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ESSEX BIO-TECHNOLOGY LIMITED

億勝生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1061)

INSIDE INFORMATION

PROPOSED SUBSCRIPTION OF CONVERTIBLE NOTES AND LICENSE AGREEMENT

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

For the furtherance of strategic co-operation between the Group and DBT, on 29 October 2018 (after trading hours), Essex Bio-Investment (a wholly-owned subsidiary of the Company) entered into the CN Purchase Agreement and the License Agreement with DBT.

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

THE SUBSCRIPTION

On 29 October 2018 (after trading hours), Essex Bio-Investment and DB Therapeutics, Inc., a corporation organised and existing under the laws of the state of Delaware, the USA (“DBT”) entered into the CN Purchase Agreement, pursuant to which Essex Bio-Investment conditionally agreed to subscribe for, and DBT conditionally agreed to issue, a series of the Convertible Notes in an aggregate principal amount not to exceed US\$4,500,000 (equivalent to approximately HK\$35,278,200), each bearing an interest rate of 5% per annum (subject to the DBT’s obligation to make certain make whole payment in accordance with the terms and conditions of the Convertible Notes) and maturing on 31 July 2022.

Pursuant to the CN Purchase Agreement, the Convertible Notes will be issued in five tranches. Subject to fulfilment of the respective conditions precedent to each Closing as set out in the CN Purchase Agreement, Closings will take place in accordance with the agreed purchase schedule during the period between 2018 and 2021.

Pursuant to the terms and conditions of the Convertible Notes, the holder of the Convertible Notes may elect to convert the whole or part of the principal amount of the Convertible Notes into the DBT Stocks. Assuming the Convertible Notes in the principal amount of US\$4,500,000 are issued and the conversion rights attached thereto are exercised in full, the Conversion DBT Stocks shall represent 45% of the DBT Stocks on a fully-diluted basis.

THE LICENSE AGREEMENT

The Board is pleased to announce that, on 29 October 2018 (after trading hours), Essex Bio-Investment and DBT entered into the License Agreement, pursuant to which DBT granted to Essex Bio-Investment, among others, an exclusive license to market, sell and distribute the Licensed Products in the Territory and use the Technology in connection thereto, subject to payment of royalty levied on net sales of the Licensed Products in the Territory. The obligation of Essex Bio-Investment is conditional upon fulfilment of certain conditions by DBT as set out in the License Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CN PURCHASE AGREEMENT AND THE LICENSE AGREEMENT

The Group is principally engaged in the manufacturing, selling, marketing and distribution of bio-pharmaceutical products.

DBT is a corporation incorporated under the laws of Delaware and is an early stage medical device company focusing on the development of radiotherapeutic bandages for the treatment of non-melanoma skin cancer (including the Licensed Products). The Licensed Products, if successfully developed, will provide a convenient and cost-effective way to treat localized skin cancer in patients, as compared to surgical interventions, external beam radiation therapy and electronic brachytherapy.

In view of the potential of the Licensed Products, the Board considers that the possible investment made by way of the Subscription and the entering into of License Agreement are in line with the Group's strategic development plans in dermatology and oncology. The Subscription provides the Group an opportunity to have a significant interest in DBT and hence, in the Licensed Products.

The Directors consider that the License Agreement has been entered into in the ordinary course of business of the Group and that terms of the CN Purchase Agreement (including the terms and conditions of the Convertible Notes) and the License Agreement are fair and reasonable and transactions respectively contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) are less than 5% in respect of the transactions contemplated under the CN Purchase Agreement, the transactions contemplated under the CN Purchase Agreement do not constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules. The Company will make further announcement(s) and comply with all other applicable requirements under the Listing Rules as and when appropriate.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, DBT is an Independent Third Party. Accordingly, the transactions contemplated under the CN Purchase Agreement or the License Agreement do not constitute connected transactions under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Closing”	in respect of each tranche of the Convertible Note, closing of the Convertible Note in such principal amount in accordance with the terms and conditions of the CN Purchase Agreement
“CN Purchase Agreement”	the conditional convertible note purchase agreement dated 29 October 2018 and entered into between DBT (as issuer) and Essex Bio-Investment (as purchaser) in relation to the Subscription
“Company”	Essex Bio-Technology Limited (億勝生物科技有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Conversion DBT Stock(s)”	the DBT Stock(s) to be issued upon conversion of the Convertible Notes
“Convertible Note(s)”	the convertible notes in the aggregate principal amount of up to US\$4,500,000 to be issued under the Subscription

“DBT Stock(s)”	share(s) of capital stock of DBT
“Director(s)”	director(s) of the Company
“Essex Bio-Investment”	Essex Bio-Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons
“License Agreement”	the license agreement dated 29 October 2018 and entered into between Essex Bio-Investment and DBT
“Licensed Product(s)”	certain radiotherapeutic bandage for treatment of non-melanoma skin cancer as provided in the License Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription of the Convertible Notes by Essex Bio-Investment, subject to and upon the terms and conditions as set out in the CN Purchase Agreement
“Technology”	DBT’s information and intellectual property in and related to the Licensed Products

“Territory”	the PRC (for the purpose of this announcement, including Hong Kong and Macau), Taiwan, Australia, New Zealand, Korea and Japan
“USA”	the United States of America
“US\$”	US dollars, the lawful currency of the USA
“%”	per cent.

In this announcement, for the purpose of illustration only, amounts quoted in US\$ have been converted into HK\$ at the rate of US\$1.00 to HK\$7.8396. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 29 October 2018

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