

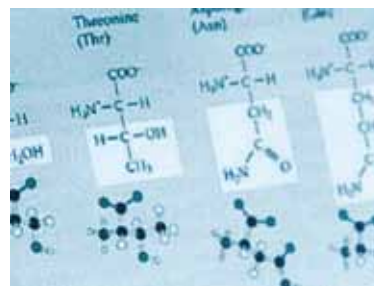


# ESSEX BIO-TECHNOLOGY LIMITED

## 億勝生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code : 8151)

### First Quarterly Report 2011



## Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 a liquid market in the securities traded on GEM.**

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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”) presents the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2011 together with the comparative unaudited figures for the corresponding period in last financial year.

**RESULTS**

		<b>2011</b>	For the three months ended 31 March 2010
	Notes	<b>HK\$'000</b>	HK\$'000
Turnover	2	<b>41,260</b>	23,674
Cost of sales		<b>(4,285)</b>	(2,355)
Gross profit		<b>36,975</b>	21,319
Other revenue	2	<b>208</b>	389
Distribution and selling expenses		<b>(26,306)</b>	(13,892)
Administrative expenses		<b>(3,284)</b>	(2,669)
Finance costs		<b>(11)</b>	(9)
Profit before income tax expense		<b>7,582</b>	5,138
Income tax expense	3	<b>(1,241)</b>	(735)
<b>Profit for the period</b>		<b>6,341</b>	4,403
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations		<b>613</b>	89
<b>Total comprehensive income for the period</b>		<b>6,954</b>	4,492
<b>Profit attributable to:</b>			
Owners of the Company		<b>6,341</b>	4,403
Non-controlling interests		–	–
		<b>6,341</b>	4,403
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>6,954</b>	4,492
Non-controlling interests		–	–
		<b>6,954</b>	4,492
<b>Earnings per share – Basic</b>	5	<b>HK1.14 cents</b>	HK0.79 cents

## NOTES:

**1. BASIS OF PREPARATION**

The Group's first quarterly unaudited consolidated results of 2011 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), 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 basis.

The Group's unaudited consolidated results for the three months ended 31 March 2011 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results are consistent with those used in the 2010 audited consolidated financial statements.

**2. TURNOVER AND OTHER REVENUE**

Turnover, which is also the revenue, 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:

	2011 HK\$'000	For the three months ended 31 March 2010 HK\$'000
Turnover:		
Sales of biopharmaceutical products	41,260	23,674
Other revenue:		
Interest income on convertible note receivable	113	300
Others	95	89
	<b>208</b>	389
	<b>41,468</b>	24,063

**3. INCOME TAX EXPENSE**

No provision for Hong Kong profits tax has been made as the Group had incurred losses for Hong Kong profits tax purpose.

The Group's operating subsidiary in Zhuhai, the PRC, was established and carries on business in the Special Economic Zones of the PRC as a high technology enterprise. The subsidiary has obtained a 高新技術企業證書 (High Technology Enterprise Certificate) and is entitled to enjoy enterprise income tax at the concessionary rate of 15% for the three years from 2008 to 2010. The Group applied for a further extension of the concessionary rate of 15% in January 2011. The Group expects that subsidiary in Zhuhai is able to fulfil the requirements and will continue to enjoy the concessionary rate of 15% in 2011.

The Group's other operating subsidiary in Zhuhai, the PRC, which was established and carries on business in the Special Economic Zones of the PRC, is subject to enterprise income tax at a concessionary rate of 24% (2010: 22%).

In accordance with the new law on PRC Enterprise Income Tax approved on 16 March 2008, a unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until fully effective in 2012.

**4. DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2011 (2010: Nil).

**5. EARNINGS PER SHARE**

The calculation of basic earnings per share for the three months ended 31 March 2011 is based on the profit attributable to owners of the Company of HK\$6,341,000 (2010: HK\$4,403,000) and 556,750,000 (2010: 556,750,000) ordinary shares in issue during the three months ended 31 March 2011.

Diluted earnings per share for the periods ended 31 March 2011 and 2010 are not presented since the Company did not have any dilutive potential ordinary shares outstanding during both periods.

**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 owners of the Company HK\$'000	Total HK\$'000
At 1 January 2010	970	362	8,363	8,004	34,660	52,359	52,359
Total comprehensive income for the period	-	-	-	89	4,403	4,492	4,492
Appropriation of profits	-	-	558	-	(558)	-	-
At 31 March 2010	<u>970</u>	<u>362</u>	<u>8,921</u>	<u>8,093</u>	<u>38,505</u>	<u>56,851</u>	<u>56,851</u>
At 1 January 2011	970	362	12,894	11,271	51,146	76,643	76,643
Total comprehensive income for the period	-	-	-	613	6,341	6,954	6,954
Appropriation of profits	-	-	813	-	(813)	-	-
At 31 March 2011	<u>970</u>	<u>362</u>	<u>13,707</u>	<u>11,884</u>	<u>56,674</u>	<u>83,597</u>	<u>83,597</u>

Representing:

**For the period ended 31 March 2010:**

2009 proposed final dividend	5,568
Others	<u>51,283</u>

Attributable to owners of the Company as at 31 March 2010

56,851

**For the period ended 31 March 2011:**

2010 proposed final dividend	5,568
Others	<u>78,029</u>

Attributable to owners of the Company as at 31 March 2011

83,597

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Business Review and Prospects*

During the period under review, the Group's principal activities were 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.

During the period under review, at the backdrop of continuing from the progressive market expansion for the Group's core biopharmaceutical products, the Group recorded an increase of 74.3% and 44.0% in turnover and profit attributable to owners of the Company, respectively, as compared to the same period of the previous financial year. During the period under review, 貝復舒 (Beifushu), the brand-name of the Group's flagship eye-drop product for eye wounds, has obtained 廣東省著名商標證書 (The Guangdong Famous Trademark Certificate) issued by 廣東省工商行政管理局 (Administration of Industry and Commerce of Guangzhou Municipality) effective until 23 December 2013. The award is a testament to the extensive market acceptance of Beifushu in China.

The progress of the construction of the new factory in Zhuhai is within schedule for target completion in 2012. Once completed, it will have a total factory space of approximately 20,000 sq.m. for housing the Group's entire manufacturing activities.

As at 20 April 2011, the Company has made an application to the Stock Exchange for the transfer of listing of all its Shares from GEM to the Main Board.

### *Market Development*

#### *Distribution network*

During the period under review, the Group has 23 direct representative offices ("DROs"), which are located in major provinces in the PRC. There are over 1,300 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 3,500 doctors and medical practitioners on the clinical applications of the Group's products.

#### *New Product*

雙氯芬酸鈉滴眼液 (Diclofenac Sodium Eye Drop) is for the treatment and healing of keratitis and inflammation at post eye surgery. Following the receipt of approval from the State Food Drug Administration of the PRC ("SFDA") for commercialisation and the Good Manufacturing Practice certification, the product was launched in second quarter of 2009 and is now being prescribed for patients in hospitals in Beijing, Henan, Shandong, Jiangsu and Yunnan, the PRC.

*Business Associates*

Major business associates of the Group included InSite USA, ABC Farmaceutici S.P.A. and Sun Pharmaceutical Industries Ltd.

One of the Company's subsidiaries, Essex Bio-Pharmacy Limited, has been appointed by InSite USA as its exclusive licensee and distributor of InSite's AzaSite<sup>®</sup>, Azithromycin ophthalmic solution (阿奇霉素滴眼液), a product that is for the treatment of bacterial conjunctivitis (pink eye). The appointment covers exclusively the mainland China, Hong Kong and Macau. Documents to apply for the clinical trials in the PRC were submitted in the second quarter of 2009 to SFDA for approval.

Another subsidiary of the Company, Essex Medipharma (Zhuhai) Company Limited ("Essex Medipharma"), has signed an exclusive licensing and distribution agreement with an Italian company, ABC Farmaceutici S.P.A ("ABC"), for the distribution of the ursodeoxycholic acid (UDCA) API and UDCA capsules manufactured by ABC throughout the PRC. UDCA capsules are indicated for cholesterol gallstones, gallstones residual in the choledochus or recurrent after operation on the bile pathways as well as biliary reflux gastritis.

Import and distribution licenses of ursodeoxycholic acid (UDCA) were obtained in 2009. Application for license to distribute UDCA capsules in the PRC is in progress.

In addition, Essex Medipharma has signed a distribution agreement with an Indian company, Sun Pharmaceutical Industries Ltd., for the distribution of 拉坦前列素滴眼液 (Latanoprost Ophthalmic Solution), indicated for the treatment of Glaucoma, which has been approved by SFDA for sales in the PRC. The commercial launch of the product is pending SFDA's approval.

*Collaboration Agreements*

The Group has entered into two ophthalmic pharmaceutical collaboration agreements (the "Collaboration Agreements") with Jinan Bestcomm Pharmaceutical R&D Co., Ltd ("Jinan Bestcomm") in 2009.

Jinan Bestcomm is a high-tech enterprise specializing in the development of new medicine products and is the first enterprise of its kind to obtain ISO-9001 Quality Management System Certification in the PRC.

Under one of the Collaboration Agreements, the Group has obtained an exclusive distribution right for 10 years from Jinan Bestcomm to distribute 鹽酸倍他洛爾滴眼液 (Betaxolol Hydrochloride Eye Drop) in the PRC. 鹽酸倍他洛爾滴眼液 (Betaxolol Hydrochloride Eye Drop) is an ophthalmology pharmaceutical product for the treatment of Glaucoma. It can lower intraocular pressure effectively to avoid optic nerve damage and reduce the effect on heart and lung to minimal. The product was launched in the second quarter of 2010.

The other Collaboration Agreement was entered into by the Group with Jinan Bestcomm for the cooperation in the research and development of an ophthalmic antibiotics product – 甲苯磺酸妥舒沙星滴眼液 (Tosufloxacin Tosylate Eye Drop). The main ingredient of 甲苯磺酸妥舒沙星滴眼液 (Tosufloxacin Tosylate Eye Drop) is the 4th generation of quinolone. The 4th generation of quinolone has shown strong antibacterial activity and broad antibacterial spectrum but with minor side effect. Among the quinolone based eye drop antibiotics products, our product shall be the first to be considered medically suitable for use in children.

Pre-clinical trial of Tosufloxacin Tosylate Eye Drop was completed by Jinan Bestcomm in 2009 and is pending SFDA's approval to commence the clinical trial.

*Research and Development (“R&D”)*

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

- 貝復舒單劑量滴眼液 (Beifushu single dose eye-drop) – The research and development on this project has been successfully completed and is pending the approval from SFDA in order to commence production. Beifushu single dose eye drop is developed for the treatment and healing of dry eye and cornea after various surgeries.
- 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.
- bFGF 藥物羊膜 (bFGF medical amniotic membrane) – Pre-clinical tests are in progress. bFGF medical amniotic membrane is mainly used for repairing corneal and conjunctival defects caused by multiple factors as well as filtration bleb after glaucoma surgery.

*Financial review*

The Group recorded approximately HK\$41.3 million in turnover for the period ended 31 March 2011, an increase of 74.3% over the corresponding previous quarter.

Overall gross profit for the period ended 31 March 2011 increased to approximately HK\$37.0 million when compared to approximately HK\$21.3 million recorded in the same quarter of last year.

Distribution and selling expenses increased to approximately HK\$26.3 million for the period ended 31 March 2011 when compared to approximately HK\$13.9 million recorded in the same period of last year. The increase was mainly attributable to higher expenses incurred in sales, marketing and promotional activities which are in line with the growth of pharmaceutical business in the quarter under review.

Administrative expenses increased to approximately HK\$3.3 million for the period ended 31 March 2011 as compared to approximately HK\$2.7 million recorded in the same quarter of last year. The increase was mainly caused by the increase of research and development cost and business expansion.

The Group had cash and cash equivalents of approximately HK\$74.9 million as at 31 March 2011 (2010: HK\$68.5 million). There were no pledged bank deposits as at 31 March 2011 and 2010.

As at 31 March 2011 and 2010, the Group had no bank and other borrowings.



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

As at 31 March 2011, 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 of Director	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:*

- 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.

Long positions in ordinary shares of the associated corporation of the Company:

Name of Director	Capacity	Associated corporation	Number of ordinary shares in associated corporation	Approximate percentage of the issued share capital of the associated corporation
Ngiam Mia Je Patrick	Beneficial owner	Essex Holdings Limited	5,000	50.00

Save as disclosed above, as at 31 March 2011, none of the Directors or chief executive of the Company or their respective associates had any 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 or debentures*

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 or underlying shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors or their respective spouses or minor children to acquire such rights in the Company or any other body corporate.

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

As at 31 March 2011, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company 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	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Essex Holdings Limited	Beneficial owner	288,458,000	51.81
Ngiam Mia Kiat Benjamin	Beneficially owner and corporate interest	295,449,667 (note 1)	53.07
Lauw Hui Kian	Family interest	297,374,667 (note 2)	53.41
Kee Sue Hwa	Beneficial owner	32,476,000	5.83

*Notes:*

1. (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.
2. (a) Lauw Hui Kian is the spouse of Ngiam Mia Je Patrick (an executive Director), Lauw Hui Kian was deemed to be interested in the shares in which Ngiam Mia Je Patrick was interested. Ngiam Mia Je Patrick was interested in 297,374,667 shares of the Company.

Save as disclosed above, as at 31 March 2011, 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 positions 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.

## 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.

## 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.

## DIRECTORS' SECURITIES TRANSACTIONS

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 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings under the GEM Listing Rules throughout the period ended 31 March 2011.

## COMPETING BUSINESS

None of the Directors, the management shareholders and substantial shareholders of the Company and 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 2011 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 May 2011