

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## 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 2021

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 2021 together with comparative figures for the year ended 31 December 2020 as follows:

### FINANCIAL HIGHLIGHTS

|                           | Presentation Currency in HK\$ |                  |               | Comparison Results in RMB |                 |               |
|---------------------------|-------------------------------|------------------|---------------|---------------------------|-----------------|---------------|
|                           | 2021<br>HK\$'000              | 2020<br>HK\$'000 | Increase<br>% | 2021<br>RMB'000           | 2020<br>RMB'000 | Increase<br>% |
| <b>Results</b>            |                               |                  |               |                           |                 |               |
| Turnover                  | 1,637,659                     | 978,111          | 67.4          | 1,358,907                 | 870,116         | 56.2          |
| Profit for the year       | 345,968                       | 218,926          | 58.0          | 287,079                   | 194,754         | 47.4          |
| <b>Financial position</b> |                               |                  |               |                           |                 |               |
| Total assets              | 2,863,439                     | 2,421,339        | 18.3          | 2,335,034                 | 2,038,671       | 14.5          |
| Total liabilities         | 1,129,162                     | 995,148          | 13.5          | 920,792                   | 837,875         | 9.9           |
| Net assets                | 1,734,277                     | 1,426,191        | 21.6          | 1,414,242                 | 1,200,796       | 17.8          |
| Cash and cash equivalents | 671,336                       | 599,782          | 11.9          | 547,451                   | 504,992         | 8.4           |

|                                    | 2021               | 2020               | Increase<br>% |
|------------------------------------|--------------------|--------------------|---------------|
| <b>Financial ratios</b>            |                    |                    |               |
| Current ratio (Note 1)             | 2.24               | 2.20               |               |
| Gearing ratio (Note 2)             | 0.39               | 0.41               |               |
| Gross profit margin (Note 3)       | 85.2%              | 81.2%              |               |
| Net profit margin (Note 4)         | 21.1%              | 22.4%              |               |
| Return on equity (Note 5)          | 19.9%              | 15.4%              |               |
| Earnings per share                 |                    |                    |               |
| – Basic                            | HK60.00 cents      | HK37.88 cents      | 58.4          |
| – Diluted                          | HK58.13 cents      | HK37.28 cents      | 55.9          |
| <b>Dividend per ordinary share</b> |                    |                    |               |
| – Interim                          | HK4.0 cents        | Nil                | N/A           |
| – Final                            | HK5.5 cents        | HK5.0 cents        | 10.0          |
|                                    | <u>HK9.5 cents</u> | <u>HK5.0 cents</u> | 90.0          |

#### 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 2021

|  | Notes | 2021<br>HK\$                | 2020<br>HK\$                |
|--|-------|-----------------------------|-----------------------------|
| <b>Turnover</b>  | 3 & 4 | 1,637,659,431               | 978,111,126                 |
| Cost of sales  |       | <u>(241,892,649)</u>        | <u>(184,284,018)</u>        |
| <b>Gross profit</b>  |       | 1,395,766,782               | 793,827,108                 |
| Other revenue, and other gains and losses  |       | (2,374,656)                 | 46,691,190                  |
| Distribution and selling expenses  |       | (835,953,964)               | (476,629,742)               |
| Administrative expenses  |       | (153,756,279)               | (111,612,214)               |
| Finance costs  |       | <u>(9,224,505)</u>          | <u>(1,421,405)</u>          |
| <b>Profit before income tax</b>  | 5     | 394,457,378                 | 250,854,937                 |
| Income tax   | 6     | <u>(48,489,295)</u>         | <u>(31,929,382)</u>         |
| <b>Profit for the year</b>   |       | <u>345,968,083</u>          | <u>218,925,555</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            |       | 49,647,277                  | 78,189,800                  |
| <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>(29,110,034)</u>         | <u>(35,491,729)</u>         |
| <b>Other comprehensive income for the year</b>   |       | <u>20,537,243</u>           | <u>42,698,071</u>           |
| <b>Total comprehensive income for the year</b>   |       | <u><u>366,505,326</u></u>   | <u><u>261,623,626</u></u>   |
| <b>Earnings per share attributable to owners of the Company</b>                              |       |                             |                             |
| Basic  | 8     | <u><u>HK60.00 cents</u></u> | <u><u>HK37.88 cents</u></u> |
| Diluted  | 8     | <u><u>HK58.13 cents</u></u> | <u><u>HK37.28 cents</u></u> |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

|  | Notes | 2021<br>HK\$         | 2020<br>HK\$         |
|--|-------|----------------------|----------------------|
| <b>Non-current assets</b>  |       |                      |                      |
| Property, plant and equipment  | 9     | 347,159,223          | 272,947,032          |
| Right-of-use assets  |       | 4,743,689            | 6,799,732            |
| Land use rights  |       | 17,009,317           | 16,868,065           |
| Goodwill   |       | 50,898,259           | 24,152,737           |
| Other intangible assets  | 10    | 775,308,288          | 585,793,308          |
| Convertible loan receivables   | 11    | –                    | 42,434,225           |
| Financial assets at fair value through<br>other comprehensive income | 12    | 50,160,757           | 78,574,033           |
| Financial assets at fair value through profit or loss                | 12    | 6,415,583            | 6,338,294            |
| Deposits and prepayments   | 15    | 64,352,538           | 54,577,132           |
| <b>Total non-current assets</b>                                      |       | <b>1,316,047,654</b> | <b>1,088,484,558</b> |
| <b>Current assets</b>  |       |                      |                      |
| Inventories  | 13    | 97,573,756           | 147,036,202          |
| Trade and other receivables  | 14    | 674,268,029          | 483,253,437          |
| Deposits and prepayments   | 15    | 10,748,445           | 29,702,430           |
| Convertible loan receivables   | 11    | 39,976,864           | 32,915,927           |
| Financial assets at fair value through profit or loss                | 12    | 14,666               | 15,231               |
| Pledged bank deposits  |       | 53,473,930           | 40,150,000           |
| Cash and cash equivalents  |       | 671,335,685          | 599,781,645          |
| <b>Total current assets</b>  |       | <b>1,547,391,375</b> | <b>1,332,854,872</b> |
| <b>Total assets</b>  |       | <b>2,863,439,029</b> | <b>2,421,339,430</b> |
| <b>Current liabilities</b>   |       |                      |                      |
| Trade and other payables   | 16    | 468,762,578          | 396,893,313          |
| Bank borrowings  |       | 153,366,235          | 200,750,000          |
| Lease liabilities  |       | 2,548,672            | 2,258,271            |
| Current tax liabilities  |       | 64,907,899           | 6,123,764            |
| <b>Total current liabilities</b>                                     |       | <b>689,585,384</b>   | <b>606,025,348</b>   |
| <b>Net current assets</b>  |       | <b>857,805,991</b>   | <b>726,829,524</b>   |
| <b>Total assets less current liabilities</b>                         |       | <b>2,173,853,645</b> | <b>1,815,314,082</b> |
| <b>Non-current liabilities</b>                                       |       |                      |                      |
| Bank borrowings  |       | 263,416,760          | 214,074,021          |
| Lease liabilities  |       | 2,780,815            | 5,161,776            |
| Convertible loan payable   | 17    | 143,072,711          | 140,529,056          |
| Deferred tax liabilities   |       | 30,306,066           | 29,358,395           |
| <b>Total non-current liabilities</b>                                 |       | <b>439,576,352</b>   | <b>389,123,248</b>   |
| <b>Total liabilities</b>   |       | <b>1,129,161,736</b> | <b>995,148,596</b>   |
| <b>NET ASSETS</b>  |       | <b>1,734,277,293</b> | <b>1,426,190,834</b> |
| <b>Capital and reserves attributable to owners of the Company</b>    |       |                      |                      |
| Share capital  |       | 57,555,800           | 57,690,300           |
| Reserves   |       | 1,676,721,493        | 1,368,500,534        |
| <b>TOTAL EQUITY</b>  |       | <b>1,734,277,293</b> | <b>1,426,190,834</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 with effect from 1 January 2021**

#### ***Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 – Interest Rate Benchmark Reform Phase 2***

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (“IBOR”) is replaced with an alternative nearly risk-free interest rate (“RFR”). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

#### ***Amendments to HKFRS 16 – COVID-19-Related Rent Concessions***

With effect from 1 June 2020, HKFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in HKFRS 16 in accounting for the concession.

On 9 April 2021, another amendment was issued to extend the above practical expedient to reductions in lease payments that were originally due on or before 30 June 2022. This amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted including the financial statements not authorised for issue at 9 April 2021. The amendment is to be applied mandatorily by those entities that have elected to apply the previous amendment.

The adoption of these amendments 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 resources 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 2021

|                                   | <b>Ophthalmic<br/>products<br/>HK\$</b> | <b>Surgical<br/>products<br/>HK\$</b> | <b>Total<br/>HK\$</b> |
|-----------------------------------|---|---------------------------------------|-----------------------|
| <b>Reportable segment revenue</b> |   |                                       |                       |
| – Revenue from external customers | <u>673,265,311</u>                      | <u>964,394,120</u>                    | <u>1,637,659,431</u>  |
| <b>Reportable segment profit</b>  | <u>214,848,770</u>                      | <u>273,732,972</u>                    | <u>488,581,742</u>    |

For the year ended 31 December 2020

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

|   | 2021<br><i>HK\$</i>       | 2020<br><i>HK\$</i> |
|---|---------------------------|---------------------|
| Reportable segment profit   | <b>488,581,742</b>        | 267,044,515         |
| Unallocated corporate income and expenses, net                                | <b>(52,740,182)</b>       | (35,849,278)        |
| Change in fair value of financial assets at fair value through profit or loss | <b>(31,895,184)</b>       | 21,777,848          |
| Equity-settled share-based payments   | <b>(264,493)</b>          | (696,743)           |
| Finance costs   | <b>(9,224,505)</b>        | (1,421,405)         |
| Profit before income tax  | <u><b>394,457,378</b></u> | <u>250,854,937</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 2021 and 2020, 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*

|           | 2021                 | 2020               |
|-----------|----------------------|--------------------|
|           | <i>HK\$</i>          | <i>HK\$</i>        |
| PRC       | 1,031,973,286        | 781,123,337        |
| Hong Kong | 176,658,093          | 172,770,794        |
| Overseas  | 50,839,935           | 7,243,875          |
|           | <u>1,259,471,314</u> | <u>961,138,006</u> |

The non-current asset information above excludes convertible loan receivables, financial assets at fair value through other comprehensive income (“FVTOCI”) and financial assets at fair value through profit or loss (“FVTPL”), 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 2021, revenue of HK\$397,223,554 (2020: HK\$209,518,006) was derived from the sales to one (2020: 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/(crediting):

|  | 2021              | 2020             |
|--|-------------------|------------------|
|  | <i>HK\$</i>       | <i>HK\$</i>      |
| Amortisation of land use rights                                    | 399,781           | 372,906          |
| Amortisation of other intangible assets                            | 11,139,787        | 7,899,901        |
| Auditor’s remuneration   | 1,346,733         | 1,219,500        |
| Cost of inventories  | 153,550,410       | 122,005,990      |
| Cost of services   | 84,676,766        | 56,929,520       |
| Depreciation of property, plant and equipment                      | 19,193,312        | 17,074,053       |
| Depreciation of right-of-use assets                                | 2,237,673         | 2,252,581        |
| Employee costs excluding Directors’ emoluments:                    |                   |                  |
| – Salaries and other benefits                                      | 285,685,170       | 225,508,225      |
| – Pension fund contributions                                       | 11,734,910        | 2,532,733        |
| – Equity-settled share-based payments to the employees             | 264,493           | 483,410          |
| Equity-settled share-based payments to the consultant of the Group | –                 | 213,333          |
| Exchange (gains)/losses, net                                       | (2,910,421)       | 1,200,822        |
| Write-off of inventories   | 3,665,473         | 5,348,508        |
| Loss on disposal of property, plant and equipment                  | 278,279           | 219,293          |
| Research and development costs recognised as expenses              | <u>23,522,567</u> | <u>8,577,496</u> |

## 6. INCOME TAX

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

|   | 2021<br><i>HK\$</i>      | 2020<br><i>HK\$</i>      |
|---|--------------------------|--------------------------|
| Current tax – the PRC                             |                          |                          |
| – Provision for the year                          | 47,352,524               | 18,753,031               |
| – Overprovision in the prior year ( <i>Note</i> ) | (9,996,517)              | –                        |
| Deferred tax                                      | <u>11,133,288</u>        | <u>13,176,351</u>        |
|   | <u><b>48,489,295</b></u> | <u><b>31,929,382</b></u> |

*Note:*

The amount for the year ended 31 December 2021 represented the tax deduction for expenditures approved by the tax authority in 2021.

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 高新技術企業證書 (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 2021 and 2020.

Enterprise income tax rate of 25%, 17%, 27.3% and 22% is applied to the Group's other operating subsidiaries in the PRC, Singapore, the United States and Indonesia respectively.

## 7. DIVIDENDS

|  | 2021<br><i>HK\$</i>      | 2020<br><i>HK\$</i>      |
|--|--------------------------|--------------------------|
| Interim dividend – HK\$0.04 per share (2020: Nil)              | 23,065,200               | –                        |
| Proposed final dividend – HK\$0.055 (2020: HK\$0.05) per share | <u>31,655,690</u>        | <u>28,824,050</u>        |
|  | <u><b>54,720,890</b></u> | <u><b>28,824,050</b></u> |

The Directors propose a final dividend of HK\$0.055 (2020: 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 2022.



## 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

|   | 2021<br><i>HK\$</i>       | 2020<br><i>HK\$</i>       |
|---|---------------------------|---------------------------|
| Profit attributable to owners of the Company for the purposes of calculating basic earnings per share   | 345,968,083               | 218,925,555               |
| Interest expense on convertible loan payable, net of amount capitalised                                 | <u>3,975,631</u>          | <u>5,980,685</u>          |
| Profit attributable to owners of the Company for the purposes of calculating diluted earnings per share | <u><u>349,943,714</u></u> | <u><u>224,906,240</u></u> |

### Number of shares

|   | 2021                      | 2020                      |
|---|---------------------------|---------------------------|
| Weighted average number of ordinary shares for the purposes of calculating basic earnings per share   | 576,581,460               | 577,869,197               |
| Effect of dilutive potential ordinary shares:<br>– 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>602,005,188</u></u> | <u><u>603,292,925</u></u> |

The computation of diluted earnings per share for the year ended 31 December 2021 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 2020 did not assume the issue of potential ordinary shares in relation to all share options granted as they had anti-dilutive effect.

## 9. PROPERTY, PLANT AND EQUIPMENT

|                                  | Buildings<br>and leasehold<br>improvements<br><i>HK\$</i> | Plant and<br>machinery<br><i>HK\$</i> | Furniture,<br>fixtures and<br>equipment<br><i>HK\$</i> | Motor<br>vehicles<br><i>HK\$</i> | Construction<br>in progress<br><i>HK\$</i> | Total<br><i>HK\$</i> |
|----------------------------------|---|---------------------------------------|--|----------------------------------|--|----------------------|
| <b>Cost:</b>                     |   |                                       |  |                                  |  |                      |
| At 1 January 2020                | 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          |
| Additions                        | 78,333  | 5,687,312                             | 8,602,158  | –                                | 69,138,593                                 | 83,506,396           |
| Acquisition of subsidiaries      | –   | –                                     | 1,315,566  | 2,187                            | –  | 1,317,753            |
| Disposals                        | –   | (1,059,972)                           | (936,181)  | (199,208)                        | –  | (2,195,361)          |
| Exchange adjustment              | 3,997,130   | 3,364,552                             | 1,403,881  | 167,479                          | 4,474,336                                  | 13,407,378           |
| At 31 December 2021              | 127,057,051   | 109,045,198                           | 50,647,117   | 6,835,278                        | 173,953,762                                | 467,538,406          |
| <b>Accumulated depreciation:</b> |   |                                       |  |                                  |  |                      |
| At 1 January 2020                | 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           |
| Charge for the year              | 2,494,354   | 10,682,935                            | 5,502,410  | 513,613                          | –  | 19,193,312           |
| Acquisition of subsidiaries      | –   | –                                     | 966,106  | 1,116                            | –  | 967,222              |
| Disposals                        | –   | (776,903)                             | (831,718)  | (179,287)                        | –  | (1,787,908)          |
| Exchange adjustment              | 591,752   | 2,137,223                             | 589,631  | 132,743                          | –  | 3,451,349            |
| At 31 December 2021              | 19,950,827  | 72,468,376                            | 22,579,119   | 5,380,861                        | –  | 120,379,183          |
| <b>Carrying amount:</b>          |   |                                       |  |                                  |  |                      |
| At 31 December 2021              | <u>107,106,224</u>  | <u>36,576,822</u>                     | <u>28,067,998</u>                                      | <u>1,454,417</u>                 | <u>173,953,762</u>                         | <u>347,159,223</u>   |
| 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>   |

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<br/>expenditure</b> | <b>Acquired<br/>intangible assets</b> | <b>Total</b>       |
|--|------------------------------------|---------------------------------------|--------------------|
|  | <i>HK\$</i>                        | <i>HK\$</i>                           | <i>HK\$</i>        |
| <b>Cost:</b>   |                                    |                                       |                    |
| At 1 January 2020                                      | 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                                    | 178,764,837                        | 464,427,351                           | 643,192,188        |
| Additions  | 41,564,726                         | 127,761,327 <sup>#</sup>              | 169,326,053        |
| Acquisition of subsidiaries                            | 1,523,651                          | 13,590,523                            | 15,114,174         |
| Exchange adjustment                                    | <u>5,894,772</u>                   | <u>12,358,617</u>                     | <u>18,253,389</u>  |
| At 31 December 2021                                    | <u>227,747,986</u>                 | <u>618,137,818</u>                    | <u>845,885,804</u> |
| <b>Accumulated amortisation and impairment losses:</b> |                                    |                                       |                    |
| At 1 January 2020                                      | 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                                    | 32,957,719                         | 24,441,161                            | 57,398,880         |
| Amortisation   | 5,135,582                          | 6,004,205                             | 11,139,787         |
| Exchange adjustment                                    | <u>1,139,295</u>                   | <u>899,554</u>                        | <u>2,038,849</u>   |
| At 31 December 2021                                    | <u>39,232,596</u>                  | <u>31,344,920</u>                     | <u>70,577,516</u>  |
| <b>Carrying amount:</b>                                |                                    |                                       |                    |
| At 31 December 2021                                    | <u>188,515,390</u>                 | <u>586,792,898</u>                    | <u>775,308,288</u> |
| At 31 December 2020                                    | <u>145,807,118</u>                 | <u>439,986,190</u>                    | <u>585,793,308</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.

Except for the above, the Directors assessed that there is no indication of impairment that the other intangible assets may be impaired as at the end of the respective reporting periods.

# *The amount mainly represented the following:*

*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 2021, the project development cost of the SkQ1 Product amounting to HK\$30,103,434 (2020: HK\$107,877,479) 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 2021, the project development cost of the Licensed Product amounting to HK\$87,454,660 (2020: HK\$69,761,524) was incurred.*

## **11. CONVERTIBLE LOAN RECEIVABLES**

- (i) In 2018, the Group entered into an agreement with an independent third party (“Investee A”) 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 A”). On 7 January 2022, the Group entered into a supplementary agreement with Investee A to extend the maturity date of Convertible Loan A to 31 July 2024. The entire principal amount of Convertible Loan A can be converted into such number of shares representing 45% of the enlarged and fully diluted share capital of Investee A at any time before the maturity date. In the event that no conversion has been taken place before maturity date, Investee A 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 A of 8% per annum. The first tranche in the principal amount of US\$600,000 (equivalent to HK\$4,696,774) (“Tranche A of Convertible Loan A”) was disbursed to Investee A in 2018. Tranche A of Convertible Loan A is classified as financial asset at FVTPL upon the initial recognition.
- (ii) In 2019, 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 US\$2,000,000 (equivalent to HK\$15,585,200) (“Convertible Loan B”) which would yield a return of 25% per annum for the Group on the principal amount of Convertible Loan B if no conversion has been taken place before the maturity date (i.e. 5 January 2021). On 4 January 2021, the Group entered into an amendment deed with Investee B to extend the maturity date of Convertible Loan B to 5 November 2022. The Group’s shareholding in Investee B upon full conversion of Convertible Loan B represents 60% of the enlarged and fully diluted share capital of Investee B. Convertible Loan B is classified as financial asset at FVTPL upon the initial recognition.

During the year ended 31 December 2021, Convertible Loan B was eliminated at consolidation level upon the acquisition of 100% equity interest in Investee B.

- (iii) 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 Shanggong Medical Technology Co., Ltd.\*) (“Shanggong”), with principal amount of RMB15,000,000 (equivalent to HK\$17,045,455) which carries interest at 10% per annum with maturity on 1 January 2021 (“Convertible Loan C”). On 23 December 2020, the Group entered into a supplementary agreement with Shanggong to (i) extend the maturity date of Convertible Loan C to 1 January 2022; and (ii) adjust the interest rate to 12% per annum. The principal amount of Convertible Loan C can be converted into such equity interest representing approximately 8.11% of the entire equity interest of Shanggong at any time before the maturity date. Convertible Loan C is classified as financial asset at FVTPL upon the initial recognition.
- (iv) In 2020 and during the year ended 31 December 2021, the Group made available certain convertible loans to Antikor Biopharma Limited (“Antikor”) in the aggregate principal amount of US\$2,250,000 (equivalent to HK\$17,455,141) which carry interest at 5% per annum with maturity on 30 September 2022 (“Convertible Loan D”). The aggregate principal amount of Convertible Loan D can be converted into such number of shares representing 25.59% 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.
- (v) During the year ended 31 December 2021, the Group entered into a convertible loan agreement with an independent third party, Mitotech S.A., with principal amount of US\$1,200,000 (equivalent to HK\$9,323,389) which carries interest at 8% per annum with maturity on 15 October 2022 (“Convertible Loan E”). The principal amount of Convertible Loan E can be converted into such number of shares representing 1% of the enlarged and fully diluted share capital of Mitotech S.A. at any time before the maturity date. Convertible Loan E is classified as financial asset at FVTPL upon the initial recognition.

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

|  | <i><b>HK\$</b></i> |
|--|--------------------|
| <b>At 31 December 2021</b>             |                    |
| – Tranche A of Convertible Loan A      | 5,873,655          |
| – Convertible Loan C                   | 6,246,001          |
| – Convertible Loan D                   | 19,196,929         |
| – Convertible Loan E                   | 8,660,279          |
|  | <hr/>              |
| Total, classified under current assets | <b>39,976,864</b>  |
|  | <hr/> <hr/>        |

HK\$

**At 31 December 2020**

|                                   |                          |
|-----------------------------------|--------------------------|
| – Tranche A of Convertible Loan A | 5,407,544                |
| – Convertible Loan B              | 21,384,881               |
| – Convertible Loan C              | 37,026,681               |
| – Convertible Loan D              | <u>11,531,046</u>        |
| Total                             | 75,350,152               |
| Less: Current portion             | <u>(32,915,927)</u>      |
| Non-current portion               | <u><u>42,434,225</u></u> |

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

HK\$

|   |                          |
|---|--------------------------|
| At 1 January 2020   | 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   | 75,350,152               |
| Additions   | 16,306,553               |
| Elimination at consolidation level upon the acquisition of subsidiaries | (23,294,695)             |
| Change in fair value recognised in profit or loss                       | (29,036,171)             |
| Exchange differences  | <u>651,025</u>           |
| At 31 December 2021   | <u><u>39,976,864</u></u> |

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

|   | <b>2021</b>              | 2020                     |
|---|--------------------------|--------------------------|
|   | <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>31,125,118</b>        | 20,534,124               |
| – Unlisted equity investments ( <i>Note (c)</i> )           | <b>19,035,639</b>        | 58,039,909               |
|   | <b><u>50,160,757</u></b> | <b><u>78,574,033</u></b> |
| Equity investments designated at FVTPL ( <i>Note (d)</i> )  |                          |                          |
| – Unlisted equity investments ( <i>Note (c)</i> )           | <b><u>6,415,583</u></b>  | <b><u>6,338,294</u></b>  |
| <b>Current</b>  |                          |                          |
| Equity investments designated at FVTPL ( <i>Note (d)</i> )  |                          |                          |
| – Listed equity investments ( <i>Note (b)</i> )             | <b><u>14,666</u></b>     | <b><u>15,231</u></b>     |

*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 2021 represents two listed equity securities (2020: one listed equity security) which are listed on the NASDAQ Stock Market of the United States, namely AC Immune SA and Humacyte Inc (2020: AC Immune SA). The fair value was based on quoted market price as at 31 December 2021.

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.

- (c) The balance as at 31 December 2021 represents five (2020: five) unlisted equity investments, namely the investments in (i) series C preferred stock and common stock of a private company incorporated in the United States; (ii) equity interest in Shanggong; (iii) ordinary shares of Antikor; (iv) series pre-A preferred stock of a private company incorporated in Singapore; and (v) ordinary shares of another 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

|                  | 2021<br><i>HK\$</i>      | 2020<br><i>HK\$</i>       |
|------------------|--------------------------|---------------------------|
| Raw materials    | 12,901,286               | 8,030,248                 |
| Work in progress | 14,194,082               | 12,489,023                |
| Finished goods   | <u>70,478,388</u>        | <u>126,516,931</u>        |
|                  | <u><b>97,573,756</b></u> | <u><b>147,036,202</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\$3,665,473 (2020: HK\$5,348,508) have been written off and recognised in profit or loss.

### 14. TRADE AND OTHER RECEIVABLES

|                   | 2021<br><i>HK\$</i>       | 2020<br><i>HK\$</i>       |
|-------------------|---------------------------|---------------------------|
| Trade receivables | 651,929,579               | 463,391,854               |
| Other receivables | <u>22,338,450</u>         | <u>19,861,583</u>         |
|                   | <u><b>674,268,029</b></u> | <u><b>483,253,437</b></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 2021 and 2020.

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

|              | 2021<br><i>HK\$</i>       | 2020<br><i>HK\$</i>       |
|--------------|---------------------------|---------------------------|
| 0-60 days    | 442,987,969               | 267,734,159               |
| 61-90 days   | 75,298,034                | 67,026,295                |
| Over 90 days | <u>133,643,576</u>        | <u>128,631,400</u>        |
|              | <u><b>651,929,579</b></u> | <u><b>463,391,854</b></u> |



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

|                               | 2021<br><i>HK\$</i>       | 2020<br><i>HK\$</i>       |
|-------------------------------|---------------------------|---------------------------|
| Neither past due nor impaired | 518,286,003               | 334,760,453               |
| Less than 3 months past due   | 113,788,901               | 102,391,558               |
| Over 3 months past due        | <u>19,854,675</u>         | <u>26,239,843</u>         |
|                               | <b><u>651,929,579</u></b> | <b><u>463,391,854</u></b> |

## 15. DEPOSITS AND PREPAYMENTS

|  | 2021<br><i>HK\$</i>      | 2020<br><i>HK\$</i>      |
|--|--------------------------|--------------------------|
| Deposits paid for acquisition of property, plant and equipment | 21,432,241               | 13,007,461               |
| Deposits paid for acquisition of other intangible assets       | 42,920,297               | 41,569,671               |
| Prepayments for purchase of finished goods                     | 1,489,886                | 18,791,867               |
| Other deposits   | 1,157,106                | 1,067,942                |
| Other prepayments  | <u>8,101,453</u>         | <u>9,842,621</u>         |
| Total  | 75,100,983               | 84,279,562               |
| <i>Less: Current portion</i>                                   | <u>(10,748,445)</u>      | <u>(29,702,430)</u>      |
| Non-current portion  | <b><u>64,352,538</u></b> | <b><u>54,577,132</u></b> |

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

## 16. TRADE AND OTHER PAYABLES

|   | 2021<br><i>HK\$</i>       | 2020<br><i>HK\$</i>       |
|---|---------------------------|---------------------------|
| Trade payables                              | 4,465,766                 | 44,085,787                |
| Other payables and accruals ( <i>Note</i> ) | <u>464,296,812</u>        | <u>352,807,526</u>        |
|   | <b><u>468,762,578</u></b> | <b><u>396,893,313</u></b> |

*Note:*

Other payables and accruals included the accruals for sales and marketing costs of HK\$354,807,133 (2020: HK\$284,866,370).

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

|              | <b>2021</b>             | 2020              |
|--------------|-------------------------|-------------------|
|              | <b>HK\$</b>             | <b>HK\$</b>       |
| 0-60 days    | <b>4,465,766</b>        | 44,050,490        |
| 61-90 days   | –                       | 33,634            |
| Over 90 days | –                       | 1,663             |
|              | <u><b>4,465,766</b></u> | <u>44,085,787</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 prior to the maturity date on 2 August 2021. 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 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 the make whole premium calculated at (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 2021, 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<br/>component</b> | <b>Conversion<br/>component</b> | <b>Total</b>       |
|--------------------------|---------------------------|---------------------------------|--------------------|
|                          | <i>HK\$</i>               | <i>HK\$</i>                     | <i>HK\$</i>        |
| As at 1 January 2020     | 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           | (4,913,707)               | (18,095,900)                    | (23,009,607)       |
|                          | <hr/>                     | <hr/>                           | <hr/>              |
| As at 31 December 2020   | 140,529,056               | 15,227,318                      | 155,756,374        |
| Imputed interest expense | 5,433,238                 | –                               | 5,433,238          |
| Interest paid            | (2,889,583)               | –                               | (2,889,583)        |
|                          | <hr/>                     | <hr/>                           | <hr/>              |
| As at 31 December 2021   | <u>143,072,711</u>        | <u>15,227,318</u>               | <u>158,300,029</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 strategic investments.

Currently the Group has six commercialised biologics, formulated with rb-bFGF (collectively referred to as the “bFGF Series”), 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. 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 84.3% 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. During the year under review, the Group has obtained an approval for the registration and commercialisation of the preservative-free unit-dose Moxifloxacin Hydrochloride Eye Drops in the PRC. In addition, the Group has 2 oral care products, namely Carisolv® dental caries removal gel and 伢典醫生 (Dr. YaDian) mouth wash.

Leveraging on its established market access capability, the Group undertakes the promotion and selling of a range of products, including 適麗順® (Iodized Lecithin Capsules\*) and 伊血安顆粒 (Yi Xue An Granules\*), to complement the Group’s therapeutics business of Ophthalmology and Surgical. On 8 March 2022, the acquisition of intellectual property rights relating to technologies and process of product research and development (“R&D”), production and right of Marketing Authorisation Holder (“MAH”) of 適麗順® (Iodized Lecithin Capsules\*) was completed and 適麗順® (Iodized Lecithin Capsules\*) has become one of the Group’s own products since then. It is expected that the acquisition will enable the Group to strengthen its ophthalmology business.

On the building of mid-term and long-term growth drivers, the Group maintains a pipeline of multi-project in 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. Major investments in ophthalmic products are outlined as follows:

### **Investments in Ophthalmology**

In 2018, the Group entered into a co-development agreement with Mitotech S.A. ("Mitotech") and Mitotech LLC for the United States Food and Drug Administration (the "US FDA") phase 3 clinical trial of an ophthalmic solution containing SkQ1 for dry eye disease (the "SkQ1 Product"). 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. Following the positive trial outcome of VISTA-2, Mitotech has planned a pivotal trial (VISTA-3), which will commence once Mitotech's management team has fully assessed there is no potential disruption to trial centres and patient recruitment during the ongoing COVID-19 pandemic. However, recent developments in Ukraine have led to governments and industries reacting to business relationships with Russia in a way that could potentially induce delays in Mitotech's VISTA clinical trial programme.

Mitotech is a clinical-stage Luxembourg-based biotechnology company developing novel drugs for the treatment of predominantly age-related disorders.

Total actual investment cost of approximately HK\$331.4 million for the clinical development of the SkQ1 Product with Mitotech is presented as "Acquired Intangible Assets" under the Group's consolidated financial statements as at 31 December 2021. The investment cost represented 11.6% of the Group's total assets as at 31 December 2021. According to Frost & Sullivan, the estimated number of patients of moderate-to-severe dry eye disease is over 117 million in the PRC in 2019. It is expected that the size of the potential market of the SkQ1 Product will be significant.

In 2020, the Group entered into a co-development and exclusive license agreement with Shanghai Henlius Biotech, Inc. ("Henlius") to co-develop a pharmaceutical product that contains an anti-vascular endothelial growth factor ("anti-VEGF") as a drug substance (the "Anti-VEGF Licensed Product"), which is intended for the treatment of exudative (wet) age-related macular degeneration ("wet-AMD"). As at the date of this announcement, the recombinant anti-VEGF humanised monoclonal antibody injection HLX04-O ("HLX04-O") for the treatment of wet-AMD has been approved to commence the phase 3 clinical trial in Australia, the United States, Singapore, Russia, Serbia and European Union countries such as Hungary, Spain, Latvia, the Czech Republic and Poland. Also, the first patient has been dosed in a phase 3 clinical study for HLX04-O for the treatment of wet-AMD in the PRC.

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.

Total maximum commitment in relation to the co-development of the Anti-VEGF Licensed Product with Henlius is US\$49.0 million (equivalent to approximately HK\$382.1 million). Total actual investment cost of approximately HK\$165.1 million is presented as “Acquired Intangible Assets” under the Group’s consolidated financial statements as at 31 December 2021. The investment cost represented 5.8% of the Group’s total assets as at 31 December 2021. The Anti-VEGF Licensed Product can be used for treating wet-AMD, diabetic macular edema, macular edema caused by retinal vein occlusion and myopic choroidal neovascularisation. According to Frost & Sullivan, the estimated number of patients of these 4 categories of disease 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 Anti-VEGF Licensed Product will be significant.

On 9 June 2021, the Group entered into a product interests transfer agreement with 西藏林芝百盛藥業有限公司 (Tibet Linzhi Parkson Pharmaceutical Co., Ltd.\*) in relation to the acquisition of intellectual property rights relating to technologies and process of product R&D, production and right of MAH of 適麗順® (Iodized Lecithin Capsules\*) and other medicinal products in different forms in which iodized lecithin serves as an active pharmaceutical ingredient. The consideration of the acquisition is RMB97.0 million (equivalent to approximately HK\$118.9 million). The transaction was completed on 8 March 2022. It is expected that the acquisition will enable the Group to strengthen its ophthalmology business.

Apart from the investments in the SkQ1 Product and the Anti-VEGF Licensed Product, as at 31 December 2021 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.

## **HONOURS AND AWARDS OBTAINED IN 2021**

珠海億勝生物製藥有限公司 (Zhuhai Essex Bio-Pharmaceutical Company Limited\*), a wholly-owned subsidiary of the Company, was awarded as one of the 2020年度TOP100中國化藥企業 (2020 top 100 chemical pharmaceutical companies in the PRC\*). It obtained 2020年度珠海市紅十字人道獎 (2020 Zhuhai Red Cross Humanity Award\*) for its contribution to the COVID-19 prevention and control and the resumption of normal life and production. It was also awarded 珠海慈善獎—最具愛心慈善捐贈企業 (Zhuhai Charity Award – The Most Caring Charitable Donation Enterprise\*) for its contribution to provide financial support on poverty alleviation and COVID-19 prevention and control.

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

The Company was further conferred with the following awards:

1. 中國證券金紫荊獎—最具投資價值上市公司 (China Securities Golden Bauhinia Award – The Best Investment Value Award for Listed Companies\*), which is a large-scale and credit award for listed companies in the Hong Kong and PRC securities market, for its comprehensive capabilities in areas such as profitability, corporate governance, sustainable development and brand value;
2. 2021金麒麟港美股最佳上市公司—最佳中小市值上市公司 (2021 Golden Unicorn Best Hong Kong and the United States Listed Companies – The Best Mid and Small Cap Listed Company\*); and
3. 中國卓越IR—最佳資本市場溝通獎 (China Excellent IR – The Best Capital Market Communication Award\*).

This is a testament to the Group's consistent achievements and an encouragement in its pursuit of future development.

## **MARKET DEVELOPMENT**

Over the years, the Group has been relentlessly investing in establishing and strengthening its market access capability. As at 31 December 2021, the Group maintains a network of 43 regional sales offices in the PRC and a total number of about 1,265 sales and marketing representatives, out of which 64% are full-time employees and 36% are on contract basis or from appointed agents. The Group expanded its presence in Singapore in 2020 as a base for market access expansion into Southeast Asian countries.

During the year under review, the Group's therapeutic products are being prescribed in more than 10,500 hospitals and medical providers, coupled with approximately 2,110 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.

## **RESEARCH AND DEVELOPMENT**

The Group renewed its R&D's vision in 2020, emphasising the dedication 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 that constituted the Group's primary current growth driver. Strengthening on the Group's biologics-based R&D, the strategic alliances forged with Antikor and Henlius are 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 2021, the Group has 4 commercialised preservative-free unit-dose eye drops in the product pipeline. During the year under review, the Group has obtained an approval for the registration and commercialisation of the preservative-free unit-dose Moxifloxacin Hydrochloride Eye Drops in the PRC. 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 2021, there are 15 R&D programmes in the pre-clinical to clinical stage, out of which 3 ophthalmology programmes are in clinical stage. The 3 ophthalmology programmes listed below are targeted as mid-term growth driver.



1. EB11-18136P: SkQ1 eye drops, second phase 3 clinical trial (US FDA) (VISTA-2) topline data released on 24 February 2021
2. EB11-15120P: Azithromycin eye drops, ongoing review by external key opinion leaders (National Medical Products Administration (“NMPA”) in the PRC)
3. EB12-20145P: Bevacizumab intravitreal injection for wet-AMD, phase 3 clinical trial (US FDA, European Medicines Agency, Therapeutic Goods Administration and NMPA in the PRC)

As at the date of this announcement, the Group has obtained a total of 44 patent certificates or authorisation letters: 35 發明專利 (invention patents), 4 實用新型專利 (utility model patents) and 5 外觀專利 (design patents).

The Group currently has diversified its R&D resources to multiple research sites in Zhuhai (PRC), Boston (United States), London (United Kingdom) and Singapore which support not only our pursuit for new therapeutics but also our acquisition of global talent.

## **PRODUCTION CAPABILITY**

The Group’s factory in Zhuhai is fully equipped with production plants for the production of rb-bFGF as active pharmaceutical substance for the Group’s flagship biologic formulations. The state-of-the-art BFS production plants in the factory enables the production of preservative-free unit-dose drugs, including Beifushu unit-dose eye drops.

## **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 2021, the Group achieved an increase of 67.4% in the consolidated turnover to approximately HK\$1,637.7 million as compared to approximately HK\$978.1 million in 2020, indicating a strong recovery to the pre-COVID-19 operating level.

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 and 適麗順® (Iodized Lecithin Capsules\*); and
2. Surgical (Wound care and healing) – Beifuji series (Beifuji spray, Beifuji lyophilised powder and Beifuxin gel), Carisolv® dental caries removal gel, 佺典醫生 (Dr. YaDian) mouth wash and 伊血安顆粒 (Yi Xue An Granules\*).

The sectoral turnover of Ophthalmology and Surgical is approximately 41.1% and 58.9% 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 84.3% of the Group's total turnover, of which Beifushu series and Beifuji series accounted for 26.1% and 58.2% of the Group's turnover, respectively. The remaining 15.7% of the Group's turnover is mainly contributed from sales of Tobramycin Eye Drops, Levofloxacin Eye Drops, Sodium Hyaluronate Eye Drops, 適麗順® (Iodized Lecithin Capsules\*), Carisolv® dental caries removal gel, 佺典醫生 (Dr. YaDian) mouth wash and 伊血安顆粒 (Yi Xue An Granules\*) collectively.

Composition of turnover for the years ended 31 December 2021 and 2020, respectively, is shown in the following table:

| <i>Expressed in HK\$' million</i> | 2021           | 2020  |
|-----------------------------------|----------------|-------|
| <b>Ophthalmology</b>              | <b>673.3</b>   | 419.2 |
| <b>Surgical</b>                   | <b>964.4</b>   | 558.9 |
| <b>Total</b>                      | <b>1,637.7</b> | 978.1 |

Ophthalmology contributed approximately HK\$673.3 million to the Group's turnover for the year ended 31 December 2021, representing an increase of 60.6% as compared to approximately HK\$419.2 million in 2020. Surgical recorded a total turnover of approximately HK\$964.4 million for the year ended 31 December 2021, representing an increase of 72.6% as compared to approximately HK\$558.9 million in 2020. The increase was attributable to the resumption of clinical operations in hospitals to normalcy in the PRC and the expansion of sales.

The selling of Xalatan® Eye Drops and Xalacom® Eye Drops, which contributed approximately 2% to the Group's gross profit for the year ended 31 December 2021, would be discontinued in 2022.

During the year under review, the Group achieved an increase of 58.0% in after-tax profit to approximately HK\$346.0 million as compared to approximately HK\$218.9 million in 2020. The increase was in tandem with the increase of 67.4% in the Group's turnover to approximately HK\$1,637.7 million, but was weighed down by the decrease of approximately HK\$31.4 million in fair value of the investment in Shangong in 2021.

The distribution and selling expenses for the year under review were approximately HK\$836.0 million as compared to approximately HK\$476.6 million in 2020, representing an increase of 75.4%. 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 increase was in line with the increase in turnover for the year ended 31 December 2021.

The administrative expenses for the year under review were approximately HK\$153.8 million as compared to approximately HK\$111.6 million in 2020. The increase in administrative expenses was mainly due to (i) 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\$16.8 million; and (ii) an increase in R&D expenses of approximately HK\$14.9 million.

Total expenditures (inclusive of acquired intangible assets) incurred in R&D for the year ended 31 December 2021 were approximately HK\$207.9 million (2020: approximately HK\$214.8 million), representing 12.7% (2020: 22.0%) of the turnover, of which approximately HK\$184.4 million (2020: approximately HK\$206.2 million) were capitalised.

The Group had cash and cash equivalents of approximately HK\$671.3 million as at 31 December 2021 (2020: approximately HK\$599.8 million).

The Group's bank borrowings as at 31 December 2021 were approximately HK\$416.8 million (2020: approximately HK\$414.8 million), among which 19.7% was repayable within 1 year and 80.3% was repayable in more than 1 year but within 5 years. Among the Group's bank borrowings as at 31 December 2021, 34.9% was denominated in Hong Kong Dollar, 18.6% was denominated in Renminbi and 46.5% 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 3.7% as at 31 December 2021. 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 2021 were approximately HK\$9.2 million (2020: approximately HK\$1.4 million), including an imputed interest expense on the convertible loan payable and interest expenses on bank borrowings amounting to approximately HK\$14.8 million (2020: approximately HK\$13.9 million) of which approximately HK\$5.8 million (2020: approximately HK\$12.7 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 prior to the maturity date on 2 August 2021.

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 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.

### **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 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 2021, 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 2021:

| Shareholders   | As at 31 December 2021    |                   | 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               | 25.59             | 147,279,000  | 24.51             |
| Ngiam Mia Kiat Benjamin  | 145,354,000               | 25.25             | 145,354,000  | 24.19             |
| Dynatech Ventures Pte Ltd ( <i>Note 1</i> )                          | 6,666,667                 | 1.16              | 6,666,667  | 1.11              |
| Directors within last 12 months<br>(other than Ngiam Mia Je Patrick) |                           |                   |  |                   |
| ( <i>Note 2</i> )  | 7,329,300                 | 1.27              | 7,329,300  | 1.22              |
| IFC  | –                         | –                 | 25,423,728   | 4.23              |
| Other shareholders   | <u>268,929,033</u>        | <u>46.73</u>      | <u>268,929,033</u>   | <u>44.74</u>      |
|  | <u><u>575,558,000</u></u> | <u><u>100</u></u> | <u><u>600,981,728</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 7,329,300 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 and 46,000 shares were registered in the name of Yau Lai Man.
- (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 2021 of approximately HK\$346.0 million, the basic and diluted earnings per share attributable to owners of the Company, after considering the full conversion of the convertible loan, were HK60.00 cents and HK58.13 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 2021 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 2021.

Based on the implied internal rate of return of the convertible loan, the Company's share price on the maturity date at which it would be equally financially advantageous for IFC to convert or redeem the convertible loan would be HK\$8.13 per share.

## **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 with IFC (the "Loan Agreement") 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 require the Group to immediately repay the Loan and all interest accrued 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).

Due to the outbreak of COVID-19, the Group's business operation and financial performance have been negatively impacted. The Board considers that the Extension of the Convertible Loan Agreement 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 the 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 are in the interests of the Company and its shareholders as a whole.

## REPURCHASE OF SHARES

During the year under review, the Company repurchased 1,765,000 of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company as at the date of this announcement. The total amount paid for the repurchases of HK\$9,197,640 was paid wholly out of retained profits. Details of those transactions are as follows:

| Month          | Number<br>of shares<br>repurchased | Price per share |                | Total<br>price paid<br>HK\$ |
|----------------|------------------------------------|-----------------|----------------|-----------------------------|
|                |                                    | Highest<br>HK\$ | Lowest<br>HK\$ |                             |
| January 2021   | 230,000                            | 4.13            | 3.70           | 872,590                     |
| March 2021     | 145,000                            | 5.30            | 4.98           | 751,330                     |
| April 2021     | 25,000                             | 5.50            | 5.27           | 134,180                     |
| May 2021       | 65,000                             | 5.31            | 5.19           | 341,000                     |
| June 2021      | 20,000                             | 5.14            | 5.14           | 102,800                     |
| August 2021    | 86,000                             | 6.43            | 6.15           | 542,960                     |
| September 2021 | 285,000                            | 6.37            | 5.63           | 1,688,390                   |
| October 2021   | 345,000                            | 5.73            | 5.19           | 1,914,070                   |
| November 2021  | 324,000                            | 5.33            | 4.82           | 1,653,230                   |
| December 2021  | 240,000                            | 5.21            | 4.83           | 1,197,090                   |
|                | <u>1,765,000</u>                   |                 |                | <u>9,197,640</u>            |

Subsequent to the end of the reporting period and up to the date of this announcement, the Company repurchased 481,000 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\$5.16 and HK\$4.72 respectively and the total amount paid for the repurchases of HK\$2,368,640 was paid wholly out of retained profits.

The repurchase of the Company's shares was effected by the Directors, pursuant to the mandate granted by the shareholders of the Company to the Directors 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 2021, 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 2021, the Group obtained banking facilities of approximately HK\$763.0 million, of which approximately HK\$491.2 million was utilised. Certain of the banking facilities were secured by the corporate guarantees provided by the Company and subsidiaries within the Group and pledged deposits which amounted to approximately HK\$53.5 million.

As at 31 December 2021, the Group had cash and cash equivalents of approximately HK\$671.3 million as compared to approximately HK\$599.8 million as at 31 December 2020. Among the cash and cash equivalents of the Group as at 31 December 2021, 85.7% was denominated in Renminbi, 2.3% was denominated in Hong Kong Dollar and 11.1% 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 2021 was 39.4% (2020: 41.1%).

## **CHARGES ON GROUP ASSETS**

As at 31 December 2021, bank deposits of approximately HK\$53.5 million (2020: approximately HK\$40.2 million) were pledged to secure the Group's banking facilities.

## **CAPITAL COMMITMENTS**

As at 31 December 2021, the Group had capital commitments which amounted to approximately HK\$582.6 million (2020: approximately HK\$559.6 million).

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group did not have any significant contingent liabilities (2020: 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 2021.

## **SIGNIFICANT INVESTMENTS HELD**

Save as disclosed in this announcement, the Group did not hold any significant investments as at 31 December 2021.

## **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 2021, the Group had a total of 1,379 full-time employees (2020: 1,242 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\$306.3 million and approximately HK\$235.9 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/her performance in the relevant financial year.

## **DIVIDENDS**

An interim dividend of HK\$0.04 per ordinary share was paid on 14 September 2021. The Directors have recommended the payment of a final dividend of HK\$0.055 per ordinary share for the financial year ended 31 December 2021 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 11 May 2022. Subject to shareholders' approval, the final dividend will be payable on Friday, 20 May 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 26 April 2022 to Friday, 29 April 2022 (both days inclusive) for ascertaining shareholders' right to attend and vote at the forthcoming annual general meeting to be held on Friday, 29 April 2022. 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, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 25 April 2022.

The register of members of the Company will be closed from Friday, 6 May 2022 to Wednesday, 11 May 2022 (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 Friday, 29 April 2022, 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, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 5 May 2022.

## **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.

## **EVENT AFTER THE REPORTING PERIOD**

Four of the Group's flagship biologic drugs, namely Beifushu eye gel, Beifuji lyophilised powder, Beifuxin gel (5g) and Beifuxin gel (10g), have successfully been selected in the tender for the centralised drug procurement in Guangdong Alliance organised by the Guangdong Medicine Exchange. The products that are successfully being selected will be given priority to be prescribed to patients in public hospitals, medical insurance designated medical providers and pharmaceutical stores within a procurement period of two years with a guaranteed volume at a lower selling price. Considering the decrease in selling price of the products would be compensated by the guaranteed volume and increased volume, the Group does not expect the price reduction resulted from this centralised procurement in Guangdong Alliance to have a significant impact on the overall financial performance of the Group for the year ending 31 December 2022.

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

The figures in respect of the Group's results for the year ended 31 December 2021 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 2021. 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 2021 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  
22 March 2022

*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