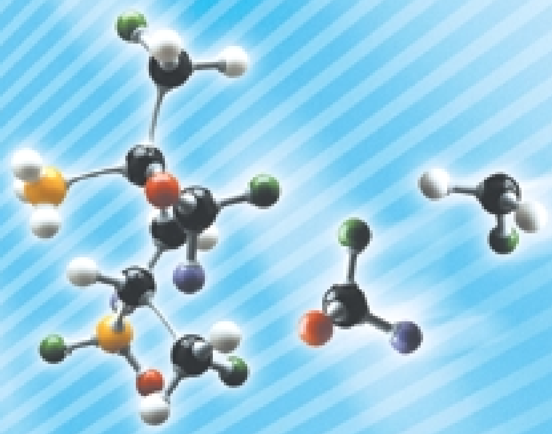

ESSEX BIO-TECHNOLOGY LIMITED

億勝生物科技有限公司

(incorporated in the Cayman Islands with limited liability)

FIRST QUARTERLY REPORT 2003

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.

The board of directors of Essex Bio-Technology Limited (the "Company") presents the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2003 as follows:

RESULTS

	Notes	For the three months ended 31 March 2003 HK$'000	2002 HK$'000
Turnover	2	**16,812**	5,291
Cost of sales		**(11,811)**	(955)
Gross profit		**5,001**	4,336
Other revenue		**603**	233
Selling and distribution expenses		**(4,445)**	(3,252)
Administrative expenses		**(2,853)**	(1,770)
Loss from operating activities		**(1,694)**	(453)
Finance costs		**(123)**	(6)
Loss before tax		**(1,817)**	(459)
Tax	3	**—**	—
Loss before minority interests		**(1,817)**	(459)
Minority interests		**204**	136
Loss attributable to shareholders		**(1,613)**	(323)
Loss per share	4		
- basic		**(0.29) cent**	(0.06) cent

Notes:

1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

2. Turnover

Turnover comprises total invoiced value of biopharmaceutical 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 2003 and the corresponding period in 2002.

The Group's operating subsidiaries 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 2003 and the corresponding period in 2002.

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 2003 is based on the unaudited loss attributable to shareholders of approximately HK$1,613,000 (2002: loss of approximately HK$323,000) and the weighted average of 555,240,000 (2002: 512,820,000 ordinary shares) ordinary shares in issue during the period.

A diluted loss per share for the three months ended 31 March 2003 and 2002 have not been presented as the effect of any dilution is anti-dilutive.

5. Dividends

The directors do not recommend the payment of any dividend for the three months ended 31 March 2003 (2002: Nil).

6. Reserves

	Share premium	Capital reserve	Exchange fluctuation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002	970	362	17	(809)	540
Net loss for the period	—	—	—	(323)	(323)
At 31 March 2002	970	362	17	(1,132)	217
At 1 January 2003	970	362	14	(4,573)	(3,227)
Net loss for the period	—	—	—	(1,613)	(1,613)
At 31 March 2003	970	362	14	(6,186)	(4,840)

Capital reserve of the Group represented negative goodwill arose on the acquisition of one of the Group's subsidiaries in the PRC.

BUSINESS REVIEW

During the period under review, the Group was principally engaged in the manufacture and sale of biopharmaceutical products for the treatment and healing of surface wounds and organ wounds. The Group also engaged in the research and development of biopharmaceutical products for the treatment of duodenal ulcers, osteoporosis and nervous system damages and diseases, as well as pharmaceutical projects for traditional Chinese medicine ("TCM") and chemical drug.

Since the fourth quarter of 2002, the Group successfully secured a non-exclusive commercial relationship with Novo Nordisk (China) Pharmaceutical Co., Ltd. ("Novo"), an internationally recognised pharmaceutical company, for distributing its world renowned biopharmaceutical insulin products.

Accreditation

During the period under review, a subsidiary of the Company, Essex Pharmaceutical Research Centre Company Limited ("Essex Research"), was conferred a prestigious grant by 國家高技術研究發展計劃（863 計劃）(The National High Technology Research and Development Program of China (863 Program)) (the "863 Program").

The Grant was awarded based on Essex Research's pharmaceutical project technological excellence in innovation and marketable potential in the research and development of a new drug project. The new chemical drug project focuses on the treatment of Hepatitis B.

The 863 Program was established to identify, assist and fund outstanding high-technology projects to promote and nurture China's high-technology industry development to international standards, as well as improve the standard of living through high technology advancement.

Essex Research's core competencies as an independent and state-of-the-art pharmaceutical research centre focused on accelerating the incubation and commercialisation of innovative and market-oriented new drugs has been previously acknowledged by a prestigious inaugural grant conferred by the Shenzhen Science and Technology Bureau in the fourth quarter of 2002. The grant was for the Group's pharmaceutical project in TCM for oral cavity ulcer treatment.

Product development

The category I biopharmaceutical pipeline product 貝復適 (Beifushi) was given approval by The State Drug Administration of the PRC ("SDA") to commence clinical trials in the treatment and healing of duodenal ulcers in December 2002.

Clinical trials of 貝復適 (Beifushi) are in progress and scheduled for completion in 2004 and commercial availability is expected in 2005.

Studies reveal that 貝復適 (Beifushi) increases concomitantly the rate of cure and enhances the quality of healing through an effective regeneration-triggering mechanism which translates to a significant curb in duodenal ulcer relapse when compared with the conventional mechanism of suppressing ulcer-causing secretions prevailing in existing drug market.

The total market size for duodenal and gastric ulcers in the PRC is estimated to exceed RMB7.5 billion in 2001, according to the China Health Yearbook. Patients suffering from duodenal and gastric ulcer experienced an approximate ratio of 3:1, which infers market value of above RMB5 billion for the duodenal ulcer market alone.

Research and development pipeline

Currently the Group has 21 projects in the research and development pipeline. The therapeutic focus of these projects is in surface wounds, organ wounds, nervous system disorders, cardiovascular, anti-virus, geriatric, digestive system and gynaecology.

Strengthening and expansion of the distribution network

The Group adopted and implemented the strategy of establishing direct representative offices ("DROs") since the third quarter of 2002. The effect of the DROs is to enable the Group to more pragmatically and effectively promote and drive penetration of the biopharmaceutical products to hospitals and end markets.

Four DROs were established in Beijing, Nanjing, Shanghai and Harbin in 2002. The Group's original plan to establish another six DROs in 2003 has been suspended pending containment of the SARS' outbreak.

FINANCIAL REVIEW

Group revenue for the three months ended 31 March 2003 increased by 218% to approximately HK$16.8 million as compared to the corresponding previous period. Revenue of approximately HK$11.8 million was derived from the distribution of Novo's biopharmaceutical insulin products.

Gross profit, however, increased slightly to approximately HK$5 million for the period under review when compared to HK$4.3 million for the same period in the previous year, despite the gross profit margin from the sales of 貝復濟 (Beifuji) and 貝復舒 (Beifushu) remaining unchanged at over 81%.

However, the Group suffered a loss of approximately HK$1.6 million for the period under review due to the increase in distribution and selling costs and administrative expenses.

Distribution and selling expenses increased to approximately HK$4.4 million for the period under review from approximately HK$3.3 million for the corresponding previous period. The increase resulted from the investments in DROs, increase of marketing and promotional activities and increase of sales commission.

Administration expenses increased during the period under review to approximately HK$2.9 million from approximately HK$1.8 million in the corresponding previous period. The increase was mainly attributable to the expansion of the research and development centre of Essex Research which is responsible for carrying out research and development of TCM and chemical pharmaceutical projects.

At the end of this period, the Group maintained a healthy financial position with approximately HK$20 million cash on hand (2002: approximately HK$30 million).

The Group continues to adopt a conservative treasury policy with all bank deposits in either Hong Kong Dollars, or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks.

OTHER INFORMATION

Directors' interest in shares

As at 31 March 2003, 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:

	Number of issued ordinary shares of HK$0.10 each in the Company				
Name	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**
Ngiam Mia Je Patrick	2,250,000	—	288,458,000 *(note 1)* 6,666,667 *(note 2)*	—	297,374,667
Fang Haizhou	2,000,000	—	—	—	2,000,000
Zhong Sheng	1,500,000	—	—	—	1,500,000

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 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.

2. 6,666,667 shares were held by Dynatech Ventures Pte Ltd ("Dynatech") which is wholly owned by Essex (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 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 2003, 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

At the date of the report, the following parties had registered an interest of 5% 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	51.95%
Ngiam Mia Je Patrick	297,374,667 *(note 1)*	53.56%
Ngiam Mia Kiat Benjamin	295,449,667 *(note 2)*	53.21%
Lauw Hui Kian	297,374,667 *(note 3)*	53.56%

Notes:

1. (a) 2,250,000 shares are registered directly in the name of Ngiam Mia Je Patrick.

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

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

2. (a) 325,000 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) 297,374,667 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.

Details of the share options granted to the directors of the Company outstanding at 31 March 2003 are as follows:

		Number of options			
Name of director	Date of grant	granted	exercised/ lapsed	outstanding	Exercise price *HK$*
Ngiam Mia Je Patrick	13 June 2001	4,500,000	2,250,000	2,250,000	0.10
Fang Haizhou	13 June 2001	4,000,000	2,000,000	2,000,000	0.10
Zhong Sheng	13 June 2001	3,000,000	1,500,000	1,500,000	0.10
145 other employees or directors of subsidiaries of the Company	13 June 2001	28,225,000	5,270,000	22,955,000	0.10 to 0.35
		39,725,000	11,020,000	28,705,000	

Subject to the terms of the Pre-IPO Share Option Scheme, such options are exercisable within five years from the date of grant.

Save as disclosed above, at no time during the period under review was the Company, its holding company or any of its subsidiaries 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.

Sponsor's interests

As at 8 May 2003, 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.

Competition and conflict of interests

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the period ended 31 March 2003.

Purchase, redemption or sale of listed securities

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period ended 31 March 2003.

Board practices and procedures

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the period ended 31 March 2003.

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 Mauffrey Benoit Jean Marie, who are the independent non-executive directors of the Company. The Group's unaudited results for the three months ended 31 March 2003 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, 9 May 2003