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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)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “Board”) of directors (the “Directors”) of Essex Bio-Technology Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020 together with comparative figures for the year ended 31 December 2019 as follows:

### FINANCIAL HIGHLIGHTS

	Presentation Currency in HK\$			Comparison Results in RMB		
	2020 HK\$'000	2019 HK\$'000	Increase/ (decrease) %	2020 RMB'000	2019 RMB'000	Increase/ (decrease) %
<b>Results</b>						
Turnover	978,111	1,279,478	(23.6)	870,116	1,125,941	(22.7)
Profit for the year	218,926	302,502	(27.6)	194,754	266,202	(26.8)
<b>Financial position</b>						
Total assets	2,421,339	2,077,943	16.5	2,038,671	1,849,369	10.2
Total liabilities	995,148	880,798	13.0	837,875	783,910	6.9
Net assets	1,426,191	1,197,145	19.1	1,200,796	1,065,459	12.7
Cash and cash equivalents	599,782	473,341	26.7	504,992	421,274	19.9
<b>Financial ratios</b>						
Current ratio (Note 1)	2.20	2.49				
Gearing ratio (Note 2)	0.41	0.42				
Gross profit margin (Note 3)	81.2%	80.8%				
Net profit margin (Note 4)	22.4%	23.6%				
Return on equity (Note 5)	15.4%	25.3%				
Earnings per share						
– Basic	HK37.88 cents	HK52.29 cents	(27.6)			
– Diluted	HK37.28 cents	HK51.13 cents	(27.1)			
<b>Dividend per ordinary share</b>						
– Interim	Nil	HK3.5 cents	N/A			
– Final	HK5.0 cents	HK5.0 cents	–			
	<u>HK5.0 cents</u>	<u>HK8.5 cents</u>	(41.2)			

Notes:

- 1 Current ratio: Total current assets/Total current liabilities
- 2 Gearing ratio: Total liabilities/Total assets
- 3 Gross profit margin: Gross profit/Turnover x 100%
- 4 Net profit margin: Profit for the year/Turnover x 100%
- 5 Return on equity: Profit for the year/Total equity x 100%

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK\$	2019 HK\$
<b>Turnover</b>	3 & 4	<b>978,111,126</b>	1,279,478,212
Cost of sales		<u>(184,284,018)</u>	<u>(246,124,414)</u>
<b>Gross profit</b>		<b>793,827,108</b>	1,033,353,798
Other revenue, and other gains and losses		<b>46,691,190</b>	39,918,887
Distribution and selling expenses		<b>(476,629,742)</b>	(632,819,688)
Administrative expenses		<b>(111,612,214)</b>	(81,724,458)
Finance costs		<u><b>(1,421,405)</b></u>	<u>(6,963,537)</u>
<b>Profit before income tax</b>	5	<b>250,854,937</b>	351,765,002
Income tax	6	<u><b>(31,929,382)</b></u>	<u>(49,262,582)</u>
<b>Profit for the year</b>		<u><b>218,925,555</b></u>	<u>302,502,420</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		<b>78,189,800</b>	(13,907,103)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Changes in fair value of equity instruments at fair value through other comprehensive income		<u><b>(35,491,729)</b></u>	<u>21,692,526</u>
<b>Other comprehensive income for the year</b>		<u><b>42,698,071</b></u>	<u>7,785,423</u>
<b>Total comprehensive income for the year</b>		<u><b>261,623,626</b></u>	<u>310,287,843</u>
<b>Earnings per share attributable to owners of the Company</b>			
Basic	8	<u><b>HK37.88 cents</b></u>	<u>HK52.29 cents</u>
Diluted	8	<u><b>HK37.28 cents</b></u>	<u>HK51.13 cents</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK\$	2019 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	9	272,947,032	180,360,856
Right-of-use assets		6,799,732	8,684,313
Land use rights		16,868,065	16,330,301
Goodwill		24,152,737	21,848,995
Other intangible assets	10	585,793,308	377,028,426
Convertible loan receivables	11	42,434,225	46,075,320
Financial assets at fair value through other comprehensive income	12	78,574,033	109,773,705
Financial assets at fair value through profit or loss	12	6,338,294	–
Deposits and prepayments	15	54,577,132	10,200,883
Pledged bank deposit		–	40,150,000
<b>Total non-current assets</b>		<b>1,088,484,558</b>	<b>810,452,799</b>
<b>Current assets</b>			
Inventories	13	147,036,202	114,125,276
Trade and other receivables	14	483,253,437	651,737,510
Deposits and prepayments	15	29,702,430	13,847,555
Convertible loan receivables	11	32,915,927	–
Financial assets at fair value through other comprehensive income	12	–	10,563,798
Financial assets at fair value through profit or loss	12	15,231	25,212
Pledged bank deposit		40,150,000	3,850,000
Cash and cash equivalents		599,781,645	473,341,165
<b>Total current assets</b>		<b>1,332,854,872</b>	<b>1,267,490,516</b>
<b>Total assets</b>		<b>2,421,339,430</b>	<b>2,077,943,315</b>
<b>Current liabilities</b>			
Trade and other payables	16	396,893,313	465,956,040
Bank borrowings		200,750,000	19,250,000
Lease liabilities		2,258,271	167,564
Current tax liabilities		6,123,764	23,716,761
<b>Total current liabilities</b>		<b>606,025,348</b>	<b>509,090,365</b>
<b>Net current assets</b>		<b>726,829,524</b>	<b>758,400,151</b>
<b>Total assets less current liabilities</b>		<b>1,815,314,082</b>	<b>1,568,852,950</b>
<b>Non-current liabilities</b>			
Bank borrowings		214,074,021	200,750,000
Lease liabilities		5,161,776	8,969,466
Convertible loan payable	17	140,529,056	140,158,931
Deferred tax liabilities		29,358,395	21,829,518
<b>Total non-current liabilities</b>		<b>389,123,248</b>	<b>371,707,915</b>
<b>Total liabilities</b>		<b>995,148,596</b>	<b>880,798,280</b>
<b>NET ASSETS</b>		<b>1,426,190,834</b>	<b>1,197,145,035</b>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		57,690,300	57,793,700
Reserves		1,368,500,534	1,139,351,335
<b>TOTAL EQUITY</b>		<b>1,426,190,834</b>	<b>1,197,145,035</b>

## NOTES:

### 1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

### 2. ADOPTION OF HKFRSs

#### Adoption of revised HKFRSs – effective 1 January 2020

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material

#### Amendments to HKFRS 3 – Definition of a Business

The amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

#### Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The adoption of these revised HKFRSs in the current year has no material impact on the Group’s financial statements.

### 3. TURNOVER

Turnover represents the sales value of goods supplied to customers and service income (net of sales tax, value-added tax, commercial discounts and sales returns), further details of which are set out in note 4.

### 4. SEGMENT REPORTING

The Group manages its businesses by business lines. The segment information is reported internally to the chief operating decision-maker (i.e. executive Directors) for the purposes of resource allocation and performance assessment. The Group's reportable and operating segments for financial reporting purposes are as follows:

- Ophthalmic products
- Surgical products

#### (a) Reportable segments

The chief operating decision-maker monitors the results of its business units separately for the purpose of making decision about resources allocation and performance assessment. Segment performance is evaluated based on the results from the reportable segments as explained in the table below.

#### For the year ended 31 December 2020

	Ophthalmic products <i>HK\$</i>	Surgical products <i>HK\$</i>	Total <i>HK\$</i>
<b>Reportable segment revenue</b>			
– Revenue from external customers	<u>419,226,027</u>	<u>558,885,099</u>	<u>978,111,126</u>
<b>Reportable segment profit</b>	<u>116,541,507</u>	<u>150,503,008</u>	<u>267,044,515</u>

#### For the year ended 31 December 2019

	Ophthalmic products <i>HK\$</i>	Surgical products <i>HK\$</i>	Total <i>HK\$</i>
Reportable segment revenue			
– Revenue from external customers	<u>567,535,737</u>	<u>711,942,475</u>	<u>1,279,478,212</u>
Reportable segment profit	<u>161,917,267</u>	<u>211,318,707</u>	<u>373,235,974</u>

The totals presented for the Group's operating segments were reconciled to the Group's key financial figures as presented in the consolidated financial statements as follows:

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Reportable segment profit	267,044,515	373,235,974
Unallocated corporate income and expenses, net	(35,849,278)	(28,601,228)
Change in fair value of financial assets at fair value through profit or loss	21,777,848	15,382,984
Equity-settled share-based payments	(696,743)	(1,289,191)
Finance costs	<u>(1,421,405)</u>	<u>(6,963,537)</u>
Profit before income tax	<u><u>250,854,937</u></u>	<u><u>351,765,002</u></u>

Major corporate expenses comprised mainly the staff costs including Directors' emoluments.

Analysis of segment assets and liabilities has not been presented as the measure of segment assets and liabilities is not regularly provided to the executive Directors.

**(b) Geographical information**

**(i) Revenue from external customers**

For the years ended 31 December 2020 and 2019, the Group's revenue from external customers is derived solely from its operations in the People's Republic of China ("PRC") (place of domicile).

**(ii) Non-current assets**

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
PRC	781,123,337	454,075,987
Hong Kong	172,770,794	154,788,026
Overseas	<u>7,243,875</u>	<u>5,589,761</u>
	<u><u>961,138,006</u></u>	<u><u>614,453,774</u></u>

The non-current asset information above excludes convertible loan receivables, financial assets at fair value through other comprehensive income ("FVTOCI"), financial assets at fair value through profit or loss ("FVTPL") and pledged bank deposit, and is based on the physical locations of the respective assets, except for goodwill and other intangible assets of which is based on the areas of the group entities' operations.

(c) **Information about a major customer**

For the year ended 31 December 2020, revenue of HK\$209,518,006 (2019: HK\$328,030,725) was derived from the sales to one (2019: one) customer, which individually accounted for over 10% of the Group's total revenue.

**5. PROFIT BEFORE INCOME TAX**

This is arrived at after charging:

	<b>2020</b>	2019
	<b>HK\$</b>	<b>HK\$</b>
Amortisation of land use rights	<b>372,906</b>	376,969
Amortisation of other intangible assets	<b>7,899,901</b>	6,837,693
Auditor's remuneration	<b>1,219,500</b>	1,402,000
Cost of inventories	<b>122,005,990</b>	146,070,732
Cost of services	<b>56,929,520</b>	98,159,682
Depreciation of property, plant and equipment	<b>17,074,053</b>	17,655,715
Depreciation of right-of-use assets	<b>2,252,581</b>	2,926,158
Employee costs excluding Directors' emoluments:		
– Salaries and other benefits	<b>225,508,225</b>	200,385,953
– Pension fund contributions	<b>2,532,733</b>	7,928,666
– Equity-settled share-based payments to the employees	<b>483,410</b>	693,191
Equity-settled share-based payments to the consultant of the Group	<b>213,333</b>	596,000
Exchange losses, net	<b>1,200,822</b>	1,099,135
Write-off of inventories	<b>5,348,508</b>	1,894,000
Loss on disposal of property, plant and equipment	<b>219,293</b>	147,731
Research and development costs recognised as expenses	<b>8,577,496</b>	3,407,502

## 6. INCOME TAX

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	<b>2020</b>	2019
	<b>HK\$</b>	<b>HK\$</b>
Current tax – the PRC		
– Provision for the year	<b>18,753,031</b>	43,055,265
Deferred tax	<b>13,176,351</b>	6,207,317
	<b>31,929,382</b>	49,262,582

No provision for Hong Kong profits tax has been made as the Group has no assessable profit arising in Hong Kong.

The Group's major 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. This subsidiary has obtained a 高技術企業證書 (High Technology Enterprise Certificate) and is entitled to enjoy the enterprise income tax at the concessionary rate of 15% for the years ended 31 December 2020 and 2019.

Enterprise income tax rate of 25%, 17% and 27.3% is applied to the Group's other operating subsidiaries in the PRC, Singapore and the United States respectively.

## 7. DIVIDENDS

	<b>2020</b>	2019
	<b>HK\$</b>	<b>HK\$</b>
Interim dividend – Nil (2019: HK\$0.035 per share)	–	20,247,745
Proposed final dividend – HK\$0.05 (2019: HK\$0.05) per share	<b>28,845,150</b>	28,896,850
	<b>28,845,150</b>	49,144,595

The Directors propose a final dividend of HK\$0.05 (2019: HK\$0.05) per ordinary share to be paid. The amount of proposed final dividend is based on the number of issued ordinary shares as at the end of the reporting period. This proposed dividend is not reflected as dividend payable as at the end of the reporting period but will be reflected as an appropriation of retained earnings for the year ending 31 December 2021.



## 8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

### Earnings

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Profit attributable to owners of the Company for the purposes of calculating basic earnings per share	218,925,555	302,502,420
Interest expense on convertible loan payable, net of amount capitalised	<u>5,980,685</u>	<u>6,347,657</u>
Profit attributable to owners of the Company for the purposes of calculating diluted earnings per share	<u><u>224,906,240</u></u>	<u><u>308,850,077</u></u>

### Number of shares

	2020	2019
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	577,869,197	578,562,216
Effect of dilutive potential ordinary shares:		
– share options issued by the Company	N/A	50,781
– convertible loan payable	<u>25,423,728</u>	<u>25,423,728</u>
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	<u><u>603,292,925</u></u>	<u><u>604,036,725</u></u>

The computation of diluted earnings per share for the year ended 31 December 2020 does not assume the issue of potential ordinary shares in relation to all share options granted as they have anti-dilutive effect.

The computation of diluted earnings per share for the year ended 31 December 2019 did not assume the issue of potential ordinary shares in relation to certain share options granted as they had anti-dilutive effect.

## 9. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Construction in progress <i>HK\$</i>	Total <i>HK\$</i>
<b>Cost:</b>						
At 1 January 2019	117,735,676	88,713,864	16,341,070	4,731,618	1,090,628	228,612,856
Additions	455,121	4,115,961	11,299,153	1,815,356	13,732,978	31,418,569
Acquisition of subsidiaries	–	–	760,390	–	–	760,390
Disposals	–	(38,182)	(353,303)	(437,367)	–	(828,852)
Exchange adjustment	(1,595,734)	(1,244,351)	(354,642)	(68,125)	(169,038)	(3,431,890)
At 31 December 2019	116,595,063	91,547,292	27,692,668	6,041,482	14,654,568	256,531,073
Additions	–	4,186,333	10,503,502	–	80,307,291	94,997,126
Acquisition of a subsidiary	–	–	83,576	492,125	–	575,701
Disposals	(251,833)	(133,050)	(130,294)	–	–	(515,177)
Exchange adjustment	6,638,358	5,452,731	2,112,241	331,213	5,378,974	19,913,517
At 31 December 2020	122,981,588	101,053,306	40,261,693	6,864,820	100,340,833	371,502,240
<b>Accumulated depreciation:</b>						
At 1 January 2019	11,493,139	38,157,177	6,060,730	3,577,668	–	59,288,714
Charge for the year	2,347,540	9,712,070	5,198,988	397,117	–	17,655,715
Acquisition of subsidiaries	–	–	604,215	–	–	604,215
Disposals	–	(29,782)	(316,299)	(26,242)	–	(372,323)
Exchange adjustment	(181,650)	(624,297)	(151,228)	(48,929)	–	(1,006,104)
At 31 December 2019	13,659,029	47,215,168	11,396,406	3,899,614	–	76,170,217
Charge for the year	2,330,707	10,064,220	4,150,623	528,503	–	17,074,053
Acquisition of a subsidiary	–	–	83,576	241,960	–	325,536
Disposals	(34,267)	(111,257)	(125,338)	–	–	(270,862)
Exchange adjustment	909,252	3,256,990	847,423	242,599	–	5,256,264
At 31 December 2020	16,864,721	60,425,121	16,352,690	4,912,676	–	98,555,208
<b>Carrying amount:</b>						
At 31 December 2020	<u>106,116,867</u>	<u>40,628,185</u>	<u>23,909,003</u>	<u>1,952,144</u>	<u>100,340,833</u>	<u>272,947,032</u>
At 31 December 2019	<u>102,936,034</u>	<u>44,332,124</u>	<u>16,296,262</u>	<u>2,141,868</u>	<u>14,654,568</u>	<u>180,360,856</u>

The carrying amount of construction in progress represented the costs incurred for the construction of the new factory which will be reclassified to buildings and leasehold improvements when the construction is completed.

## 10. OTHER INTANGIBLE ASSETS

	<b>Development expenditure</b>	<b>Acquired intangible assets</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Cost:</b>			
At 1 January 2019	111,748,048	135,271,592	247,019,640
Additions	31,521,811	129,940,422 <sup>#</sup>	161,462,233
Acquisition of a subsidiary	–	6,700,511	6,700,511
Exchange adjustment	<u>(1,744,224)</u>	<u>(1,786,860)</u>	<u>(3,531,084)</u>
At 31 December 2019	141,525,635	270,125,665	411,651,300
Additions	28,587,341	177,639,003 <sup>#</sup>	206,226,344
Exchange adjustment	<u>8,651,861</u>	<u>16,662,683</u>	<u>25,314,544</u>
At 31 December 2020	<u>178,764,837</u>	<u>464,427,351</u>	<u>643,192,188</u>
<b>Accumulated amortisation and impairment losses:</b>			
At 1 January 2019	15,546,806	12,696,512	28,243,318
Amortisation	1,541,437	5,296,256	6,837,693
Exchange adjustment	<u>(227,097)</u>	<u>(231,040)</u>	<u>(458,137)</u>
At 31 December 2019	16,861,146	17,761,728	34,622,874
Amortisation	2,537,258	5,362,643	7,899,901
Impairment ( <i>Note</i> )	11,814,929	–	11,814,929
Exchange adjustment	<u>1,744,386</u>	<u>1,316,790</u>	<u>3,061,176</u>
At 31 December 2020	<u>32,957,719</u>	<u>24,441,161</u>	<u>57,398,880</u>
<b>Carrying amount:</b>			
At 31 December 2020	<u>145,807,118</u>	<u>439,986,190</u>	<u>585,793,308</u>
At 31 December 2019	<u>124,664,489</u>	<u>252,363,937</u>	<u>377,028,426</u>

*Note:*

During the year ended 31 December 2020, the capitalised costs of two development items were impaired by the Group. The impairment was determined as it became apparent that there were uncertainties to overcome technical or clinical challenges underlying the development of the two products. Accordingly, an aggregate loss of HK\$11,814,929 on the development expenditure was recognised in profit or loss.

# *In 2018, the Group entered into a co-development agreement (and as supplemented and revised from time to time) with an independent third party, Mitotech S.A. under which the Group has agreed to fund for a clinical development in the United States Food and Drug Administration phase 3 clinical trial of an ophthalmic solution containing SkQ1 as its sole active pharmaceutical ingredient (the “SkQ1 Product”) which shall be provided as a pharmaceutical product in the field of dry eye disease, in return for a share of certain income received by Mitotech S.A. in respect of the SkQ1 Product. During the year ended 31 December 2020, the project development cost of the SkQ1 Product amounting to HK\$107,877,479 (2019: HK\$129,940,422) was incurred.*

*In 2020, the Group entered into a co-development and exclusive license agreement with an independent third party, Shanghai Henlius Biotech, Inc. (“Henlius”) under which the Group has agreed to fund 80% of the development costs of a pharmaceutical product that contains an anti-vascular endothelial growth factor (anti-VEGF) as a drug substance (the “Licensed Product”), which is intended for the treatment of exudative (wet) age-related macular degeneration. In return, the Group has obtained an exclusive license for the regulatory development, manufacture and commercialisation of the Licensed Product worldwide, subject to commercial sales milestone payment and royalties levied on net sales of the Licensed Product payable to Henlius. During the year ended 31 December 2020, the project development cost of the Licensed Product amounting to HK\$69,761,524 (2019: Nil) was incurred.*

## **11. CONVERTIBLE LOAN RECEIVABLES**

In 2015, the Group entered into a convertible loan agreement with an independent third party, a private company registered in the PRC (“Investee A”), with principal amount of RMB10,000,000 (approximately HK\$11,937,448) which carries interest at 5% per annum payable quarterly in arrears with maturity on 13 December 2019 at redemption amount of 100% of the principal amount (“Convertible Loan A”). The principal amount of Convertible Loan A can be converted into such equity interest representing 30% of the entire equity interest of Investee A at any time from the date of issue to the maturity date. The principal activities of Investee A are manufacturing and selling of dental treatment techniques in the PRC. Convertible Loan A is secured by 100% equity interest in Investee A.

In 2019, Convertible Loan A was eliminated at consolidation level upon the acquisition of 100% equity interest in Investee A.

In 2018, the Group entered into a convertible loan agreement with an independent third party, a private company incorporated in Singapore (“Investee B”), with principal amount of SG\$2,000,000 (approximately HK\$11,800,000) which carries interest at 2.5% per annum payable quarterly in arrears with maturity on 1 June 2023 (“Convertible Loan B”). The first tranche of Convertible Loan B in the principal amount of SG\$1,000,000 (equivalent to HK\$5,884,110) (“Tranche A of Convertible Loan B”) was disbursed to Investee B in 2018. The entire principal amount of Convertible Loan B can be converted into such number of shares representing 40% of the enlarged total issued share capital of Investee B at any time before the maturity date. In the event that no conversion has been taken place before the maturity date, Investee B shall repay the Group the outstanding principal amount plus an amount calculated by the Group which would yield a return for the Group on the principal amount of Convertible Loan B of 6% per annum. Tranche A of Convertible Loan B is classified as financial asset at FVTPL upon the initial recognition.

In 2019, Tranche A of Convertible Loan B was eliminated at consolidation level upon the acquisition of 100% equity interest in Investee B.

In 2018, the Group entered into an agreement with an independent third party, DB Therapeutics, Inc (“DBT”), to subscribe for a convertible loan with principal amount of US\$4,500,000 (approximately HK\$35,278,200) which carries interest at 5% per annum with maturity on 31 July 2022 (“Convertible Loan C”). Convertible Loan C will be disbursed to DBT in five tranches and the first tranche in the principal amount of US\$600,000 (equivalent to HK\$4,696,774) (“Tranche A of Convertible Loan C”) was disbursed to DBT in 2018. The entire principal amount of Convertible Loan C can be converted into such number of shares representing 45% of the enlarged and fully diluted share capital of DBT at any time before the maturity date. In the event that no conversion has been taken place before maturity date, DBT shall repay the Group the outstanding principal amount plus an amount calculated by the Group which would yield a return for the Group on the principal amount of Convertible Loan C of 8% per annum. Tranche A of Convertible Loan C is classified as financial asset at FVTPL upon the initial recognition.

In 2019, the Group entered into a convertible loan agreement with an independent third party, Antikor Biopharma Limited (“Antikor”), with principal amount of US\$350,000 (equivalent to HK\$2,746,029) for a term of 6 months. This convertible loan carries interest at 5% per annum on the principal amount of this convertible loan outstanding on the conversion date, or 8% per annum if no conversion has been taken place before the maturity date. The principal amount of this convertible loan can be converted into such number of shares representing 6.54% of the enlarged and fully diluted share capital of Antikor at any time before the maturity date. The Group also acquired certain convertible loan notes (the “Sale Loan Notes”) issued by Antikor at an aggregate amount of GBP307,905 (equivalent to HK\$2,929,977). This convertible loan and the Sale Loan Notes are classified as financial assets at FVTPL upon the initial recognition. In 2019, the Group converted the principal amount of this convertible loan and the Sale Loan Notes.

During the year ended 31 December 2020, the Group further made available certain convertible loans to Antikor in the aggregate principal amount of US\$1,350,000 (equivalent to HK\$10,471,977) which carry interest at 5% per annum with maturity on 30 September 2021 (“Convertible Loan D”). The aggregate principal amount of Convertible Loan D can be converted into such number of shares representing 16.03% of the enlarged and fully diluted share capital of Antikor at any time before the maturity date. Convertible Loan D is classified as financial asset at FVTPL upon the initial recognition.

In 2019, the Group entered into a convertible loan agreement with an independent third party, another private company incorporated in Singapore (“Investee C”), with principal amount of US\$2,000,000 (equivalent to HK\$15,585,200) (“Convertible Loan E”) which would yield a return of 25% per annum for the Group on the principal amount of Convertible Loan E if no conversion has been taken place before the then maturity date (i.e. 5 January 2021). The principal amount of Convertible Loan E can be converted into such number of shares representing less than 19% of the enlarged and fully diluted share capital of Investee C at any time before the then maturity date. Convertible Loan E is classified as financial asset at FVTPL upon the initial recognition. On 4 January 2021, the Group entered into an amendment deed with Investee C to (i) extend the maturity date of Convertible Loan E to 5 November 2022; and (ii) increase the Group’s shareholding in Investee C upon conversion of Convertible Loan E to 60% on a fully-diluted basis.

In 2019, the Group entered into a convertible loan agreement with an independent third party, 成都上工醫信科技有限公司 (Chengdu Shangong Medical Technology Co., Ltd.\*) (“Shangong”), with principal amount of RMB15,000,000 (equivalent to HK\$17,045,455) which carries interest at 10% per annum with the then maturity on 1 January 2021 (“Convertible Loan F”). The principal amount of Convertible Loan F can be converted into such equity interest representing approximately 8.11% of the entire equity interest of Shangong at any time before the then maturity date. Convertible Loan F is classified as financial asset at FVTPL upon the initial recognition. On 23 December 2020, the Group entered into a supplementary agreement with Shangong to extend the maturity date to 1 January 2022.

The Group's convertible loan receivables are recognised as follows:

	<i>HK\$</i>
<b>At 31 December 2020</b>	
– Tranche A of Convertible Loan C	5,407,544
– Convertible Loan D	11,531,046
– Convertible Loan E	21,384,881
– Convertible Loan F	<u>37,026,681</u>
Total	75,350,152
Less: Current portion	<u>(32,915,927)</u>
Non-current portion	<u><u>42,434,225</u></u>
	<i>HK\$</i>
<b>At 31 December 2019</b>	
– Tranche A of Convertible Loan C	4,893,295
– Convertible Loan E	17,033,281
– Convertible Loan F	<u>24,148,744</u>
Total, classified under non-current assets	<u><u>46,075,320</u></u>

The movements in fair values of convertible loan receivables classified as level 3 in the fair value hierarchy are as follows:

	<i>HK\$</i>
At 1 January 2019	26,765,719
Additions	38,305,761
Conversion	(5,675,106)
Elimination at consolidation level upon the acquisition of subsidiaries	(22,031,720)
Change in fair value recognised in profit or loss	9,022,309
Exchange differences	<u>(311,643)</u>
At 31 December 2019	46,075,320
Additions	10,471,977
Change in fair value recognised in profit or loss	16,809,285
Exchange differences	<u>1,993,570</u>
At 31 December 2020	<u><u>75,350,152</u></u>

During the respective loan periods and where applicable following the conversion of the convertible loan receivables, the Group was entitled to appoint 1 director of DBT and Investee C in accordance with the agreements of the convertible loan receivables. Accordingly, given the potential voting right and the right to appoint directors, the Group has regarded DBT and Investee C as associates of the Group. As at 31 December 2020 and up to the date of approval of these financial statements, as the Group has not converted the convertible loan receivables into equity interests of DBT and Investee C, the Group is not entitled to share any profit or loss of DBT and Investee C and accordingly, the Group has no interest in associates. The Directors are of the opinion that no further disclosure is considered meaningful in this regard.

**12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2020</b>	2019
	<b>HK\$</b>	<b>HK\$</b>
<b>Non-current</b>		
Equity investments designated at FVTOCI ( <i>Note (a)</i> )		
– Listed equity investments ( <i>Note (b)</i> )	<b>20,534,124</b>	33,991,232
– Unlisted equity investments ( <i>Note (c)</i> )	<b>58,039,909</b>	75,782,473
	<b>78,574,033</b>	109,773,705
Equity investments designated at FVTPL ( <i>Note (d)</i> )		
– Unlisted equity investments ( <i>Note (c)</i> )	<b>6,338,294</b>	–
<b>Current</b>		
Equity investments designated at FVTOCI ( <i>Note (a)</i> )		
– Listed equity investments ( <i>Note (b)</i> )	–	10,563,798
Equity investments designated at FVTPL ( <i>Note (d)</i> )		
– Listed equity investments ( <i>Note (b)</i> )	<b>15,231</b>	25,212

*Notes:*

- (a) The equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.
- (b) The balance as at 31 December 2020 represents one listed equity security (2019: two listed equity securities) which is listed on the NASDAQ Stock Market of the United States, namely AC Immune SA (2019: AC Immune SA and MeiraGTx Holdings plc (“MeiraGTx”). The fair value was based on quoted market price as at 31 December 2020.

During the year ended 31 December 2020, the Group divested all of its equity interest in MeiraGTx. The aggregate fair value on respective dates of disposal was HK\$8,326,199 and the accumulated gain recognised in other comprehensive income of HK\$2,757,979 was transferred to retained earnings.

During the year ended 31 December 2019, the Group divested a portion of its equity interest in MeiraGTx. The aggregate fair value on respective dates of disposal was HK\$52,729,049 and the accumulated gain recognised in other comprehensive income of HK\$24,017,053 was transferred to retained earnings.

- (c) The balance as at 31 December 2020 represents five (2019: four) unlisted equity investments, namely the investments in (i) series B preferred stock of a private company incorporated in the United States; (ii) series C preferred stock and common stock of another private company incorporated in the United States; (iii) equity interest in Shanggong; (iv) equity interest in Antikor; and (v) series pre-A preferred stock of a private company incorporated in Singapore.
- (d) The equity investments were irrevocably designated at FVTPL as the Group considers these investments to be held for trading.

### 13. INVENTORIES

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Raw materials	8,030,248	10,998,008
Work in progress	12,489,023	9,309,157
Finished goods	<u>126,516,931</u>	<u>93,818,111</u>
	<u><b>147,036,202</b></u>	<u><b>114,125,276</b></u>

During the year, the Group has carried out regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption, physical condition and management judgement. As a result, inventories of HK\$5,348,508 (2019: HK\$1,894,000) have been written off and recognised in profit or loss.



#### 14. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Trade receivables	463,391,854	608,811,488
Other receivables	19,861,583	42,926,022
	<u>483,253,437</u>	<u>651,737,510</u>

The Group's policy is to allow a credit period of 90 days to its trade customers.

The Directors have considered the track records of customers and age of the outstanding balances and are of the view that no provision is required as at 31 December 2020 and 2019.

The ageing analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
0-60 days	267,734,159	418,493,003
61-90 days	67,026,295	54,291,355
Over 90 days	128,631,400	136,027,130
	<u>463,391,854</u>	<u>608,811,488</u>

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Neither past due nor impaired	334,760,453	472,784,357
Less than 3 months past due	102,391,558	88,208,055
Over 3 months past due	26,239,843	47,819,076
	<u>463,391,854</u>	<u>608,811,488</u>

## 15. DEPOSITS AND PREPAYMENTS

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Deposits paid for acquisition of property, plant and equipment	13,007,461	10,200,883
Deposits paid for acquisition of other intangible assets	41,569,671	–
Prepayments for purchase of finished goods	18,791,867	–
Other deposits	1,067,942	839,879
Other prepayments	<u>9,842,621</u>	<u>13,007,676</u>
Total	84,279,562	24,048,438
Less: Current portion	<u>(29,702,430)</u>	<u>(13,847,555)</u>
Non-current portion	<u><u>54,577,132</u></u>	<u><u>10,200,883</u></u>

Deposits and prepayments do not contain impaired assets and their carrying amounts approximate to their fair values.

## 16. TRADE AND OTHER PAYABLES

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Trade payables	44,085,787	53,139,661
Other payables and accruals ( <i>Note</i> )	<u>352,807,526</u>	<u>412,816,379</u>
	<u><u>396,893,313</u></u>	<u><u>465,956,040</u></u>

*Note:*

Other payables and accruals included the accruals for sales and marketing costs of HK\$284,866,370 (2019: HK\$355,487,163).

The ageing analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
0-60 days	44,050,490	53,119,490
61-90 days	33,634	18,000
Over 90 days	<u>1,663</u>	<u>2,171</u>
	<u><u>44,085,787</u></u>	<u><u>53,139,661</u></u>

## 17. CONVERTIBLE LOAN PAYABLE

On 6 July 2016 (“Issue Date”), the Group entered into a convertible loan agreement with International Finance Corporation (“IFC”), pursuant to which IFC agreed to lend, and the Group agreed to borrow, a convertible loan in an aggregate principal amount of HK\$150,000,000 at an interest rate of 1.9% per annum (the “Convertible Loan Payable”). Subject to the terms of the convertible loan agreement, IFC has the right to convert all or any part of the outstanding principal amount of the Convertible Loan Payable into shares of the Company at a conversion price of HK\$5.90 per share (subject to anti-dilutive adjustments as set out in the convertible loan agreement) at any time after the date of disbursement and prior to the then maturity date. The then maturity date is the date falling on the fifth anniversary of the date of the disbursement. On 10 July 2020, the Group and IFC entered into an amendment agreement to the convertible loan agreement to extend the maturity date for a period of 3 years to a date falling on the eighth anniversary of the date of the disbursement (i.e. 2 August 2024). On 6 October 2020, the amendment agreement has become effective. The Company accounted for the extension as a derecognition of the existing financial liability and the recognition of a new financial liability with a gain recognised on extinguishment, being the difference between the fair value of consideration given to extinguish the financial liability and its previous carrying amount.

The Company shall repay the outstanding principal amount of the Convertible Loan Payable on the maturity date, together with a make whole premium (if any). Make whole premium is an amount calculated by IFC which would yield a return for IFC on the principal amount of the Convertible Loan Payable of (i) 6% per annum; or (ii) 8% per annum if there exists a change of control which occurs when, among others, (a) there is a decrease in the shareholdings of the Company’s certain shareholders as a group under specified conditions as stipulated in the convertible loan agreement; (b) certain shareholders of the Company as a group cease to be the single largest direct and indirect shareholder of the Company; or (c) any person (other than certain shareholders as a group) by itself or through its affiliates have obtained the power to appoint a majority of the board of directors of the Company.

Pursuant to the convertible loan agreement, unless otherwise agreed in writing by the IFC, the Company shall, within 10 days following the occurrence of a change of control defined in the convertible loan agreement, prepay the outstanding principal amount of the Convertible Loan Payable, together with accrued interest, the make whole premium (if any), increased costs (if any) thereon and all other amounts payable under the convertible loan agreement, including the amount of unwinding costs payable if the prepayment is not made on an interest payment date.

The fair value of the debt component and the equity conversion component were determined at the issuance/ extinguishment of the Convertible Loan Payable where appropriate. The fair value of the debt component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity. The make whole premium, being an embedded derivative, was measured at fair value separately. At Issue Date and at 31 December 2020, the fair value of the make whole premium was determined by the Directors to be minimal.

The movements of the Convertible Loan Payable are as follows:

	<b>Debt component</b>	<b>Conversion component</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
As at 1 January 2019	134,365,666	33,323,218	167,688,884
Imputed interest expense	8,674,932	–	8,674,932
Interest paid	<u>(2,881,667)</u>	<u>–</u>	<u>(2,881,667)</u>
As at 31 December 2019	140,158,931	33,323,218	173,482,149
Imputed interest expense	8,173,415	–	8,173,415
Interest paid	(2,889,583)	–	(2,889,583)
Extinguishment	<u>(4,913,707)</u>	<u>(18,095,900)</u>	<u>(23,009,607)</u>
As at 31 December 2020	<u><u>140,529,056</u></u>	<u><u>15,227,318</u></u>	<u><u>155,756,374</u></u>

## BUSINESS REVIEW

The vision of the Group is to be a great and socially responsible corporation. Strategically, the Group develops, manufactures and commercialises genetically engineered therapeutic recombinant bovine basic fibroblast growth factor (“rb-bFGF”), with established mechanism of action in cellular proliferation, differentiation and migration.

The Group’s turnover is primarily made up from the segments of Ophthalmology and Surgical (wound care and healing) covering dermatology, stomatology, obstetrics and gynaecology; while pursuing new therapeutics in oncology, orthopaedics and neurology through the Group’s enrichment programme.

Currently the Group has six commercialised biologics, formulated with rb-bFGF, that are marketed and sold as Beifushu eye drops, Beifushu eye gel and Beifushu unit-dose eye drops for treatment of ocular wounds, Beifuji spray, Beifuji lyophilised powder and Beifuxin gel for treatment of surface wounds, in the PRC (collectively referred to as the “bFGF Series”). The bFGF Series are developed and manufactured by the Group, three of which were approved by 國家藥品監督管理局 (National Medical Products Administration) as Category I drugs and four of which are on the list of the National Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance issued by the National Healthcare Security Administration and the Ministry of Human Resources and Social Security of the PRC. Collectively, the combined turnover of the bFGF Series represented about 83.3% of the Group’s total turnover for the year under review.

Apart from the bFGF Series, the Group has a portfolio of commercialised preservative-free unit-dose eye drops, namely Tobramycin Eye Drops, Levofloxacin Eye Drops and Sodium Hyaluronate Eye Drops. These products are expected to strengthen the market positioning of the ophthalmology business segment of the Group.

During the year under review, the Group soft-launched in the fourth quarter of 2020 T-Bactum® (anti-microbial oral care product), an in-house developed best in class product from the patented nano emulsion technology, encompassing thymol. T-Bactum® is manufactured and sold through 武漢伢典生物科技有限公司 (Wuhan Adv. Dental Co., Ltd.\*), a wholly-owned subsidiary of the Company.

Leveraging on its established market access capability, the Group undertakes importation, promotion and selling of a range of products such as Xalatan® Eye Drops, Xalacom® Eye Drops, 適麗順® (Iodized Lecithin Capsules\*) and 伊血安顆粒 (Yi Xue An Granules\*). Such products are complementary to the Group’s therapeutics business of Ophthalmology and Surgical, collectively formed part of the core products as current growth driver.

Building mid-term and long-term growth drivers, the Group maintains a pipeline of multi-project in research and development (“R&D”) at various stages of clinical programmes, which cover a handful of unit-dose ophthalmic products and biologics in growth factors and antibody.

## SIGNIFICANT BUSINESS DEVELOPMENT ACTIVITIES

We are committed to pragmatically investing in new products and technologies to strengthen the Group's product and R&D pipeline as near to mid-term growth driver in ophthalmology and long-term plan for new therapeutics in oncology. During the year under review, investments in ophthalmic products and licensing of a molecule for use in oncology are outlined as follows:

### Investments in Ophthalmology

On 4 June 2020, the Group entered into a framework agreement with 西藏林芝百盛藥業有限公司 (Tibet Linzhi Parkson Pharmaceutical Co., Ltd.\*) ("Parkson") in relation to the possible acquisition of all intellectual property rights relating to all technologies and process of product R&D and production of 適麗順® (Iodized Lecithin Capsules\*) and other medicinal products in different forms in which iodized lecithin serves as an active pharmaceutical ingredient. As at the date of this announcement, the Group has not entered into any definitive agreements with Parkson.

On 15 October 2020, the Group entered into a co-development and exclusive license agreement (the "Co-Development License Agreement") with Shanghai Henlius Biotech, Inc ("Henlius"). Pursuant to the Co-Development License Agreement, the Group has agreed to fund up to US\$24.0 million i.e. 80% of the development costs of a pharmaceutical product that contains an anti-vascular endothelial growth factor ("anti-VEGF") as a drug substance (the "Licensed Product"), which is intended for the treatment of exudative (wet) age-related macular degeneration ("wet-AMD"), being a bevacizumab biosimilar candidate and to make other payments and royalties in accordance with the terms of the Co-Development License Agreement. In return, the Group has obtained an exclusive license for the regulatory development, manufacture and commercialisation of the Licensed Product worldwide, subject to commercial sales milestone payment and royalties levied on net sales of the Licensed Product payable to Henlius. In the event that the Group grants a sub-license to a third party for commercialisation of the Licensed Product, the Group will share 20% of the relevant sub-licensing revenue with Henlius unless otherwise adjusted in accordance with the terms of the Co-Development License Agreement.

As disclosed in the announcement of the Company dated 29 January 2021, the filing by Henlius of clinical trial for recombinant anti-VEGF humanised monoclonal antibody ophthalmic injection HLX04-O for the treatment of wet-AMD has been approved by Therapeutic Goods Administration, Australia, and the phase 3 clinical trial is permitted to commence in Australia (CTN No. CT-2020-CTN-04843-1). Accordingly, a phase 3 clinical study with respect to the Licensed Product is intended and expected to be initiated in Australia in the near future.

Henlius is the holding company of a group principally engaged in (i) the research and development, production and sale of monoclonal antibody (mAb) drugs and the provision of related technical services (except for the development and application of human stem cells, genetic diagnosis and therapy technology); and (ii) the transfer of its own technology and provision of the related technology consultation services.

The Licensed Product can be used for treating wet-AMD, diabetic macular edema, macular edema caused by retinal vein occlusion and myopic choroidal neovascularisation. In accordance with the report of Frost & Sullivan, the estimated number of patients of these 4 categories is over 15.5 million in the PRC in 2019. Assuming each patient applies 4 doses in the first year of treatment and 2 to 3 doses in subsequent years, it is expected that the size of the potential market of the Licensed Product will be significant.

Apart from the above investments, in 2018, the Group entered into a co-development agreement (and as supplemented and revised from time to time) with Mitotech S.A. and Mitotech LLC for the United States Food and Drug Administration (“US FDA”) phase 3 clinical trial of an ophthalmic solution containing SkQ1 for dry eye disease. As disclosed in the announcement of the Company dated 24 February 2021, positive outcome was achieved during second phase 3 clinical trial (VISTA-2). The clinical trial study repeated statistically significant positive results on key predefined secondary end-point (Central Corneal Fluorescein Staining). The Board is enthusiastic about the read-out of clearing of central staining of the cornea (defined as zero staining in central cornea), which reveals the potential of SkQ1 in addressing oxidative stress in dry eye diseases, and is looking forward to seeing the results of the third phase 3 clinical trial (VISTA-3) on the overall regulatory pathway towards the new drug application submission with the US FDA targeted by Mitotech S.A. to be made in the year of 2022 to 2023.

### **Investments in Oncology**

On 28 August 2020, the Group entered into an intellectual property license agreement (the “IP License Agreement”) with 廣州康睿生物醫藥科技股份有限公司 (Guangzhou Kangrui Biological Pharmaceutical Technology Co., Ltd.\*) (“Kangrui”). Pursuant to the IP License Agreement, Kangrui granted to the Group an exclusive license to develop, manufacture, use or otherwise commercialise any therapeutic products incorporating the molecule initially developed by Kangrui for use in oncology (the “Molecule”).

In line with the Group’s strategic development plans in oncology, the IP License Agreement presents a good opportunity for the Group to evaluate the suitability of developing and commercialising the Molecule in the field of therapeutic use and/or therapies in oncology.

Apart from entering into the IP License Agreement with Kangrui, in 2019, the Group invested in Antikor Biopharma Limited (“Antikor”), a company incorporated in England and Wales which is focusing on the development of antibody fragment drug conjugates for cancer therapy. The scientific discussion of the technology was published in *Antibody Therapeutics, Volume 3, Issue 4, pages 237-245* by Dr. Mahendra Deonarain, the founder and Chief Executive Officer of Antikor, and Dr. Xue Qi, our Chief Scientific Officer in November 2020.

As at 31 December 2020 and the date of this announcement, each of the investments made and held by the Group represented less than 5% of the Group’s total assets, except for (i) the total maximum commitment in relation to the clinical development of the SkQ1 Product under the co-development agreement with Mitotech S.A. and Mitotech LLC dated 16 July 2018 and as supplemented and revised from time to time; and (ii) the total maximum commitment in relation to the co-development of the Licensed Product with Henlius as mentioned above.

Total actual investment cost of approximately HK\$296.2 million for the clinical development of the SkQ1 Product with Mitotech S.A. is presented as “Acquired Intangible Assets” under the Group’s consolidated financial statements as at 31 December 2020. The investment cost represented 12.2% of the Group’s total assets as at 31 December 2020.

Total actual investment cost of approximately HK\$73.7 million for the co-development of the Licensed Product with Henlius is presented as “Acquired Intangible Assets” under the Group’s consolidated financial statements as at 31 December 2020. The investment cost represented 3.0% of the Group’s total assets as at 31 December 2020.

## **HONOURS AND AWARDS OBTAINED IN 2020**

The Company was honourably awarded 中國證券金紫荊獎—最具社會責任感上市公司 (China Securities Golden Bauhinia Award – The most socially responsible listed company), which is a large-scale and credible award for listed companies in the Hong Kong and PRC securities markets, for its commitment to social responsibility over the years. This award is especially meaningful for the Company during the outbreak of the novel coronavirus (“COVID-19”) this year.

The Company has been included in 2020 Forbes Asia’s Best Under A Billion list, a testimony to the Group’s achievements over the past few years. Forbes Asia’s Best Under A Billion list spotlights 200 top performing publicly listed companies in the Asia-Pacific region with sales under US\$1 billion, which have track records of exceptional corporate governance.

The Group’s Beifushu has been awarded as one of the Chinese reputable medicine brands in two consecutive years. This is a testament of the recognition by the industry for the efficacy and quality of the biologic drug.



## **MARKET DEVELOPMENT**

Over the years, the Group has been relentlessly investing in establishing and strengthening its market access capability. As at 31 December 2020, the Group maintains a network of 43 regional sales offices in the PRC and a total number of about 1,290 sales and marketing representatives, out of which approximately 38% are on contract basis or from appointed agents.

During the year under review, the Group's therapeutic products are being prescribed in more than 9,000 hospitals and medical providers, coupled with approximately 2,000 pharmaceutical stores, which are mainly located in the major cities, provinces and county cities in the PRC.

For achieving a sustainable traction on growth for currently marketed products as well as for near-term to mid-term new products being commercialised, the Group initiated investments to improve its competitiveness and widen its customers base under the following plans:

- Investing in clinical observation programmes for affirming additional clinical indications of its commercialised products;
- Reaching out to market in lower-tier cities;
- Cultivating pharmaceutical stores, where possible, as complementary sales channel; and
- Building on-line platform for medical consultation and e-prescription for patients with chronic diseases under its healthtech initiative.

During the year under review, the Group has initiated its market access expansion to Southeast Asian countries by setting up a base in Singapore.

## **RESEARCH AND DEVELOPMENT**

During the year under review, the Group renewed its R&D's vision, dedicated to science and innovation, with a mission to develop therapeutics that would meet unmet clinical and/or commercial needs. The Group concurrently kick-started a 5-year (2021 to 2025) R&D's development plan to further strengthen its R&D capability and its position in ophthalmology.

The Group's key R&D initiatives comprise of growth factor, antibody (i.e. mAb, bsAb, sdAb, scFv, ADC/FDC, etc.), drug formulation know-how and Blow-Fill-Seal ("BFS") platform. Growth factor, antibody and drug formulation know-how are used for the development of therapeutic drugs in ophthalmology, surgical (wound care and healing) and oncology, whereas BFS platform is a state-of-the-art manufacturing facility for producing preservative-free unit-dose drugs, in particular for ophthalmic drugs.

One of the Group's technology platforms is built on recombinant proteins, in particular, the basic fibroblast growth factor (bFGF). The Group has been able to capitalise on its biologic facility, built with its proprietary technique and know-how, delivering high-quality bFGF Series of biologics in the Ophthalmology and Surgical business segments, the Group's primary current growth driver. Strengthening on the Group's biologics-based R&D, the recent strategic alliance forged with Antikor and Henlius is in furtherance of our R&D plans for biologics in oncology and in ophthalmology for wet-AMD, diabetic macular edema, macular edema caused by retinal vein occlusion and myopic choroidal neovascularisation for mid-term to long-term growth driver.

The establishment of the BFS platform formed part of the Group's core competency to develop and produce a series of preservative-free unit-dose drugs. As at 31 December 2020, the Group has 4 commercialised preservative-free unit-dose eye drops in the product pipeline. A handful of preservative-free unit-dose ophthalmic drugs are under development with targeted commercialisation within the next 2 to 5 years.

As at 31 December 2020, there are 15 R&D programmes in the pre-clinical to clinical stage, out of which 4 ophthalmology programmes are in Investigational New Drug ("IND")/Clinical/New Drug Application ("NDA") stage. The 4 ophthalmology programmes listed below are targeted as mid-term growth driver.

1. EB11-18136P: SkQ1 eye drops, second phase 3 clinical trial (US FDA) topline data released on 24 February 2021
2. EB11-15120P: Azithromycin eye drops, pending phase 3 clinical trial results (National Medical Products Administration ("NMPA") in the PRC)
3. EB11-13108P: Moxifloxacin eye drops, NDA stage (NMPA in the PRC)
4. EB12-20145P: Bevacizumab for wet-AMD, IND ready stage (global, US FDA, European Medicines Agency and NMPA in the PRC)

During the year under review, the following programmes were completed with good success. The completed programmes would strengthen the currently marketed product portfolio, served as near-term growth driver.

1. EB12-05100P (ophthalmology): Beifushu (FGF2) unit-dose eye drops, entered commercial stage (in the PRC)
2. EB12-17133Z (dermatology): Beifuji (FGF2) increased dosage for external use, entered commercial stage (in the PRC)
3. EB23-18235Y (stomatology): T-Bactum® (anti-microbial oral care product), entered commercial stage (in the PRC)

As at the date of this announcement, the Group has obtained a total of 34 patent certificates or authorisation letters: 27 發明專利 (invention patents), 3 實用新型專利 (utility model patents) and 4 外觀專利 (design patents).

To advance our pursuits of new therapeutics programme involving antibodies that, in particular, target in oncology and ophthalmology, a wholly-owned subsidiary, EssexBio Therapeutics Inc. (“EssexBio USA”), has been incorporated in the United States in March 2020. EssexBio USA is set up as the Group’s R&D centre and clinical trial management of the Group’s products in the United States. Being in the United States, EssexBio USA will continue to position the Group with better visibility for in and out licensing potential of technologies and products.

## **PRODUCTION CAPABILITY**

The Group’s factory in Zhuhai is fully equipped with production plants for the production of active pharmaceutical substance (rb-bFGF), the Group’s flagship biologic formulations and the state-of-the-art BFS production plants for the production of preservative-free unit-dose drugs.

## **CONSTRUCTION OF THE SECOND FACTORY IN THE PRC**

For the near-term expansion of the Group, a piece of land of about 15,000 square metres located at 珠海高新區科技創新海岸 (Zhuhai Hi-Tech Industrial Park\*) was acquired in 2018. The land is within walking distance from the Group’s existing factory. The plan is to construct the Group’s second factory with a gross floor area (GFA) of about 58,000 square metres to house the Group’s R&D centre, additional manufacturing facility, administrative office and staff hostel. Construction work of the second factory has started on 1 January 2020 and is expected to be completed by 2023.

## **FINANCIAL REVIEW**

The revenue of the Group is chiefly derived and denominated in Renminbi from its operations in the PRC. For the year ended 31 December 2020, the Group achieved a consolidated turnover of approximately HK\$978.1 million, a decrease of 23.6% over the last year. The decrease is attributable to about 44.3% decrease in the first half of 2020 as the government implemented a series of control measures in a number of provinces and municipalities in the PRC to curb the spread of COVID-19, which had significantly disrupted the clinical operations of hospitals in the PRC and had prevented non-emergency patients visiting hospitals and outpatient clinics. However, as clinical operations of hospitals in the PRC have been largely resumed to normalcy in September 2020, the Group’s revenue has also been recovering to nearing the pre-COVID-19 level from the third quarter. The recovery had helped lower the decrease in revenue in the second half to approximately 6.2% as compared to the same period of last year.

The Group's turnover is primarily made up from the segments of Ophthalmology and Surgical (Wound care and healing). The core products that are of current growth driver under each segment are:

1. Ophthalmology – Beifushu series (Beifushu eye drops, Beifushu eye gel and Beifushu unit-dose eye drops), Tobramycin Eye Drops, Levofloxacin Eye Drops, Sodium Hyaluronate Eye Drops, Xalatan<sup>®</sup> Eye Drops, Xalacom<sup>®</sup> Eye Drops and 適麗順<sup>®</sup> (Iodized Lecithin Capsules\*); and
2. Surgical (Wound care and healing) – Beifuji series (Beifuji spray, Beifuji lyophilised powder and Beifuxin gel), T-Bactum<sup>®</sup> (anti-microbial oral care product), Carisolv<sup>®</sup> dental caries removal gel and 伊血安顆粒 (Yi Xue An Granules\*).

The sectoral turnover of Ophthalmology and Surgical is approximately 42.9% and 57.1% of the Group's turnover, respectively. The combined turnover of the Group's flagship biologics, Beifushu series and Beifuji series, the basic fibroblast growth factor (bFGF) based biologic drugs, represented about 83.3% of the Group's total turnover, of which Beifushu series and Beifuji series accounted for 27.1% and 56.2% of the Group's turnover, respectively. The remaining 16.7% of the Group's turnover is largely contributed from sales of Tobramycin Eye Drops, Levofloxacin Eye Drops, Sodium Hyaluronate Eye Drops, Xalatan<sup>®</sup> Eye Drops, Xalacom<sup>®</sup> Eye Drops, 適麗順<sup>®</sup> (Iodized Lecithin Capsules\*), T-Bactum<sup>®</sup> and 伊血安顆粒 (Yi Xue An Granules\*) collectively.

Composition of turnover for the years ended 31 December 2020 and 2019, respectively, is shown in the following table:

<i>Expressed in HK\$' million</i>	<b>2020</b>	2019
<b>Ophthalmology</b>	<b>419.2</b>	567.5
<b>Surgical</b>	<b>558.9</b>	712.0
<b>Total</b>	<b>978.1</b>	1,279.5

Ophthalmology contributed approximately HK\$419.2 million to the Group's turnover for the year ended 31 December 2020, representing a decrease of 26.1% as compared to the previous year. Surgical recorded a total turnover of approximately HK\$558.9 million for the year ended 31 December 2020, representing a decrease of 21.5% as compared to the previous year. The decrease was attributable to the aforementioned impact of COVID-19.

During the year under review, the Group achieved a profit of approximately HK\$218.9 million as compared to approximately HK\$302.5 million in 2019, representing a decrease of 27.6% which was attributable to the aforementioned impact of COVID-19.

The distribution and selling expenses for the year under review were approximately HK\$476.6 million as compared to approximately HK\$632.8 million in 2019, representing a decrease of 24.7%. Such expenses primarily consisted of remuneration, advertising costs, travelling and transportation costs, costs for organisation of seminars and conferences for product training and awareness, etc. The decrease is in line with the decrease in turnover for the year ended 31 December 2020.

The administrative expenses for the year under review were approximately HK\$111.6 million as compared to approximately HK\$81.7 million in 2019. The increase in administrative expenses was mainly due to (i) a one-off donation of cash of approximately HK\$5.6 million to support the prevention, control and relief works for COVID-19 in the PRC; (ii) an increase in costs for expansion of operations in the United States and Singapore and the establishment of on-line platform for medical consultation by approximately HK\$12.4 million; and (iii) an increase in R&D personnel costs of approximately HK\$3.4 million which was attributed to the increase of headcount in the R&D.

Total expenditures (inclusive of acquired intangible assets) incurred in R&D for the year ended 31 December 2020 were approximately HK\$214.8 million (2019: approximately HK\$164.9 million), representing 22.0% (2019: 12.9%) of the turnover, of which approximately HK\$206.2 million (2019: approximately HK\$161.5 million) were capitalised.

The Group had cash and cash equivalents of approximately HK\$599.8 million as at 31 December 2020 (2019: approximately HK\$473.3 million).

The Group's bank borrowings as at 31 December 2020 were approximately HK\$414.8 million (2019: HK\$220.0 million), among which 13.3% was repayable within 1 year and 86.7% was repayable in more than 1 year but within 5 years. Among the Group's bank borrowings as at 31 December 2020, 48.4% was denominated in Hong Kong Dollar, 4.9% was denominated in Renminbi and 46.7% was denominated in US Dollar. All of the Group's bank borrowings bear interest at floating rate. The interest rate of the Group's bank borrowings ranged from 1.7% to 3.6% as at 31 December 2020. Please refer to the sub-section headed "Liquidity and Financial Resources" for details of banking facilities.

The total finance costs of the Group for the year ended 31 December 2020 were approximately HK\$1.4 million (2019: approximately HK\$7.0 million), including an imputed interest expense on the convertible loan payable and interest expenses on bank borrowings amounting to approximately HK\$13.9 million (2019: approximately HK\$11.4 million) of which approximately HK\$12.7 million (2019: approximately HK\$4.7 million) was capitalised during the year under review.

## **CONVERTIBLE LOAN FROM INTERNATIONAL FINANCE CORPORATION**

On 6 July 2016, the Company entered into a convertible loan agreement (the “Convertible Loan Agreement”) with IFC, being a member of the World Bank Group and an international organisation established by Articles of Agreement among its member countries including the PRC, pursuant to which IFC agreed to lend, and the Company agreed to borrow, a convertible loan in an aggregate principal amount of HK\$150.0 million at an interest rate of 1.9% per annum. Subject to the terms of the Convertible Loan Agreement, IFC has the right to convert all or any part of the outstanding principal amount of the convertible loan into ordinary shares of the Company (“Conversion Shares”) at a conversion price of HK\$5.90 per share (subject to adjustments as set out in the Convertible Loan Agreement) at any time after the date of the disbursement and prior to the then maturity date (i.e. the date falling on the fifth anniversary of the date of the disbursement).

On 10 July 2020, the Company and IFC entered into an amendment agreement to the Convertible Loan Agreement (the “Amendment Agreement”) to extend the maturity date for a period of 3 years to a date falling on the eighth anniversary of the date of the disbursement (i.e. 2 August 2024) (the “Extension”). Save as amended by the Amendment Agreement, the Convertible Loan Agreement and the terms and conditions of the convertible loan shall continue to be in full force and effect. Please refer to the announcement of the Company dated 10 July 2020 for details. On 6 October 2020, the Amendment Agreement has become effective.

### **Use of net proceeds from the convertible loan**

The net proceeds from the convertible loan (after deducting the fees and expenses in relation to the obtaining of the convertible loan) are approximately HK\$145.0 million, which were intended to be utilised for the Company’s strategic investment in and development of the Group’s biologic business and general working capital requirements. All net proceeds had been utilised in 2018 according to the intended use.

### **Dilutive effect of the conversion of the convertible loan**

As at 31 December 2020, no part of the outstanding principal amount of the convertible loan of HK\$150.0 million has been converted into Conversion Shares.

On the assumption that the convertible loan would be converted into Conversion Shares in full at the initial conversion price of HK\$5.90 per share, the aggregate principal amount of the convertible loan of HK\$150.0 million is convertible into 25,423,728 Conversion Shares.

The following table sets out the total number of shares of the Company to be issued upon full conversion of the convertible loan as at 31 December 2020:

Shareholders	As at 31 December 2020		Immediately upon full conversion of the convertible loan at the conversion price of HK\$5.90 per share	
	No. of shares	Approximate %	No. of shares	Approximate %
Ngiam Mia Je Patrick	147,279,000	25.53	147,279,000	24.45
Ngiam Mia Kiat Benjamin	145,354,000	25.20	145,354,000	24.13
Dynatech Ventures Pte Ltd ( <i>Note 1</i> )	6,666,667	1.16	6,666,667	1.11
Directors within last 12 months (other than Ngiam Mia Je Patrick) ( <i>Note 2</i> )	7,330,450	1.27	7,330,450	1.22
IFC	–	–	25,423,728	4.22
Other shareholders	<u>270,272,883</u>	<u>46.84</u>	<u>270,272,883</u>	<u>44.87</u>
	<u><u>576,903,000</u></u>	<u><u>100</u></u>	<u><u>602,326,728</u></u>	<u><u>100</u></u>

*Notes:*

- (1) 6,666,667 shares were held by Dynatech Ventures Pte Ltd which was wholly owned by Essex Investment (Singapore) Pte Ltd, which in turn was owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares.
- (2) Amongst these 7,330,450 shares, 5,244,300 shares were registered in the name of Fang Haizhou, 2,039,000 shares were registered in the name of Ngiam Hian Leng Malcolm, 46,000 shares were registered in the name of Yau Lai Man and 1,150 shares were registered in the name of Zhong Sheng (being a former Director who resigned with effect from 4 July 2020).
- (3) Lauw Hui Kian is the spouse of Ngiam Mia Je Patrick (an executive Director) and is deemed to be interested in the shares in which Ngiam Mia Je Patrick is interested/deemed to be interested.

## **Dilutive effect on earnings per share**

Based on the profit attributable to owners of the Company for the year ended 31 December 2020 of approximately HK\$218.9 million, the basic and diluted earnings per share attributable to owners of the Company, after considering the full conversion of the convertible loan, were HK37.88 cents and HK37.28 cents respectively.

## **The Company's ability to meet the repayment obligations under the convertible loan**

Based on the cash and cash equivalents as at 31 December 2020 and the cash flow from the operations of the Company for the year then ended, the Company has the ability to meet its repayment obligations under the convertible loan which remained unconverted to Conversion Shares as at 31 December 2020.

## **GENERAL DISCLOSURE UNDER RULES 13.18 AND 13.21 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE") – LOAN FROM IFC**

As disclosed in the announcement of the Company dated 10 July 2020, the Group entered into a loan agreement dated 10 July 2020 with IFC (the "Loan Agreement"), pursuant to which IFC agreed to lend, and the Group agreed to borrow a loan in the aggregate principal amount of US\$25.0 million (equivalent to approximately HK\$193.7 million) (the "Loan"). On 13 October 2020, the Loan has been fully drawn by the Group.

Pursuant to the Loan Agreement, the occurrence of any of the following events would constitute an event of default, and as a result, IFC may, by notice to the Group, require it to immediately repay the Loan (or such part of the Loan as is specified in the relevant notice) and pay all interest accrued on it together with the prepayment premium and all other amounts payable in accordance with the Loan Agreement:

- (i) Ngiam Mia Je Patrick, Ngiam Mia Kiat Benjamin and Lauw Hui Kian, as a group, for any reason ceases to own, directly and indirectly:
  - (A) at any time prior to the Loan Permitted Dilution Event (as defined below), at least 40%; and



(B) at any time on or after the Loan Permitted Dilution Event (as defined below), at least 35%,

of both the economic and voting interests in the Company's share capital (determined on a fully diluted basis), and for the purpose of this paragraph (i), the "Loan Permitted Dilution Event" means the consummation of an acquisition permitted under the Loan Agreement with the consideration payable in whole or in part by the Company in the form of shares that causes Ngiam Mia Je Patrick, Ngiam Mia Kiat Benjamin and Lauw Hui Kian, as a group, to own, directly and indirectly, less than 40% of both the economic and voting interests in the Company's share capital (determined on a fully diluted basis); or

(ii) Ngiam Mia Je Patrick, Ngiam Mia Kiat Benjamin and Lauw Hui Kian, as a group, at any time and for any reason ceases to be the single largest direct and indirect shareholder of the Company (determined on a fully diluted basis).

COVID-19 has negatively impacted the Group's business operation and financial performance. The Board considers that the Extension and the obtain of the Loan are prudent measures, which would effectively provide the Group with flexibility in relation to the Group's deployment of its financial resources to fund its operation and development plans during this difficult period of COVID-19. Accordingly, the Board considers the respective terms of the Amendment Agreement and the Loan Agreement are fair and reasonable and the Extension and the Loan are in the interests of the Company and its shareholders as a whole.

## **REPURCHASE OF SHARES**

During the period from October 2020 to December 2020, the Company repurchased 1,056,000 of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company as at the date of this announcement. The highest and lowest price per share paid was HK\$4.45 and HK\$3.97 respectively and the total amount paid for the repurchases of HK\$4,465,610 was paid wholly out of retained profits.

Subsequent to the end of the reporting period and up to the date of this announcement, the Company repurchased 230,000 of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company as at the date of this announcement. The highest and lowest price per share paid was HK\$4.13 and HK\$3.70 respectively and the total amount paid for the repurchases of HK\$872,590 was paid wholly out of retained profits.

The repurchase of the Company's shares was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in this announcement, as at 31 December 2020, the Group did not have any immediate plan for material investments or acquisition of material capital assets.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2020, the Group obtained banking facilities of approximately HK\$848.7 million, of which approximately HK\$434.1 million was utilised. All of the banking facilities were secured by the corporate guarantees provided by the Company and subsidiaries within the Group and a pledged deposit which amounted to approximately HK\$40.2 million.

As at 31 December 2020, the Group had cash and cash equivalents of approximately HK\$599.8 million as compared to approximately HK\$473.3 million as at 31 December 2019. Among the cash and cash equivalents of the Group as at 31 December 2020, 64.9% was denominated in Renminbi, 1.9% was denominated in Hong Kong Dollar and 33.0% was denominated in US Dollar.

The Group monitors its capital structure on the basis of a gearing ratio which is defined as the ratio of total liabilities to total assets. The gearing ratio as at 31 December 2020 was 41.1% (2019: 42.4%).

## **CHARGES ON GROUP ASSETS**

As at 31 December 2020, bank deposit of approximately HK\$40.2 million (2019: HK\$44.0 million) was pledged to secure the Group's banking facilities.

## **CAPITAL COMMITMENTS**

As at 31 December 2020, the Group had capital commitments which amounted to approximately HK\$559.6 million (2019: approximately HK\$365.8 million).

## **CONTINGENT LIABILITIES**

As at 31 December 2020, the Group did not have any significant contingent liabilities (2019: Nil).

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES**

Save as disclosed in this announcement, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2020.

## **SIGNIFICANT INVESTMENTS HELD**

Save as disclosed in this announcement, the Group did not hold any significant investments as at 31 December 2020.

## **FOREIGN EXCHANGE EXPOSURE**

It is the Group's policy to borrow and deposit cash in local currencies to minimise currency risk.

The Group's assets, liabilities and transactions are mainly denominated in Hong Kong Dollar, Renminbi or US Dollar. The Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange risks and therefore no hedging arrangements were made. So long as the linked exchange rate system in Hong Kong with US Dollar is maintained, it is expected that the Group will not be subject to any significant exchange risk. However, the Group will review and monitor the relevant foreign exchange exposure from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements as appropriate.

## **TREASURY POLICY**

The Group generally financed its operations with internally generated cash flows, bank and other borrowings. The Group placed these resources into interest-bearing bank accounts opened with the PRC and Hong Kong banks and earned interests in accordance with the PRC and Hong Kong banks rates. Bank deposits were mainly denominated in Renminbi, Hong Kong Dollar and US Dollar.

## **EMPLOYEES**

As at 31 December 2020, the Group had a total of 1,242 full-time employees (2019: 1,110 full-time employees). The aggregate remuneration of the Group's employees, including that of the Directors, for the year under review and the preceding year amounted to approximately HK\$235.9 million and approximately HK\$214.5 million, respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Share options and bonuses are also available to employees of the Group at the discretion of the Directors depending on the financial performance of the Group.

The remuneration of each executive Director has been determined with reference to the time commitment and responsibilities of each executive Director, and to the operating results of the Group and his performance in the relevant financial year.

## **DIVIDENDS**

The Directors have recommended the payment of a final dividend of HK\$0.05 per ordinary share for the financial year ended 31 December 2020 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 21 May 2021. Subject to shareholders' approval, the final dividend will be payable on Tuesday, 1 June 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 7 May 2021 to Wednesday, 12 May 2021 (both days inclusive) for ascertaining shareholders' right to attend and vote at the forthcoming annual general meeting to be held on Wednesday, 12 May 2021. During this period, no transfer of shares will be registered. In order to be entitled to attend the aforesaid annual general meeting, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Hong Kong share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 6 May 2021.

The register of members of the Company will be closed from Tuesday, 18 May 2021 to Friday, 21 May 2021 (both days inclusive) for ascertaining shareholders' entitlement to the proposed final dividend. No transfer of shares will be registered during this period. In order to be qualified for the proposed final dividend to be approved at the forthcoming annual general meeting to be held on Wednesday, 12 May 2021, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Hong Kong share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 17 May 2021.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year under review.

## **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the Group's results for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary results announcement.

## **AUDIT COMMITTEE**

The audited consolidated financial statements of the Company for the year ended 31 December 2020 had been reviewed by the audit committee of the Board (the "Audit Committee") before they were duly approved by the Board under the recommendation of the Audit Committee.

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

Hong Kong  
12 March 2021

*Executive directors of the Company as at the date of this announcement are Mr. Ngiam Mia Je Patrick, Mr. Fang Haizhou, Mr. Ngiam Hian Leng Malcolm and Ms. Yau Lai Man. 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.*

\* *For identification purpose only*