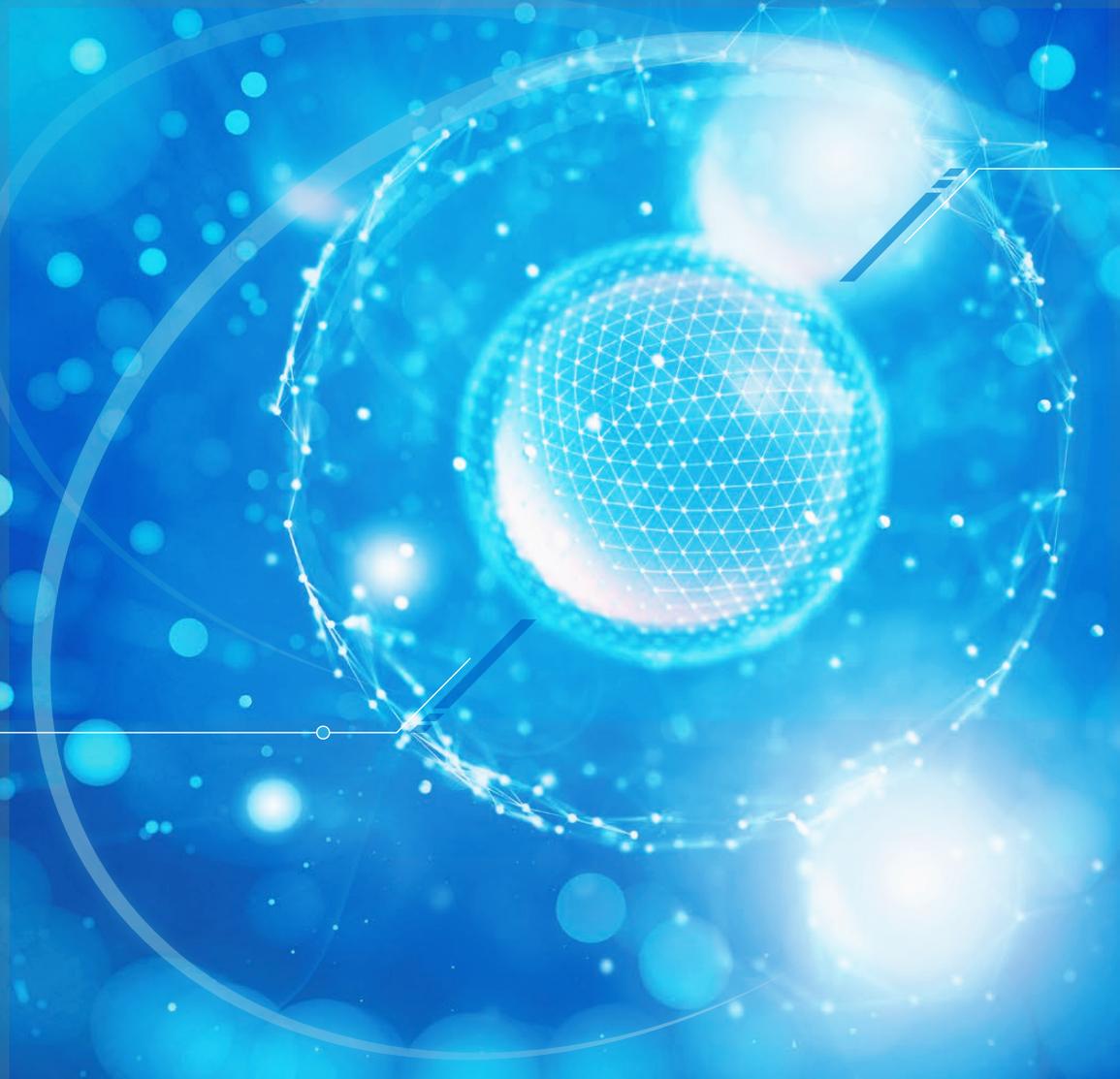




ESSEX BIO-TECHNOLOGY LIMITED
億勝生物科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 1061)

2021 Interim
Report





Pioneering Global Regenerative Science & Technology

ESSEX 亿胜



Tomorrow's today

The background is a deep blue with a subtle hexagonal grid pattern. Several bright, glowing trails of particles or light streaks curve across the frame, creating a sense of motion and depth. The overall aesthetic is clean, modern, and high-tech.

CONTENTS

- 2 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 3 Condensed Consolidated Statement of Financial Position
- 4 Condensed Consolidated Statement of Changes in Equity
- 5 Condensed Consolidated Statement of Cash Flows
- 7 Notes to the Interim Condensed Consolidated Financial Statements
- 24 Management Discussion and Analysis
- 38 Additional Information
- 42 Corporate Information

The board (the “Board”) of directors (the “Directors”) of Essex Bio-Technology Limited (the “Company”) presents the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 together with the comparative figures for the corresponding period in 2020 and the relevant explanatory notes as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2021 (Unaudited) HK\$'000	For the six months ended 30 June 2020 (Unaudited) HK\$'000
Turnover	4 & 5	737,374	323,835
Cost of sales		(114,680)	(69,125)
Gross profit		622,694	254,710
Other revenue, and other gains and losses	6	12,083	15,747
Distribution and selling expenses		(377,280)	(163,537)
Administrative expenses		(69,061)	(45,749)
Finance costs	7	(5,362)	(3,381)
Profit before income tax	8	183,074	57,790
Income tax	9	(20,888)	(8,602)
Profit for the period		162,186	49,188
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		18,586	(27,261)
<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		(560)	(19,101)
Other comprehensive income for the period		18,026	(46,362)
Total comprehensive income for the period		180,212	2,826
Earnings per share attributable to owners of the Company			
Basic	11	HK28.12 cents	HK8.51 cents
Diluted	11	HK27.38 cents	HK8.51 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	12	297,850	272,947
Right-of-use assets		5,771	6,800
Land use rights		16,886	16,868
Goodwill		24,276	24,153
Other intangible assets	13	660,781	585,793
Convertible loan receivables	14	58,945	42,434
Financial assets at fair value through other comprehensive income	15	78,489	78,574
Financial assets at fair value through profit or loss	15	7,470	6,338
Deposits and prepayments	18	57,740	54,577
Total non-current assets		1,208,208	1,088,484
Current assets			
Inventories	16	126,063	147,036
Trade and other receivables	17	543,182	483,254
Deposits and prepayments	18	13,807	29,702
Convertible loan receivables	14	32,415	32,916
Financial assets at fair value through profit or loss	15	23	15
Pledged bank deposit		36,825	40,150
Cash and cash equivalents		657,754	599,782
Total current assets		1,410,069	1,332,855
Total assets		2,618,277	2,421,339
Current liabilities			
Trade and other payables	19	412,145	396,893
Bank borrowings	20	185,929	200,750
Lease liabilities		2,393	2,258
Current tax liabilities		43,627	6,124
Total current liabilities		644,094	606,025
Net current assets		765,975	726,830
Total assets less current liabilities		1,974,183	1,815,314
Non-current liabilities			
Bank borrowings	20	228,026	214,074
Lease liabilities		3,986	5,162
Convertible loan payable	21	141,770	140,529
Deferred tax liabilities		23,048	29,358
Total non-current liabilities		396,830	389,123
Total liabilities		1,040,924	995,148
NET ASSETS		1,577,353	1,426,191
Capital and reserves attributable to owners of the Company			
Share capital	22	57,672	57,690
Reserves		1,519,681	1,368,501
TOTAL EQUITY		1,577,353	1,426,191

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Foreign currency translation reserve	Share option reserve	Fair value through other comprehensive income reserve	Fair value reserve	Conversion component of convertible loan payable	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	57,794	71,108	362	79,167	(53,654)	4,654	6,983	-	33,323	997,408	1,197,145
Profit for the period	-	-	-	-	-	-	-	-	-	49,188	49,188
Other comprehensive income:											
- Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(19,101)	-	-	-	(19,101)
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(27,261)	-	-	-	-	-	(27,261)
Total comprehensive income for the period	-	-	-	-	(27,261)	-	(19,101)	-	-	49,188	2,826
Appropriation of profits	-	-	-	8,400	-	-	-	-	-	(8,400)	-
Dividend paid	-	-	-	-	-	-	-	-	-	(28,897)	(28,897)
Equity-settled share-based payments	-	-	-	-	-	434	-	-	-	-	434
Transfer of fair value reserve upon the disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(1,611)	-	-	1,611	-
At 30 June 2020 (Unaudited)	57,794	71,108	362	87,567	(80,915)	5,088	(13,729)	-	33,323	1,010,910	1,171,508
At 1 January 2021	57,690	71,106	362	90,683	24,536	4,535	(31,266)	18,096	15,227	1,175,222	1,426,191
Profit for the period	-	-	-	-	-	-	-	-	-	162,186	162,186
Other comprehensive income:											
- Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(560)	-	-	-	(560)
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	18,586	-	-	-	-	-	18,586
Total comprehensive income for the period	-	-	-	-	18,586	-	(560)	-	-	162,186	180,212
Dividend paid	-	-	-	-	-	-	-	-	-	(28,824)	(28,824)
Exercise of share options	32	2,190	-	-	-	(334)	-	-	-	-	1,888
Equity-settled share-based payments	-	-	-	-	-	175	-	-	-	-	175
Shares repurchased and cancelled	(50)	(1)	-	-	-	-	-	-	-	(2,238)	(2,289)
At 30 June 2021 (Unaudited)	57,672	73,295	362	90,683	43,122	4,376	(31,826)	18,096	15,227	1,306,346	1,577,353

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2021 (Unaudited) HK\$'000	For the six months ended 30 June 2020 (Unaudited) HK\$'000
Cash flows from operating activities			
Profit before income tax		183,074	57,790
Adjustments for:			
Interest income from convertible loan receivables	6	(1,488)	(944)
Interest income from bank deposits	6	(1,623)	(2,823)
Change in fair value of financial assets at fair value through profit or loss	6	1,390	(7,959)
Impairment loss on trade receivables	6	–	2,207
Finance costs	7	5,362	3,381
Amortisation of land use rights	8	199	183
Amortisation of other intangible assets	8	5,353	3,381
Depreciation of property, plant and equipment	8	9,750	8,438
Depreciation of right-of-use assets	8	1,114	1,190
Equity-settled share-based payments		175	434
Exchange (gains)/losses, net	8	(385)	741
Gain on disposal of property, plant and equipment	8	(8)	(7)
Write-off of inventories	8	2,243	1,489
Operating cash flows before working capital changes		205,156	67,501
Increase in inventories		(20,206)	(10,116)
(Increase)/decrease in trade and other receivables		(52,091)	169,020
Decrease/(increase) in deposits and prepayments		16,163	(368)
Increase/(decrease) in trade and other payables		50,893	(136,639)
Cash generated from operations		199,915	89,398
Tax refunded/(paid)		9,909	(31,570)
Net cash generated from operating activities		209,824	57,828
Cash flows from investing activities			
Acquisition of property, plant and equipment		(28,279)	(23,977)
Deposits paid for acquisition of property, plant and equipment		(4,925)	(8,703)
Deposits paid for acquisition of other intangible assets		–	(5,519)
Increase in other intangible assets		(73,246)	(40,714)
Acquisition of a subsidiary		–	(2,173)
Purchase of convertible loan receivables		(15,140)	(16,555)
Purchase of financial assets at fair value through other comprehensive income		–	(1,379)
Purchase of financial assets at fair value through profit or loss		(2,936)	–
Bank interest received		1,623	2,823
Decrease in pledged bank deposit		3,325	1,925
Proceeds from disposal of property, plant and equipment		115	148
Proceeds from disposal of financial assets at fair value through other comprehensive income		–	5,536
Net cash used in investing activities		(119,463)	(88,588)

	2021 (Unaudited) HK\$'000	For the six months ended 30 June 2020 (Unaudited) HK\$'000
Cash flows from financing activities		
Proceeds from bank borrowings	15,450	–
Repayments of bank borrowings	(16,625)	(9,625)
Payment of lease liabilities	(1,228)	(1,233)
Proceeds from shares issued under share option scheme	1,888	–
Payments for shares bought back	(2,289)	–
Interest paid on bank borrowings	(4,619)	(2,759)
Interest paid on convertible loan payable	(1,441)	(1,441)
Dividends paid to owners of the Company	(28,824)	(28,897)
Net cash used in financing activities	(37,688)	(43,955)
Net increase/(decrease) in cash and cash equivalents	52,673	(74,715)
Cash and cash equivalents at beginning of period	599,782	473,341
Effect of foreign exchange rate changes on cash and cash equivalents	5,299	(8,238)
Cash and cash equivalents at end of period	657,754	390,388
Analysis of balances of cash and cash equivalents		
Cash and bank balances	408,727	307,622
Non-pledged time deposits with original maturity of less than three months when acquired	249,027	82,766
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	657,754	390,388

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Essex Bio-Technology Limited is a limited liability company incorporated in the Cayman Islands on 31 July 2000 under Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (Stock code: 1061). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is located at Room 2818, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The Group, comprising the Company and its subsidiaries, is principally engaged in investment holding, and development, manufacture and sale of biologic drugs in the People’s Republic of China (the “PRC”).

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These interim condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020 (the “2020 Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the 2020 Financial Statements, except for the adoption of amendments to HKFRS 16 effective for annual periods beginning on or after 1 June 2020. The adoption of this amended standard has no material impact on the Group’s interim condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. SEGMENT REPORTING

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

- 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 six months ended 30 June 2021		
	Ophthalmology (Unaudited)	Surgical (Unaudited)	Total (Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue			
– Revenue from external customers	<u>294,013</u>	<u>443,361</u>	<u>737,374</u>
Reportable segment profit	<u>87,343</u>	<u>131,369</u>	<u>218,712</u>

	For the six months ended 30 June 2020		
	Ophthalmology (Unaudited)	Surgical (Unaudited)	Total (Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue			
– Revenue from external customers	<u>146,048</u>	<u>177,787</u>	<u>323,835</u>
Reportable segment profit	<u>32,695</u>	<u>36,972</u>	<u>69,667</u>

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

	2021 (Unaudited) HK\$'000	For the six months ended 30 June 2020 (Unaudited) HK\$'000
Reportable segment profit	218,712	69,667
Unallocated corporate income and expenses, net	(28,711)	(16,021)
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")	(1,390)	7,959
Equity-settled share-based payments	(175)	(434)
Finance costs	(5,362)	(3,381)
Profit before income tax	<u>183,074</u>	<u>57,790</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.

4. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

(i) Revenue from external customers

For the six months ended 30 June 2021 and 2020, the Group's revenue from external customers is derived solely from its operations in the PRC (place of domicile).

(ii) Non-current assets

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
PRC	875,339	781,123
Hong Kong	180,814	172,771
Overseas	7,151	7,244
	1,063,304	961,138

The non-current asset information above excludes convertible loan receivables, financial assets at fair value through other comprehensive income ("FVTOCI") and financial assets at 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 area of the group entities' operations.

(c) Information about a major customer

For the six months ended 30 June 2021, revenue of HK\$169.9 million (For the six months ended 30 June 2020: HK\$78.2 million) was derived from sales to one (For the six months ended 30 June 2020: one) customer, which individually accounted for over 10% of the Group's total revenue.

5. 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.

6. OTHER REVENUE, AND OTHER GAINS AND LOSSES

	2021 (Unaudited) HK\$'000	For the six months ended 30 June 2020 (Unaudited) HK\$'000
Interest income from convertible loan receivables	1,488	944
Government grants	4,762	2,871
Interest income from bank deposits	1,623	2,823
Sundry income	2,799	780
Change in fair value of financial assets at FVTPL	(1,390)	7,959
Licensing income	2,801	2,577
Impairment loss on trade receivables	–	(2,207)
	12,083	15,747

7. FINANCE COSTS

	2021 (Unaudited) HK\$'000	For the six months ended 30 June 2020 (Unaudited) HK\$'000
Interest expense on bank borrowings	4,619	2,759
Interest expense on lease liabilities	95	114
Imputed interest expense on convertible loan payable	2,682	4,465
Less: Amount capitalised	(2,034)	(3,957)
	5,362	3,381

8. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	2021 (Unaudited) HK\$'000	For the six months ended 30 June 2020 (Unaudited) HK\$'000
Amortisation of land use rights	199	183
Amortisation of other intangible assets	5,353	3,381
Auditor's remuneration	630	620
Cost of inventories	71,291	50,351
Cost of services	41,146	17,285
Depreciation of property, plant and equipment	9,750	8,438
Depreciation of right-of-use assets	1,114	1,190
Employee costs excluding Directors' emoluments:		
– Salaries and other benefits	141,235	86,079
– Pension fund contributions	5,506	1,291
– Equity-settled share-based payments to the employees	175	306
Equity-settled share-based payments to the consultant of the Group	–	128
Exchange (gains)/losses, net	(385)	741
Research and development costs recognised as expenses	11,080	2,960
Write-off of inventories	2,243	1,489
Gain on disposal of property, plant and equipment	(8)	(7)

9. INCOME TAX

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%.

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

Income tax for the six months ended 30 June 2021 included an overprovision of approximately HK\$10.0 million in last year.

10. DIVIDENDS

The Board has resolved on 12 August 2021 to declare an interim dividend of HK\$0.04 (For the six months ended 30 June 2020: Nil) per ordinary share for the six months ended 30 June 2021, which is payable in cash.

11. EARNINGS PER SHARE

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

Earnings

	2021 (Unaudited) HK\$'000	For the six months ended 30 June 2020 (Unaudited) HK\$'000
Profit attributable to owners of the Company for the purposes of calculating basic earnings per share	162,186	49,188
Interest expense on convertible loan payable	2,682	N/A
Profit attributable to owners of the Company for the purposes of calculating diluted earnings per share	164,868	49,188

Number of shares

	2021 (Unaudited)	For the six months ended 30 June 2020 (Unaudited)
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	576,669,061	577,937,000
Effect of dilutive potential ordinary shares: – convertible loan payable	25,423,728	N/A
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	602,092,789	577,937,000

The computation of diluted earnings per share for the six months ended 30 June 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 six months ended 30 June 2020 did not assume the issue of potential ordinary shares in relation to all share options granted and the conversion of convertible loan payable as they had anti-dilutive effect.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost:						
At 1 January 2020	116,595	91,547	27,693	6,041	14,655	256,531
Additions	-	4,186	10,504	-	80,307	94,997
Acquisition of a subsidiary	-	-	83	492	-	575
Disposals	(252)	(133)	(130)	-	-	(515)
Exchange adjustment	6,638	5,453	2,112	332	5,379	19,914
At 31 December 2020	122,981	101,053	40,262	6,865	100,341	371,502
Additions	-	556	3,578	-	27,065	31,199
Disposals	-	(143)	(496)	(198)	-	(837)
Exchange adjustment	1,587	1,305	508	62	1,369	4,831
At 30 June 2021 (Unaudited)	124,568	102,771	43,852	6,729	128,775	406,695
Accumulated depreciation:						
At 1 January 2020	13,659	47,215	11,396	3,900	-	76,170
Charge for the year	2,330	10,064	4,151	529	-	17,074
Acquisition of a subsidiary	-	-	83	242	-	325
Disposals	(34)	(111)	(125)	-	-	(270)
Exchange adjustment	909	3,257	848	242	-	5,256
At 31 December 2020	16,864	60,425	16,353	4,913	-	98,555
Charge for the period	1,242	5,404	2,834	270	-	9,750
Disposals	-	(59)	(493)	(178)	-	(730)
Exchange adjustment	221	794	206	49	-	1,270
At 30 June 2021 (Unaudited)	18,327	66,564	18,900	5,054	-	108,845
Carrying amount:						
At 30 June 2021 (Unaudited)	106,241	36,207	24,952	1,675	128,775	297,850
At 31 December 2020 (Audited)	106,117	40,628	23,909	1,952	100,341	272,947

13. OTHER INTANGIBLE ASSETS

	Development expenditure HK\$'000	Acquired intangible assets HK\$'000	Total HK\$'000
Cost:			
At 1 January 2020	141,526	270,125	411,651
Additions	28,587	177,639	206,226
Exchange adjustment	8,652	16,663	25,315
At 31 December 2020	178,765	464,427	643,192
Additions	4,679	70,154	74,833
Exchange adjustment	2,083	4,173	6,256
At 30 June 2021 (Unaudited)	185,527	538,754	724,281
Accumulated amortisation and impairment losses:			
At 1 January 2020	16,861	17,762	34,623
Amortisation	2,537	5,363	7,900
Impairment	11,815	–	11,815
Exchange adjustment	1,745	1,316	3,061
At 31 December 2020	32,958	24,441	57,399
Amortisation	2,491	2,862	5,353
Exchange adjustment	425	323	748
At 30 June 2021 (Unaudited)	35,874	27,626	63,500
Carrying amount:			
At 30 June 2021 (Unaudited)	149,653	511,128 [#]	660,781
At 31 December 2020 (Audited)	145,807	439,986 [#]	585,793

[#] The carrying amount of acquired intangible assets as at 30 June 2021 mainly included (i) the project development cost of an ophthalmic solution containing SkQ1 as its sole active pharmaceutical ingredient of approximately HK\$322.7 million (31 December 2020: approximately HK\$296.2 million); and (ii) the project development cost of a pharmaceutical product that contains an anti-vascular endothelial growth factor (anti-VEGF) as a drug substance of approximately HK\$120.3 million (31 December 2020: approximately HK\$73.7 million).

14. CONVERTIBLE LOAN RECEIVABLES

- (i) In 2018, the Group entered into an agreement with an independent third party, DB Therapeutics, Inc (“DBT”), to subscribe for a convertible loan with principal amount of US\$4.5 million (approximately HK\$35.3 million) which carries interest at 5% per annum with maturity on 31 July 2022 (“Convertible Loan A”). 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 DBT at any time before the maturity date. In the event that no conversion has been taken place before maturity date, DBT shall repay the Group the outstanding principal amount plus an amount calculated by the Group which would yield a return for the Group on the principal amount of Convertible Loan A of 8% per annum. The first tranche in the principal amount of US\$0.6 million (approximately HK\$4.7 million) (“Tranche A of Convertible Loan A”) was disbursed to DBT 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”), with principal amount of US\$2.0 million (approximately HK\$15.6 million) (“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 to extend the maturity date of Convertible Loan B to 5 November 2022. The Group’s shareholding in Investee upon full conversion of Convertible Loan B represents 60% of the enlarged and fully diluted share capital of Investee. Convertible Loan B is classified as financial asset at FVTPL upon the initial recognition.
- (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 RMB15.0 million (approximately HK\$17.0 million) 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 six months ended 30 June 2021, the Group made available certain convertible loans to Antikor Biopharma Limited (“Antikor”) in the aggregate principal amount of US\$2.1 million (approximately HK\$16.3 million) 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 24.10% 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 six months ended 30 June 2021, the Group entered into a convertible loan agreement with an independent third party, Mitotech S.A. (“Mitotech”), with principal amount of US\$1.2 million (approximately HK\$9.3 million) 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 at any time before the maturity date. Convertible Loan E is classified as financial asset at FVTPL upon the initial recognition.

14. CONVERTIBLE LOAN RECEIVABLES (CONTINUED)

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

	HK\$'000
As at 30 June 2021	
– Tranche A of Convertible Loan A	5,408
– Convertible Loan B	23,506
– Convertible Loan C	32,415
– Convertible Loan D	21,228
– Convertible Loan E	8,803
Total	91,360
Less: Current portion	(32,415)
Non-current portion	58,945
	HK\$'000
As at 31 December 2020	
– Tranche A of Convertible Loan A	5,407
– Convertible Loan B	21,385
– Convertible Loan C	37,027
– Convertible Loan D	11,531
Total	75,350
Less: Current portion	(32,916)
Non-current portion	42,434

The movements in fair value of convertible loan receivables classified as level 3 in the fair value hierarchy during the six months ended 30 June 2021 are as follows:

	HK\$'000
At 1 January 2021	75,350
Additions	15,140
Change in fair value recognised in profit or loss	406
Exchange differences	464
At 30 June 2021 (Unaudited)	91,360

As at 30 June 2021, the fair values of convertible loan receivables are calculated using Binomial Share Option Model with the following key assumptions:

	Convertible Loan A	Convertible Loan B	Convertible Loan C	Convertible Loan D	Convertible Loan E
Dividend yield	Nil	Nil	Nil	Nil	Nil
Expected volatility	161%	47%	80%	70%	117%

The key significant unobservable input to determine the fair value of convertible loan receivables is the expected volatility. A higher in the expected volatility would result in an increase in the fair value of convertible loan receivables, and vice versa.

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

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Non-current		
Equity investments designated at FVTOCI (<i>Note (a)</i>)		
– Listed equity investments (<i>Note (b)</i>)	31,547	20,534
– Unlisted equity investments (<i>Note (c)</i>)	46,942	58,040
	78,489	78,574
Equity investments designated at FVTPL (<i>Note (d)</i>)		
– Unlisted equity investments (<i>Note (c)</i>)	7,470	6,338
Current		
Equity investments designated at FVTPL (<i>Note (d)</i>)		
– Listed equity investments (<i>Note (b)</i>)	23	15

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 30 June 2021 represents one (31 December 2020: one) listed equity security which is listed on the NASDAQ Stock Market of the United States, namely AC Immune SA. The fair value was based on quoted market price as at 30 June 2021.
- (c) The balance as at 30 June 2021 represents six (31 December 2020: five) unlisted equity investments, namely the investments in (i) series B preferred stock of a private company incorporated in the United States; (ii) series C preferred stock and common stock of another private company incorporated in the United States; (iii) equity interest in Shangong; (iv) ordinary shares of Antikor; (v) series pre-A preferred stock of a private company incorporated in Singapore; and (vi) 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.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The movements in fair value of equity interest in Shanggong classified as level 3 in the fair value hierarchy during the six months ended 30 June 2021 are as follows:

	HK\$'000
At 1 January 2021	37,799
Change in fair value recognised in other comprehensive income	(4,553)
Exchange differences	475
At 30 June 2021 (Unaudited)	<u>33,721</u>

As at 30 June 2021, the fair value of equity interest in Shanggong is calculated using Value Allocation Model with the following key assumptions:

Expected volatility	70%
Risk-free interest rate	2.55%

A higher in the expected volatility would result in an increase in the fair value of equity interest in Shanggong, and vice versa. A higher in the risk-free interest rate would result in a decrease in the fair value of equity interest in Shanggong, and vice versa.

16. INVENTORIES

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Raw materials	10,103	8,030
Work in progress	13,726	12,489
Finished goods	102,234	126,517
	<u>126,063</u>	<u>147,036</u>

17. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Trade receivables	513,267	463,392
Other receivables	29,915	19,862
	543,182	483,254

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

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

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
0–60 days	307,420	267,734
61–90 days	97,898	67,026
Over 90 days	107,949	128,632
	513,267	463,392

18. DEPOSITS AND PREPAYMENTS

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Deposits paid for acquisition of property, plant and equipment	15,634	13,007
Deposits paid for acquisition of other intangible assets (<i>Note</i>)	42,106	41,570
Prepayments for purchase of finished goods	361	18,792
Other deposits	931	1,068
Other prepayments	12,515	9,842
Total	71,547	84,279
Less: Current portion	(13,807)	(29,702)
Non-current portion	57,740	54,577

Note:

It is a refundable earnest money paid to 西藏林芝百盛藥業有限公司 (Tibet Linzhi Parkson Pharmaceutical Co., Ltd.*) ("Parkson Pharmaceutical") in accordance with the framework agreement entered into between Parkson Pharmaceutical and the Group on 4 June 2020. Subject to the fulfilment of conditions set out in the product interests transfer agreement dated 9 June 2021, the Group shall pay to Parkson Pharmaceutical the remaining balance of the consideration of RMB62.0 million. As at the date of this report, Parkson Pharmaceutical has not yet fulfilled the conditions.

19. TRADE AND OTHER PAYABLES

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Trade payables	4,289	44,086
Other payables and accruals (<i>Note</i>)	407,856	352,807
	412,145	396,893

Note:

Other payables and accruals included the accruals for sales and marketing costs of approximately HK\$306.4 million (31 December 2020: approximately HK\$284.9 million).

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

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
0–60 days	4,283	44,050
61–90 days	6	34
Over 90 days	–	2
	4,289	44,086

20. BANK BORROWINGS

As at 30 June 2021, the bank borrowings and banking facilities were secured by (i) corporate guarantees provided by the Company and subsidiaries within the Group; and (ii) a pledged bank deposit of approximately HK\$36.8 million.

As at 31 December 2020, the bank borrowings and banking facilities were secured by (i) corporate guarantees provided by the Company and subsidiaries within the Group; and (ii) a pledged bank deposit of approximately HK\$40.2 million.

As at 30 June 2021, the Group obtained banking facilities of approximately HK\$734.1 million (31 December 2020: approximately HK\$848.7 million), of which approximately HK\$449.8 million (31 December 2020: approximately HK\$434.1 million) was utilised.

21. CONVERTIBLE LOAN PAYABLE

On 6 July 2016, the Group entered into a convertible loan agreement with International Finance Corporation (“IFC”) in an aggregate principal amount of HK\$150.0 million (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 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. The Group 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.

21. CONVERTIBLE LOAN PAYABLE (CONTINUED)

The major terms and conditions of the Convertible Loan Payable are as follows:

(i) Interest rate

The outstanding principal amount of the Convertible Loan Payable at 1.9% per annum.

(ii) Conversion price

The conversion price is HK\$5.9 per share (subject to anti-dilutive adjustments as set out in the convertible loan agreement).

(iii) Repayment

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.

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 the date of issue of the Convertible Loan Payable and at 30 June 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:

	Debt component	Conversion component	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	140,159	33,323	173,482
Imputed interest expense	8,174	–	8,174
Interest paid	(2,890)	–	(2,890)
Extinguishment	(4,914)	(18,096)	(23,010)
At 31 December 2020 (Audited)	140,529	15,227	155,756
Imputed interest expense	2,682	–	2,682
Interest paid	(1,441)	–	(1,441)
At 30 June 2021 (Unaudited)	141,770	15,227	156,997

22. SHARE CAPITAL

Authorised

	At 30 June 2021		At 31 December 2020	
	Number (Unaudited)	HK\$'000 (Unaudited)	Number (Audited)	HK\$'000 (Audited)
Ordinary shares at HK\$0.1 each	<u>1,000,000,000</u>	<u>100,000</u>	<u>1,000,000,000</u>	<u>100,000</u>

Issued and fully paid

	Number	HK\$'000
At 1 January 2020	577,937,000	57,794
Shares repurchased and cancelled	<u>(1,034,000)</u>	<u>(104)</u>
At 31 December 2020 (Audited)	576,903,000	57,690
Employee share options exercised	320,000	32
Shares repurchased and cancelled (Note)	<u>(507,000)</u>	<u>(50)</u>
At 30 June 2021 (Unaudited)	<u>576,716,000</u>	<u>57,672</u>

Note:

During the six months ended 30 June 2021, the Company repurchased 485,000 of its shares on the Stock Exchange for a total consideration of approximately HK\$2.2 million which was paid wholly out of retained profits in accordance with section 257 of the Hong Kong Companies Ordinance. The repurchased shares together with 22,000 shares repurchased by the end of December 2020 were cancelled during the six months ended 30 June 2021 and the total amount paid for the repurchase of the shares has been charged to retained profits of the Company.

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Financial assets measured at fair value

As at the end of the reporting period, convertible loan receivables and equity investments included in the interim condensed consolidated financial statements require measurement at, and disclosure of, fair value.

The fair value of financial instruments with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key unobservable inputs and fair value are set out in notes (iii) and (iv) below.

24. CAPITAL COMMITMENTS

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Contracted but not provided for:		
– property, plant and equipment	2,617	1,140
– development expenditure	10,960	16,313
– acquired intangible assets	264,898	334,452
– construction of the new factory	193,588	183,234
– expansion of the existing factory	28,124	24,481
	500,187	559,620

25. RELATED PARTY TRANSACTIONS

Details of compensation paid to key management of the Group (all being the Directors) are as follows:

	2021 (Unaudited) HK\$'000	For the six months ended 30 June 2020 (Unaudited) HK\$'000
Salaries and other benefits	4,827	2,934
Pension fund contributions	22	14
	4,849	2,948

26. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 12 August 2021.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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

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

Currently the Group has six commercialised biologics, formulated with rb-bFGF (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 People’s Republic of China (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 biologics 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 period 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 period 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. These products are expected to strengthen the market positioning of the ophthalmology business segment of the Group.

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

Leveraging on its established market access capability, the Group undertakes the promotion and selling of a range of products, including Xalatan® Eye Drops, Xalacom® Eye Drops, 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.

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

Significant Business Development Activities

We are committed to pragmatically investing in new products and technologies to strengthen the Group’s product and R&D pipeline as near to mid-term growth driver in ophthalmology and long-term plan for new therapeutics in oncology. 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 (the “Board”) of directors of the Company (the “Directors”) is enthusiastic about the read-out of clearing of central staining of the cornea (defined as zero staining in central cornea), which reveals the potential of SkQ1 in addressing oxidative stress in dry eye diseases, and is looking forward to seeing the results of the third phase 3 clinical trial (VISTA-3) on the overall regulatory pathway towards the new drug application submission with the US FDA targeted by Mitotech to be made in the year of 2022 to 2023.

Total actual investment cost of approximately HK\$322.7 million for the clinical development of the SkQ1 Product with Mitotech is presented as “Acquired Intangible Assets” under the Group’s interim condensed consolidated financial statements as at 30 June 2021. The investment cost represented 12.3% of the Group’s total assets as at 30 June 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 report, 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 and European Union countries such as Hungary, Spain and Latvia. Also, the first patient has been dosed in a phase 1 clinical study for HLX04-O for the treatment of wet-AMD in the PRC.

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\$380.5 million). Total actual investment cost of approximately HK\$120.3 million is presented as “Acquired Intangible Assets” under the Group’s interim condensed consolidated financial statements as at 30 June 2021. The investment cost represented 4.6% of the Group’s total assets as at 30 June 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 (the “Product Interests Transfer Agreement”) with 西藏林芝百盛藥業有限公司 (Tibet Linzhi Parkson Pharmaceutical Co., Ltd.*) (“Parkson Pharmaceutical”) in relation to the acquisition of intellectual property rights relating to technologies and process of product R&D and production of 適麗順® (Iodized Lecithin Capsules*) and other medicinal products in different forms in which iodized lecithin serves as an active pharmaceutical ingredient. The consideration of the acquisition is RMB97.0 million (equivalent to approximately HK\$117.6 million). As at the date of this report, a refundable earnest money of RMB35.0 million (equivalent to approximately HK\$42.4 million) was paid to Parkson Pharmaceutical. It is expected that the acquisition will enable the Group to strengthen the ophthalmology business. As at the date of this report, Parkson Pharmaceutical has not yet fulfilled the conditions set out in the Product Interests Transfer Agreement.

Apart from the investments in the SkQ1 Product and the Anti-VEGF Licensed Product, as at 30 June 2021 and the date of this report, 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, has been included in 2020 年度中國化藥企業 TOP100 排行榜 (2020 top 100 chemical pharmaceutical companies in the PRC).

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.

MARKET DEVELOPMENT

Over the years, the Group has been relentlessly investing in establishing and strengthening its market access capability. As at 30 June 2021, the Group maintains a network of 43 regional sales offices in the PRC and a total number of about 1,280 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 strategic base for market access expansion into Southeast Asian countries.

During the period under review, the Group's therapeutic products are being prescribed in more than 9,760 hospitals and medical providers, coupled with approximately 2,100 pharmaceutical stores, which are widely 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 a recombinant proteins, in particular, the basic fibroblast growth factor ("bFGF"). The Group has been able to capitalise on its biologic facility, built with its proprietary technique and know-how, delivering high-quality bFGF Series of biologics in the Ophthalmology and Surgical business segments, the Group's primary current growth driver. Strengthening on the Group's biologics-based R&D, the recent strategic alliance forged with Antikor Biopharma Limited and Henlius is in furtherance of our R&D plans for biologics in oncology and in ophthalmology for wet-AMD, diabetic macular edema, macular edema caused by retinal vein occlusion and myopic choroidal neovascularisation for mid-term to long-term growth driver.

The establishment of the BFS platform formed part of the Group's core competency to develop and produce a series of preservative-free unit-dose drugs. As at 30 June 2021, the Group has 4 commercialised preservative-free unit-dose eye drops in the product pipeline. During the period 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 30 June 2021, there are 14 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 1 clinical trial (global, US FDA, European Medicines Agency and NMPA in the PRC)

As at the date of this report, the Group has obtained a total of 38 patent certificates or authorisation letters: 30 發明專利 (invention patents), 3 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 supports 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 active pharmaceutical substance (rb-bFGF) 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 Group's revenue is chiefly derived and denominated in Renminbi from its operations in the PRC. For the six months ended 30 June 2021, the Group achieved a consolidated turnover of approximately HK\$737.4 million, an increase of 127.7% as compared to the same period last year, 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, Xalatan® Eye Drops, Xalacom® 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), T-Bactum® (anti-microbial oral care product), Carisolv® dental caries removal gel and 伊血安顆粒 (Yi Xue An Granules*).

The sectoral turnover of Ophthalmology and Surgical is approximately 39.9% and 60.1% of the Group's turnover, respectively. The combined turnover of the Group's flagship biologics, Beifushu series and Beifuji series, the bGFG based biologic drugs, represented about 86.4% of the Group's total turnover, of which Beifushu series and Beifuji series accounted for 27.0% and 59.4% of the Group's turnover, respectively. The remaining 13.6% of the Group's turnover is largely contributed from sales of Tobramycin Eye Drops, Levofloxacin Eye Drops, Sodium Hyaluronate Eye Drops, Xalatan® Eye Drops, Xalacom® Eye Drops, 適麗順® (Iodized Lecithin Capsules*), T-Bactum® and 伊血安顆粒 (Yi Xue An Granules*) collectively.

Composition of turnover for the six months ended 30 June 2021 and 2020, respectively, is shown in the following table:

Expressed in HK\$' million	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Ophthalmology	294.0	146.0
Surgical	443.4	177.8
Total	737.4	323.8

Ophthalmology contributed approximately HK\$294.0 million to the Group's turnover for the six months ended 30 June 2021, representing an increase of 101.4% as compared to the same period last year. Surgical recorded a total turnover of approximately HK\$443.4 million for the six months ended 30 June 2021, representing an increase of 149.4% as compared to the same period last year. The increase was attributable to the resumption of clinical operations in hospitals to normalcy in the PRC.

During the period under review, the Group achieved a profit of approximately HK\$162.2 million as compared to approximately HK\$49.2 million for the corresponding period last year, representing an increase of 229.7% which was attributable to the aforementioned recovery of revenue to the pre-COVID-19 level.

The distribution and selling expenses for the period under review were approximately HK\$377.3 million as compared to approximately HK\$163.5 million for the corresponding period last year. 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 is in line with the increase in turnover for the six months ended 30 June 2021.

The administrative expenses for the period under review were approximately HK\$69.1 million as compared to approximately HK\$45.7 million for the corresponding period last year. 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\$11.7 million; and (ii) an increase in R&D expenses of approximately HK\$8.1 million.

Total expenditures (inclusive of acquired intangible assets) incurred in R&D for the period under review were approximately HK\$85.9 million (For the six months ended 30 June 2020: approximately HK\$47.7 million), representing 11.7% (For the six months ended 30 June 2020: 14.7%) of the turnover, of which approximately HK\$74.8 million (For the six months ended 30 June 2020: approximately HK\$44.7 million) were capitalised. The increase is in line with the Group's plan in strengthening its R&D pipelines and capability.

The Group had cash and cash equivalents of approximately HK\$657.8 million as at 30 June 2021 (31 December 2020: approximately HK\$599.8 million).

The Group's bank borrowings as at 30 June 2021 were approximately HK\$414.0 million (31 December 2020: approximately HK\$414.8 million), among which 20.7% was repayable within 1 year and 79.3% was repayable in more than 1 year but within 5 years. Among the Group's bank borrowings as at 30 June 2021, 44.5% was denominated in Hong Kong Dollar, 8.7% was denominated in Renminbi and 46.8% 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 1.6% to 3.7% as at 30 June 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 period ended 30 June 2021 were approximately HK\$5.4 million (For the six months ended 30 June 2020: approximately HK\$3.4 million), including an imputed interest expense on the convertible loan payable and interest expenses on bank borrowings amounting to approximately HK\$7.3 million (For the six months ended 30 June 2020: approximately HK\$7.2 million) of which approximately HK\$2.0 million (For the six months ended 30 June 2020: approximately HK\$3.9 million) was capitalised during the period under review.

Convertible Loan from International Finance Corporation ("IFC")

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 (the "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 biopharmaceutical 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 30 June 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 30 June 2021:

Shareholders	As at 30 June 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	25.54	147,279,000	24.46
Ngiam Mia Kiat Benjamin	145,354,000	25.20	145,354,000	24.14
Dynatech Ventures Pte Ltd (<i>Note 1</i>)	6,666,667	1.16	6,666,667	1.11
Directors within last 12 months (other than Ngiam Mia Je Patrick) (<i>Note 2</i>)	7,329,450	1.27	7,329,450	1.22
IFC	–	–	25,423,728	4.22
Other shareholders	<u>270,086,883</u>	<u>46.83</u>	<u>270,086,883</u>	<u>44.85</u>
	<u>576,716,000</u>	<u>100</u>	<u>602,139,728</u>	<u>100</u>

Notes:

- (1) 6,666,667 ordinary shares were held by Dynatech Ventures Pte Ltd (“Dynatech”) which was wholly owned by Essex Investment (Singapore) Pte Ltd (“Essex Singapore”), which in turn was owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares.
- (2) Amongst these 7,329,450 shares, 5,244,300 shares were registered in the name of Fang Haizhou, 2,039,000 shares were registered in the name of Ngiam Hian Leng Malcolm, 46,000 shares were registered in the name of Yau Lai Man and 150 shares were registered in the name of Zhong Sheng (being a former Director who resigned with effect from 4 July 2020).
- (3) Lauw Hui Kian is the spouse of Ngiam Mia Je Patrick (an executive Director) and is deemed to be interested in the shares in which Ngiam Mia Je Patrick is interested/deemed to be interested.

Dilutive effect on earnings per share

Based on the profit attributable to owners of the Company for the six months ended 30 June 2021 of approximately HK\$162.2 million, the basic and diluted earnings per share attributable to owners of the Company, after considering the full conversion of the convertible loan, were HK28.12 cents and HK27.38 cents respectively.

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

Based on the cash and cash equivalents as at 30 June 2021 and the cash flow from the operations of the Company for the period then ended, the Company has the ability to meet its repayment obligations under the convertible loan which remained unconverted to Conversion Shares as at 30 June 2021.

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 “Listing Rules”) – 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, as at 30 June 2021, the Group did not have any immediate plan for material investments or acquisition of material capital assets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group obtained banking facilities of approximately HK\$734.1 million, of which approximately HK\$449.8 million was utilised. The banking facilities were secured by the corporate guarantees provided by the Company and subsidiaries within the Group and a pledged deposit which amounted to approximately HK\$36.8 million.

As at 30 June 2021, the Group had cash and cash equivalents of approximately HK\$657.8 million as compared to approximately HK\$599.8 million as at 31 December 2020.

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 30 June 2021 was 39.8% (31 December 2020: 41.1%).

CHARGES ON GROUP ASSETS

As at 30 June 2021, bank deposit of approximately HK\$36.8 million (31 December 2020: approximately HK\$40.2 million) was pledged to secure the Group's banking facilities.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had capital commitments amounted to approximately HK\$500.2 million (31 December 2020: approximately HK\$559.6 million).

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

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

There were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the period ended 30 June 2021.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in this report, the Group did not hold any significant investments as at 30 June 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 30 June 2021, the Group had a total of 1,308 full-time employees (31 December 2020: 1,242 full-time employees). The aggregate remuneration of the Group's employees, including that of the Directors for the period under review and the preceding period amounted to approximately HK\$151.2 million and approximately HK\$90.0 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.

SHARE CAPITAL AND SHARE OPTIONS

There was no movement in the Company's authorised share capital during the period under review. Please refer to the sub-section headed "Purchase, Redemption or Sale of Listed Securities of the Company" for details of the share repurchase of the Company conducted during the period under review. For the period ended 30 June 2021, 320,000 ordinary shares of the Company were issued as a result of the exercise of 320,000 share options (the "Options") granted under the Company's share option scheme as approved by the shareholders of the Company at the annual general meeting held on 3 May 2013 (the "Scheme"). Details of the Scheme are set out below.

Summary of the Scheme

1. Purpose of the Scheme:
 - (a) To recognise and acknowledge the contributions that the Eligible Participants (as defined below) have made or may make to the Group.
 - (b) To provide the Eligible Participants (as defined below) with the opportunity of acquiring proprietary interests in the Company with the view to (1) motivate them to optimise their performance and efficiency for the benefit of the Group; and (2) attract and retain or otherwise maintain ongoing business relationship with them whose contributions are, will or expected to be beneficial to the Group.
2. Participants of the Scheme:
 - (a) any director, officer, employee or officer employed by any company in the Group or by any member of the Group or a company in which the Group holds an interest or a subsidiary of such company (the "Affiliate") (whether full time or part time) (the "Employee"), consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to an Affiliate; or
 - (b) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, officer, Employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or an Affiliate; or
 - (c) a company beneficially owned by any director, officer, Employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or an Affiliate (the "Eligible Participants").

The basis of eligibility of any of the above classes of the Eligible Participants to the grant of any right(s) to subscribe for fully paid share(s) of HK\$0.10 each of the Company (or such other nominal amount prevailing from time to time) (the "Share(s)") granted pursuant to this Scheme shall be determined by the Board from time to time on the basis of their contribution to the Group and/or the Affiliate(s) in line with the purposes of the Scheme.

3.
 - (a) Total number of ordinary shares of HK\$0.10 each in the capital of the Company available for issue under the Scheme as at the date of this report:

25,375,000 Shares.
 - (b) Percentage of the issued share capital that it represents as at the date of this report:

4.40%.

4. Maximum entitlement of each Eligible Participant under the Scheme:

Not to exceed 1% of the Shares in issue in any 12-month period unless approved by shareholders of the Company.
5. Period within which the Shares must be taken up under an Option:

Within 10 years from the date on which the Option is offered or such shorter period as the Board may determine.
6. Minimum period for which an Option must be held before it can be exercised:

No minimum period unless otherwise determined by the Board.
7. (a) Price payable on application or acceptance of the Option:

HK\$1.00.

(b) The period within which payments or calls must or may be made:

14 days after the offer date of an Option.

(c) The period within which loans for the purposes of the payments or calls must be repaid:

Not applicable.
8. Basis of determining the exercise price:

The exercise price shall be determined by the Board and notified to each grantee and shall not be less than the highest of:
 - (a) the closing price of a Share as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the relevant Option, which must be a business day;
 - (b) an amount equivalent to the average closing price of a Share as stated in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant of the relevant Option; and
 - (c) the nominal value of a Share.
9. The remaining life of the Scheme:

Approximately 1.8 years (expiring on 2 May 2023).

10. Key information on the Options granted under the Scheme:

- (1) As disclosed in the announcement of the Company dated 11 November 2016, 2,300,000 Options were granted to three eligible persons (one of which was appointed as an executive Director with effect from 19 September 2020) under the Scheme. Set out below are details of such Options granted on 11 November 2016:
- (a) Exercise price of the Options granted: HK\$5.90 per Share.
 - (b) Each grantee is entitled to exercise the Options in accordance with the following vesting periods and in the following manner:
 - (i) up to 20% of the total number of Options granted to such grantee is exercisable during the period from 11 May 2017 to 10 November 2021 (both dates inclusive);
 - (ii) up to 20% of the total number of Options granted to such grantee is exercisable during the period from 11 November 2017 to 10 November 2021 (both dates inclusive);
 - (iii) up to 20% of the total number of Options granted to such grantee is exercisable during the period from 11 May 2018 to 10 November 2021 (both dates inclusive);
 - (iv) up to 20% of the total number of Options granted to such grantee is exercisable during the period from 11 November 2018 to 10 November 2021 (both dates inclusive); and
 - (v) up to 20% of the total number of Options granted to such grantee is exercisable during the period from 11 May 2019 to 10 November 2021 (both dates inclusive).
 - (c) All outstanding or unexercised Options granted to the grantees shall lapse after 10 November 2021.
- (2) As disclosed in the announcement of the Company dated 1 November 2017, the Company entered into the service contract with Hong Kong Zhixin Financial News Agency Limited (“HK Zhixin”) for the appointment of HK Zhixin as the Company’s investor and media relations consultant. HK Zhixin shall act as the Company’s investor and media relations consultant and shall provide to the Company certain services related to relations with investors and media for a term commencing on 1 November 2017 up to 31 October 2021 (both days inclusive). In consideration of the provision of the services by HK Zhixin to the Company, the Company shall grant an aggregate of 5,000,000 Options to HK Zhixin to subscribe for up to 5,000,000 Shares under the Scheme. Set out below are the details of such Options granted on 1 November 2017:
- (a) The exercise price for:
 - (i) Options to subscribe for up to 1,700,000 Shares, representing 34% of the total number of Options granted, the exercise period of which is from 1 November 2018 to 31 October 2019 (both dates inclusive), will be HK\$6.50 per Share;
 - (ii) Options to subscribe for up to 1,700,000 Shares, representing 34% of the total number of Options granted, the exercise period of which is from 1 November 2019 to 31 October 2020 (both dates inclusive), will be HK\$7.50 per Share; and

(iii) Options to subscribe for up to 1,600,000 Shares, representing 32% of the total number of Options granted, the exercise period of which is from 1 November 2020 to 31 October 2021 (both dates inclusive), will be HK\$8.50 per Share.

(b) HK Zhixin is entitled to exercise the Options in accordance with the following vesting periods and in the following manner:

(i) up to 34% of the total number of Options granted to HK Zhixin is exercisable during the period from 1 November 2018 to 31 October 2019 (both dates inclusive). The number of Options exercisable is 1,700,000 Options or 1,700,000 Options X the average number of Shares traded per day during the period from 1 November 2017 to 31 October 2018 (both days inclusive)/500,000, whichever is lower (*Note 1*);

Note 1: On 1 November 2018, the number of Options exercisable was determined to be 1,700,000 which were lapsed on 31 October 2019.

(ii) up to 34% of the total number of Options granted to HK Zhixin is exercisable during the period from 1 November 2019 to 31 October 2020 (both dates inclusive). The number of Options exercisable is 1,700,000 Options or 1,700,000 Options X the average number of Shares traded per day during the period from 1 November 2018 to 31 October 2019 (both days inclusive)/750,000, whichever is lower (*Note 2*); and

Note 2: On 1 November 2019, the number of Options exercisable was determined to be 1,085,507 which were lapsed on 31 October 2020.

(iii) up to 32% of the total number of Options granted to HK Zhixin is exercisable during the period from 1 November 2020 to 31 October 2021 (both dates inclusive). The number of Options exercisable is 1,600,000 Options or 1,600,000 Options X the average number of Shares traded per day during the period from 1 November 2019 to 31 October 2020 (both days inclusive)/1,000,000, whichever is lower (*Note 3*);

Note 3: On 1 November 2020, the number of Options exercisable was determined to be 765,537.

the term “average number of Shares traded per day” means the total number of Shares traded on the trading days during the relevant period/the total number of trading days in the relevant period, and the number of Shares traded as set out on the website of the Stock Exchange shall be relied upon in respect of the number of Shares traded on each trading day.

(c) Each of the outstanding or unexercised Options granted to HK Zhixin shall lapse after the respective exercise periods. The vesting periods shall be subject to the provisions of the service contract of HK Zhixin in relation to early termination of the service contract.

(3) As disclosed in the announcement of the Company dated 27 June 2018, 1,000,000 Options were granted to an eligible person under the Scheme. Set out below are details of such Options granted on 27 June 2018:

(a) Exercise price of the Options granted: HK\$10.00 per Share.

- (b) The grantee is entitled to exercise the Options in accordance with the following vesting periods and in the following manner:
- (i) up to 30% of the total number of Options granted to such grantee is exercisable during the period from 27 June 2020 to 26 June 2023 (both dates inclusive);
 - (ii) up to 30% of the total number of Options granted to such grantee is exercisable during the period from 27 June 2021 to 26 June 2023 (both dates inclusive); and
 - (iii) up to 40% of the total number of Options granted to such grantee is exercisable during the period from 27 June 2022 to 26 June 2023 (both dates inclusive).
- (c) All outstanding or unexercised Options granted to the grantee shall lapse after 26 June 2023.

Details of the Options Granted

The following table discloses the movements in the Company's share options held by a Director, each of the employees of the Company in aggregate and other participants granted under the Scheme during the period ended 30 June 2021:

Participants	Date of grant	Exercise price HK\$	Exercisable period	Outstanding as at 1 January 2021	Granted during the period	Exercised during the period	Outstanding as at 30 June 2021
Ngiam Hian Leng Malcolm Director	11.11.2016	5.9	11.05.2017–10.11.2021	200,000	0	0	200,000
	11.11.2016	5.9	11.11.2017–10.11.2021	200,000	0	0	200,000
	11.11.2016	5.9	11.05.2018–10.11.2021	200,000	0	0	200,000
	11.11.2016	5.9	11.11.2018–10.11.2021	200,000	0	0	200,000
	11.11.2016	5.9	11.05.2019–10.11.2021	200,000	0	0	200,000
Total for a Director				<u>1,000,000</u>	<u>0</u>	<u>0</u>	<u>1,000,000</u>
Employees	11.11.2016	5.9	11.05.2017–10.11.2021	203,000	0	63,000	140,000
	11.11.2016	5.9	11.11.2017–10.11.2021	260,000	0	100,000	160,000
	11.11.2016	5.9	11.05.2018–10.11.2021	260,000	0	100,000	160,000
	11.11.2016	5.9	11.11.2018–10.11.2021	260,000	0	57,000	203,000
	11.11.2016	5.9	11.05.2019–10.11.2021	260,000	0	0	260,000
	27.06.2018	10.0	27.06.2020–26.06.2023	300,000	0	0	300,000
	27.06.2018	10.0	27.06.2021–26.06.2023	300,000	0	0	300,000
	27.06.2018	10.0	27.06.2022–26.06.2023	400,000	0	0	400,000
Total for employees				<u>2,243,000</u>	<u>0</u>	<u>320,000</u>	<u>1,923,000</u>
An investor relations consultant	01.11.2017	8.5	01.11.2020–31.10.2021	765,537	0	0	765,537
Total for an investor relations consultant				<u>765,537</u>	<u>0</u>	<u>0</u>	<u>765,537</u>
Total for the Scheme				<u>4,008,537</u>	<u>0</u>	<u>320,000</u>	<u>3,688,537</u>

The weighted average share price for Options exercised during the period ended 30 June 2021 immediately before the date of exercise was HK\$7.83 per Share.

During the period under review, no Option has been cancelled or lapsed.

* For identification purpose only

ADDITIONAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions in shares of the Company:

Name	Capacity	Number of ordinary shares/ underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital as at 30 June 2021
Ngiam Mia Je Patrick	Beneficial owner and interests of controlled corporations	153,945,667 <i>(Note 1)</i>	26.69%
Fang Haizhou	Beneficial owner	5,244,300 <i>(Note 2)</i>	0.91%
Ngiam Hian Leng Malcolm	Beneficial owner	3,039,000 <i>(Note 3)</i>	0.53%
Yau Lai Man	Beneficial owner	46,000 <i>(Note 4)</i>	0.01%

Notes:

- 147,279,000 ordinary shares were registered in the name of Ngiam Mia Je Patrick.
 - 6,666,667 ordinary shares were held by Dynatech which was wholly owned by Essex Singapore. Since Essex Singapore is owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares, Ngiam Mia Je Patrick was deemed to be interested in these shares under the SFO as he was entitled to exercise or control the exercise of more than one-third of the voting power of Dynatech at general meetings.
- 5,244,300 ordinary shares were registered in the name of Fang Haizhou.
- Comprised (i) 2,039,000 ordinary shares held by him; and (ii) 1,000,000 underlying shares, which are his share option entitlement granted on 11 November 2016 under the Scheme.
- 46,000 ordinary shares were registered in the name of Yau Lai Man.

Save as disclosed above, as at 30 June 2021, none of the Directors and the chief executive of the Company had any interest and short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the Part XV of the SFO) which was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

As at 30 June 2021, the following persons or entities, other than a Director or chief executive of the Company had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company:

Name	Capacity	Number of ordinary shares/ underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital as at 30 June 2021
Ngiam Mia Kiat Benjamin	Beneficial owner and interests of controlled corporations	152,020,667 <i>(Note 1)</i>	26.36%
Lauw Hui Kian	Family interest	153,945,667 <i>(Note 2)</i>	26.69%

Notes:

- 145,354,000 ordinary shares were registered in the name of Ngiam Mia Kiat Benjamin.
 - 6,666,667 ordinary shares were held by Dynatech which was wholly owned by Essex Singapore, which in turn was owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares. Therefore, Ngiam Mia Kiat Benjamin was deemed to be interested in these shares under the SFO as he was entitled to exercise or control the exercise of more than one-third of the voting power of Dynatech at general meetings.
- Lauw Hui Kian is the spouse of Ngiam Mia Je Patrick (an executive Director). Lauw Hui Kian was deemed to be interested in 153,945,667 shares in which Ngiam Mia Je Patrick was interested/deemed to be interested under the SFO.

Save as disclosed above, as at 30 June 2021, no other persons or entities (other than the Directors and chief executive of the Company whose interests are set out under the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above) had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period under review, the Company repurchased 485,000 of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company as at the date of this report. The total amount paid for the repurchases of HK\$2,201,900 was paid wholly out of retained profits. Details of those transactions are as follows:

Month	Number of shares repurchased	Price per share		Total price paid HK\$
		Highest HK\$	Lowest 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
	<u>485,000</u>			<u>2,201,900</u>

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

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period 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 period under review.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters, including reviewing the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board has resolved on 12 August 2021 to declare an interim dividend of HK\$0.04 (For the six months ended 30 June 2020: Nil) per ordinary share for the six months ended 30 June 2021 (the "Interim Dividend"), which is payable in cash on Tuesday, 14 September 2021. The Interim Dividend will be paid to shareholders of the Company whose names appear in the Company's register of members at the close of business on Friday, 3 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 1 September 2021 to Friday, 3 September 2021 (both days inclusive) during which period no share transfer will be effected. To qualify for the Interim Dividend, all transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Hong Kong share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 31 August 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code. Having made specific enquiries with all the Directors, all the Directors have confirmed that they have fully complied with the required standards and provisions as set out in the Model Code throughout the 6-month period ended 30 June 2021.

ON BEHALF OF THE BOARD

Ngiam Mia Je Patrick

Chairman

Hong Kong
12 August 2021

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ngiam Mia Je Patrick (*Chairman*)
Fang Haizhou (*Managing Director*)
Ngiam Hian Leng Malcolm (*Deputy Managing Director*)
Yau Lai Man

Independent Non-executive Directors

Fung Chi Ying
Mauffrey Benoit Jean Marie
Yeow Mee Mooi

AUDIT COMMITTEE

Fung Chi Ying (*Chairperson*)
Mauffrey Benoit Jean Marie
Yeow Mee Mooi

REMUNERATION COMMITTEE

Yeow Mee Mooi (*Chairperson*)
Ngiam Mia Je Patrick
Fung Chi Ying
Mauffrey Benoit Jean Marie

NOMINATION COMMITTEE

Yeow Mee Mooi (*Chairperson*)
Ngiam Mia Je Patrick
Fung Chi Ying
Mauffrey Benoit Jean Marie

CORPORATE GOVERNANCE COMMITTEE

Yeow Mee Mooi (*Chairperson*)
Yau Lai Man
Fung Chi Ying
Mauffrey Benoit Jean Marie

COMPANY SECRETARY

Yau Lai Man MBA, ACA, CPA (practising)

AUTHORISED REPRESENTATIVES

Fang Haizhou
Yau Lai Man

AUDITOR

BDO Limited

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www.essexbio.com

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Hong Kong

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Hi-Tech Zone
Zhuhai
Guangdong, China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG SHARE REGISTRAR

Hong Kong Registrars Limited
Shops 1712–1716
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183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China
Bank of Communications Co., Ltd.
China Merchants Bank
China Construction Bank
Industrial and Commercial Bank of China (Asia) Limited

STOCK CODE

01061