



ESSEX

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)

2008
First Quarterly Report



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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 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.

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 (the “Group”) for the three months ended 31 March 2008 together with the comparative unaudited figures for the corresponding period in last financial year.

RESULTS

		For the three months ended 31 March 2007 HK\$'000
	<i>Notes</i>	2008 HK\$'000
Turnover	2	48,745
Cost of sales		(27,734)
Gross profit		21,011
Other revenue	2	2,098
Distribution and selling expenses		(11,247)
Administrative expenses		(3,056)
Profit from operations		8,806
Finance costs		(628)
Profit before taxation		8,178
Taxation	3	(455)
Net profit for the period		7,723
Attributable to:		
Equity holders of the Company		5,916
Minority interests		1,807
		7,723
Earnings per share – basic	5	HK1.06 cents
		HK0.43 cents

NOTES:

1. Basis of preparation

The Group's first quarterly unaudited results of 2008 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") (which also include all Hong Kong Accounting Standards ("HKASs") 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. They have been prepared under the historical cost convention, as modified for the revaluation of financial instruments which have been measured in fair value.

2. Turnover and other revenue

Turnover represents sales value of biopharmaceutical products and agricultural fertilizers 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:

	2008	For the three months ended
	HK\$'000	31 March 2007
		<i>HK\$'000</i>
Turnover:		
Sales of biopharmaceutical products	17,284	12,278
Sales of agricultural fertilizers	31,461	8,114
	48,745	20,392
Other revenue:		
Value added tax refund	1,888	487
Sundries	210	279
	2,098	766
	50,843	21,158

3. Taxation

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 in Zhuhai, the PRC, are established and carrying on business in the Special Economic Zones of the PRC as foreign investment enterprises. They are subject to enterprise income tax ("EIT") at a concessionary rate of 18%. One of the Group's subsidiaries, which engages in production, is entitled to exemption from EIT for two years starting from the first year of profitable operations after offsetting accumulated losses brought forward, followed by a 50% reduction in EIT for the next three years. The income tax exemption period of the subsidiary expired and the income tax is calculated at 9% (50% reduction in EIT) (2007: 7.5%) for the period.

The Group's operating subsidiary in Yantai, the PRC, is subject to EIT at a concessionary rate of 15%. The subsidiary is entitled to exemption from EIT for its first two profitable years of operations and a 50% reduction in EIT for the succeeding three years. No provision for EIT has been made for the period ended 31 March 2008 as the subsidiary is enjoying the first year of tax exemption in 2008.

Deferred tax has not been provided as there was no significant temporary differences which would give rise to deferred tax liabilities at the balance sheet date (2007: Nil). The potential tax benefits attributable to tax losses of the Group and the Company have not been recognised due to unprecipitability of future profit streams (2007: 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 31 March 2008 (2007: Nil).

5. Earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2008 is based on the profit attributable to equity holders of the Company of HK\$5,916,000 (2007: HK\$2,375,000) and 556,750,000 (2007: 556,750,000) ordinary shares in issue during the three months ended 31 March 2008.

There was no diluted earnings per share for both periods ended 31 March 2008 and 2007 since the Company had no dilutive potential shares outstanding as at 31 March 2008 and 2007.

6. Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Statutory surplus reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained profits HK\$'000	Attributable to equity holders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2007	970	362	2,410	1,826	2,253	7,821	4,580	12,401
Net profit for the period	-	-	-	-	2,375	2,375	(285)	2,090
At 31 March 2007	970	362	2,410	1,826	4,628	10,196	4,295	14,491
At 1 January 2008	970	362	3,771	5,282	11,442	21,827	5,391	27,218
Currency transaction differences	-	-	-	2,310	-	2,310	245	2,555
Net profit for the period	-	-	-	-	5,916	5,916	1,807	7,723
Total recognised income and expenses for the period	970	362	3,771	7,592	17,358	30,053	7,443	37,496
Appropriate of profits	-	-	469	-	(469)	-	-	-
At 31 March 2008	970	362	4,240	7,592	16,889	30,053	7,443	37,496

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 2008, at the backdrop of strong sales momentum from the previous year, the Group continued its business development strategy in expanding organic growth from its core biopharmaceutical products, Beifushu and Beifuji, through its established distribution network in the PRC, servicing the well accepted clinical applications and expanding into new clinical arena.

In parallel, Group effort is also dedicated towards cultivating and developing the business of agricultural fertilizers through its subsidiary, Yantai Baoyuan, which is principally engaged in the research, development and production of organic and chemical formulated agricultural fertilizers, in solid and liquid forms, for the agriculture industry in the PRC.

Market Development

During the period under review, the Group maintained 17 direct representative offices, which are located in major provinces in the PRC. There are over 1,000 hospitals in major provinces in the PRC that carry the Group's flagship pharmaceutical products.

To cultivate further market coverage and reach for the Group's genetic products, the Group has conducted over 17 seminars and 110 market promotion activities in major cities and provinces in the PRC for the period under review, educating more than 2,500 doctors and medical practitioners on the clinical applications of the Group's products.

In respect of the Group's agricultural fertilizers business, the Group is primarily focusing on penetrating the market in Shandong province for the period under review. It adopted two pronged marketing development strategies: (i) servicing major customers directly and (ii) servicing through distributors to reach out to smaller customers. Currently, the Group's agricultural fertilizers are specially formulated for the cultivations of fruits, ground nuts, corns and leafy veggies.

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 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.
- 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 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 project has successfully obtained SFDA's approval for commercialisation in early 2008 but is pending the receipt of GMP certification 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\$48.7 million in turnover for the period ended 31 March 2008, an increase of 139% over the corresponding period of last year. Sales of flagship pharmaceutical products increased by 40.8% to approximately HK\$17.3 million as compared to approximately HK\$12.3 million in the same period of last year. Sales of agricultural fertilizers increased by a sterling 287.7% to approximately HK\$31.5 million in the first quarter of 2008 as compared to approximately HK\$8.1 million in the corresponding previous quarter.

Overall gross profit for the period ended 31 March 2008 increased by about 79.2% to approximately HK\$21 million when compared to approximately HK\$11.7 million recorded in same period of last year. The increase is in tandem with the significant increase in sales of both the businesses of biopharmaceuticals and the agricultural fertilizers.

The Group registered a profit attributable to equity holders of the Company of approximately HK\$5.9 million for the period ended 31 March 2008.

Distribution and selling expenses increased to approximately HK\$11.2 million for period ended 31 March 2008 when compared to approximately HK\$7.1 million recorded in the same period of last year. The increase was mainly attributable to higher expenses incurred in sales, marketing and promotional activities in the period under review.

Administration expenses increased to approximately HK\$3.1 million in the period ended 31 March 2008 when compared to approximately HK\$2.9 million recorded in the corresponding previous period. The increase was in tandem with the expanded operations to support the business expansion.

The Group had cash and cash equivalents of approximately HK\$41.4 million as at 31 March 2008 (31 December 2007: HK\$38.4 million).

As at 31 March 2008, short-term secured bank loans amounted to approximately HK\$28.3 million which are secured by a charge over the Group's land, properties and inventories.

As at 31 December 2007, short-term secured bank loans and other unsecured loan amounted to approximately HK\$22.5 million and HK\$6.4 million.

OTHER INFORMATION

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

As at 31 March 2008, 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	Approximate percentage of the Company's issued share capital
		Family interests	Corporate interests	Other interests		
Ngiam Mia Je Patrick	2,250,000	–	288,458,000 <i>(note 1)</i> 6,666,667 <i>(note 2)</i>	–	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 meeting.

Save as disclosed above, as at 31 March 2008, 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 paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, at no time during the period under review 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

As at 31 March 2008, the following person, other than a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or, as the case may be, the registered capital of any other members of the Group, and which was 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	Corporate owned	288,458,000	51.81
Ngiam Mia Kiat Benjamin	Beneficially and corporate owned	295,449,667 (note 1)	53.07
Lauw Hui Kian	Family owned	297,374,667 (note 2)	53.41

Notes:

- 325,000 shares are registered directly in the name of Ngiam Mia Kiat Benjamin;
 - 288,458,000 shares are held by Essex Holdings; and
 - 6,666,667 shares are held by Dynatech.
- 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 2008, as far as is known to the Directors, 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 position in shares, underlying shares and debentures" above), had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or, as the case may be, the registered capital of any other members of the Group, and which was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

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 three months ended 31 March 2008.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and 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.

COMPETING BUSINESS

None of the Directors, the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflicts of interest with the Group during the period under review.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with 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 three months ended 31 March 2008 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
13 May 2008