

The Stock Exchange of Hong Kong Limited takes no responsibilities for the contents of this announcement, 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 announcement.

This announcement for which the directors of Essex Bio-Technology Limited collectively and individually accept full responsibility includes particulars given in compliance with 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 (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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)

DISCLOSEABLE TRANSACTION

The Directors wish to announce that, on 9th June, 2006, its indirectly non-wholly owned subsidiary, Yantai Baoyuan, has entered into the Workshop Acquisition Agreement, the E&M Acquisition Agreement and the Construction Agreement for the expansion of its production facilities.

Yantai Baoyuan entered into the Workshop Acquisition Agreement with Yantai Taktung pursuant to which Yantai Baoyuan will pay a consideration of approximately RMB4,600,000 (equivalent to approximately HK\$4,466,000) in cash for the acquisition of the Workshops.

Yantai Baoyuan entered into the E&M Acquisition Agreement with Taion Tungfan pursuant to which Yantai Baoyuan will pay an aggregate consideration of approximately RMB1,370,000 (equivalent to approximately HK\$1,330,000) in cash for the acquisition of the Equipment and Machinery.

Yantai Baoyuan entered into the Construction Agreement with Yantai Fuan pursuant to which Yantai Baoyuan will pay a consideration of approximately RMB2,100,000 (equivalent to approximately HK\$2,039,000) in cash to engage Yantai Fuan for the construction of the Yantai Baoyuan R&D Centre.

The basis of consideration for the Workshop Acquisition Agreement, the E&M Acquisition Agreement and the Construction Agreement has been arrived at after arm's length negotiations between the parties involved. The Directors (including independent non-executive Directors) considered that the terms of the transactions contemplated under the Workshop Acquisition Agreement, the E&M Acquisition Agreement and the Construction Agreement are normal commercial terms which are fair and reasonable and are in the best interests of the Company and its shareholders as a whole.

The Workshop Acquisition Agreement, the E&M Acquisition Agreement and the Construction Agreement, together, constitute a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. A circular containing further details of the Workshop Acquisition Agreement, the E&M Acquisition Agreement and the Construction Agreement will be despatched to the Shareholders as soon as practicable.

1. WORKSHOP ACQUISITION AGREEMENT

Date

9th June, 2006

Parties involved

- (1) Yantai Taktung. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Yantai Taktung and its ultimate beneficial owners are not and were not connected persons (as defined under the GEM Listing Rules) of the Company and are Independent Third Parties; and
- (2) Yantai Baoyuan, an indirectly non-wholly owned subsidiary of the Company.

Yantai Taktung is principally engaged in the construction of infrastructure in the PRC.

Workshops

Pursuant to the Workshop Acquisition Agreement, Yantai Taktung agreed to sell and Yantai Baoyuan agreed to purchase the Workshops for an aggregate consideration of approximately RMB4,600,000 (equivalent to approximately HK\$4,466,000).

The Workshops comprise two one-storey workshops located at 煙台開發區大季家工業園 (Tai Du Jian Industrial Village, Yantai Development Zone) with a total gross area of approximately 6,800 square metres. The Workshops were completed in 2005.

The Workshops will be utilised by Yantai Baoyuan as its new production workshops for the production of organic and chemical formulated biological fertilisers for the agriculture industry in the PRC.

Consideration

The Workshops were valued at RMB5,222,000 (equivalent to approximately HK\$5,070,000) as at the Valuation Date by the Valuer with reference to the construction cost and rental income of the Workshops estimated by the Valuer in the valuation process.

The total consideration of approximately RMB4,600,000 (equivalent to approximately HK\$4,466,000) for the Workshop Acquisition Agreement was determined after arm's length negotiations between the parties involved with reference to the valuation of the Workshops by the Valuer. Yantai Baoyuan has paid Yantai Taktung a downpayment in the sum of RMB3,500,000 (equivalent to approximately HK\$3,398,000) in or about March 2006 and it will pay Yantai Taktung the balance of approximately RMB1,100,000 (equivalent to approximately HK\$1,068,000) on the completion of the delivery of

the Workshops from Yantai Taktung to Yantai Baoyuan which is expected to be around the end of June, 2006. The Directors expect that the completion of the title transfer will be in or around the end of 2006. The consideration of the Workshop Acquisition Agreement shall be satisfied by the internal resources of Yantai Baoyuan.

Under the Workshop Acquisition Agreement, Yantai Baoyuan only acquired the Workshops but not the land of which the Workshops situated. The Directors confirmed that the land of which the Workshops situated are owned by Yantai Taktung.

2. E&M ACQUISITION AGREEMENT

Date

9th June, 2006

Parties involved

- (1) Taion Tungfan. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Taion Tungfan and its ultimate beneficial owners are not and were not connected persons (as defined under the GEM Listing Rules) of the Company and are Independent Third Parties; and
- (2) Yantai Baoyuan, an indirectly non-wholly owned subsidiary of the Company.

Taion Yungfan is principally engaged in manufacturing and selling of drying equipment and machinery.

Equipment and Machinery

Pursuant to the E&M Acquisition Agreement, Taion Tungfan agreed to sell and Yantai Baoyuan agreed to purchase the Equipment and Machinery for an aggregate consideration of approximately RMB1,370,000 (equivalent to approximately HK\$1,330,000).

The Equipment and Machinery compose a production line, including drying, cooling, packaging and stirring machines, for the production of organic and chemical formulated biological fertilisers, with an estimated annual production capacities of 100,000 tonnes of such biological fertilisers.

The Equipment and Machinery will be utilised by Yantai Baoyuan as its new production facilities at the Workshops.

Consideration

The total consideration of approximately RMB1,370,000 (equivalent to approximately HK\$1,330,000) for the E&M Acquisition Agreement was determined after arm's length negotiations between the parties involved with reference to the current market value of similar equipment and machinery. Yantai Baoyuan will paid Taion Tungfan a downpayment in the sum of RMB411,000 (equivalent to approximately HK\$399,000) on or about 16th June 2006. The Equipment and Machinery is expected to be delivered to Yantai Baoyuan on or around 20th July, 2006. Yantai Baoyuan will pay Taion Tungfan another deposit in the sum of RMB863,000 (equivalent to approximately HK\$838,000)

upon the delivery date and it will pay Taion Tungfan the balance of approximately RMB96,000 (equivalent to approximately HK\$93,000) six months after the delivery date. The consideration of the E&M Acquisition Agreement shall be satisfied by the internal resources of Yantai Baoyuan.

3. CONSTRUCTION AGREEMENT

Date

9th June, 2006

Parties involved

- (1) Yantai Baoyuan, an indirectly non-wholly owned subsidiary of the Company; and
- (2) Yantai Fuan. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Yantai Fuan and its ultimate beneficial owners are not and were not connected persons (as defined under the GEM Listing Rules) of the Company and are Independent Third Parties.

Yantai Fuan is principally engaged in the construction of industrial buildings in the PRC.

Yantai Baoyuan R&D Centre

Pursuant to the Construction Agreement, Yantai Baoyuan agreed to appoint and Yantai Fuan agreed to be appointed as the constructor for the construction of the Yantai Baoyuan R&D Centre for a consideration of approximately RMB2,100,000 (equivalent to approximately HK\$2,039,000).

The Yantai Baoyuan R&D Centre will be located at 煙台開發區大季家工業園 (Tai Du Jian Industrial Village, Yantai Development Zone). The Yantai Baoyuan R&D Centre will comprise a 4-storey building with a total gross area of approximately 1,789 square metres. The Yantai Baoyuan R&D Centre is expected to be completed in or around the end of 2006.

The Yantai Baoyuan R&D Centre will be utilised by Yantai Baoyuan as its research and development centre for the organic and chemical formulated biological fertilisers.

Consideration

The total consideration of approximately RMB2,100,000 (equivalent to approximately HK\$2,039,000) for the Construction Agreement was determined after arm's length negotiations between the parties involved with reference to the current market value of similar construction projects. Yantai Baoyuan will paid Yantai Fuan a downpayment in the sum of RMB100,000 (equivalent to approximately HK\$97,000) on or about 16th June 2006 and it will pay Yantai Fuan the balance of approximately RMB2,000,000 (equivalent to approximately HK\$1,942,000) in accordance with the progress of the construction work. The Directors expect that all the license and certificate in relation to the Yantai R&D Centre will be issued in or about the mid of 2007. The consideration of the Construction Agreement shall be satisfied by the internal resources of Yantai Baoyuan.

4. INFORMATION OF THE COMPANY AND YANTAI BAOYUAN

The Company is an investment holding company for a group of companies principally engaged in research, development, production and selling of biopharmaceutical products and biological fertilizer products in the PRC.

Yantai Baoyuan, an indirectly non-wholly owned subsidiary of the Company, is principally engaged in the research, development, production and selling of organic and chemical formulated biological fertilisers, in solid and liquid forms, for the agriculture industry in the PRC.

Yantai Baoyuan is owned as to approximately 51.00%, 24.99% and 24.01% by the Group, Mr. Liu Bao De and Mr. Ren Chun Bao respectively. Save for their interests and directorships in Yantai Baoyuan, both Mr. Liu Bao De and Mr. Ren Chun Bao do not have any other interests in the Group.

5. REASONS FOR ENTERING INTO THE WORKSHOP ACQUISITION AGREEMENT, THE E&M ACQUISITION AGREEMENT AND THE CONSTRUCTION AGREEMENT

The investment in Yantai Baoyuan is part of the Group's expansion plan into another bio-technology related industry, on the basis that it shall contribute to the positive growth and enhance the Shareholders' value of the Group. In view of the satisfactory performance of Yantai Baoyuan, the management of Yantai Baoyuan and the Directors considered that without the expansion of its production facilities, Yantai Baoyuan may not be able to cope with the future demand of the biological fertilisers in 2007 and thereafter. The Directors consider that the Workshop Acquisition Agreement, the E&M Acquisition Agreement and the Construction Agreement will further strengthen the Group's production capacities and profitability in the future.

The Directors (including independent non-executive Directors) considered that the terms of the transactions contemplated under the Workshop Acquisition Agreement, the E&M Acquisition Agreement and the Construction Agreement are normal commercial terms which are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

6. GENERAL

The Directors consider that as the Workshop Acquisition Agreement, the E&M Acquisition Agreement and the Construction Agreement fall under the expansion plan of Yantai Baoyuan, the agreements should be aggregated and they, together, constitute a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. A circular containing further details of the Workshop Acquisition Agreement, the E&M Acquisition Agreement and the Construction Agreement will be despatched to the Shareholders as soon as practicable.

7. DEFINITIONS

In this announcement, the following terms have the following meanings:-

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Company”	Essex Bio-Technology Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on GEM
“Construction Agreement”	the construction agreement dated 9th June, 2006 relating to the construction of the Yantai Baoyuan R&D Centre entered into between Yantai Baoyuan and Yantai Fuan
“Directors”	the directors of the Company

“Equipment and Machinery”	the equipment and machinery under the E&M Acquisition Agreement which comprise a production line for the production of organic and chemical formulated biological fertilisers
“E&M Acquisition Agreement”	the acquisition agreement dated 9th June, 2006 relating to the acquisition of the Equipment and Machinery entered into between Taion Tungfan and Yantai Baoyuan
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	person or company which is not a connected person of the Company and is independent of any of the Company and its subsidiaries, the Directors, the chief executives, the substantial shareholders and the management shareholders of the Company, its subsidiaries and any of their respective associates
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shareholders”	the shareholders of the Company
“Taion Tungfan”	泰安市東方乾燥設備製造有限公司 (Taion Tungfan Drying Equipment Manufacturing Company Limited*), a limited liability company established in the PRC which is an Independent Third Party
“Valuation Date”	25th May, 2006
“Valuer”	山東正誠房地產評估有限公司 (Shandong Cheng Chang Real Estate Valuation Company Limited*), an independent qualified valuer in the PRC engaged by Yantai Baoyuan
“Workshop Acquisition Agreement”	the acquisition agreement dated 9th June, 2006 relating to the acquisition of the Workshops entered into between Yantai Taktung and Yantai Baoyuan

“Workshops”	the workshops under the Workshop Acquisition Agreement which comprise two one-storey workshops located at 煙台開發區大季家工業園 (Tai Du Jian Industrial Village, Yantai Development Zone)
“Yantai Baoyuan”	煙台開發區寶源生物實業有限公司 (Baoyuan Bio-Agri Technology (Yantai) Ltd.*), a limited liability company established in the PRC which is owned as to approximately 51.00%, 24.99% and 24.01% by the Group, Mr. Liu Bao De and Mr. Ren Chun Bao respectively
“Yantai Baoyuan R&D Centre”	the research and development centre to be constructed under the Construction Agreement and which will be located at 煙台開發區大季家工業園 (Tai Du Jian Industrial Village, Yantai Development Zone)
“Yantai Fuan”	煙台市福安建築工程有限公司開發區分公司 (Yantai Fuan Construction Engineering Company Limited – Branch of Development Zone*), a limited liability company established in the PRC which is an Independent Third Party
“Yantai Taktung”	煙台開發區德通路橋建設工程有限公司 (Yantai Development Zone Taktung Road and Bridge Construction Engineering Company Limited*), a limited liability company established in the PRC which is an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

Unless otherwise stated, amounts in RMB have been translated into HK\$ at an exchange rate of HK\$1.00 to RMB1.03 for illustration purpose only.

By Order of the Board
Essex Bio-Technology Limited
Ngiam Mia Je Patrick
Chairman

Hong Kong, 12th June 2006

As at the date of this announcement, the Board consists of Mr. NGIAM Mia Je Patrick, Mr. FANG Haizhou, Mr. ZHONG Sheng as executive Directors, Mr. FUNG Chi Ying, Mr. MAUFFREY Benoit Jean Marie and Ms. YEOW Mee Mooi as independent non-executive Directors.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days of its publication and on the Company’s website at <http://www.essexbio.com>.

* for identification purpose only