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*This report, for which the directors of Essex Bio-Technology Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

The board of directors of Essex Bio-Technology Limited (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2005 as follows:

**RESULTS**

		<b>2005</b>	For the three months ended 31 March 2004
	Notes	<b>HK\$'000</b>	HK\$'000
Turnover	2	<b>7,629</b>	6,037
Cost of sales		<b>(1,066)</b>	(967)
Gross profit		<b>6,563</b>	5,070
Other revenue	3	<b>9,236</b>	630
Selling and distribution expenses		<b>(4,057)</b>	(2,761)
Administrative expenses		<b>(2,302)</b>	(1,929)
Profit from operating activities		<b>9,440</b>	1,010
Finance costs		<b>(2)</b>	(1)
Profit before tax		<b>9,438</b>	1,009
Tax	4	–	–
Profit attributable to shareholders		<b>9,438</b>	1,009
Earnings per share	5		
– basic		<b>HK1.70 cents</b>	HK0.18 cent
– diluted		<b>HK1.61 cents</b>	HK0.18 cent

**Notes:**

**1. Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

**2. Turnover**

Turnover represents net invoiced value of biopharmaceutical products supplied to customers, less discounts, returns, value added tax and other applicable goods and services taxes.

**3. Other revenue**

	For the three months ended	
	2005	31 March
	HK\$'000	2004
		HK\$'000
Gain on disposal of other investments	9,218	418
Gain on disposal of a subsidiary	–	205
Sundries	18	7
	<b>9,236</b>	630

**4. Tax**

No provision for Hong Kong profits tax has been made as the Group had no assessable profit subject to Hong Kong profit tax for the three months ended 31 March 2005 and the corresponding period in 2004.

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 31 March 2005 and the corresponding period in 2004.

**5. Earnings per share**

The calculation of the basic earnings per share for the three months ended 31 March 2005 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$9,438,000 (2004: approximately HK\$1,009,000) and the weighted average number of 555,244,000 (2004: 555,240,571) ordinary shares outstanding during the periods.

The calculation of the diluted earnings per share for the three months ended 31 March 2005 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$9,438,000 (2004: approximately HK\$1,009,000) and the weighted average number of 586,307,073 (2004: 557,419,861 ordinary shares).

**6. Dividends**

The directors do not recommend the payment of any dividend for the three months ended 31 March 2005 (2004: Nil).

**7. Reserves**

	<b>Share premium</b> HK\$'000	<b>Capital reserve</b> HK\$'000	<b>Exchange fluctuation reserve</b> HK\$'000	<b>Accumulated losses</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January 2004	970	362	14	(22,928)	(21,582)
Net profit for the period	–	–	–	1,009	1,009
At 31 March 2004	970	362	14	(21,919)	(20,573)
At 1 January 2005	970	362	14	(15,324)	(13,978)
Net profit for the period	–	–	–	9,438	9,438
<b>At 31 March 2005</b>	<b>970</b>	<b>362</b>	<b>14</b>	<b>(5,886)</b>	<b>(4,540)</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 eye wounds. The Group also engaged in the research and development of biopharmaceutical products for the treatment of duodenal ulcers, nervous system damages and diseases, as well as other pharmaceutical projects.

In 2005, the Group stay focused on driving organic growth from its core biopharmaceutical products through the established distribution network in China.

#### Market Development

The Group continued to execute its plan of establishing a network of direct representative offices (“DROs”) in strategic cities to complement the already established distribution network and are aimed at providing more effective control and management of market coverage and reach.

The Group currently has nine DROs throughout major provinces in the PRC.

To cultivate further market coverage and reach for the Group’s genetic products, the Group has conducted over 80 seminars and market promotion activities, educating more than 1,000 doctors and medical practitioners on the clinical applications of the Group’s products, in major cities and provinces in the PRC for the period under review.

#### Products Development

貝復濟凝膠劑型(Beifuji gel formulation) – It is a derivative of the existing commercialised 貝復濟(Beifuji) in lyophilized powder and liquid forms. 貝復濟凝膠劑型(Beifuji gel formulation), namely 貝復新(Beifuxin), is comparatively persistent when acting on wounds, which in turn promotes therapeutic efficacy. The Group obtained approval from SFDA in January 2004 for the commercial production of 貝復新(Beifuxin). The requisite GMP certificate is obtained in 2004. The Group started to manufacture and distribute 貝復新(Beifuxin) in early 2005.

貝復舒凝膠劑型(Beifushu gel formulation) – It is used for the treatment of corneal wounds. It is a derivative of the flagship category I biopharmaceutical product 貝復舒(Beifushu) eye-drop. 貝復舒凝膠劑型(Beifushu gel formulation) is perceived to be comparative easy-to-use and more comfortable as a result of a smoother and even distribution when applying on conjunctiva. Moreover, it is more stable in physical nature, which extends the product’s persistency. 貝復舒凝膠劑型(Beifushu gel formulation) is pending SFDA approval for commercial production.

The Group’s genetic drug product spectrum focuses on the treatment and healing of surface wound, corneal wound, duodenal ulcers and nervous system diseases and damages.

#### Research and Development (“R&D”)

Genetic drug projects in the R&D pipeline during the period under review include 貝復適(Beifushi), 貝復泰(Beifutai), rh-GDNF, 妥布霉素滴眼液(Tobramycin Eye Drop) and 雙氯芬酸鈉滴眼液(Diclofenac Sodium Eye Drop).

- 貝復適(Beifushi) – Clinical trials are in progress and are expected to be completed in 2006. 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 pending SFDA's approval to start clinical trials. 貝復泰(Beifutai) is a category I biopharmaceutical product based on rh-bFGF for the treatment of nervous system diseases and damages;
- rh-GDNF – Pre-clinical tests are in progress and expected to be completed in 2006. rh-GDNF is a neurotrophic factor for the treatment of nervous system damages and diseases;
- 妥布霉素滴眼液(Tobramycin Eye Drop) – A new project carried out by the Group during the period under review. The research and development is expected to be completed by end of 2005. 妥布霉素滴眼液(Tobramycin Eye Drop) is developed for the treatment and healing of optical bacterial contamination;
- 雙氯芬酸鈉滴眼液(Diclofenac Sodium Eye Drop) – Another new project carried out by the Group during the period under review. The research and development is expected to be completed by end of 2005. 雙氯芬酸鈉滴眼液(Diclofenac Sodium Eye Drop) is developed for the treatment and healing of keratitis and inflammation after cataract surgery.

## FINANCIAL REVIEW

The Group reported approximately HK\$7.6 million in turnover, an increase of 26.4% over the corresponding previous period of last year.

Overall gross profit for the period ended 31 March 2005 increased to approximately HK\$6.6 million when compared to approximately HK\$5.1 million recorded in the same period of last year.

The Group registered the profit attributable to shareholders of approximately HK\$9.4 million for the period ended 31 March 2005, an increase of over 835.4% when compared to the same period of last year. The significant increase is largely attributed to a gain of approximately HK\$9.2 million from the disposal of other investments during the period under review.

Distribution and selling expenses increased to approximately HK\$4.1 million for the period ended 31 March 2005 when compared to approximately HK\$2.8 million recorded in the same period of last year. The increase was mainly attributable to the increase of marketing and promotional activities and increase of sales commission payable that were associated with the higher sales volume of the Group's genetic products in the period under review.

Administration expenses increased to approximately HK\$2.3 million in the period ended 31 March 2005 when compared to approximately HK\$1.9 million recorded in the same period of last year. The increase is mainly attributed to the increase in research and development costs for the two new projects in the R&D pipeline during the period under review.

The Group maintained a healthy financial position with approximately HK\$36 million cash on hand (2004: approximately HK\$11.3 million) as at 31 March 2005.

The Group continues to adopt a prudent 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' interests in contracts

No director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the period under review.

## Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

At 31 March 2005, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange (the "GEM Listing Rules"), were as follows:

*Long positions in ordinary shares of the Company:*

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

Notes:

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

*Interest in underlying shares of the Company:*

Share options granted under the Pre-Scheme (Note):

Name of director	Number of share options beneficially and directly held by the directors and outstanding as at 31 March 2005	Percentage of the share options to the Company's issued share capital as at 31 March 2005
Ngiam Mia Je Patrick	2,250,000	0.41
Fang Haizhou	2,000,000	0.36
Zhong Sheng	1,500,000	0.27

Note: Pursuant to the pre-IPO share option scheme ("Pre-Scheme") adopted by the Company on 13 June 2001, the Company had granted pre-IPO share options to 149 employees (including 3 executive directors of the Company) of the Group to subscribe for a total of 39,725,000 shares, representing in aggregate approximately 7.75% of the issued share capital of the Company immediately following the completion of the Placing and the capitalization issue, at a subscription price ranging from 20% to



70% of the listing issue price of HK\$0.50 per share. No further share options would be granted under the Pre-Scheme after listing of the Company's shares on the GEM. All these share options may be exercised on or before 13 June 2011. On 20 June 2003, a further share option scheme ("Post-Scheme") was approved. The purpose of the Post-Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. No options were granted under the Post-Scheme during the period under review.

Save as disclosed above, as at 31 March 2005, none of the directors or chief executive of the Company had registered an 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

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures", at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

#### Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

At 31 March 2005, the following persons had interests or short positions in the shares and underlying shares of the Company which 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	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
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, as at 31 March 2005, there was no person (other than the directors and chief executive of the Company) whose interests are set out in the section "Directors' and chief executive's interests and short position 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.

#### **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 businesses that competes or may compete, either directly or indirectly, with the business of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the period under review.

#### **Purchase, redemption or sale of listed securities of the Company**

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

#### **Audit committee**

The Company established an audit committee with written terms of reference in compliance with Rule 5.28 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, Fung Chi Ying, Mauffrey Benoit Jean Marie and Yeow Mee Mooi. All of them are the independent non-executive directors of the Company. The Group's unaudited results for the period ended 31 March 2005 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 made.

#### **Directors of the Company**

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

ON BEHALF OF THE BOARD

#### **Ngiam Mia Je Patrick**

*Chairman*

Hong Kong  
12 May 2005