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ESSEX BIO-TECHNOLOGY LIMITED

億勝生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1061)

INSIDE INFORMATION

**(I) PROPOSED SUBSCRIPTION OF SHARES OF,
(II) EXERCISE OF CONVERSION RIGHTS OF
CONVERTIBLE BOND ISSUED BY,
(III) ACQUISITION OF SALE LOAN NOTES ISSUED BY,
ANTI-KOR BIOPHARMA LIMITED
AND
(IV) IP LICENCE AGREEMENT**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

For the furtherance of the strategic co-operation between the Group and Antikor, on 19 July 2019 (after trading hours), Essex Bio-Investment (a wholly-owned subsidiary of the Company) entered into the Subscription and Shareholders Deed with, among others, Antikor.

Pursuant to the Subscription and Shareholders Deed, Essex Bio-Investment conditionally agreed to (i) subscribe for the Subscription Shares at the aggregate consideration of up to US\$3,100,000 (equivalent to approximately HK\$24,222,000) by way of up to five tranches; and (ii) apply the entire principal amount of US\$350,000 of the Convertible Bond for partial settlement for the Subscription by way of exercising the conversion rights attaching to the Convertible Bond. Assuming all five tranches of the Subscription Shares are fully subscribed by Essex Bio-Investment, the Subscription Shares will represent approximately 40.12% of the enlarged total issued share capital of Antikor on a fully diluted basis. Among the other conditions to completion of the respective tranches of the Subscription, the first tranche of the Subscription is conditional upon completion of the Acquisition by Essex Bio-Investment of the Sale Loan Notes at an aggregate consideration of approximately GBP307,900 and the entering into of the IP Licence Agreement between Essex Bio-Investment and Antikor.

The Acquisition of the Sale Loan Notes, which upon conversion, will enable Essex Bio-Investment to be interested in additional Antikor Shares representing approximately 4.67% of the enlarged total issued share capital of Antikor on a fully diluted basis.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

BACKGROUND

As disclosed in the annual report of the Company for the year ended 31 December 2018, Essex Bio-Investment (a wholly-owned subsidiary of the Company) entered into an agreement with Antikor dated 22 January 2019 for the issue of the Convertible Bond in the aggregate principal amount of US\$350,000 (equivalent to approximately HK\$2,746,000) for a term of 6 months from the date of issue of the Convertible Bond. According to the terms of the Convertible Bond, upon exercise of the conversion rights attaching thereto, the principal amount of the Convertible Bond shall be converted into Antikor Shares representing 6.54% of the enlarged total issued share capital of Antikor on a fully diluted basis. Please refer to the section headed “The Subscription and the Exercise of Conversion Rights of Convertible Bond” below in respect of the proposed exercise of the conversion rights of the Convertible Bond as part of the Subscription.

For the furtherance of the strategic co-operation between the Group and Antikor, on 19 July 2019 (after trading hours), Essex Bio-Investment entered into the Subscription and Shareholders Deed with, among others, Antikor in respect of the Subscription.

THE SUBSCRIPTION AND THE EXERCISE OF CONVERSION RIGHTS OF CONVERTIBLE BOND

Pursuant to the Subscription and Shareholders Deed, Essex Bio-Investment conditionally agreed to subscribe for the Subscription Shares at the aggregate consideration of up to US\$3,100,000 (equivalent to approximately HK\$24,222,000) by way of up to five tranches. Assuming all five tranches of the Subscription Shares are fully subscribed by Essex Bio-Investment, the Subscription Shares will represent approximately 40.12% of the enlarged total issued share capital of Antikor on a fully diluted basis. As part of the Subscription, the entire principal amount of the Convertible Bond shall be applied for partial settlement of the subscription money for the Subscription by way of exercising the conversion rights attaching to the Convertible Bond.

Each tranche of the Subscription is subject to, among other conditions, the meeting of specified milestones in respect of certain scientific researches by Antikor to the satisfaction of Essex Bio-Investment. Among the other conditions to completion of the respective tranches of the Subscription, the first tranche of the Subscription is conditional upon completion of the Acquisition and the entering into of the IP Licence Agreement. Please refer to the sections headed “The Acquisition” and “The IP Licence Agreement” respectively below for further details.

Save as aforesaid, the consideration for the Subscription will be payable by Essex Bio-Investment in cash at the respective completion for each tranche, the last tranche of which is currently expected to take place in January 2022.

THE ACQUISITION

As contemplated under the Subscription and Shareholders Deed, Essex Bio-Investment proposes to enter into the Acquisition Agreement with the respective registered holders of the Sale Loan Notes for acquiring the Sale Loan Notes at the aggregate consideration of approximately GBP307,900 (equivalent to approximately HK\$2,988,000). Assuming that there is no other change in the shareholding structure of Antikor since the date of this announcement, the entire aggregate principal amount of the Sale Loan Notes together with all interest accrued, which upon conversion, will enable Essex Bio-Investment to be interested in additional Antikor Shares representing approximately 4.67% of the enlarged total issued share capital of Antikor on a fully diluted basis.

THE IP LICENCE AGREEMENT

As part of the strategic business co-operation between the Group and Antikor, Essex Bio-Investment and Antikor will enter into the IP Licence Agreement, pursuant to which Antikor will grant to Essex Bio-Investment, among others, an exclusive licence with respect to the specified patent and technology and an exclusive licence with respect to the known-how in relation thereto and/or in connection therewith, both for the development, use, sale or otherwise supply of the Licenced Products, application for and obtaining regulatory approval for clinical trials and obtaining marketing authorisation, in each case in the applicable field of use and in the applicable territory in accordance with the terms of the IP Licence Agreement and subject to payment of royalties.

REASONS FOR, AND BENEFITS OF, THE SUBSCRIPTION, THE ACQUISITION AND THE ENTERING INTO OF THE IP LICENCE AGREEMENT

The Group is a group of biopharmaceutical companies that develop, manufacture and commercialise genetically engineered therapeutic rb-bFGF (FGF-2), having five commercialised biologics marketed in the PRC since 1998.

The products of the Group and its third party products are prescribed for the treatment of wounds healing and diseases in ophthalmology and dermatology, which are marketed and sold through more than 6,300 hospitals and managed directly by its 42 regional sales offices in the PRC. The flagship products of the Group include Beifushu Eye Drops and Beifushu Eye Gel which are used in the treatment of ocular surface wounds, post-surgery (for eye) remedy, dry eye disease and other ophthalmic diseases. Beifuji Spray, Beifuji Lyophilized Powder and Beifuxin Gel are used in the treatment of a wide spectrum of topical (skin) surface wounds.

As informed by Antikor, (i) it is a biotechnology company incorporated and registered in England and Wales which was established by founders, previously working at a spun-out of Imperial College London; and (ii) it is focusing on the development of miniaturised antibody fragment-drug conjugates (the “FDCs”) for cancer therapy. As informed by Antikor, the Licensed Products, if successfully developed, will provide unique, well-tolerated and much-needed treatments for difficult-to-treat solid tumours, such as gastric and lung tumours, which can overcome many of the limitations of the existing therapies. As FDCs can penetrate deeper and more effectively into tumours, they are highly potent and can clear more rapidly from normal organs potentially widening the clinical therapeutic index critical to the success of new oncology drugs.

The Group is enthusiastic about the investment opportunity in Antikor and is optimistic about the commercialisation and development potential of the Licensed Products. The strategic investment offers the Group with an opportunity to access to the novel and unique technology platform of FDCs in addressing the immunotherapy oncology market.

The Directors consider that the IP Licence Agreement is to be entered into in the ordinary course of business of the Group and that the respective terms of the Subscription and Shareholders Deed, the Acquisition Agreement and the IP Licence Agreement are fair and reasonable and the transactions respectively contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Subscription (assuming all five tranches of the Subscription Shares are subscribed by Essex Bio-Investment in full) when aggregated with the Acquisition (as if they were one transaction) is less than 5%, the transactions contemplated under the Subscription and the Acquisition do not constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of Antikor (including its beneficial owners) and the respective vendors under the Acquisition is an Independent Third Party. Accordingly, the transactions contemplated under the Subscription or the Acquisition do not constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expression shall, unless the context requires otherwise, have the following meanings:

“Acquisition”	the proposed acquisition by Essex Bio-Investment of the Sale Loan Notes in accordance with the terms of the Acquisition Agreement
“Acquisition Agreement”	an agreement to be entered into by Essex Bio-Investment (as purchaser) and the respective registered holders of the Sale Loan Notes (as vendors) in respect of the Acquisition
“Antikor”	Antikor Biopharma Limited, a company incorporated under the laws of England with limited liability
“Antikor Share(s)”	ordinary share(s) of GBP0.01 each in the capital of Antikor
“Board”	the board of Directors
“Company”	Essex Bio-Technology Limited (億勝生物科技有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Convertible Bond”	the convertible bond in the aggregate principal amount of US\$350,000 issued by Antikor to Essex Bio-Investment in accordance with the terms of an agreement entered into between Antikor (as issuer) and Essex Bio-Investment (as investor) dated 22 January 2019 and the relevant instrument constituting such convertible bond issued by Antikor on 28 January 2019
“Director(s)”	director(s) of the Company
“Essex Bio-Investment”	Essex Bio-Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons
“IP Licence Agreement”	an agreement to be entered into by Essex Bio-Investment (as licensee) and Antikor (as licensor) in respect of the granting to Essex Bio-Investment, among others, an exclusive licence in relation to the Licenced Products
“Licenced Products”	any therapeutic products and/or therapies using and/or incorporating any of the specified patent, know-how and technology in relation to, or in connection with, fragment drug conjugates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Sale Loan Notes”	certain convertible loan notes issued by Antikor in the aggregate principal amount of GBP297,915, which are to be sold by their respective holders to Essex Bio-Investment pursuant to the terms and conditions of the Acquisition Agreement
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription of the Subscription Shares by Essex Bio-Investment, subject to and upon the terms and conditions as set out in the Subscription and Shareholders Deed

“Subscription and Shareholders Deed”	the subscription and shareholders deed dated 19 July 2019 and entered into among others, Essex Bio-Investment, Antikor, the existing shareholders, noteholders and employee creditors of Antikor
“Subscription Shares”	such number of Antikor Shares to be subscribed by Essex Bio-Investment pursuant to the terms of the Subscription and Shareholders Deed
“GBP”	British pounds, the lawful currency of the United Kingdom
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“U.S.”	the United States of America
“US\$”	U.S. dollars, the lawful currency of the U.S.
“%”	per cent.

In this announcement, for the purpose of illustration only, amounts quoted in US\$ and GBP have been converted into HK\$ at the rate of US\$1.00 to HK\$7.813526 and HK\$ at the rate of GBP1.00 to HK\$9.703322 respectively. Such exchange rates have been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

On behalf of the Board
Essex Bio-Technology Limited
Ngiam Mia Je Patrick
Chairman

Hong Kong, 19 July 2019

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