

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.

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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 Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

RESULTS

The board of directors of Essex Bio-Technology Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2005 as follows:

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	12,642	11,417	32,357	26,982
Cost of sales		(1,359)	(1,231)	(3,754)	(3,258)
Gross profit		11,283	10,186	28,603	23,724
Other revenue	2	293	12	9,550	4,391
Selling and distribution expenses		(6,959)	(6,907)	(17,776)	(15,048)
General and administrative expenses		(2,214)	(1,796)	(6,743)	(6,220)
Profit from operating activities		2,403	1,495	13,634	6,847
Finance costs		(2)	(2)	(6)	(6)
Profit before tax		2,401	1,493	13,628	6,841
Tax	3	–	–	–	–
Net profit from ordinary activities attributable to shareholders		2,401	1,493	13,628	6,841
Earnings per share	5				
– Basic		HK0.43 cent	HK0.27 cent	HK2.45 cents	HK1.23 cents
– Diluted		HK0.43 cent	HK0.27 cent	HK2.45 cents	HK1.23 cents

Notes:

1. Principal accounting policies and basis of preparation

The Group's unaudited quarterly results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The unaudited third quarterly financial statements have been prepared under the historical cost convention except available for sale financial assets are stated at fair value. The accounting policies and basis of preparation adopted for the preparation of these accounts are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2004.

2. Turnover and other revenue

Turnover represents sales value of biopharmaceutical products supplied to customers, less discounts, returns, value added tax and other applicable local taxes.

The analysis of the Group's turnover and other revenue is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover:				
Sales of goods	12,642	11,417	32,357	26,982
Other revenue:				
Gain on disposal of available for sale financial assets	–	–	9,218	4,156
Gain on disposal of a subsidiary	–	–	–	205
Written back the provision for doubtful debts	1,171	–	1,171	–
Interest income	24	12	60	28
Exchange loss	(905)	–	(905)	–
Sundries	3	–	6	2
	293	12	9,550	4,391

3. Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profit subject to Hong Kong profits tax.

The Group's operating subsidiaries are all established and carrying on business in the Special Economic Zones of the PRC as foreign investment enterprises. They are subject to enterprise income tax at a concessionary rate to 15%. One of the Group's subsidiaries, which is engaged in production, is entitled to seek exemption from 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 PRC enterprise income tax had been made as there was no net assessable income during the period under review.

Deferred tax has not been provided as there was no significant timing differences which would give rise to deferred tax liabilities at the balance sheet date (2004: Nil). The potential tax benefits attributable to tax losses of the Group and the Company have not been recognised due to unpredicability of future profit streams (2004: Nil).

4. Dividends

No dividend has been paid or declared by the Company or any of the companies comprising the Group during the period ended 30 September 2005 (2004: Nil).

5. Earnings per share

Basic

The calculation of basic earnings per share for the three months and nine months ended 30 September 2005 is based on the net profit from ordinary activities attributable to shareholders of HK\$2,401,000 and HK\$13,628,000, and the weighted average of 555,244,000 ordinary shares in issue during both the three months and nine months ended 30 September 2005.

The calculation of basic earnings per share for the three months and nine months ended 30 September 2004 is based on the net profit from ordinary activities attributable to shareholders of HK\$1,493,000 and HK\$6,841,000, and the weighted average of 555,244,000 and 555,242,286 ordinary shares in issue during the three months and nine months ended 30 September 2004.

Diluted

The calculation of the diluted earnings per share for the three months and nine months ended 30 September 2005 are based on the net profit from ordinary activities attributable to shareholders of HK\$2,401,000 and HK\$13,628,000, and 555,693,264 and 556,348,276 ordinary shares respectively.

The calculation of the diluted earnings per share for the three months and nine months ended 30 September 2004 are based on the net profit from ordinary activities attributable to shareholders of HK\$1,493,000 and HK\$6,841,000, and 556,102,391 and 556,545,394 ordinary shares respectively.

6. Reserves

	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Capital reserve and contributed surplus HK\$'000	Investment revaluation reserve HK\$'000	Retained profits/ accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2004	970	14	362	-	(22,928)	(21,582)
Net profit for the period	-	-	-	-	5,348	5,348
At 30 June 2004	970	14	362	-	(17,580)	(16,234)
Net profit for the period	-	-	-	-	1,493	1,493
At 30 September 2004	970	14	362	-	(16,087)	(14,741)
At 1 January 2005	970	14	362	-	(15,322)	(13,976)
Redesignation of available for sale financial assets	-	-	-	10,794	-	10,794
At 1 January 2005 as redesignated	970	14	362	10,794	(15,322)	(3,182)
Fair value loss on available for sale financial assets	-	-	-	(1,576)	-	(1,576)
Realisation on disposal of available for sale financial assets	-	-	-	(9,218)	-	(9,218)
Net profit for the period	-	-	-	-	11,227	11,227
At 30 June 2005	970	14	362	-	(4,095)	(2,749)
Net profit for the period	-	-	-	-	2,401	2,401
At 30 September 2005	970	14	362	-	(1,694)	(348)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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 and nervous system damages and diseases, as well as other ophthalmic pharmaceutical projects.

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

Market Development

The Group continued to execute its plan of establishing and nurturing 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. Over 1,000 hospitals in major provinces in the PRC carry the Group’s flagship pharmaceutical products.

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

To cultivate further market coverage and reach for the Group’s genetic products, the Group has conducted over 53 seminars and 421 market promotion activities, educating more than 10,000 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.

During the period under review, the Group’s flagship biopharmaceutical products have been successfully approved for the Medical Insurance coverage in 7 major provinces in the PRC.

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 SFDA’s approval for the commercial production and the requisite GMP certificate for the production of 貝復新 (Beifuxin) were 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. The current eye-drop form of 貝復舒 (Beifushu) has been prescribed in hospitals. 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. The Group had obtained from SFDA approval for the commercial production of 貝復舒凝膠劑型 (Beifushu gel formulation) and is pending receipt of the GMP certification in order to commence production. The Group expected to start the manufacture and distribute 貝復舒凝膠劑型 (Beifushu gel formulation) in the first quarter of 2006.

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”)

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

- 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 is pending SFDA's approval to start clinical trials. 貝復泰 (Beifutai) is a category I biopharmaceutical product based on rh-bFGF for the treatment of nervous system diseases and damages.
- rh-GDNF – Pre-clinical tests are in progress. rh-GDNF is a neurotrophic factor for the treatment of nervous system damages and diseases.
- 妥布霉素滴眼液 (Tobramycin Eye Drop) – The research and development on this project has been successfully completed during the period under review and is pending receipt of the GMP certification and SFDA's approval in order to commence production. 妥布霉素滴眼液 (Tobramycin Eye Drop) is developed for the treatment and healing of bacterial contamination.
- 雙氯芬酸鈉滴眼液 (Diclofenac Sodium Eye Drop) – The research and development on this project has been successfully completed during the period under review and is pending the receipt of the GMP certification and SFDA's approval in order to commence production. 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\$32.4 million in turnover for the nine months ended 30 September 2005, an increase of 19.9% over the corresponding period of last year.

Overall gross profit for the nine months ended 30 September 2005 increased to approximately HK\$28.6 million when compared to approximately HK\$23.7 million recorded in the same period of last year.

The Group registered the profit attributable to shareholders of approximately HK\$13.6 million for the nine months ended 30 September 2005, an increase of over 99.2% 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 available for sale financial assets during the period under review.

Selling and distribution expenses increased to approximately HK\$17.8 million for the nine months ended 30 September 2005 when compared to approximately HK\$15 million recorded in the same period of last year. The increase was mainly attributable to the increase in marketing and promotional activities and sales commission payable that were associated with the higher sales volume of the Group's genetic products in the period under review.

Administration expenses slightly increased to approximately HK\$6.7 million in the nine months ended 30 September 2005 when compared to approximately HK\$6.2 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.

During the period under review, the Group incurred a capital expenditure of approximately HK\$3.9 million for upgrading and expanding the manufacturing capacity and capability of its plant in Zhuhai and enlarging its Zhuhai office space. The upgrading programme is to cope with anticipated higher demands of its current and future products. The whole project is expected to complete by end of 2005 and the estimated additional costs to complete the project is approximately HK\$1.3 million.

The Group maintained a healthy financial position with approximately HK\$35.7 million cash on hand as at 30 September 2005 (2004: approximately HK\$22.6 million).

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.

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

As at 30 September 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 pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name	Personal interests	Number of issued ordinary shares of HK\$0.10 each in the Company			Total
		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:

Pursuant to a pre-IPO share options scheme (the "Pre-Scheme") adopted by the Company on 13 June 2001, the Company had granted Pre-Scheme share options on the Company's ordinary shares to 149 employees (included 3 executive directors). Details of share options to subscribe for shares in the Company granted to the directors were as follows:

Directors of the Company	Number of share options beneficially and directly held by the directors and outstanding as at 30 September 2005	Percentage of the share options to the Company's issued share capital as at 30 September 2005
Ngiam Mia Je Patrick	2,250,000	0.41%
Fang Haizhou	2,000,000	0.36%
Zhong Sheng	1,500,000	0.27%

Save as disclosed above, as at 30 September 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 Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2005, the following persons or company 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 30 September 2005, there was no person or company (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.

OTHER OUTSTANDING SHARE OPTIONS

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. No further share options would be granted under the Pre-Scheme after listing of the Company's shares on the GEM.

As at 30 September 2005, a total of 12,306,000 shares at a subscription price ranging from HK\$0.10 to HK\$0.35 per share held by 76 other employees are still outstanding.

On 13 June 2001, a further share option scheme (the "Post-Scheme") was approved and was subsequently revised on 20 June 2003. No share options were granted by the Company under the Post-Scheme 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 nine months ended 30 September 2005.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and, subject to the following deviation, complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review except that:

A4.2 Not all directors are subject to retirement by rotation at least once every three years.

COMPLIANCE WITH RULES 5.46 TO 5.68 OF THE GEM LISTING RULES

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 5.46 to 5.68 of the GEM Listing Rules. Having made specific enquiry of all directors, the Company's directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the directors throughout the period ended 30 September 2005.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Appendix 15 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 Madam Yeow Mee Mooi. All of them are independent non-executive directors of the Company.

The Group's unaudited results for the nine months ended 30 September 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 Madam Yeow Mee Mooi.

ON BEHALF OF THE BOARD

Ngiam Mia Je Patrick
Chairman

Hong Kong
11 November 2005