approximately HK$26.6 million in the year under review.

Distribution and selling expenses increased to approximately HK$89.7 million for the year ended 31 December 2010 when compared to approximately HK$69.6 million recorded in the previous year. The increase was mainly attributed to the establishment costs incurred for the three additional DROs in the year under review. Higher expenses incurred in sales, marketing and promotional activities are in line with the expansion of pharmaceutical business in the year under review.

Administrative expenses decreased to approximately HK$11.9 million in the year ended 31 December 2010 when compared to approximately HK$15.3 million recorded in the previous year. The decrease was mainly caused by the decrease of research costs of approximately HK$1 million in 2010 as some of the projects have been proven to be technically feasible, hence their development expenditures incurred in 2010 are recognised as intangible assets. Research and development cost incurred in 2009 was approximately HK$3.0 million while such cost incurred in 2010 was approximately HK$6.7 million, out of which approximately HK$4.7 million was recognised as intangible assets.

Further, legal and professional cost of approximately HK$0.5 million was incurred in 2009 for the acquisition of land in the PRC, evaluation of potential investments and improvement of internal control review in subsidiaries in the PRC. There was no such cost incurred in 2010.

The existing GMP plant and machinery was fully depreciated in 2009. Depreciation of such plant and machinery in 2009 was approximately HK$1 million. There was no such cost recorded in 2010.

Management Discussion And Analysis

Financial Review *(Continued)*

In addition, several employees were transferred from administration department to sales department and production department. The associated staff costs of approximately HK$0.9 million incurred in 2009 were recorded as selling and distribution expenses and cost of sales in 2010.

The Group had cash and cash equivalents of approximately HK$78.9 million as at 31 December 2010 (2009: HK$67.7 million). As at 31 December 2010, the bank deposits of RMB2.2 million (equivalent to HK$2.6 million) were pledged to secure certain guarantees issued by the bank in respect of construction in progression.

As at 31 December 2010 and 2009, the Group has no bank and other borrowings.

Material Acquisitions and Disposals of Subsidiaries/Future Plans for Material Investments

To cater for higher manufacturing capacity and capability as the Group's business expands going forward, the Group has started the construction of a new factory in Zhuhai, the PRC on a land of approximately 13,400 sq.m., acquired on 30 December 2008. It is expected that the construction of the new factory will complete in 2012. The expected source of funding for the construction of the new factory and acquisition of new plants and machinery will come from the Group's internal sources.

There had been no material acquisitions and disposals during the year under review and save as aforesaid, the Group has no plans for material investments or capital assets.

Capital Structure

There has been no change in the capital structure of the Company during the year under review. The capital of the Company comprises only ordinary shares. There were no bank and other borrowings as at 31 December 2010.

Significant Investments

As at 31 December 2010, the Group did not have any significant investments save for those disclosed in this report.

Gearing Ratio

The Group monitors its capital structure on the basis of a net debts-to-adjusted capital ratio. For this purpose the Group defines net debts as total debts (which includes interest-bearing loans and borrowings and trade and other payables) less pledged deposits and cash and cash equivalents. Adjusted capital comprises all components of equity. The net debts-to-adjusted capital ratio at 31 December 2010 is zero as the cash and cash equivalents is more than total debts as at 31 December 2010 (31 December 2009: zero).

Management Discussion And Analysis

Liquidity and Financial Resources

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

As at 31 December 2010, the Group had cash and cash equivalents of approximately HK$78.9 million as compared to approximately HK$67.7 million as at 31 December 2009. As at 31 December 2010, the bank deposits of RMB2.2 million (equivalent to HK$2.6 million) were pledged to secure certain guarantees issued by the bank in respect of construction in progression.

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

Save for the bank deposits of RMB2.2 million (equivalent to HK$2.6 million) which were pledged to secure certain guarantee issued by the bank in respect of construction in progression, the Group did not have any charges on its assets as at 31 December 2010.

Contingent Liability

The Group did not have any significant contingent liabilities as at 31 December 2010.

Segmental Information

The segmental information of the Group's products is set out in the financial statements on pages 50 to 52 of this report.

Management Discussion And Analysis

Employees

As at 31 December 2010, the Group has a total of 206 full-time employees. The aggregate remuneration of the Group's employees, including that of the Directors, for the year under review and the previous year amounted to approximately HK$14.1 million and approximately HK$11.9 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. Details of the share option scheme of the Company are disclosed in note 30 to the financial statements on pages 72 to 73 of this report.

Each of the three executive Directors has entered into a service agreement with the Company whereby each of them had been appointed to act as an executive Director for a term of three years commencing from 27 June 2010 and expiring on 26 June 2013 unless terminated (without cause) by the Company giving not less than six months' prior written notice to the relevant Director. The executive Directors shall not be entitled to terminate their respective appointments at any time during the term unless with the written consent of the Company deliberated by the board of Directors. The annual remuneration of the executive Directors was fixed in the respective service agreements and each of the executive Directors is also entitled to a discretionary management bonus to be determined having regard to the operating results of the Group and his performance in the relevant financial year, provided that the aggregate amount of such management bonuses payable to all executive Directors in any financial year shall not exceed 6% of the consolidated net profits after taxation and non-controlling interests (previously known as minority interests) but before extraordinary items of the Company for such financial year and that the said consolidated net profits for such year exceeds HK$5,000,000. Such management bonuses shall be payable within three months after the issue of the audited consolidated accounted of the Group for the relevant financial year.

Other remuneration and benefits, including retirement benefits scheme, remained at appropriate level. Particulars are detailed in the relevant section of this report.

Profiles Of Directors

Ngiam Mia Je Patrick

Aged 56, graduated in electronic engineering, is the founder of the Group, an executive Director and Chairman of the Company. He is responsible for corporate planning, business development strategy and overall direction of the Group. Dr. Ngiam has received many accolades and awards for his achievements. In 1990, he was awarded the first KPMG Singapore High Tech Entrepreneur Award. Other awards include the DHL & Singapore Press Holdings Business Award for Businessman of the Year in 1994 and the Chevalier DE L'ORDRE NATIONAL DU MERITE conferred by Le President De La Republique Francaise in 1996. He is also a member of the remuneration committee and the chairman of the nomination committee of the Company, a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited and Essex Bio-Pharm, all being subsidiaries of the Company.

Fang Haizhou

Aged 45, Mr. Fang is the executive Director, the managing Director and general manager of the Company. He is also a senior pharmaceutical engineer. He has a Bachelor's degree in Bio-chemical Engineering from 華南工學院 (Southern China Institute) and a Master's degree in Engineering from 華南理工大學 (Southern China University of Technology). He has been with Essex Bio-Pharm since its establishment in June 1996. Mr. Fang Haizhou is also a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited and Essex Bio-Pharm, all being subsidiaries of the Company.

Zhong Sheng

Aged 46, Mr. Zhong is an executive Director and is responsible for the financial management and administration of the Group. He holds a Master's degree in Industrial Economics from 廣東省社會科學院 (Guangdong Academy of Social Sciences). Mr. Zhong joined the Group in February 1999. Mr. Zhong has more than eleven year experience in financial management and project management. Mr. Zhong is also a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited and Essex Bio-Pharm, all being subsidiaries of the Company. Mr. Zhong is also the compliance officer and an authorized representative of the Company.

Fung Chi Ying

Aged 56, Mr. Fung was appointed as independent non-executive Director on 13 June 2001. Mr. Fung is a practising solicitor in Hong Kong. He is presently a partner of Adrian Yeung & Cheng, Solicitors. Mr. Fung is also the chairman of the audit committee, a member of the remuneration committee and nomination committee of the Company.

Mauffrey Benoit Jean Marie

Aged 58, Mr. Mauffrey was appointed as independent non-executive Director on 13 June 2001. He is experienced in business development and sales and marketing in several industries in the Asia Pacific region. He is also a member of the audit committee, remuneration committee and nomination committee of the Company.

Yeow Mee Mooi

Aged 48, Ms. Yeow was appointed as independent non-executive Director on 30 September 2004. Ms. Yeow graduated from The University of Southwestern Louisiana, the United States of America, with a bachelor degree in business administration. Ms. Yeow further obtained her postgraduate diploma in financial management from The University of New England, Australia. Ms. Yeow is a certified practising accountant of The Hong Kong Institute of Certified Public Accountants and The Australian Society of Certified Practising Accountants. Ms. Yeow has over 19 years' taxation, auditing and commercial experience in Hong Kong. Ms. Yeow is now a director of a management consulting firm in Hong Kong. She is also the chairman of the remuneration committee, a member of the audit committee and nomination committee of the Company.

Report Of The Directors

The directors (the "Directors") of the Company present their report and the audited financial statements of the Company and the consolidated financial statements of the Group for the year ended 31 December 2010.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 31 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 78. The Directors have recommended the payment of a final dividend of HK$0.01 per share for the financial year ended 31 December 2010 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 4 May 2011. The final dividend will be payable on Thursday, 19 May 2011.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 3 May 2011 to Wednesday, 4 May 2011, 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 Thursday, 5 May 2011, all transfer of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Hong Kong share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 29 April 2011.

Financial Summary

A summary of the published results and assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements, is set out on pages 79 to 80. This summary does not form part of the audited financial statements.

Property, Plant and Equipment

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

Share Capital and Share Options

There was no movement in the Company's authorized share capital during the year under review. Details of the Company's share capital and details of the Company's share option schemes are set out in notes 27 and 30 respectively to the financial statements.

Report Of The Directors

Sufficiency of Public Float

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

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and of the Group during the year under review are set out in note 28 to the financial statements and in the consolidated statement of changes in equity on page 30, respectively.

Distributable Reserves

As 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands as detailed in note 28 to the financial statements, amounted to HK$482,168. Before the date of this report, subsidiaries of the Company had declared dividends to the Company and the Company's reserves available for distribution, calculated in accordance with the relevant provisions of the Companies Law of the Cayman Islands, amounted to HK$12,482,168, of which HK$5,567,500 has been proposed as a final dividend for the year.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 22.0% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 5.0% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 67.6% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 16.7% of the Group's total purchases.

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

Report Of The Directors

Directors

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

Executive Directors:

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

Independent non-executive Directors:

Fung Chi Ying
Mauffrey Benoit Jean Marie
Yeow Mee Mooi

In accordance with the Company's articles of association and as recommended by the nomination committee of the Company, Mr. Mauffrey Benoit Jean Marie and Ms. Yeow Mee Mooi will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting to be held on Thursday, 5 May 2011.

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 27 June 2010 and expiring on 26 June 2013 unless terminated (without cause) by the Company giving not less than six months' prior written notice to the relevant Director. The executive Directors shall not be entitled to terminate their respective appointments at any time during the term unless with the written consent of the Company deliberated by the board of Directors.

Details of the appointments of the independent non-executive Directors are set out in the Corporate Governance Report on page 21 of this report.

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

The Company confirms that it has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory obligations.

Report Of The Directors

Directors' Interests in Contracts of Significance

Save for transactions as disclosed in note 37 to the financial statements, no contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year under review.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2010, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

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

Notes:

1. *288,458,000 shares were held by Essex Holdings Limited ("Essex Holdings") which is owned as to 50% by Ngiam Mia Je Patrick and as to 50% by Ngiam Mia Kiat Benjamin. Therefore, Ngiam Mia Je Patrick was deemed to be interested in these shares as he was entitled to exercise or control the exercise of more than one-third of the voting power of Essex Holdings at general meetings.*

2. *6,666,667 shares were held by Dynatech Ventures Pte Ltd ("Dynatech") which is wholly owned by Essex Investment (Singapore) Pte Ltd ("Essex Singapore"). Since Essex Singapore is owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares 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 meetings.*

Report Of The Directors

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures (Continued)

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

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

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executive of the Company or their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules.

Directors' Rights to Acquire Shares or Debentures

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

Report Of The Directors

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2010, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long 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	Beneficial owner and Corporate interest	295,449,667 *(note 1)*	53.07
Lauw Hui Kian	Family interest	297,374,667 *(note 2)*	53.41
Kee Sue Hwa	Beneficial owner	32,476,000	5.83

Notes:

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

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

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

2. (a) Lauw Hui Kian is the spouse of Ngiam Mia Je Patrick (an executive Director). Lauw Hui Kian was deemed to be 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 31 December 2010, there was no person (other than the Directors and chief executive of the Company whose interests are set out under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above) had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

Report Of The Directors

Connected and Related Party Transactions

Details of the related party transactions for the year under review are set out in note 37 to the financial statements. There were no transactions during the year to be disclosed as connected and related party transactions in accordance with the requirements of the GEM Listing Rules and accounting principles generally accepted in Hong Kong.

Competition and Conflict of Interests

None of the Directors, the management shareholders and substantial shareholders of the Company and any of their respective associates has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group during the year under review which are required to be disclosed under the GEM Listing Rules.

Event After the Reporting Period

Agreement for acquisition of plant and machinery with total contract amounts of EUR2.2 million (approximately HK$24.8 million) was signed on 24 January 2011.

Auditor

BDO Limited will retire and a resolution for the re-appointment of auditor of the Company will be proposed at the forthcoming annual general meeting to be held on Thursday, 5 May 2011.

Corporate Governance

A report on the principle corporate governance practices adopted by the Company is set out on pages 21 to 24 of this report.

ON BEHALF OF THE BOARD

Ngiam Mia Je Patrick
Chairman

Hong Kong
28 March 2011

Corporate Governance Report

Introduction

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

Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings under the GEM Listing Rules throughout the year ended 31 December 2010.

Board of Directors and Board Meeting

The board of Directors, which currently comprises six Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the board of Directors to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the board of Directors, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the Profiles of Directors. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

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

The Company appointed three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Mr. Fung Chi Ying, Mr. Mauffrey Benoit Jean Marie and Ms. Yeow Mee Mooi are the independent non-executive Directors. Their respective term of appointment is two years commencing from 30 September 2010, determinable by either party serving not less than one month's written notice on the other, unless both parties agree otherwise.

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

The Company arranged appropriate insurance cover in respect of legal actions against directors.

The board of Directors held a full board meeting for each quarter.

Corporate Governance Report

Board of Directors and Board Meeting *(Continued)*

Details of the attendance of the board of Directors are as follows:–

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

Apart from the above regular board meetings of the year, the board of Directors met on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

Remuneration of Directors

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

The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive Directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

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

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

The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors and assessed the performance of the Directors. The remuneration committee of the Company considers that the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors are fair and reasonable.

Corporate Governance Report

Nomination of Directors

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

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

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

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

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

During the meeting, the nomination committee considered and resolved that all the existing Directors shall be recommended to be retained by the Company. Further, in accordance with the Company's articles of association, Ms. Yeow Mee Mooi and Mr. Mauffrey Benoit Jean Marie will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Mr. Fung Chi Ying, Mr. Mauffrey Benoit Jean Marie and Ms. Yeow Mee Mooi. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Fung Chi Ying.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

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

Corporate Governance Report

Audit Committee *(Continued)*

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2010 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 have been duly made.

Auditor's Remuneration

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group has paid an aggregate of HK$427,979 to the external auditor for its services.

Directors' and Auditor's Responsibilities for Accounts

The Directors' responsibilities for preparing the accounts, and the reporting responsibilities of the external auditor to the shareholders are set out on page 25 to 26 of this report.

Internal Control

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

Investors Relations

The Company has disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. Meetings are held with media and investors periodically. The Company also replied the enquiries from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries.

Independent Auditor's Report

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Certified Public Accountants

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香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF ESSEX BIO-TECHNOLOGY LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Essex Bio-Technology Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 27 to 78, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Shiu Hong NG
Practising Certificate Number: P03752

Hong Kong, 28 March 2011

Consolidated Statement Of Comprehensive Income

For The Year Ended 31 December 2010

	Notes	**2010 HK$**	2009 HK$
Continuing operations			
Turnover	7	**146,281,574**	116,688,187
Cost of sales		**(11,936,206)**	(11,038,491)
Gross profit		**134,345,368**	105,649,696
Other revenue, gains and (losses)	8	**(1,466,001)**	833,569
Distribution and selling expenses		**(89,748,373)**	(69,618,126)
Administrative expenses		**(11,932,228)**	(15,301,513)
Profit before income tax expense	9(a)	**31,198,766**	21,563,626
Income tax expense	13	**(4,614,394)**	(4,810,871)
Profit for the year from continuing operations		**26,584,372**	16,752,755
Discontinued operations			
Loss for the year from discontinued operations	9(b)	**–**	(8,594,063)
Profit for the year		**26,584,372**	8,158,692
Other comprehensive income			
Exchange differences on translating foreign operations		**3,267,231**	109,805
Less: reclassification adjustment of exchange reserve on disposal of a subsidiary included in profit or loss	32	**–**	(956,375)
		3,267,231	(846,570)
Total comprehensive income for the year		**29,851,603**	7,312,122
Profit attributable to:			
– Owners of the Company		**26,584,372**	11,550,889
– Non-controlling interests		**–**	(3,392,197)
		26,584,372	8,158,692
Total comprehensive income attributable to:			
– Owners of the Company		**29,851,603**	10,704,319
– Non-controlling interests		**–**	(3,392,197)
		29,851,603	7,312,122
Earnings per share from continuing and discontinued operations – Basic	16	**HK4.77 cents**	HK2.07 cents
Earnings per share from continuing operations – Basic	16	**HK4.77 cents**	HK3.00 cents

Consolidated Statement Of Financial Position

At 31 December 2010

	Notes	**2010 HK$**	2009 HK$
Non-current assets			
Property, plant and equipment	17	**11,436,931**	5,939,801
Land use rights	18	**7,379,016**	7,260,388
Goodwill	19	**2,384,580**	2,278,489
Other intangible assets	20	**7,611,128**	2,891,698
Convertible note receivable	23	**2,250,110**	4,500,220
Total non-current assets		**31,061,765**	22,870,596
Current assets			
Inventories	21	**3,662,225**	2,215,067
Trade and other receivables	22	**50,764,174**	35,150,478
Deposits and prepayments		**2,217,721**	2,516,124
Pledged bank deposits	24	**2,578,649**	–
Cash and cash equivalents	24	**78,906,770**	67,741,062
		138,129,539	107,622,731
Total assets		**169,191,304**	130,493,327
Current liabilities			
Trade and other payables	25	**34,508,163**	19,845,899
Taxation		**2,148,549**	1,533,123
		36,656,712	21,379,022
Net current assets		**101,472,827**	86,243,709
Total assets less current liabilities		**132,534,592**	109,114,305
Non-current liabilities			
Deferred tax liabilities	26	**216,184**	1,080,000
Total liabilities		**36,872,896**	22,459,022
NET ASSETS		**132,318,408**	108,034,305
Capital and reserves attributable to owners of the Company			
Share capital	27	**55,675,000**	55,675,000
Reserves		**76,643,408**	52,359,305
Equity attributable to owners of the Company		**132,318,408**	108,034,305
Non-controlling interests		**–**	–
TOTAL EQUITY		**132,318,408**	108,034,305

On behalf of the Board

Fang Haizhou **Zhong Sheng**

Statement Of Financial Position

For The Year Ended 31 December 2010

	Notes	2010 HK$	2009 HK$
Non-current assets			
Interests in subsidiaries	31	**55,848,032**	51,500,154
Current assets			
Deposits and prepayments		**241,440**	241,697
Cash and cash equivalents	24	**1,867,556**	3,032,389
Total current assets		**2,108,996**	3,274,086
Total assets		**57,957,028**	54,774,240
Current liabilities			
Other payables and accruals	25	**1,799,860**	1,199,841
Net current assets		**309,136**	2,074,245
Total assets less current liabilities		**56,157,168**	53,574,399
Capital and reserves attributable to owners of the Company			
Share capital	27	**55,675,000**	55,675,000
Reserves	28	**482,168**	(2,100,601)
TOTAL EQUITY		**56,157,168**	53,574,399

On behalf of the Board

Fang Haizhou **Zhong Sheng**

Consolidated Statement Of Changes In Equity

For The Year Ended 31 December 2010

	Share capital HK$	Share premium HK$	Capital reserve HK$ Note 28(i)	Statutory surplus reserve HK$ Note 28(ii)	Foreign currency translation reserve HK$ Note 28(iii)	Retained profits HK$	Attributable to owners of the Company HK$	Non-controlling interests HK$	Total HK$
At 1 January 2009	**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**
Profit or loss	–	–	–	–	–	11,550,889	11,550,889	(3,392,197)	8,158,692
Other comprehensive income	–	–	–	–	(846,570)	–	(846,570)	–	(846,570)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(846,570)**	**11,550,889**	**10,704,319**	**(3,392,197)**	**7,312,122**
Dividend paid	–	–	–	–	–	(5,567,500)	(5,567,500)	–	(5,567,500)
Disposal of a subsidiary	–	–	–	–	–	–	–	(7,484,453)	(7,484,453)
Appropriation of profits	–	–	–	2,474,078	–	(2,474,078)	–	–	–
At 31 December 2009	**55,675,000**	**969,871**	**362,442**	**8,363,484**	**8,003,932**	**34,659,576**	**108,034,305**	**–**	**108,034,305**
Profit or loss	–	–	–	–	–	26,584,372	26,584,372	–	26,584,372
Other comprehensive income	–	–	–	–	3,267,231	–	3,267,231	–	3,267,231
Total comprehensive income for the year	–	–	–	–	3,267,231	26,584,372	29,851,603	–	29,851,603
Dividend paid	–	–	–	–	–	(5,567,500)	(5,567,500)	–	(5,567,500)
Appropriation of profits	–	–	–	4,530,775	–	(4,530,775)	–	–	–
At 31 December 2010	**55,675,000**	**969,871**	**362,442**	**12,894,259**	**11,271,163**	**51,145,673**	**132,318,408**	**–**	**132,318,408**

Representing:

	Notes	
For the year ended 31 December 2009:		
2009 proposed final dividend	15	5,567,500
Others		102,466,805
Attributable to owners of the Company as at 31 December 2009		108,034,305
For the year ended 31 December 2010:		
2010 proposed final dividend	15	5,567,500
Others		126,750,908
Attributable to owners of the Company as at 31 December 2010		132,318,408

Consolidated Statement Of Cash Flows

For The Year Ended 31 December 2010

	Notes	2010 HK$	2009 HK$
Cash flows from operating activities			
Profit before income tax expense:			
From continuing operations		**31,198,766**	21,563,626
From discontinued operations	9(b)	**–**	(8,594,063)
		31,198,766	12,969,563
Adjustments for:			
Interest expenses		**36,424**	894,438
Bank interest income		**(228,128)**	(258,264)
Interest income on a convertible note receivable		**(629,890)**	–
Impairment on convertible note receivable		**2,880,000**	–
Loss on disposal of a subsidiary		**–**	1,671,215
Reversal of impairment on trade and other receivables		**(38,765)**	(190,819)
Inventories written down		**–**	1,821,232
Depreciation of property, plant and equipment		**1,699,690**	2,648,007
Exchange gains and losses, net		**(994,361)**	–
Amortisation of other intangible assets		**114,937**	354,598
Amortisation of land use rights		**152,294**	207,424
Loss on disposal of property, plant and equipment		**–**	4,892
Property, plant and equipment written off		**13,216**	77,832
Operating cash flows before working capital changes		**34,204,183**	20,200,118
(Increase)/decrease in inventories		**(1,327,063)**	29,244,577
Increase in trade and other receivables		**(13,831,329)**	(8,639,622)
Decrease/(increase) in deposits and prepayments		**325,196**	(3,063,509)
Increase in trade and other payables		**13,601,720**	13,258,332
Cash generated from operations		**32,972,707**	50,999,896
Interest paid		**(36,424)**	(894,438)
Profits tax paid		**(4,812,831)**	(3,474,295)
Net cash generated from operating activities		**28,123,452**	46,631,163

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2010

	Notes	**2010** **HK$**	2009 HK$
Cash flows from investing activities			
Disposal of a subsidiary, net of cash disposed of	32	**–**	(6,741,942)
Purchase of property, plant and equipment		**(6,845,994)**	(2,434,216)
Proceeds from sale of property, plant and equipment		**–**	13,652
Purchase of land use rights		**–**	(5,261,047)
Purchase of other intangible assets		**(4,727,943)**	(1,137,656)
Purchase of convertible note receivable		**–**	(4,500,220)
Changes in pledged bank deposits		**(2,578,649)**	2,271,320
Bank interest received		**228,128**	258,264
Net cash used in investing activities		**(13,924,458)**	(17,531,845)
Cash flows from financing activities			
Repayment of bank loans		**–**	(10,807,736)
Proceeds from new bank loans		**–**	5,005,688
Dividends paid to owners of the Company		**(5,567,500)**	(5,567,500)
Net cash used in financing activities		**(5,567,500)**	(11,369,548)
Net increase in cash and cash equivalents		**8,631,494**	17,729,770
Cash and cash equivalents at beginning of year		**67,741,062**	49,945,289
Effect of exchange rate changes on cash and cash equivalents		**2,534,214**	66,003
Cash and cash equivalents at end of year	24	**78,906,770**	67,741,062

Notes To The Financial Statements

31 December 2010

1. General

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

The Company is an investment holding company. Its subsidiaries principally engage in the development, manufacture and selling of biopharmaceutical products in the PRC.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

HKAS 17 (Amendments) – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of such leases as operating leases continues to be appropriate.

Notes To The Financial Statements

31 December 2010

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

(b) New/revised HKFRSs that have been issued but are not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1&2]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]

1 Effective for annual periods beginning on or after 1 July 2010

2 Effective for annual periods beginning on or after 1 January 2011

3 Effective for annual periods beginning on or after 1 July 2011

4 Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of consolidated financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Notes To The Financial Statements

31 December 2010

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

(b) *New/revised HKFRSs that have been issued but are not yet effective (Continued)*

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

3. Basis of Preparation

(a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

(b) *Basis of measurement*

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

(c) *Functional and presentation currency*

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. Significant Accounting Policies

(a) *Business combination and basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Notes To The Financial Statements

31 December 2010

4. Significant Accounting Policies *(Continued)*

(a) Business combination and basis of consolidation (Continued)

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

4. Significant Accounting Policies *(Continued)*

(a) Business combination and basis of consolidation (Continued)

Business combination prior to 1 January 2010

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

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

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of minority interests result in gains and losses for the Group are recognised in profit or loss. Purchases of further interest from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

(b) Subsidiaries

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

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

Notes To The Financial Statements

31 December 2010

4. Significant Accounting Policies *(Continued)*

(c) *Goodwill*

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

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

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

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

(d) *Property, plant and equipment*

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

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

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

Notes To The Financial Statements

31 December 2010

4. Significant Accounting Policies *(Continued)*

(d) Property, plant and equipment (Continued)

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

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

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

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

(e) Land use rights

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

Notes To The Financial Statements

31 December 2010

4. Significant Accounting Policies *(Continued)*

(f) *Leasing*

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

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

(g) *Intangible assets*

i) *Acquired intangible assets*

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

Technical know-how	3 years
Distribution rights	10 years

ii) *Research and development expenditure*

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

1. it is technically feasible to develop the product for it to be sold;

2. adequate resources are available to complete the development;

3. there is an intention to complete and sell the product;

4. the Group is able to sell the product;

5. sale of the product will generate future economic benefits; and

6. expenditure on the project can be measured reliably.

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

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

Notes To The Financial Statements

31 December 2010

4. Significant Accounting Policies *(Continued)*

(g) *Intangible assets (Continued)*

iii) Impairment

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

(h) *Financial instruments*

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

i) Financial assets

Loans and receivables

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

Convertible note receivables

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

Notes To The Financial Statements

31 December 2010

4. Significant Accounting Policies *(Continued)*

(h) Financial instruments (Continued)

ii) Impairment on financial assets

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

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

For loan and receivables and convertible notes

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

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

Notes To The Financial Statements

31 December 2010

4. Significant Accounting Policies *(Continued)*

(h) *Financial instruments (Continued)*

iii) *Financial liabilities*

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

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

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

iv) *Effective interest method*

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

v) *Equity instruments*

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

vi) *Derecognition*

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

4. Significant Accounting Policies *(Continued)*

(i) Inventories

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

(j) Revenue recognition

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

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

(k) Income taxes

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

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

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

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

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

Notes To The Financial Statements

31 December 2010

4. Significant Accounting Policies *(Continued)*

(l) Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

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

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

Notes To The Financial Statements

31 December 2010

4. Significant Accounting Policies *(Continued)*

(m) *Employee benefits*

i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service as a result of services rendered by employees up to the end of the reporting period less accumulated pension benefits attributable to contributions made by the Group.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

ii) *Profit sharing and bonus plans*

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are entitled.

iii) *Retirement benefits scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's contributions as employer vest fully with the employees when contributed into the Scheme.

The Group has joined a mandatory central pension scheme organised by the PRC government for certain of its employees, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and are charged to profit or loss as they became payable, in accordance with the rules of the scheme. The employer's contributions vest fully once they are made.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

4. Significant Accounting Policies *(Continued)*

(n) Impairment of other assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(o) Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes To The Financial Statements

31 December 2010

4. Significant Accounting Policies *(Continued)*

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(q) Related parties

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(r) Capitalisation of borrowing costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

(a) Critical judgments in applying accounting policies

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Company has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(b) Key sources of estimation uncertainty

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

Impairment of trade and other receivables

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

Notes To The Financial Statements

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6. Segment Reporting

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

The Group currently has one (2009: two) reportable segment. The following summary describes the operations of the Group's reportable segments:–

Continuing operations
Biopharmaceutical products: Manufacture and sale of biopharmaceutical products

Discontinued operations
Agricultural fertilizers: Manufacture and sale of organic and chemical formulated agricultural fertilizers (disposed of in June 2009)

(a) Reportable segments

	Continuing operations Biopharmaceutical products		Discontinued operations Agricultural fertilizers		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
Revenue from external customers	**146,281,574**	116,688,187	**–**	68,247,271	**146,281,574**	184,935,458
Reportable segment profit/(loss)	**40,112,028**	26,979,545	**–**	(8,594,063)	**40,112,028**	18,385,482
Interest income	**228,128**	203,140	**–**	55,124	**228,128**	258,264
Interest expenses	**(36,424)**	–	**–**	(894,438)	**(36,424)**	(894,438)
Depreciation and amortisation	**(1,966,921)**	(2,334,764)	**–**	(875,265)	**(1,966,921)**	(3,210,029)
Reversal of impairment loss	**38,765**	190,819	**–**	–	**38,765**	190,819
Income tax expense	**(4,614,394)**	(4,810,871)	**–**	–	**(4,614,394)**	(4,810,871)
Reportable segment assets	**161,689,257**	109,168,853	**–**	–	**161,689,257**	109,168,853
Additions to non-current assets	**11,573,937**	986,474	**–**	1,447,742	**11,573,937**	2,434,216
Reportable segment liabilities	**(34,842,791)**	(20,187,011)	**–**	–	**(34,842,791)**	(20,187,011)

Notes To The Financial Statements

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6. Segment Reporting *(Continued)*

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

	2010 HK$	2009 HK$
Revenue		
Reportable segment revenue and consolidated revenue	**146,281,574**	184,935,458

	2010 HK$	2009 HK$
Profit before income tax expense and discontinued operations		
Reportable segment profit	**40,112,028**	18,385,482
Segment loss from discontinued operations	**–**	8,594,063
Unallocated corporate expenses	**(8,913,262)**	(5,415,919)
Consolidated profit before income tax expense from continuing operations	**31,198,766**	21,563,626

	2010 HK$	2009 HK$
Assets		
Reportable segment assets	**161,689,257**	109,168,853
Unallocated corporate assets	**7,502,047**	21,324,474
Consolidated total assets	**169,191,304**	130,493,327

Notes To The Financial Statements

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6. Segment Reporting *(Continued)*

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

	2010	2009
	HK$	HK$
Liabilities		
Reportable segment liabilities	**(34,842,791)**	(20,187,011)
Deferred tax liabilities	**(216,184)**	(1,080,000)
Unallocated corporate liabilities	**(1,813,921)**	(1,192,011)
Consolidated total liabilities	**(36,872,896)**	(22,459,022)

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

(c) *Geographical information and major customers*

The Group's revenue from external customers is derived solely from its operations in the PRC, where all its non-current assets, other than convertible note receivable, are located. For the year of 2010 and 2009, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue.

7. Turnover

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

	2010	2009
	HK$	HK$
Continuing operations		
Sales of biopharmaceutic products	**146,281,574**	116,688,187
Discontinued operations		
Sales of agricultural fertilizers (Note 9(b))	**–**	68,247,271
	146,281,574	184,935,458

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8. Other Revenue, Gains and (Losses)

	2010 HK$	2009 HK$
Continuing operations		
Interest income on a convertible note receivable	**629,890**	–
Others	**517,216**	439,610
Interest income from bank deposits	**228,128**	203,140
Reversal of impairment loss of trade and other receivables (Note 22)	**38,765**	190,819
Impairment on convertible note receivable	**(2,880,000)**	–
	(1,466,001)	833,569

9. Profit before Income Tax Expense

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

	2010 HK$	2009 HK$
Cost of inventories recognised as expenses	**11,936,206**	11,038,491
Staff costs excluding directors' remuneration:–		
Salaries and other benefits	**10,690,390**	9,136,288
Pension fund contributions	**511,547**	519,270
Depreciation of property, plant and equipment	**1,699,690**	1,855,282
Amortisation of other intangible assets	**114,937**	354,598
Amortisation of land use rights	**152,294**	124,884
Auditor's remuneration:–		
Current year	**380,000**	430,000
Under provision for last year	**47,979**	–
	427,979	430,000
Research and development costs expensed as incurred	**1,952,068**	3,040,751

Notes To The Financial Statements

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

(b) Discontinued operations

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

	HK$
Revenue from external customers	68,247,271
Other revenue	2,415,129
	70,662,400
Operating costs	(76,690,810)
Operating loss	(6,028,410)
Finance costs	(894,438)
Loss before income tax expense	(6,922,848)
Income tax expense	–
Loss after tax	(6,922,848)
Loss on disposal of a subsidiary	(1,671,215)
Loss for the year from discontinued operations	(8,594,063)
Operating cash flows	13,074,501
Investing cash flows	878,702
Financing cash flows	(5,100,000)
Total cash flows	8,853,203

The carrying amounts of the assets and liabilities of Shandong Baoyuan at the date of disposal are disclosed in note 32 to the consolidated financial statements.

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

Notes To The Financial Statements

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10. Directors' Emoluments

The emoluments paid or payable to each of the six (2009: six) directors were as follows:

	Executive directors			Non-executive directors			
	Fang Haizhou	**Zhong Sheng**	**Ngiam Mia Je Patrick**	**Fung Chi Ying**	**Mauffrey Benoit Jean Marie**	**Yeow Mee Mooi**	**Total 2010**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Fee	–	–	–	180,000	165,000	165,000	510,000
Other emoluments							
Salaries and other benefits	462,675	385,000	550,000	–	–	–	1,397,675
Contributions to pension schemes	24,275	12,000	–	–	–	–	36,275
Discretionary bonuses	320,000	280,000	400,000	–	–	–	1,000,000
	806,950	677,000	950,000	180,000	165,000	165,000	2,943,950

							Total 2009
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Fee	–	–	–	150,000	150,000	150,000	450,000
Other emoluments							
Salaries and other benefits	417,208	350,000	500,000	–	–	–	1,267,208
Contributions to pension schemes	23,190	12,000	–	–	–	–	35,190
Discretionary bonuses	160,000	140,000	200,000	–	–	–	500,000
	600,398	502,000	700,000	150,000	150,000	150,000	2,252,398

No share option was granted to the directors during the years ended 31 December 2010 and 2009.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2009: Nil). There were no arrangements under which a director waived or agreed to waive any remuneration during the years (2009: Nil).

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11. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2009: three) were directors of the Company whose emoluments are included in the disclosures in Note 10 above. The emoluments of the remaining two (2009: two) individuals were as follows:

	2010 **HK$**	2009 HK$
Salaries and other benefits	**1,083,000**	1,079,000
Contributions to retirement benefits schemes	**24,000**	24,000
	1,107,000	1,103,000

Their emoluments were within the following bands:

	2010 **No. of employees**	2009 No. of employees
Nil to HK$1,000,000	**2**	2

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

12. Retirement Benefits

The employees of the Group are members of a state-managed retirement benefits scheme operated by the PRC government, or in the case of the employees in Hong Kong, a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance. The Group is required to contribute a certain percentage of its payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the scheme.

The Group's contribution to retirement benefits schemes for the year ended 31 December 2010 amounted to HK$547,822 (2009: HK$554,460).

13. Income Tax Expense

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

	2010 **HK$**	2009 HK$
Continuing operations		
Current tax – the PRC		
– Provision for the year	**5,455,288**	3,730,871
– Deferred tax (Note 26)	**(840,894)**	1,080,000
	4,614,394	4,810,871

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13. Income Tax Expense *(Continued)*

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

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

The Group's other operating subsidiary in Zhuhai, the PRC, which was established and carries on business in the Special Economic Zones of the PRC, is subject to enterprise income tax at a concessionary rate of 22% (2009: 20%).

In accordance with the new law on PRC Enterprise Income Tax approved on 16 March 2008, a unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises 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 fully effective in 2012.

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

	2010 **HK$**	2009 HK$
Continuing operations		
Profit before income tax expense	**31,198,766**	21,563,626
Tax calculated at Hong Kong profits tax rate of 16.5% (2009: 16.5%)	**5,045,830**	3,557,998
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,288,598)**	652,905
Tax effect of expenses not deductible for tax purposes	**4,725,808**	339,809
Tax effect of revenue not taxable for tax purposes	**(3,859,178)**	(783,598)
Tax effect of tax loss not recognised	**140,463**	1,501,838
Tax effect of deductible temporary differences previously not recognised	**221,773**	–
Deferred tax on undistributed earnings of a subsidiary in the PRC	**–**	1,080,000
Tax benefits	**(436,909)**	(1,615,705)
Others	**65,205**	77,624
Income tax expense	**4,614,394**	4,810,871

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14. Loss Attributable to Owners of the Company

Loss attributable to owners of the Company includes an amount of HK$2,849,731 (2009: HK$3,395,968) which has been dealt with in the financial statements of the Company.

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

	2010	2009
	HK$	HK$
Amount of loss attributable to owners of the Company dealt with in the Company's financial statements	**(2,849,731)**	(3,395,968)
Final dividends from subsidiaries attributable to the profits of the previous financial year approved and paid	**11,000,000**	24,000,000
Company's profit for the year	**8,150,269**	20,604,032

15. Dividends

	2010	2009
	HK$	HK$
Final, proposed – HK$0.01 (2009: HK$0.01) per share	**5,567,500**	5,567,500

The directors propose a final dividend of HK$0.01 (2009: HK$0.01) per ordinary share to be paid. The amount of proposed final dividend for 2010 is based on 556,750,000 shares (2009: 556,750,000) issued as at 31 December 2010. This proposed dividend is not reflected as dividend payable as at the end of the reporting period but will be reflected as an appropriation of retained profits for the year ending 31 December 2011.

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16. Earnings Per Share

For continuing and discontinued operations

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

Earnings

	Group	
	2010	2009
	HK$	HK$
Earnings for the purposes of basic earnings per share	**26,584,372**	11,550,889

From continuing operations

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

Earnings are calculated as follows:

	Group	
	2010	2009
	HK$	HK$
Profit for the year attributable to owners of the Company	**26,584,372**	11,550,889
Add:		
Loss for the year from discontinued operations	**–**	5,201,866
Earnings for the purposes of basic earnings per share from continuing operations	**26,584,372**	16,752,755

The denominator used for both earnings per share from continuing and discontinued operations and continuing operations only is the number of ordinary shares of 556,750,000 (2009: 556,750,000) in issue during the years.

From discontinued operations

Basic loss per share for the discontinued operations was HK0.93 cents, based on the loss for the year ended 31 December 2009 from the discontinued operations of HK$5.2 million and the number of ordinary shares of 556,750,000 in issue during the year of 2009.

Diluted earnings per share for the years ended 31 December 2010 and 2009 are not presented since the Company did not have any dilutive potential ordinary shares outstanding during both years.

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17. Property, Plant and Equipment

The Group

	Buildings and leasehold improvements HK$	Construction in progress HK$	Plant and machinery HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
Cost						
At 1 January 2009	16,493,369	–	16,056,321	4,027,415	2,839,250	39,416,355
Additions	502,490	–	354,550	238,731	1,338,445	2,434,216
Disposals	–	–	–	–	(185,439)	(185,439)
Write offs	–	–	(364,284)	(434,948)	–	(799,232)
Disposal of a subsidiary	(12,613,536)	–	(7,056,415)	(591,309)	(2,299,697)	(22,560,957)
Exchange adjustment	6,147	–	15,038	5,079	2,123	28,387
At 31 December 2009	4,388,470	–	9,005,210	3,244,968	1,694,682	18,333,330
Additions	–	5,930,095	833,342	82,557	–	6,845,994
Reclassification	(314,096)	314,096	–	–	–	–
Write offs	–	–	–	(110,535)	–	(110,535)
Exchange adjustment	154,399	173,510	363,894	(312,172)	64,206	443,837
At 31 December 2010	4,228,773	6,417,701	10,202,446	2,904,818	1,758,888	25,512,626
Accumulated depreciation and impairment						
At 1 January 2009	3,890,389	–	6,958,406	2,919,084	1,243,843	15,011,722
Charge for the year	1,150,654	–	908,817	291,691	296,845	2,648,007
Eliminated on disposal	–	–	–	–	(166,895)	(166,895)
Write offs	–	–	(335,217)	(386,183)	–	(721,400)
Disposal of a subsidiary	(1,663,287)	–	(2,016,294)	(279,526)	(436,728)	(4,395,835)
Exchange adjustment	4,001	–	8,684	3,786	1,459	17,930
At 31 December 2009	3,381,757	–	5,524,396	2,548,852	938,524	12,393,529
Charge for the year	699,816	–	625,834	193,438	180,602	1,699,690
Write offs	–	–	–	(97,319)	–	(97,319)
Exchange adjustment	147,200	–	226,361	(334,246)	40,480	79,795
At 31 December 2010	4,228,773	–	6,376,591	2,310,725	1,159,606	14,075,695
Carrying amount						
At 31 December 2010	–	6,417,701	3,825,855	594,093	599,282	11,436,931
At 31 December 2009	1,006,713	–	3,480,814	696,116	756,158	5,939,801

The Group's buildings and construction in progress are built on land in the PRC under medium-term leases.

Notes To The Financial Statements

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18. Land Use Rights

The Group

	HK$
Cost:	
At 1 January 2009	8,248,814
Additions	7,536,360
Disposal of a subsidiary	(8,248,378)
Exchange adjustment	(810)
As at 31 December 2009	7,535,986
Exchange adjustment	285,514
At 31 December 2010	7,821,500
Accumulated amortisation:	
At 1 January 2009	316,205
Charge for the year	207,424
Disposal of a subsidiary	(398,672)
Exchange adjustment	(79)
As at 31 December 2009	124,878
Charge for the year	152,294
Exchange adjustment	8,882
At 31 December 2010	286,054
Carrying amount:	
At 31 December 2010	7,535,446
Portion classified as current assets (included in deposits and prepayments)	(156,430)
Non-current assets	7,379,016
At 31 December 2009	7,411,108
Portion classified as current assets (included in deposits and prepayments)	(150,720)
Non-current assets	7,260,388

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

Notes To The Financial Statements

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19. Goodwill

The Group

	HK$
Cost	
At 1 January 2009	2,383,299
Exchange adjustment	24,824
Eliminated on disposal of a subsidiary (Note 32)	(129,634)
As at 31 December 2009	2,278,489
Exchange adjustment	106,091
As 31 December 2010	2,384,580

Impairment testing on goodwill

The recoverable amount of the goodwill is determined based on the cash generating unit ("CGU") of the Group's sales network of biopharmaceutical products to which the goodwill belong on the value in use basis. The calculation is based on the most recent financial budgets approved by management. The following key assumptions have been made for the purpose of analysis:

1 Gross margin ratio of 88% (2009: 62%)
2 Pre tax discount rate of 14.3% (2009: 14.3%) per year
3 Average growth rate of 20% (2009: 10%)

Management determined the gross margin based mainly on past performance of the CGU. The discount rate is determined based on the PRC risk free interest rate adjusted by the specific risk associated with the CGU.

The recoverable amount of the goodwill determined in the above manner suggested that there was no impairment in the value of goodwill as at 31 December 2010 and 2009.

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

Notes To The Financial Statements

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20. Other Intangible Assets

The Group

	Technical know-how HK$	Development expenditure HK$	Distribution rights HK$	Total HK$
Cost				
At 1 January 2009	249,845	8,276,759	–	8,526,604
Additions	–	–	1,137,656	1,137,656
Disposal of a subsidiary	(249,832)	–	–	(249,832)
Exchange adjustment	(13)	14,139	(56)	14,070
At 31 December 2009	–	8,290,898	1,137,600	9,428,498
Additions	–	4,727,943	–	4,727,943
Exchange adjustment	–	314,115	43,100	357,215
At 31 December 2010	–	13,332,956	1,180,700	14,513,656
Amortisation				
At 1 January 2009	249,845	6,171,677	–	6,421,522
Amortisation	–	316,676	37,922	354,598
Disposal of a subsidiary	(249,832)	–	–	(249,832)
Exchange adjustment	(13)	10,527	(2)	10,512
At 31 December 2009	–	6,498,880	37,920	6,536,800
Amortisation	–	–	114,937	114,937
Exchange adjustment	–	246,221	4,570	250,791
At 31 December 2010	–	6,745,101	157,427	6,902,528
Carrying amount				
At 31 December 2010	–	6,587,855	1,023,273	7,611,128
At 31 December 2009	–	1,792,018	1,099,680	2,891,698

During the year, the directors reviewed the carrying amounts of the development expenditure and the distribution rights and concluded that the future economic benefits they will generate will not be less than their carrying amounts. Accordingly, no impairment loss was recognised for the year (2009: Nil).

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21. Inventories

	The Group	
	2010	2009
	HK$	HK$
Raw materials	**1,564,956**	1,340,011
Work in progress	**754,515**	447,855
Finished goods	**1,342,754**	427,201
	3,662,225	2,215,067

22. Trade and Other Receivables

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Trade receivables	**50,737,138**	35,198,222	**–**	–
Less: provision for impairment	**(278,064)**	(306,676)	**–**	–
Trade receivables – net	**50,459,074**	34,891,546	**–**	–
Other receivables	**305,100**	258,932	**–**	–
Total	**50,764,174**	35,150,478	**–**	–

(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	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
At beginning of year	**306,676**	496,638	**–**	–
Reversal of allowance	**(38,765)**	(190,819)	**–**	–
Exchange adjustment	**10,153**	857	**–**	–
At end of year	**278,064**	306,676	**–**	–

The allowance of HK$278,064 (2009: HK$306,676) has been made for estimated irrecoverable amounts from sale of goods. This provision has been determined by reference to past default experience.

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22. Trade and Other Receivables *(Continued)*

(ii) *(Continued)*

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

	The Group	
	2010	2009
	HK$	HK$
0 – 60 days	**31,125,469**	19,366,538
61 – 90 days	**9,314,133**	5,728,523
> 90 days	**10,019,472**	9,796,485
	50,459,074	34,891,546

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

	The Group	
	2010	2009
	HK$	HK$
Not past due	**40,439,602**	25,095,061
Less than 3 months past due	**10,019,472**	9,414,423
Over 3 months past due	**–**	382,062
	50,459,074	34,891,546

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.

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23. Convertible Note Receivable

	The Group	
	2010	2009
	HK$	HK$
Unlisted debt security, at cost	**4,500,220**	4,500,220
Accrued interest income	**629,890**	–
	5,130,110	4,500,220
Less: Impairment on convertible note	**(2,880,000)**	–
	2,250,110	4,500,220

In 2009, the Group entered into an agreement to subscribe for a convertible note with a principal amount of US$580,000, equivalent to HK$4,500,220 (the "Note"), from a private company in Indonesia (the "Borrower").

Pursuant to the agreement, the Borrower will repay to the Group the principal amount plus a lump sum interest payment computed at 20% of the principal amount at maturity which is 30 July 2011. Subject to the terms and conditions of the agreement, if earlier termination is made by the Borrower, the lump sum interest payment shall be computed at 35% instead of 20%.

The Note also confers a right to the Group to convert the principal amount into shares of the Borrower subject to a qualifying Initial Public Offering ("IPO") being achieved. The conversion price of the Note shall be at 50% discount from the offer price per share under the IPO.

If the qualifying IPO is not achieved before 30 July 2011, the Group shall have an option to extend the conversion period by a further six months. In the event that the Group agrees to the extension for an additional six months, the conversion ratio shall be at 65% discount from the offer price per share under IPO.

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

As the IPO process is delayed and considering the current financial position of the Borrower, the directors do not expect to realise the financial assets within twelve months after the end of reporting period and may grant further extension to the conversion period. For the purpose of impairment assessment, the directors have assessed the impacts on the recoverable amount of the financial assets and as a result an impairment loss of HK$2,880,000 is recognised in the current year's financial statements.

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24. Pledged Bank Deposits and Cash and Cash Equivalents

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Cash and bank balance	**60,162,356**	65,207,607	**833,642**	498,934
Time deposits	**18,744,414**	2,533,455	**1,033,914**	2,533,455
Cash and cash equivalents	**78,906,770**	67,741,062	**1,867,556**	3,032,389
Pledged bank deposits	**2,578,649**	–	**–**	–
	81,485,419	67,741,062	**1,867,556**	3,032,389

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods within three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The carrying amount of the cash and cash equivalents approximates its fair value.

As at 31 December 2010, cash and bank balances denominated in RMB amounted to approximately HK$77,700,000 (2009: approximately HK$46,000,000). RMB is not freely convertible into foreign currencies in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

Bank deposits of HK$2,578,649 (2009: Nil) were pledged to a bank to secure certain guarantees issued by bank in respect of construction in progression.

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25. Trade and Other Payables

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Trade payables	**210,153**	274,852	**–**	–
Other payables	**12,140,690**	5,204,132	**–**	–
Accruals	**17,680,325**	10,891,337	**1,799,860**	1,199,841
VAT payable	**4,476,995**	3,204,829	**–**	–
Deposits received	**–**	270,749	**–**	–
	34,508,163	19,845,899	**1,799,860**	1,199,841

The Group's operating subsidiaries in the PRC are subject to VAT, the principal indirect PRC tax which is charged on the selling price of finished products at a general rate of 17%. An input credit is available whereby input VAT previously paid on purchase of raw materials and plant and machinery can be used to offset the output VAT on sales to determine the net VAT payable.

Other payables and accruals are principally consist of construction cost payable, bonus, promotion and distribution and selling expenses payables.

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

	The Group	
	2010	2009
	HK$	HK$
0 – 60 days	**126,150**	166,441
61 – 90 days	**22,856**	–
> 90 days	**61,147**	108,411
	210,153	274,852

Notes To The Financial Statements

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26. Deferred Tax Liabilities

Details of the deferred tax (assets) and liabilities recognised and movements during the current and prior years:

The Group

	Other deductible temporary difference HK$	**Development expenditure** HK$	**Withholding tax** (Note) HK$	**Total** HK$
At 1 January 2009	–	–	–	–
Charge to profit or loss for the year	–	–	1,080,000	1,080,000
At 31 December 2009	–	–	1,080,000	1,080,000
Charge/(credit) to profit or loss for the year	(1,802,851)	961,957	–	(840,894)
Exchange differences	(49,143)	26,221	–	(22,922)
At 31 December 2010	(1,851,994)	988,178	1,080,000	216,184

Note: The liability represents withholding tax calculated at 5% on the distributable profits of a subsidiary in the PRC expected to be distributed to the holding company with its principal place of business located in Hong Kong. At the end of the reporting period, deferred tax liability not provided for the distributable profits of the subsidiary in the PRC amounted to approximately HK$ 57,856,000 (equivalent to RMB49,000,000) (2009: HK$16,902,000; equivalent to RMB14,858,000).

For the purpose of presentation in statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group **2010** **HK$**	2009 HK$
Deferred tax assets	**(1,851,994)**	–
Deferred tax liabilities	**2,068,178**	1,080,000
	216,184	1,080,000

As at the end of the reporting period, the Group had unused tax losses of HK$8,688,000 (2009: HK$8,688,000) available for offset against future profits arising in Hong Kong. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams of the Group’s operation in Hong Kong. The tax loss may be carried forward indefinitely.

Notes To The Financial Statements

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27. Share Capital

Authorised

	2010 Number	2010 HK$	2009 Number	2009 HK$
Ordinary shares of HK$0.1 each	**1,000,000,000**	**100,000,000**	1,000,000,000	100,000,000

Issued and fully paid

	2010 Number	2010 HK$	2009 Number	2009 HK$
Ordinary shares of HK$0.1 each				
At the beginning and end of the reporting period	**556,750,000**	**55,675,000**	556,750,000	55,675,000

28. Reserves

The Company

	Share premium HK$	(Accumulated losses)/ retained profit HK$	Total HK$
Balance at 1 January 2009	969,871	(18,107,004)	(17,137,133)
Profit for the year	–	20,604,032	20,604,032
Dividend paid	–	(5,567,500)	(5,567,500)
Balance at 31 December 2009	969,871	(3,070,472)	(2,100,601)
Profit for the year	–	8,150,269	8,150,269
Dividend paid	–	(5,567,500)	(5,567,500)
Balance at 31 December 2010	969,871	(487,703)	482,168

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

(i) Capital reserve

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

NOTES TO THE FINANCIAL STATEMENTS

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28. Reserves *(Continued)*

(ii) Statutory surplus reserve

In accordance with the PRC Companies Law, the Company's PRC subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to statutory surplus reserve. The statutory surplus reserve is non-distributable. In 2010, a PRC subsidiary transferred HK$4,530,775 (2009: HK$2,474,078) to statutory surplus reserve which represented 10% of that PRC subsidiary's profit after tax.

(iii) Foreign currency translation reserve

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

29. Operating Lease Arrangements

Operating lease payments represent rentals payable by the Group on certain properties, plant and equipment. Leases are negotiated for a term of between 3 to 5 years at fixed rent.

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

	The Group	
	2010	2009
	HK$	HK$
Minimum leases payments:		
– Properties	**1,558,480**	1,489,113
– Plant and machinery and others	**212,526**	204,768
	1,771,006	1,693,881

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

29. Operating Lease Arrangements *(Continued)*

The total future minimum lease payments is due as follows:

	2010		2009	
	Properties HK$	**Plant and machinery and others HK$**	Properties HK$	Plant and machinery and others HK$
Not later than one year	**1,897,317**	**–**	1,521,373	204,768
Later than one year and not later than five years	**2,801,026**	**–**	1,083,044	–
	4,698,343	**–**	2,604,417	204,768

30. Share Option

Share Option Scheme

On 20 June 2003, a share option scheme was approved. The purpose of the share option scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the share option scheme include directors of the Company or any of its subsidiaries, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, person or entity that provides research, development or other technological support to the Group, and any minority shareholder in the Company's subsidiaries.

The total number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under this scheme of the Company must not exceed 30% of the shares in issue from time to time. A nominal consideration of HK$1 is payable by the grantee upon acceptance of an option.

The subscription price of shares under the scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the higher of; (i) the nominal value of the shares: (ii) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; and (iii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant share option.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

30. Share Option *(Continued)*

Share Option Scheme (Continued)

Any grant of options under the share option scheme to a connected person or any of their respective associates must be approved by all the independent non-executive directors (excluding any independent non-executive directors who are the grantee). Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the shares in issue; and

(b) having an aggregate value, based on the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the relevant offer date of each offer, in excess of HK$5 million,

such further grant of options must be approved by shareholders (to whom a circular of the Company has been issued) of the Company. All connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such must be taken on a poll.

At the end of the reporting period of 2010 and 2009, no share option was outstanding under this share option scheme.

NOTES TO THE FINANCIAL STATEMENTS

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31. Interests in Subsidiaries

	The Company 2010 HK$	2009 HK$
Unlisted equity investment, at cost	**100,031**	100,031
Amounts due from subsidiaries (i)	**55,748,032**	51,400,154
Amount due to a subsidiary	**(31)**	(31)
	55,848,032	51,500,154

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

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

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

Notes To The Financial Statements

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32. Disposal of a Subsidiary

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

	HK$
Property, plant and equipment	18,165,121
Land use rights	7,849,706
Inventories	22,165,522
Trade and other receivables	7,657,550
Deposits and prepayments	3,050,826
Cash and cash equivalents	14,933,822
Trade and other payables	(29,700,390)
Loan and other borrowings	(28,844,240)
	15,277,917
51% of equity interest disposed of	7,791,737
Attributable goodwill	129,634
Release of exchange reserve	(956,375)
Waiver of amounts due to the Group	2,898,099
Costs directly attributable to the disposal	855,647
Loss on disposal of subsidiary included in profit for the year from discontinued operations in the consolidated statement of comprehensive income	(1,671,215)
Total consideration satisfied by cash	9,047,527
Net cash outflow arising on disposal:	
Total consideration received	9,047,527
Bank balances and cash disposed of	(14,933,822)
Costs directly attributable to the disposal	(855,647)
	(6,741,942)

Notes To The Financial Statements

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33. Capital Commitments

	The Group	
	2010	2009
	HK$	HK$
On acquisition of property, plant and equipment:		
– authorised but not contracted for	**–**	–
– contracted for but not provided	**24,642,258**	889,376

34. Financial Risk Management

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

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

(a) *Credit risk*

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

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

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

(b) *Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All financial liabilities are either repayable on demand or due to repay within one year.

(c) *Interest rate risk*

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

Notes To The Financial Statements

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34. Financial Risk Management *(Continued)*

(d) *Currency risk*

The Group's main operations are currently in the PRC with most of the transactions settled in Renminbi and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(e) *Fair values*

All financial instruments other than the convertible note receivable are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009.

35. Capital Risk Management

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

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

The capital structure of the Group consists of equity attributable to owners of the Company only, comprising share capital and reserves.

36. Summary of Financial Assets and Financial Liabilities by Category

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

	2010 Carrying amount HK$	2009 Carrying amount HK$
Financial assets		
Fair value through profit or loss		
– Designated upon initial recognition	**2,250,110**	4,500,220
Loans and receivables (including cash and bank balances)	**132,249,593**	102,891,540
	134,499,703	107,391,760
Financial liabilities		
Financial liabilities measured at amortised cost	**30,031,168**	16,370,321

Notes To The Financial Statements

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37. Related Party Transactions

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

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

38. Event after the Reporting Period

The Group signed an agreement on 24 January 2011 to acquire plant and machinery with a contract sum of EUR2,244,000 (approximately HK$23,807,000) for a new production line.

39. Approval of Consolidated Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on 28 March 2011.

FIVE YEAR FINANCIAL SUMMARY

The following is a summary of the consolidated results and of the assets and liabilities of the Group, prepared on the basis set out in notes 1 to 2 below:

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$	HK$	HK$	HK$	HK$
RESULTS					
Continuing operations					
TURNOVER	**146,281,574**	116,688,187	92,868,336	68,329,435	49,162,350
Cost of sales	**(11,936,206)**	(11,038,491)	(8,854,289)	(7,042,053)	(6,290,804)
Gross profit	**134,345,368**	105,649,696	84,014,047	61,287,382	42,871,546
Other revenue, gains and (losses)	**(1,466,001)**	833,569	1,393,583	30,592	(332,185)
Distribution and selling expenses	**(89,748,373)**	(69,618,126)	(55,061,490)	(40,886,824)	(28,184,512)
Administrative expenses	**(11,932,228)**	(15,301,513)	(11,603,748)	(9,230,080)	(8,184,919)
PROFIT BEFORE INCOME TAX EXPENSES	**31,198,766**	21,563,626	18,742,392	11,201,070	6,169,930
Income tax expense	**(4,614,394)**	(4,810,871)	(2,257,169)	(1,121,108)	(781,686)
PROFIT FOR THE YEAR FROM CONTINUING OPERATION	**26,584,372**	16,752,755	16,485,223	10,079,962	5,388,244
Discontinued operation					
(Loss)/profit for the year from discontinued operation	**–**	(8,594,063)	10,473,459	921,964	(1,624,967)
PROFIT FOR THE YEAR	**26,584,372**	8,158,692	26,958,682	11,001,926	3,763,277
Other comprehensive income/(expenses)	**3,267,231**	(846,570)	3,922,648	3,814,751	1,519,288
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**29,851,603**	7,312,122	30,881,330	14,816,677	5,282,565
Attributable to:					
Owners of the Company	**29,851,603**	10,704,319	25,395,559	14,005,930	5,906,309
Non-controlling interests	**–**	(3,392,197)	5,485,771	810,747	(623,744)
	29,851,603	7,312,122	30,881,330	14,816,677	5,282,565

Five Year Financial Summary

ASSETS AND LIABILITIES

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$	HK$	HK$	HK$	HK$
Non-current assets	**31,061,765**	22,870,596	38,660,654	36,096,179	27,470,690
Current assets	**138,129,539**	107,622,731	147,313,452	106,028,868	63,239,266
Current liabilities	**(36,656,712)**	(21,379,022)	(72,199,970)	(59,232,241)	(22,633,827)
Net current assets	**101,472,827**	86,243,709	75,113,482	46,796,627	40,605,439
Non-current liabilities	**(216,184)**	(1,080,000)	–	–	–
Net assets	**132,318,408**	108,034,305	113,774,136	82,892,806	68,076,129

Notes:

1 The summary of consolidated results of the Group includes the results of the Company and its subsidiaries as if the current Group structure had been in existence throughout the financial periods, or from the respective dates of their incorporation where this is a shorter period. The consolidated results of the Group for the years ended 31 December 2008, 2007 and 2006 are extracted from the published audited financial statements for these years. The consolidated results of the Group for the years ended 31 December 2010 and 2009 are as set out on page 27 of the audited financial statements.

2 The consolidated statement of financial position as at 31 December 2008, 2007 and 2006 are extracted from the published audited financial statements for the years ended 31 December 2008, 2007 and 2006, prepared on the basis as if the Group had been in existence for these years. The consolidated statement of financial position of the Group as at 31 December 2010 and 2009 are as set out on page 28 of the audited financial statements.