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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)

**DISCLOSEABLE TRANSACTION
THIRD SUPPLEMENTARY AGREEMENT TO
CO-DEVELOPMENT AGREEMENT**

THE THIRD SUPPLEMENTARY AGREEMENT

As disclosed in the Update Announcement, Essex Bio-Investment and Mitotech have been in discussion on taking the Product to the next step i.e. the Second P3 Trial in view of the positive trial data obtained during the First P3 Trial. The Company has decided to exercise the Funding Option based on the terms as varied by the Third Supplementary Agreement, which was entered into by the parties thereto on 23 August 2019, Hong Kong time (after trading hours).

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) for the Second P3 Funding, on a standalone basis or after aggregating with the First P3 Funding (as if they were one transaction), exceeds 5% but is less than 25%, the Second P3 Funding constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is accordingly subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 16 July 2018 in relation to the Original Co-Development Agreement entered into by Essex Bio-Investment (a wholly-owned subsidiary of the Company) with Mitotech and Russia Mitotech in relation to, among other matters, a clinical development in the First P3 Trial and the announcements of the Company dated 29 October 2018, 11 July 2019 and 19 July 2019 respectively in relation to certain updates on the related clinical development.

BACKGROUND

Under the Co-Development Agreement, Essex Bio-Investment has, subject to certain conditions, an option to make further funding to the Second P3 Trial up to a maximum of US\$20,000,000 (equivalent to approximately HK\$156,800,000) in return for an increased percentage allocation of income received or to be received by Mitotech in respect of the Product, which is to be shared between Essex Bio-Investment and Mitotech (the “**Funding Option**”).

As disclosed in the Update Announcement, Essex Bio-Investment and Mitotech have been in discussion on taking the Product to the next step i.e. the Second P3 Trial in view of the positive trial data obtained during the First P3 Trial. The Board is pleased to announce that the Company has decided to exercise the Funding Option based on the terms as varied by the Third Supplementary Agreement, which was entered into by the parties thereto on 23 August 2019, Hong Kong time (after trading hours).

The principal terms of the Third Supplementary Agreement are as follows:

THE THIRD SUPPLEMENTARY AGREEMENT

Date

23 August 2019, Hong Kong time (after trading hours)

Parties

- (i) Mitotech;
- (ii) Russia Mitotech; and
- (iii) Essex Bio-Investment

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of Mitotech and Russia Mitotech is independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules).

Subject Matter and Consideration

Pursuant to the Third Supplementary Agreement, Essex Bio-Investment has conditionally agreed to fund up to a maximum of US\$20,000,000 (equivalent to approximately HK\$156,800,000) for the Second P3 Trial (the “**Second P3 Funding**”). The funding will be made in accordance with the achievement of different milestones of the development of the Product.

The percentage of the allocation of income received or to be received by Mitotech in respect of the Product and to be shared by Essex Bio-Investment will be correspondently increased from the First P3 Percentage to a higher percentage by reference to the amount of the Second P3 Funding paid by Essex Bio-Investment.

The Second P3 Funding, which will be financed by internal resources and/or borrowings, was determined after arm’s length negotiations by the parties on normal commercial terms based on, among others, the research and development costs required for the Product and the analysis of the future commercial potential of the Product with reference to publicly available information in the same industry.

Conditions Precedent

The obligations of Essex Bio-Investment under the Third Supplementary Agreement shall be conditional upon satisfaction and/or waiver by Essex Bio-Investment of all Conditions Precedent, which shall include, among others, Essex Bio-Investment having (i) carried out and completed the legal due diligence review and being satisfied with the business and prospects of Mitotech in all respects; and (ii) reviewed and being satisfied with the data and reports in the data room, within 10 Business Days after the date of the Third Supplementary Agreement or such other date to be agreed by Mitotech and Essex Bio-Investment in writing.

REASONS FOR, AND BENEFITS OF, THE ENTERING INTO OF THE THIRD SUPPLEMENTARY AGREEMENT

The Group is a group of biopharmaceutical companies that develop, manufacture and commercialise genetically engineered therapeutic rb-bFGF (FGF-2), having five commercialised biologics marketed in the PRC since 1998.

The products of the Group and its third party products are prescribed for the treatment of wounds healing and diseases in ophthalmology and dermatology, which are marketed and sold through more than 6,900 hospitals and managed directly by its 42 regional sales offices in the PRC. The flagship products of the Group include Beifushu Eye Drops and Beifushu Eye Gel which are used in the treatment of ocular surface wounds, post-surgery (for eye) remedy, dry eye disease and other ophthalmic diseases. Beifuji Spray, Beifuji Lyophilized Powder and Beifuxin Gel are used in the treatment of a wide spectrum of topical (skin) surface wounds.

Mitotech is a clinical-stage Luxembourg-based biotechnology company developing novel drugs for the treatment of predominantly age-related disorders. Russia Mitotech is a Moscow-based drug development company concentrating its research on age-related disorders.

Encouraged by the positive trial results shown in the First P3 Trial, the Directors are optimistic about the prospects of the Product. The Third Supplementary Agreement enables the Group to prudently exercise its Funding Option for the Second P3 Trial under the revised terms.

The Directors consider that the terms of the Third Supplementary Agreement are fair and reasonable and the transaction contemplated thereunder is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) for the Second P3 Funding, on a standalone basis or after aggregating with the First P3 Funding (as if they were one transaction), exceeds 5% but is less than 25%, the Second P3 Funding constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is accordingly subject to the notification and announcement requirements under Chapter 14 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
“Business Day”	a day that is not a Saturday, Sunday or a day on which banks in London, England are closed
“Co-Development Agreement”	the Original Co-Development Agreement, as supplemented by the First Supplementary Agreement and the Second Supplementary Agreement
“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
“Condition(s) Precedent”	condition(s) precedent contained in the Third Supplementary Agreement
“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
“FDA”	the United States Food and Drug Administration or any successor agency thereto
“First P3 Funding”	the actual aggregate funding in the amount of approximately US\$16,110,000 (equivalent to approximately HK\$125,819,000) made by Essex Bio-Investment in respect of the First P3 Trial under the Co-Development Agreement
“First P3 Percentage”	the agreed percentage allocation between Essex Bio-Investment and Mitotech for the share of certain income received or to be received by Mitotech in respect of the Product after payment by Essex Bio-Investment of its relevant funding in respect of the First P3 Trial in accordance with the terms of the Co-Development Agreement
“First P3 Trial”	U.S. FDA first Phase 3 Clinical Trial of the Product

“First Supplementary Agreement”	the first supplementary agreement to the Original Co-Development Agreement dated 15 March 2019 entered into by the parties thereto to supplement and vary certain terms of the Original Co-Development Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mitotech”	Mitotech S.A., a company established under the laws of Luxembourg
“Original Co-Development Agreement”	the co-development agreement dated 16 July 2018, which has been entered into among Essex Bio-Investment, Mitotech and Russia Mitotech in relation to, among others, the First P3 Trial
“Phase 3 Clinical Trial”	with respect to the Product, a large scale, multi-centre, human clinical trial of such Product in the field concerning ophthalmic drug administration for treatment of dry eye disease through topical administration applied to the eye and its adnexa as described in the relevant Code of Federal Regulations of the United States or the foreign equivalent thereof
“PRC”	the People’s Republic of China
“Product”	an ophthalmic solution containing SkQ ₁ as its sole active pharmaceutical ingredient which shall be provided as a pharmaceutical product in the field of dry eye disease
“Russia Mitotech”	Mitotech LLC, a company established under the laws of Russia, being the sole shareholder of Mitotech at the date of this announcement
“Second P3 Trial”	U.S. FDA second Phase 3 Clinical Trial of the Product
“Second Supplementary Agreement”	the second supplementary agreement to the Original Co-Development Agreement dated 15 March 2019 entered into by the parties thereto to supplement and vary certain terms to the Original Co-Development Agreement (as supplemented and varied by the First Supplementary Agreement)

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Supplementary Agreement”	the third supplementary agreement to the Original Co-Development Agreement dated 23 August 2019 entered into by the parties thereto to supplement and vary certain terms to the Original Co-Development Agreement (as supplemented and varied by the First Supplementary Agreement and the Second Supplementary Agreement)
“Update Announcement”	the announcement of the Company dated 19 July 2019 in relation to certain updates on the results of the First P3 Trial
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“U.S.” or “United States”	the United States of America
“US\$”	U.S. dollars, the lawful currency of the U.S.
“%”	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\$7.84. 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, 23 August 2019

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.