



ESSEX BIO-TECHNOLOGY LIMITED

億勝生物科技有限公司

(incorporated in the Cayman Islands with limited liability)

First Quarterly Report 2002

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

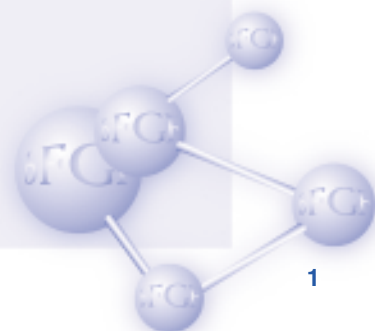
This report, for which the directors of Essex Bio-Technology Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the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

The board of directors of Essex Bio-Technology Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) as follows:

UNAUDITED CONSOLIDATED RESULTS

For the three months ended 31 March 2002

		For the three months ended 31 March	
	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	2	5,428	4,101
Cost of sales		<u>(1,029)</u>	<u>(761)</u>
Gross profit		4,399	3,340
Other revenue		170	102
Selling and distribution expenses		(3,252)	(2,508)
Administrative expenses		<u>(1,770)</u>	<u>(1,228)</u>
Loss from operating activities		(453)	(294)
Finance costs		<u>(6)</u>	<u>(17)</u>
Loss before tax		(459)	(311)
Tax	3	<u>—</u>	<u>—</u>
Loss before minority interests		(459)	(311)
Minority interests		<u>136</u>	<u>(47)</u>
Loss attributable to shareholders		<u><u>(323)</u></u>	<u><u>(358)</u></u>
Loss per share	4		
— basic		<u><u>(0.06) cent</u></u>	<u><u>(0.09) cent</u></u>



*Notes:***1. Basis of presentation**

The principal accounting policies adopted in preparing the unaudited consolidated results conform to the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

2. Turnover

Turnover comprises total invoiced value of biopharmaceutical products, skincare products and pharmaceutical research and development projects sold after allowances for returns and discounts.

3. Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profit in Hong Kong for the three months ended 31 March 2002 and the corresponding period in 2001.

The Group's operating subsidiaries in the People's Republic of China ("PRC") are all established and carrying on business in the Special Economic Zones of the PRC as foreign investment enterprises. They are subject to the enterprise income tax at a concessionary rate of 15%. One of the Group's subsidiaries, which is engaged in production, is entitled to seek exemption from the enterprise income tax for two years starting from the first year of profitable operations after offsetting accumulated losses brought forward, followed by a 50% reduction in enterprise income tax for the next three years. No provision for the PRC enterprise income tax has been made as there was no net assessable income for the three months ended 31 March 2002 and the corresponding period in 2001 after off-setting accumulated losses brought forward.

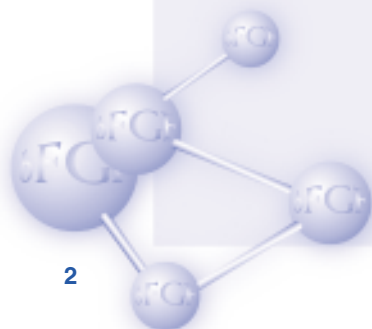
No recognition of the potential deferred taxation asset relating to tax losses has been made as the recoverability of this potential deferred taxation asset is uncertain.

4. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2002 is based on the unaudited loss attributable to shareholders of HK\$323,000 and the weighted average number of 512,820,000 ordinary shares outstanding.

The 384,610,666 ordinary shares outstanding as a result of the group's reorganization (the "Reorganization") prior to the Company's shares successfully listed on GEM in June 2001, are included in the calculation of the weighted average number of shares as if those shares had been in issue since 1 January 2001.

The exercise of the pre-IPO share options granted by the Company and conversion of a convertible note would have an anti-dilutive effect on the loss per share for the three months ended 31 March 2002 and 2001.



5. Dividends

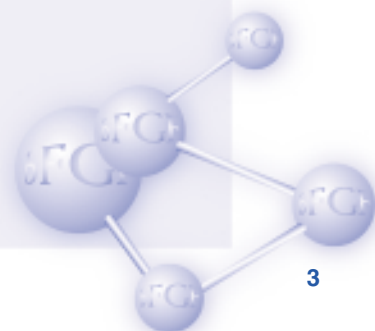
The directors do not recommend the payment of an interim dividend for the three months ended 31 March 2002 (2001: Nil).

6. Reserves

	Share premium <i>HK\$'000</i>	Capital reserve and contributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits/ losses) (Accumulated <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2001	—	8,613	74	(2,783)	5,904
Translation difference on consolidation	—	—	(19)	—	(19)
Net loss for the period	—	—	—	(358)	(358)
At 31 March 2001	—	8,613	55	(3,141)	5,527
At 1 January 2002	970	362	17	(779)	570
Net loss for the period	—	—	—	(323)	(323)
At 31 March 2002	970	362	17	(1,102)	247

Capital reserve of the Group as at 1 January 2001 represented negative goodwill of HK\$713,010 which arose on the acquisition of one of the Group's subsidiaries in the PRC.

Contributed surplus of the Group as at 1 January 2001 represented the difference of HK\$7,900,000 between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital of the subsidiaries acquired through an exchange of shares pursuant to the Reorganization.



BUSINESS REVIEW

Operations

Clinical trials on the efficacy of Beifushu in treating post cataract surgery corneal wounds

Clinical trials on the efficacy of 貝復舒 (Beifushu) in treating post cataract surgery corneal wounds were conducted at Beijing Tong Ren Hospital in the PRC since June 2001. After 10 months of clinical trials on a sample size of 120 patients, 貝復舒 (Beifushu) is proven to be an effective genetic drug in alleviating complications associated with cataract surgery; significantly outperforming the conventional drugs.

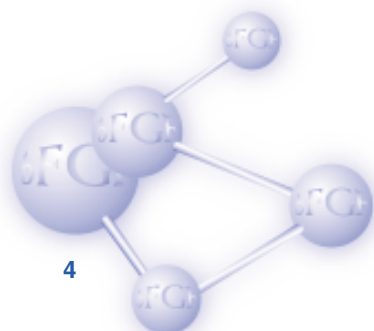
According to estimates released by the World Health Organization (“WHO”), the PRC’s population is projected to grow from the current 1.3 billion to 1.5 billion people by 2020. By then, the number of population over 60 years of age is estimated to reach 240 million people. Associated with the aging population is an expected substantial increase in age-related diseases — particularly cataract, which implies a tremendous market potential for the cataract services including post surgery treatment and hence represents a significant potential market for 貝復舒 (Beifushu).

Product development

Approval for the commencement of clinical trials of 貝復濟 (Beifuji) and 貝復舒 (Beifushu), the two commercialised biopharmaceutical products of the Group, in gel formulation was granted by 中華人民共和國國家藥品監督管理局 (The State Drug Administration of the PRC) (“SDA”) in mid 2001.

貝復濟 (Beifuji) in gel formulation is a derivative of the existing commercialized 貝復濟 (Beifuji) in lyophilized powder and liquid forms. The gel formulation derivative is comparatively persistent when acting on wounds, which in turn promotes greater therapeutic efficacy. Clinical trials are expected to be completed in June 2002. Approval from SDA for commercial production is expected to be granted in the fourth quarter of 2002.

貝復舒 (Beifushu) in gel formulation is a derivative of the existing commercialised 貝復舒 (Beifushu) eye-drop. The current eye-drop form of 貝復舒 (Beifushu) is currently used in hospitals. The gel formulation derivative is more convenient for patient application at home. Gel formulation is perceived to be comparatively easy-to-use and more comfortable as a result of a more smooth and even distribution when applied on conjunctiva. Furthermore, the gel formulation is more stable in physical nature and extends the product’s persistency. Clinical trials were completed in April 2002 and approval from SDA for commercial production is expected to be granted in the third quarter of 2002.



Research and Development

Joint research and development project under genetic engineering in the PRC

On 1 November 2001, Zhuhai Essex Bio-Pharmaceutical Company Limited entered into a joint research and development contract with Shanghai Cystron Biomedical Technology Co., Ltd ("Shanghai Cystron"), a company incorporated in Shanghai. Shanghai Cystron is principally engaged in the research and development of genetic engineering products.

Under the joint research and development contract, a genetic engineering drug, Calcitonin, is to be developed by using the recombinant DNA technology. Calcitonin is targeted for the treatment of osteoporosis, hypercalcemia and relieve of bone ache. Calcitonin is designated by SDA as a category I biopharmaceutical product, reflecting that there is no prior approval for similar genetic engineering products in the PRC and overseas.

The total estimated investment cost of the project is approximately RMB2,661,000, with an initial investment of RMB500,000. The balance of the investment cost is expected to be injected over a period of 18 months. Funding of the project is from internally generated funds.

Under the joint research and development project, the Group will be entitled to a 65% interest of any profits and benefits arising from the eventual product that is launched in the market.

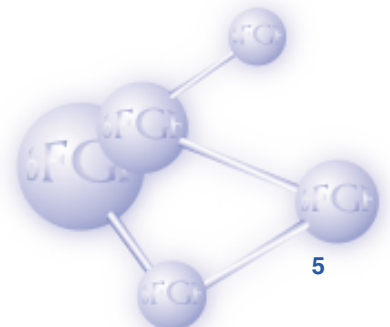
The basic research for Calcitonin was completed in March 2002. Preparations for proceeding to the pre-clinical test are in progress.

Research and development pipeline

Currently the Group has 15 projects in the research and development pipeline. Five of them are genetic engineering projects, nine projects are Traditional Chinese Medicine and one is a chemical project. All projects are developed according to the schedule outlined in the progress plan. Two of the genetic engineering projects are in the clinical trial stage and are expected to start commercial production in current year.

Financial Performance

The Group's turnover for the first quarter was approximately HK\$5.4 million, representing an increase of 32.4% over the previous corresponding quarter. The increase was due to concerted sales efforts rendered and continued market acceptance of the Group's products.



The Group's gross profit margin remained steady at over 81% for the three months ended 31 March 2002 and 2001 due to a tight cost control on production.

Gross profit increased from approximately HK\$3.3 million for the three months ended 31 March 2001 to approximately HK\$4.4 million for the period under review. However, due to larger marketing, sales and distribution expenses, additional routine but mandatory expenses such as listing fees, printing costs and sponsorship fees after the shares of the Company were listed on GEM of the Stock Exchange on 27 June 2001, and a shorter operating quarter as a result of the traditional Chinese New Year holiday, the Group suffered a marginal loss of HK\$323,000 as compared to the loss of HK\$358,000 for the previous corresponding quarter.

At the end of this period, the Group maintained a healthy financial position with approximately HK\$30 million cash on hand and is debt free.

OTHER INFORMATION

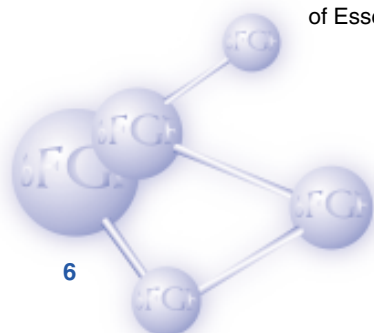
Directors' Interest in Shares

As at 31 March 2002, the interests of the directors and their associates (as defined in the GEM Listing Rules) in the listed share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) (the "SDI Ordinance"), are set out below:

Name	Number of issued ordinary shares of HK\$0.10 each in the Company				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Ngiam Mia Je Patrick	26,441,983	12,019,083 <i>(note 1)</i>	288,458,000 <i>(note 2)</i> 6,666,667 <i>(note 3)</i>	—	333,585,733

Notes:

- 12,019,083 shares were held by Ngiam Mia Je Patrick's wife, Lauw Hui Kian, and therefore he is deemed to be interested in these shares.
- 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 is deemed to be interested in these shares as he is entitled to exercise or control the exercise of more than one-third of the voting power of Essex Holdings at general meetings.



3. 6,666,667 shares were held Dynatech Ventures Pte Ltd (“Dynatech”) which is owned as to 60% by Essex (Singapore) Pte Ltd (“Essex Singapore”) and as to 40% by EDB Ventures Pte Ltd, an independent third party. Since Essex Singapore is owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares and therefore, Ngiam Mia Je Patrick is deemed to be interested in these shares as he is entitled to exercise or control the exercise of more than one-third of the voting power of Dynatech at general meeting.

Save as disclosed above as at 31 March 2002, none of the directors or their associates (as defined in the GEM Listing Rules) had any personal, family, corporate or other interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

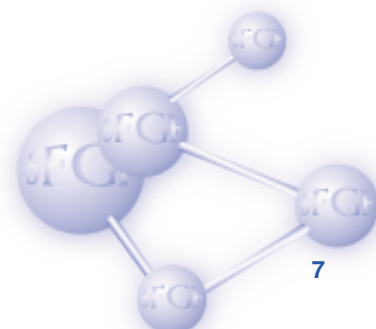
Substantial Shareholders

As at 31 March 2002, the following parties had registered an interest of 10% or more in the issued share capital of the Company that were required to be recorded in the register of interests to Section 16(1) of the SDI Ordinance.

Name	Number of shares held	Approximate percentage of shareholding
Essex Holdings Limited	288,458,000	56.25%
Ngiam Mia Je Patrick	333,585,733 <i>(note 1)</i>	65.05%
Ngiam Mia Kiat Benjamin	321,566,650 <i>(note 2)</i>	65.71%
Lauw Hui Kian	333,585,733 <i>(note 3)</i>	65.05%

Notes:

1. (a) 26,441,983 Shares are registered directly in the name of Ngiam Mia Je Patrick;
- (b) 12,019,083 Shares are held by Lauw Hui Kian, the spouse of Ngiam Mia Je Patrick;
- (c) 288,458,000 Shares are held by Essex Holdings; and
- (d) 6,666,667 Shares are held by Dynatech.
2. (a) 26,441,983 Shares are registered directly in the name of Ngiam Mia Kiat Benjamin;
- (b) 288,458,000 Shares are held by Essex Holdings; and
- (c) 6,666,667 Shares are held by Dynatech.



3. (a) 12,019,083 Shares are registered directly in the name of Lauw Hui Kian; and
- (b) 321,566,650 Shares are held by Ngiam Mia Je Patrick, the spouse of Lauw Hui Kian.

Save as disclosed above, no person, other than the directors of the Company whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

Directors' Rights to Acquire Shares

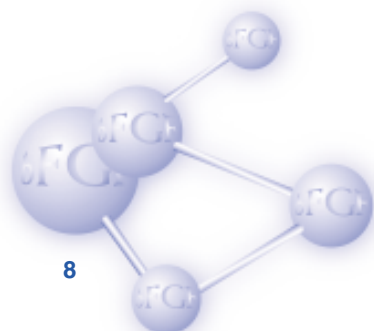
Pursuant to the Company's pre-IPO share option scheme adopted and approved by its shareholders on 13 June 2001 (the "Pre-IPO Share Option Scheme"), the Company granted options to the following directors of the Company which entitle the holders to subscribe for ordinary shares of the Company. No share option was exercised by any director during the period under review.

Details of the share options outstanding at 31 March 2002 are as follows:

Name of director	Date of grant	Number of options outstanding	Exercise price HK\$
Ngiam Mia Je Patrick	13 June 2001	4,500,000	0.10
Fang Haizhou	13 June 2001	4,000,000	0.10
Zhong Sheng	13 June 2001	3,000,000	0.10
Wong Kui Ming	13 June 2001	650,000	0.10
		12,150,000	

No options granted pursuant to the Pre-IPO Share Option Scheme as stated above had been exercised or cancelled as at 31 March 2002. However, due to the termination of employment of certain employees, options comprising an aggregate of 2,430,000 underlying shares of the Company had lapsed as at 31 March 2002. As at 31 March 2002, the outstanding options pursuant to the Pre-IPO Share Option Scheme amounted to a total of 37,295,000 underlying shares of the Company.

On the same date as the adoption of the Pre-IPO Share Option Scheme, a further Share Option Scheme (the "Post-Scheme") was also approved by the Company. No options had been granted to directors or employees of the Group under the Post-Scheme adopted by the Company on 13 June 2001 (as described in the prospectus of the Company dated 19 June 2001) during the period from 27 June 2001 (the commencement date of the dealings of the Company's shares on GEM) to 31 March 2002.



Save as disclosed above, at no time during the period under review was the Company, its holding company or any of its a party to any arrangements to enable the directors or chief executives (including their spouses or children under 18 years of age) of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interest in Contracts

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to which the Company, its holding companies or any of its subsidiaries was a party during the period under review.

Sponsor's Interests

At the date of this report, Dao Heng Securities Limited ("DHS"), its directors, employees and associates, did not have any interest in the share capital of the Company or any of its subsidiaries, or any right to subscribe for or to nominate persons to subscribe for the share capital of the Company or any of its subsidiaries.

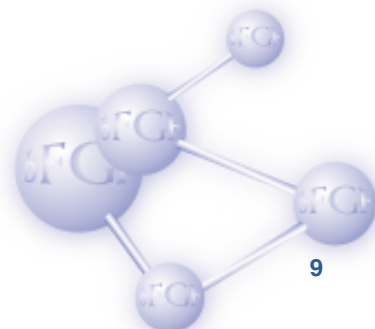
Pursuant to a sponsor agreement entered into between DHS and the Company, DHS is retained as sponsor of the Company for the period of two years commencing from 1 January 2002. The Company agreed to pay an agreed fee to DHS for its provision of such services.

Purchase, Redemption or Sale of Listed Securities

The Company's shares were listed on GEM on 27 June 2001. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities since that date.

Competition and Conflict of Interests

None of the directors nor the substantial shareholders has any interest in any business that directly or indirectly competes with the business of the Group.



Audit Committee

The Company established an audit committee on 13 June 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 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, Zhong Sheng, an executive director of the Company and Fung Chi Ying and Benoit Jean Marie Mauffrey, who are the independent non-executive directors of the Company. The Group's unaudited results for the three months ended 31 March 2002 have been reviewed by the committee, who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

On behalf of the Board

Ngiam Mia Je Patrick

Chairman and Executive Director

Hong Kong, 6 May 2002

