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ESSEX BIO-TECHNOLOGY LIMITED

億勝生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1061)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 together with comparative figures for the year ended 31 December 2021 as follows:

FINANCIAL HIGHLIGHTS

	Presentation Currency in HK\$			Comparison Results in RMB		
	2022 HK\$'000	2021 HK\$'000	Increase/ (decrease) %	2022 RMB'000	2021 RMB'000	Increase/ (decrease) %
Results						
Turnover	1,317,711	1,637,659	(19.5)	1,132,140	1,358,907	(16.7)
Profit for the year	225,411	345,968	(34.8)	193,667	287,079	(32.5)
Financial position						
Total assets	2,712,397	2,863,439	(5.3)	2,395,492	2,335,034	2.6
Total liabilities	981,030	1,129,162	(13.1)	866,411	920,792	(5.9)
Net assets	1,731,367	1,734,277	(0.2)	1,529,081	1,414,242	8.1
Cash and cash equivalents	543,486	671,336	(19.0)	479,987	547,451	(12.3)
Financial ratios						
Current ratio (Note 1)	2.16	2.24				
Gearing ratio (Note 2)	0.36	0.39				
Gross profit margin (Note 3)	90.3%	85.2%				
Net profit margin (Note 4)	17.1%	21.1%				
Return on equity (Note 5)	13.0%	19.9%				
Earnings per share						
– Basic	HK39.27 cents	HK60.00 cents	(34.6)			
– Diluted	HK38.28 cents	HK58.13 cents	(34.1)			
Dividend per ordinary share						
– Interim	HK4.0 cents	HK4.0 cents	–			
– Final	HK2.5 cents	HK5.5 cents	(54.5)			
	<u>HK6.5 cents</u>	<u>HK9.5 cents</u>	(31.6)			

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 2022

	<i>Notes</i>	2022 HK\$	2021 HK\$
Turnover	3 & 4	1,317,710,616	1,637,659,431
Cost of sales		<u>(128,381,601)</u>	<u>(241,892,649)</u>
Gross profit		1,189,329,015	1,395,766,782
Other revenue, and other gains and losses		(3,131,001)	(2,374,656)
Distribution and selling expenses		(758,212,624)	(835,953,964)
Administrative expenses		(155,976,579)	(153,756,279)
Finance costs		(11,472,207)	(9,224,505)
Share of loss of an associate		<u>(193,824)</u>	—
Profit before income tax	5	260,342,780	394,457,378
Income tax	6	<u>(34,931,470)</u>	<u>(48,489,295)</u>
Profit for the year		<u>225,411,310</u>	<u>345,968,083</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		(132,597,063)	49,647,277
<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>(26,495,769)</u>	<u>(29,110,034)</u>
Other comprehensive income for the year		<u>(159,092,832)</u>	<u>20,537,243</u>
Total comprehensive income for the year		<u>66,318,478</u>	<u>366,505,326</u>
Earnings per share attributable to owners of the Company			
Basic	8	<u>HK39.27 cents</u>	<u>HK60.00 cents</u>
Diluted	8	<u>HK38.28 cents</u>	<u>HK58.13 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 HK\$	2021 HK\$
Non-current assets			
Property, plant and equipment	9	398,835,074	347,159,223
Right-of-use assets		2,277,631	4,743,689
Land use rights		15,329,849	17,009,317
Goodwill		57,146,761	50,898,259
Other intangible assets	10	978,696,789	775,308,288
Investment in an associate		2,630,850	–
Convertible loan receivables	11	10,545,317	–
Financial assets at fair value through other comprehensive income	12	23,218,349	50,160,757
Financial assets at fair value through profit or loss	12	2,060,452	6,415,583
Deposits and prepayments	15	7,677,656	64,352,538
Total non-current assets		1,498,418,728	1,316,047,654
Current assets			
Inventories	13	83,658,808	97,573,756
Trade and other receivables	14	473,735,334	674,268,029
Deposits and prepayments	15	19,554,110	10,748,445
Convertible loan receivables	11	26,321,521	39,976,864
Financial assets at fair value through profit or loss	12	6,053	14,666
Pledged bank deposits		14,275,000	53,473,930
Restricted cash		52,941,562	–
Cash and cash equivalents		543,486,017	671,335,685
Total current assets		1,213,978,405	1,547,391,375
Total assets		2,712,397,133	2,863,439,029
Current liabilities			
Trade and other payables	16	416,325,907	468,762,578
Bank borrowings		105,045,225	153,366,235
Lease liabilities		2,567,651	2,548,672
Current tax liabilities		36,977,985	64,907,899
Total current liabilities		560,916,768	689,585,384
Net current assets		653,061,637	857,805,991
Total assets less current liabilities		2,151,480,365	2,173,853,645
Non-current liabilities			
Bank borrowings		224,405,892	263,416,760
Lease liabilities		–	2,780,815
Convertible loan payable	17	157,715,217	143,072,711
Deferred tax liabilities		37,992,451	30,306,066
Total non-current liabilities		420,113,560	439,576,352
Total liabilities		981,030,328	1,129,161,736
NET ASSETS		1,731,366,805	1,734,277,293
Capital and reserves attributable to owners of the Company			
Share capital		57,160,300	57,555,800
Reserves		1,674,206,505	1,676,721,493
TOTAL EQUITY		1,731,366,805	1,734,277,293

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 2022

Amendments to HKFRS 3 – Reference to the Conceptual Framework

Minor amendments were made to HKFRS 3 *Business Combinations* to update the references to the *Conceptual Framework for Financial Reporting* and to add an exception for the recognition of liabilities and contingent liabilities within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and Interpretation 21 *Levies*. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

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

Amendments to HKFRS 16 – Proceeds before Intended Use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendments also clarify that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities.

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

Amendments to HKAS 37 – Onerous Contracts: Costs of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

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

The amendments clarify which fees should be included in the 10% test for derecognition of financial liabilities.

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:

- Ophthalmology
- Surgical

(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 2022

	Ophthalmology	Surgical	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Reportable segment revenue			
– Revenue from external customers	<u>553,557,583</u>	<u>764,153,033</u>	<u>1,317,710,616</u>
Reportable segment profit	<u>159,844,796</u>	<u>191,454,883</u>	<u>351,299,679</u>

For the year ended 31 December 2021

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

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Reportable segment profit	351,299,679	488,581,742
Unallocated corporate income and expenses, net	(48,810,202)	(52,740,182)
Change in fair value of financial assets at fair value through profit or loss	(4,757,302)	(31,895,184)
Impairment loss on goodwill	(25,830,139)	–
Equity-settled share-based payments	(87,049)	(264,493)
Finance costs	<u>(11,472,207)</u>	<u>(9,224,505)</u>
Profit before income tax	<u>260,342,780</u>	<u>394,457,378</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 2022 and 2021, the Group's revenue from external customers is derived solely from its operations in the People's Republic of China ("PRC").

(ii) **Non-current assets**

	2022	2021
	HK\$	HK\$
PRC	1,205,074,379	1,031,973,286
Hong Kong	232,738,141	176,658,093
Overseas	24,782,090	50,839,935
	<u>1,462,594,610</u>	<u>1,259,471,314</u>

The non-current assets 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 major customers**

For the year ended 31 December 2022, revenue of HK\$354,935,984 and HK\$141,967,969 (2021: HK\$397,223,554) was derived from the sales to two customers (2021: 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):

	2022	2021
	HK\$	HK\$
Amortisation of land use rights	386,107	399,781
Amortisation of other intangible assets	15,383,511	11,139,787
Auditor's remuneration	1,358,200	1,346,733
Cost of inventories	115,850,893	153,550,410
Cost of services	8,376,343	84,676,766
Depreciation of property, plant and equipment	23,982,180	19,193,312
Depreciation of right-of-use assets	2,161,139	2,237,673
Employee costs excluding Directors' emoluments:		
– Salaries and other benefits	280,068,091	285,685,170
– Pension fund contributions	15,389,251	11,734,910
– Equity-settled share-based payments to the employees	87,049	264,493
Exchange gains, net	(2,169,543)	(2,910,421)
Write-off of inventories	4,154,365	3,665,473
Loss on disposal of property, plant and equipment	285,676	278,279
Research and development costs recognised as expenses	23,507,775	23,522,567

6. INCOME TAX

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

	2022	2021
	HK\$	HK\$
Current tax – the PRC		
– Provision for the year	16,203,050	47,352,524
– Underprovision/(overprovision) in the prior year (<i>Note</i>)	448,084	(9,996,517)
Deferred tax	18,280,336	11,133,288
	34,931,470	48,489,295

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 2022 and 2021.

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

	2022	2021
	HK\$	HK\$
Interim dividend – HK\$0.04 (2021: HK\$0.04) per share	22,915,520	23,065,200
Proposed final dividend – HK\$0.025 (2021: HK\$0.055) per share	14,290,075	31,610,425
	37,205,595	54,675,625

The Directors propose a final dividend of HK\$0.025 (2021: HK\$0.055) 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 2023.

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

	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
Profit attributable to owners of the Company for the purposes of calculating basic earnings per share	225,411,310	345,968,083
Interest expense on convertible loan payable, net of amount capitalised	<u>4,047,963</u>	<u>3,975,631</u>
Profit attributable to owners of the Company for the purposes of calculating diluted earnings per share	<u><u>229,459,273</u></u>	<u><u>349,943,714</u></u>

Number of shares

	2022	2021
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	573,964,430	576,581,460
Effect of dilutive potential ordinary shares:		
– 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>599,388,158</u></u>	<u><u>602,005,188</u></u>

The computation of diluted earnings per share for the years ended 31 December 2022 and 2021 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 and leasehold improvements <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Construction in progress <i>HK\$</i>	Total <i>HK\$</i>
Cost:						
At 1 January 2021	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
Additions	407,369	10,681,197	25,269,430	102,424	68,119,315	104,579,735
Acquisition of a subsidiary	–	–	191,180	289,435	–	480,615
Disposals	–	(236,146)	(2,507,189)	–	–	(2,743,335)
Transfers	–	101,296,769	2,022,639	–	(103,319,408)	–
Exchange adjustment	(9,750,634)	(11,394,441)	(4,317,749)	(443,976)	(12,378,193)	(38,284,993)
At 31 December 2022	117,713,786	209,392,577	71,305,428	6,783,161	126,375,476	531,570,428
Accumulated depreciation:						
At 1 January 2021	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
Charge for the year	2,416,535	11,236,362	9,756,577	572,706	–	23,982,180
Acquisition of a subsidiary	–	–	99,039	260,491	–	359,530
Disposals	–	(185,066)	(2,212,058)	–	–	(2,397,124)
Exchange adjustment	(1,594,981)	(5,855,289)	(1,771,629)	(366,516)	–	(9,588,415)
At 31 December 2022	20,772,381	77,664,383	28,451,048	5,847,542	–	132,735,354
Carrying amount:						
At 31 December 2022	<u>96,941,405</u>	<u>131,728,194</u>	<u>42,854,380</u>	<u>935,619</u>	<u>126,375,476</u>	<u>398,835,074</u>
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>

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, plant and machinery and equipment when the construction is completed.

10. OTHER INTANGIBLE ASSETS

	Development expenditure	Acquired intangible assets	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Cost:			
At 1 January 2021	178,764,837	464,427,351	643,192,188
Additions	41,564,726	127,761,327 [#]	169,326,053
Acquisition of subsidiaries	1,523,651	13,590,523	15,114,174
Exchange adjustment	5,894,772	12,358,617	18,253,389
	<u>227,747,986</u>	<u>618,137,818</u>	<u>845,885,804</u>
At 31 December 2021	227,747,986	618,137,818	845,885,804
Additions	43,157,632	276,061,003 [#]	319,218,635
Disposal	–	(62,719,447)	(62,719,447)
Exchange adjustment	(16,416,507)	(38,782,667)	(55,199,174)
	<u>254,489,111</u>	<u>792,696,707</u>	<u>1,047,185,818</u>
At 31 December 2022	254,489,111	792,696,707	1,047,185,818
Accumulated amortisation and impairment losses:			
At 1 January 2021	32,957,719	24,441,161	57,398,880
Amortisation	5,135,582	6,004,205	11,139,787
Exchange adjustment	1,139,295	899,554	2,038,849
	<u>39,232,596</u>	<u>31,344,920</u>	<u>70,577,516</u>
At 31 December 2021	39,232,596	31,344,920	70,577,516
Amortisation	5,095,994	10,287,517	15,383,511
Impairment (<i>Note</i>)	13,011,953	–	13,011,953
Disposal	–	(25,148,774)	(25,148,774)
Exchange adjustment	(3,411,774)	(1,923,403)	(5,335,177)
	<u>53,928,769</u>	<u>14,560,260</u>	<u>68,489,029</u>
At 31 December 2022	53,928,769	14,560,260	68,489,029
Carrying amount:			
At 31 December 2022	<u>200,560,342</u>	<u>778,136,447</u>	<u>978,696,789</u>
At 31 December 2021	<u>188,515,390</u>	<u>586,792,898</u>	<u>775,308,288</u>

The amount mainly represented the following:

- (i) 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. from the SkQ1 Product.

In 2022, the Group acquired from Mitotech S.A. all the rights of a list of inventions and patents relating to SkQ1 in the field of ophthalmology and all ophthalmic indications.

During the year ended 31 December 2022, the development cost incurred in the SkQ1 Product was HK\$36,150,281 (2021: HK\$30,103,434). As at 31 December 2022, the carrying amount of the SkQ1 Product was HK\$354,105,347 (2021: HK\$331,352,175).

- (ii) 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 2022, the development cost incurred in the Licensed Product was HK\$64,652,204 (2021: HK\$87,454,660). As at 31 December 2022, the carrying amount of the Licensed Product was HK\$215,333,767 (2021: HK\$165,093,127).

- (iii) In 2022, the Group acquired intellectual property rights and right of Marketing Authorisation Holder relating to 適麗順® (Iodized Lecithin Capsules*) at an effective consideration of HK\$144,079,537 (2021: Nil).

Note:

During the year ended 31 December 2022, the capitalised costs of two development projects were impaired by the Group as a result of the Group deciding not to further proceed with these two development projects which deviated from the Group’s business direction. Accordingly, an aggregate loss of HK\$13,011,953 on the development expenditure was recognised in profit or loss.

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. During the year ended 31 December 2022, the second tranche in the principal amount of US\$600,000 (equivalent to HK\$4,666,004) (“Tranche B of Convertible Loan A”) was subscribed by the Group. Tranches A and B of Convertible Loan A are classified as financial assets 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.

In 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.

During the year ended 31 December 2022, Convertible Loan C was settled by way of acquiring certain intellectual property rights from Shanggong.

- (iv) In 2020, 2021 and during the year ended 31 December 2022, the Group made available certain convertible loans to Antikor Biopharma Limited (“Antikor”) in the aggregate principal amount of US\$3,250,000 (equivalent to HK\$25,302,724) which carry interest at 5% per annum with maturity on 30 September 2023 (“Convertible Loan D”). The aggregate principal amount of Convertible Loan D can be converted into such number of shares representing 25.99% 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) In 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.

During the year ended 31 December 2022, Convertible Loan E was settled by way of acquiring a patent and know-how licence relating to SkQ1 in the field of dermatology from Mitotech S.A.

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

	<i>HK\$</i>
At 31 December 2022	
– Tranches A and B of Convertible Loan A	10,545,317
– Convertible Loan D	<u>26,321,521</u>
Total	36,866,838
Less: Current portion	<u>(26,321,521)</u>
Non-current portion	<u><u>10,545,317</u></u>
	<i>HK\$</i>
At 31 December 2021	
– Tranche A of Convertible Loan A	5,873,655
– Convertible Loan C	6,246,001
– Convertible Loan D	19,196,929
– Convertible Loan E	<u>8,660,279</u>
Total, classified under current assets	<u><u>39,976,864</u></u>

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

	<i>HK\$</i>
At 1 January 2021	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	39,976,864
Additions	12,513,587
Settlement	(15,059,312)
Change in fair value recognised in profit or loss	(246,560)
Exchange differences	<u>(317,741)</u>
At 31 December 2022	<u><u>36,866,838</u></u>

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

	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
Non-current		
Equity investments designated at FVTOCI (<i>Note (a)</i>)		
– Listed equity investments (<i>Note (b)</i>)	11,468,412	31,125,118
– Unlisted equity investments (<i>Note (c)</i>)	<u>11,749,937</u>	<u>19,035,639</u>
	<u><u>23,218,349</u></u>	<u><u>50,160,757</u></u>
Equity investments designated at FVTPL (<i>Note (d)</i>)		
– Unlisted equity investments (<i>Note (c)</i>)	<u><u>2,060,452</u></u>	<u><u>6,415,583</u></u>
Current		
Equity investments designated at FVTPL (<i>Note (d)</i>)		
– Listed equity investments (<i>Note (b)</i>)	<u><u>6,053</u></u>	<u><u>14,666</u></u>

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 2022 represents two (2021: two) listed equity securities which are listed on the NASDAQ Stock Market of the United States, namely AC Immune SA and Humacyte Inc. The fair value was based on quoted market price as at 31 December 2022.
- (c) The balance as at 31 December 2022 represents five (2021: 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

	2022	2021
	HK\$	HK\$
Raw materials	14,433,465	12,901,286
Work in progress	16,489,776	14,194,082
Finished goods	52,735,567	70,478,388
	<u>83,658,808</u>	<u>97,573,756</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\$4,154,365 (2021: HK\$3,665,473) have been written off and recognised in profit or loss.

14. TRADE AND OTHER RECEIVABLES

	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	451,244,095	651,929,579
Other receivables	22,491,239	22,338,450
	<u>473,735,334</u>	<u>674,268,029</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 2022 and 2021.

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

	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
0-60 days	191,493,113	442,987,969
61-90 days	75,777,664	75,298,034
Over 90 days	183,973,318	133,643,576
	<u>451,244,095</u>	<u>651,929,579</u>

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

	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
Neither past due nor impaired	267,270,777	518,286,003
Less than 3 months past due	166,492,583	113,788,901
Over 3 months past due	17,480,735	19,854,675
	<u>451,244,095</u>	<u>651,929,579</u>

15. DEPOSITS AND PREPAYMENTS

	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
Deposits paid for acquisition of property, plant and equipment	7,677,656	21,432,241
Deposits paid for acquisition of other intangible assets	–	42,920,297
Prepayments for purchase of finished goods	9,628,179	1,489,886
Other deposits	1,773,921	1,157,106
Other prepayments	<u>8,152,010</u>	<u>8,101,453</u>
Total	27,231,766	75,100,983
Less: Current portion	<u>(19,554,110)</u>	<u>(10,748,445)</u>
Non-current portion	<u><u>7,677,656</u></u>	<u><u>64,352,538</u></u>

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

16. TRADE AND OTHER PAYABLES

	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
Trade payables	10,656,980	4,465,766
Other payables and accruals (<i>Note</i>)	<u>405,668,927</u>	<u>464,296,812</u>
	<u><u>416,325,907</u></u>	<u><u>468,762,578</u></u>

Note:

Other payables and accruals included the accruals for sales and marketing costs of HK\$308,405,439 (2021: HK\$354,807,133).

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

	2022	2021
	HK\$	HK\$
0-60 days	10,477,393	4,465,766
61-90 days	116,613	–
Over 90 days	62,974	–
	<u>10,656,980</u>	<u>4,465,766</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 2022, 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:

	Debt component	Conversion	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
As at 1 January 2021	140,529,056	15,227,318	155,756,374
Imputed interest expense	5,433,238	–	5,433,238
Interest paid	<u>(2,889,583)</u>	<u>–</u>	<u>(2,889,583)</u>
As at 31 December 2021	143,072,711	15,227,318	158,300,029
Imputed interest expense	17,532,089	–	17,532,089
Interest paid	<u>(2,889,583)</u>	<u>–</u>	<u>(2,889,583)</u>
As at 31 December 2022	<u><u>157,715,217</u></u>	<u><u>15,227,318</u></u>	<u><u>172,942,535</u></u>

BUSINESS REVIEW

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

The Group’s turnover is primarily made up of 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 (collectively referred to as the “bFGF Series”) that are marketed and sold in the PRC. The bFGF Series include 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. 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 86.4% 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, Levofloxacin, Sodium Hyaluronate and Moxifloxacin Hydrochloride Eye Drops.

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 of 適麗順® (Iodized Lecithin Capsules*) was completed and 適麗順® (Iodized Lecithin Capsules*) has become one of the Group’s core products since then.

In addition, the Group has 2 oral care products, namely Carisolv® dental caries removal gel and 佻典醫生 (Dr. YaDian) mouth wash.

Leveraging its established market access capability, the Group undertakes the promotion and selling of a range of products and medical devices that are to complement the Group’s therapeutics business of Ophthalmology and Surgical, including 伊血安顆粒 (Yi Xue An Granules*), Soft Hydrophilic Contact Lens, Ultrasound Cycloplasty (UCP), Foldable Capsular Vitreous Body, Portable Ultraviolet Phototherapy Devices, PELNAC™ collagen-based artificial dermis and other medical devices for myopia control and prevention such as eye-protection lamp and Seewant defocus customised glasses.

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 that are currently in an advanced stage of clinical development 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"). Mitotech is a clinical-stage Luxembourg-based biotechnology company developing novel drugs for the treatment of predominantly age-related disorders. 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 endpoint (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 planned a pivotal trial (VISTA-3), which should have commenced after Mitotech's management team was satisfied by their assessment that there would be no potential disruption to trial centres and patient recruitment amidst the ongoing COVID-19 pandemic.

In order to provide the Group with flexibility and independence in the continuing development of the US FDA VISTA programme in the field of dry eye disease and allow the Group to explore further the development of other ophthalmic products for other ophthalmic indications to meet the clinical and commercial needs of the Global (as defined below) market, on 13 October 2022, the Group successfully secured (i) a patent assignment deed (the "Patent Assignment Deed"); and (ii) a patent and know-how licence agreement (the "Patent and Know-how Licence Agreement", together with the Patent Assignment Deed, the "Agreements") relating to SkQ1 in the field of ophthalmology from Mitotech.

Pursuant to the Patent Assignment Deed, Mitotech agreed to assign to the Group all the rights of a list of inventions and patents relating to SkQ1 in the field of ophthalmology and all ophthalmic indications.

Pursuant to the Patent and Know-how Licence Agreement, Mitotech agreed to grant the Group an exclusive, transferable and irrevocable Global licence to use a list of patents owned by Mitotech relating to SkQ1 to develop, manufacture, sell and supply any therapeutic products or therapies applied to the eye and its adnexa (the “Products”), including the full global (excluding Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia) (“Global”) right to apply for and obtain patents, to apply for and obtain Global regulatory approval for clinical trials, and to obtain marketing authorisation in relation to the Products.

Following the acquisition of the intellectual property rights relating to SkQ1 on 13 October 2022, the Group’s priority is to complete the transfer of chemistry, manufacturing and controls (CMC), know-how and intellectual property rights relating to SkQ1 from Mitotech. Concurrently, the Group is re-establishing the VISTA programme with regulators for mitigating any identifiable risks before continuing with the clinical trial. The aforementioned tasks will inevitably be time-consuming due to external factors and technical challenges involved. The Board will keep shareholders and investors informed as and when appropriate about the development status.

Total actual investment cost of approximately HK\$354.1 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 2022. The investment cost represented 13.1% of the Group’s total assets as at 31 December 2022. According to Frost & Sullivan, the estimated number of patients with moderate-to-severe dry eye disease was around 119.7 million in the PRC in 2020. 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 (the “Co-Development 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, Latvia, Australia and the United States.

On 22 February 2023, the Group entered into an amendment agreement (the “Amendment Agreement”) with Henlius to amend certain terms of the Co-Development License Agreement, which include payments for regulatory and commercial sales milestones and development costs in respect of the Anti-VEGF Licensed Product. Please refer to the announcement of the Company dated 22 February 2023 for details. In addition to the details disclosed in the announcement, the Company would like to further supplement that based on the new maximum amount of development costs, which is adjusted upwards in the Amendment Agreement from US\$30.0 million to US\$55.0 million, and assuming that the percentage of sub-licensing revenue to be received by the Group is to be reduced by 20%, the buy back amount (as defined under the announcement of the Company dated 15 October 2020) in the Co-Development License Agreement would be adjusted upwards from US\$10.5 million (equivalent to approximately HK\$82.3 million) to US\$15.0 million (equivalent to approximately HK\$117.6 million). The basis for calculating the buy back amount (as defined under the announcement of the Company dated 15 October 2020) was determined after arm’s length negotiations by the Group and Henlius on normal commercial terms based on the development costs.

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\$67.0 million (equivalent to approximately HK\$523.1 million). Total actual investment cost of approximately HK\$215.3 million is presented as “Acquired Intangible Assets” under the Group’s consolidated financial statements as at 31 December 2022. The investment cost represented 7.9% of the Group’s total assets as at 31 December 2022. 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 with these 4 categories of disease was around 15.8 million in the PRC in 2020. 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.

Apart from the investments in the SkQ1 Product and the Anti-VEGF Licensed Product, as at 31 December 2022 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 2022

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, has been recognised as one of the 2021年度珠海市醫藥健康製造業十強企業 (2021 top 10 pharmaceutical and health manufacturing companies in Zhuhai*). It has also been recognised as one of the 2021年度TOP100中國化藥企業 (2021 top 100 chemical pharmaceutical companies in the PRC*).

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

The Company has been included in 2022 Forbes Asia's Best Under A Billion list, which is a testimony to the Group's achievements over the past few years. Forbes Asia's Best Under A Billion list spotlights 200 top-performing publicly listed small and mid-sized companies in the Asia-Pacific region with annual sales under US\$1 billion. The Company was further conferred with 中國卓越IR – 最佳股東關係獎 and 最佳ESG獎 (China Excellent IR – The Best Shareholder Relationship Award* and The Best ESG Award*).

MARKET DEVELOPMENT

Over the years, the Group has been relentlessly investing in establishing and strengthening its market access capability. As at 31 December 2022, the Group maintains a network of 43 regional sales offices in the PRC and a total number of about 1,240 sales and marketing representatives, out of which 65% are full-time employees and 35% 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.

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 in the PRC;
- cultivating pharmaceutical stores, where possible, as a complementary sales channel; and
- building an on-line platform for medical consultation and e-prescription for patients with chronic diseases under its healthtech initiative.

During the year under review, the Group's therapeutic products are being prescribed in more than 10,900 hospitals and medical providers, coupled with approximately 2,130 pharmaceutical stores, which are widely located in the major cities, provinces and county cities in the PRC.

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 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 2022, the Group has 5 commercialised preservative-free unit-dose eye drops in the product pipeline. A handful of preservative-free unit-dose ophthalmic drugs are under development with targeted commercialisation within the next 2 to 5 years.

As at the date of this announcement, there are 16 R&D programmes in the pre-clinical to clinical stage, out of which 4 ophthalmology programmes (inclusive of a new addition of EB11-21148P during the year under review) are in clinical stage. The 4 ophthalmology programmes listed below are targeted as mid-term growth driver.

1. EB11-18136P: SkQ1 eye drops, second phase 3 clinical trial (US FDA) (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)
4. EB11-21148P: Cyclosporin eye drops, phase 2 clinical trial (NMPA in the PRC)

As at the date of this announcement, the Group has obtained a total of 69 patent certificates or authorisation letters, which include 50 發明專利 (invention patents), 14 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 of 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 planned to complete by 2023, but is currently subject to timely resolution with the main contractor as explained further below.

The overall construction work of the second factory was substantially completed as at the date of this announcement. However, in November 2021, the main contractor has unilaterally suspended the construction work without a valid reason, which caused undue delay to the completion of the construction. In August 2022, the Group initiated legal proceedings against the main contractor seeking compensation for the breach of contract, and planned to appoint a new main contractor to complete the construction. The Group obtained a court order on 26 August 2022 to freeze the assets of the main contractor amounting to approximately HK\$42.9 million, and a bank account of the main contractor with balance of approximately HK\$27.7 million as at 25 August 2022 was frozen.

In October 2022, the main contractor initiated counter legal proceedings against one of the subsidiaries of the Company seeking compensation for the disputed construction progress payments and obtained a court order to freeze one of the bank accounts of such subsidiary of which bank balance of approximately HK\$52.9 million as at 31 December 2022 was affected.

Two hearings were held in November 2022 and January 2023 at Zhuhai Xiangzhou Court of the PRC, respectively and pending an evaluation of the construction progress by a third-party appraiser, no judgement by the court has been delivered as at the date of this announcement.

The Board will closely monitor the situation and make appropriate announcement(s) when necessary.

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 2022, the Group achieved a consolidated turnover of approximately HK\$1,317.7 million, with a decrease of 19.5% as compared to approximately HK\$1,637.7 million in 2021.

Correspondingly, the Group's profit decreased by 34.8% to approximately HK\$225.4 million as compared to approximately HK\$346.0 million in 2021. The Group's profit was weighed down by the impairment loss of approximately HK\$25.8 million on goodwill arising from the acquisition of YesDok Pte Ltd and its wholly-owned subsidiary in 2021.

The decrease in turnover and profit is primarily attributable to the surge of COVID-19 cases particularly in the second half of 2022 in a number of provinces and municipalities in the PRC, which significantly disrupted the clinical operations of hospitals in the PRC and prevented non-emergency patients from visiting hospitals and outpatient clinics during 2022. As at the date of this announcement, the clinical operations of hospitals and outpatient clinics have progressively resumed to normalcy.

The Group's turnover is primarily made up of the ophthalmology segment ("Ophthalmology") and surgical (wound care and healing) segment ("Surgical"). The core products that are current growth drivers 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, 佻典醫生 (Dr. YaDian) mouth wash and 伊血安顆粒 (Yi Xue An Granules*).

The sectoral turnover of Ophthalmology and Surgical is approximately 42.0% and 58.0% 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 86.4% of the Group's total turnover, of which Beifushu series and Beifuji series accounted for 29.3% and 57.1% of the Group's turnover, respectively. The remaining 13.6% of the Group's turnover is mainly contributed by sales of Tobramycin Eye Drops, Levofloxacin Eye Drops, Sodium Hyaluronate Eye Drops, 適麗順® (Iodized Lecithin Capsules*), Carisolv® dental caries removal gel, 佻典醫生 (Dr. YaDian) mouth wash and 伊血安顆粒 (Yi Xue An Granules*) collectively.

Composition of turnover for the years ended 31 December 2022 and 2021, respectively, is shown in the following table:

<i>Expressed in HK\$' million</i>	2022	2021
Ophthalmology	553.6	673.3
Surgical	764.1	964.4
Total	<u>1,317.7</u>	<u>1,637.7</u>

Ophthalmology contributed approximately HK\$553.6 million to the Group's turnover for the year ended 31 December 2022, representing a decrease of 17.8% as compared to 2021. Surgical recorded a total turnover of approximately HK\$764.1 million for the year ended 31 December 2022, representing a decrease of 20.8% as compared to 2021. The decrease was attributable to the aforementioned impact of COVID-19 outbreak in the PRC.

The distribution and selling expenses for the year under review were approximately HK\$758.2 million as compared to approximately HK\$836.0 million in 2021, representing a decrease of 9.3%. Such expenses primarily consisted of remuneration, advertising costs, travelling and transportation costs, costs for the organisation of seminars and conferences for product training and awareness, etc. The decrease was in line with the decrease in turnover for the year ended 31 December 2022.

The administrative expenses for the year under review were approximately HK\$156.0 million as compared to approximately HK\$153.8 million in 2021. The increase in administrative expenses was mainly due to an increase in costs for expansion of operations in the United States and Singapore and the establishment of on-line platform for medical consultation.

Total expenditures (inclusive of acquired intangible assets) incurred in R&D for the year ended 31 December 2022 were approximately HK\$342.7 million (2021: approximately HK\$207.9 million), representing 26.0% (2021: 12.7%) of the turnover, of which approximately HK\$319.2 million (2021: approximately HK\$184.4 million) were capitalised. The increase during the year under review was mainly due to the aforementioned acquisition of intellectual property rights of 適麗順® (Iodized Lecithin Capsules*).

The Group had cash and cash equivalents of approximately HK\$543.5 million as at 31 December 2022 (2021: approximately HK\$671.3 million).

The Group's bank borrowings as at 31 December 2022 were approximately HK\$329.5 million (2021: approximately HK\$416.8 million), among which 31.9% was repayable within 1 year and 68.1% was repayable in more than 1 year but within 5 years. Among the Group's bank borrowings as at 31 December 2022, 21.7% was denominated in Hong Kong Dollar, 19.5% was denominated in Renminbi and 58.8% 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 3.6% to 7.2% per annum as at 31 December 2022. 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 2022 were approximately HK\$11.5 million (2021: approximately HK\$9.2 million), including an imputed interest expense on the convertible loan payable and interest expenses on bank borrowings amounting to approximately HK\$30.3 million (2021: approximately HK\$14.8 million) of which approximately HK\$18.9 million (2021: approximately HK\$5.8 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 2022, 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 that the Company should issue if the convertible loan has been fully converted on 31 December 2022:

Shareholders	As at 31 December 2022		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	25.77	147,279,000	24.67
Ngiam Mia Kiat Benjamin	145,354,000	25.43	145,354,000	24.35
Dynatech Ventures Pte Ltd (<i>Note 1</i>)	6,666,667	1.17	6,666,667	1.12
Directors within last 12 months (other than Ngiam Mia Je Patrick) (<i>Note 2</i>)	7,329,300	1.28	7,329,300	1.23
IFC	–	–	25,423,728	4.26
Other shareholders	264,974,033	46.35	264,974,033	44.37
	<u>571,603,000</u>	<u>100</u>	<u>597,026,728</u>	<u>100</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 of approximately HK\$225.4 million for the year ended 31 December 2022, the basic and diluted earnings per share attributable to owners of the Company, after considering the full conversion of the convertible loan, were HK39.27 cents and HK38.28 cents respectively.

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

Based on the cash and cash equivalents as at 31 December 2022 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 2022.

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 3,833,000 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\$14,186,650 was paid wholly out of retained profits of the Company. Details of those transactions are as follows:

Month	Number of shares repurchased	Price per share		Total price paid HK\$
		Highest HK\$	Lowest HK\$	
January 2022	393,000	5.15	4.72	1,927,420
February 2022	88,000	5.16	4.90	441,220
March 2022	102,000	4.35	4.08	423,910
April 2022	118,000	4.35	4.09	491,540
May 2022	278,000	3.87	3.26	986,920
June 2022	519,000	4.01	3.36	1,912,240
July 2022	987,000	3.94	3.61	3,643,160
August 2022	33,000	3.98	3.67	123,530
September 2022	30,000	4.10	4.05	122,200
October 2022	476,000	3.35	2.96	1,484,110
November 2022	747,000	3.48	3.10	2,420,800
December 2022	62,000	3.86	3.27	209,600
	<u>3,833,000</u>			<u>14,186,650</u>

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 2022, 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 2022, the Group obtained banking facilities of approximately HK\$602.0 million, of which approximately HK\$485.2 million was utilised. Certain of the banking facilities were secured by the corporate guarantees provided by the Company and its certain subsidiaries and a pledged deposit which amounted to approximately HK\$14.3 million.

As at 31 December 2022, the Group had cash and cash equivalents of approximately HK\$543.5 million as compared to approximately HK\$671.3 million as at 31 December 2021. Among the cash and cash equivalents of the Group as at 31 December 2022, 66.0% was denominated in Renminbi, 27.3% was denominated in Hong Kong Dollar and 6.1% 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 2022 was 36.2% (2021: 39.4%).

CHARGES ON GROUP ASSETS

As at 31 December 2022, a bank deposit of approximately HK\$14.3 million (2021: bank deposits of approximately HK\$53.5 million) was pledged to secure the Group's banking facilities.

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had capital commitments which amounted to approximately HK\$373.4 million (2021: approximately HK\$582.6 million).

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: 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 2022.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in this announcement, the Group did not hold any significant investments as at 31 December 2022.

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 2022, the Group had a total of 1,471 full-time employees (2021: 1,379 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\$303.4 million and approximately HK\$306.3 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 21 September 2022. The Directors have recommended the payment of a final dividend of HK\$0.025 per ordinary share for the financial year ended 31 December 2022 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 19 June 2023. Subject to shareholders' approval, the final dividend will be payable on Thursday, 29 June 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 6 June 2023 to Friday, 9 June 2023 (both days inclusive) for ascertaining shareholders' right to attend and vote at the forthcoming annual general meeting to be held on Friday, 9 June 2023. 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, 5 June 2023.

The register of members of the Company will be closed from Thursday, 15 June 2023 to Monday, 19 June 2023 (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, 9 June 2023, 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 Wednesday, 14 June 2023.

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

Save as disclosed in this announcement, there were no other events that occur after the reporting period.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's results for the year ended 31 December 2022 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 2022. 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 2022 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
8 March 2023

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*