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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2023 together with the comparative figures for the corresponding period in 2022 and the relevant explanatory notes as set out below.

FINANCIAL HIGHLIGHTS

	Presentation Currency in HK\$			Comparison Results in RMB		
	For the six months ended 30 June 2023 HK\$'000	For the six months ended 30 June 2022 HK\$'000	Increase/ (decrease) %	For the six months ended 30 June 2023 RMB'000	For the six months ended 30 June 2022 RMB'000	Increase/ (decrease) %
Results						
Turnover	899,359	655,825	37.1	794,470	542,683	46.4
Profit for the period	169,811	139,231	22.0	150,007	115,211	30.2

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Financial ratios		
Gross profit margin (Note 1)	90.1%	89.5%
Net profit margin (Note 2)	18.9%	21.2%
Return on equity (Note 3)	9.4%	8.0%
Earnings per share		
– Basic	HK29.72 cents	HK24.21 cents
– Diluted	HK28.80 cents	HK23.52 cents
Dividend per ordinary share		
– Interim	HK4.5 cents	HK4.0 cents

	Presentation Currency in HK\$			Comparison Results in RMB		
	As at	As at	Increase/ (decrease)	As at	As at	Increase/ (decrease)
	30 June	31 December		30 June	31 December	
	2023	2022	(decrease)	2023	2022	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>	
Financial position						
Total assets	2,829,122	2,712,397	4.3	2,618,944	2,395,492	9.3
Total liabilities	1,021,071	981,030	4.1	945,215	866,411	9.1
Net assets	1,808,051	1,731,367	4.4	1,673,729	1,529,081	9.5
Cash and cash equivalents	505,722	543,486	(6.9)	468,151	479,987	(2.5)

	As at	As at
	30 June	31 December
	2023	2022
Financial ratios		
Current ratio (<i>Note 4</i>)	2.14	2.16
Gearing ratio (<i>Note 5</i>)	0.36	0.36

Notes:

- 1 Gross profit margin: Gross profit/Turnover x 100%
- 2 Net profit margin: Profit for the period/Turnover x 100%
- 3 Return on equity: Profit for the period/Total equity x 100%
- 4 Current ratio: Total current assets/Total current liabilities
- 5 Gearing ratio: Total liabilities/Total assets

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 June
		2023 2022
		(Unaudited) (Unaudited)
	<i>Notes</i>	<i>HK\$'000</i> <i>HK\$'000</i>
Turnover	4 & 5	899,359
Cost of sales		<u>(88,897)</u>
Gross profit		810,462
Other revenue, and other gains and losses	6	26,348
Distribution and selling expenses		(520,663)
Administrative expenses		(101,277)
Finance costs	7	(9,436)
Share of loss of an associate		<u>(579)</u>
Profit before income tax	8	204,855
Income tax	9	<u>(35,044)</u>
Profit for the period		<u>169,811</u>
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations		(79,627)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Changes in fair value of equity instruments at fair value through other comprehensive income		<u>4,448</u>
Other comprehensive income for the period		<u>(75,179)</u>
Total comprehensive income for the period		<u><u>94,632</u></u>
Earnings per share attributable to owners of the Company		
Basic	11	<u><u>HK29.72 cents</u></u>
Diluted	11	<u><u>HK28.80 cents</u></u>
		<u><u>HK24.21 cents</u></u>
		<u><u>HK23.52 cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	<i>12</i>	369,274	398,835
Right-of-use assets		1,170	2,278
Land use rights		14,446	15,330
Goodwill		54,773	57,147
Other intangible assets	<i>13</i>	998,994	978,697
Investment in an associate		1,957	2,631
Convertible loan receivables	<i>14</i>	11,277	10,545
Financial assets at fair value through other comprehensive income	<i>15</i>	31,559	23,218
Financial assets at fair value through profit or loss	<i>15</i>	1,036	2,060
Deposits and prepayments	<i>18</i>	7,395	7,678
		1,491,881	1,498,419
Total non-current assets			
Current assets			
Inventories	<i>16</i>	68,028	83,659
Trade and other receivables	<i>17</i>	608,786	473,735
Deposits and prepayments	<i>18</i>	21,403	19,554
Convertible loan receivables	<i>14</i>	28,609	26,322
Financial assets at fair value through profit or loss	<i>15</i>	4,461	6
Pledged bank deposits		7,500	14,275
Restricted cash		92,732	52,941
Cash and cash equivalents		505,722	543,486
		1,337,241	1,213,978
Total current assets			
		2,829,122	2,712,397
Total assets			
Current liabilities			
Trade and other payables	<i>19</i>	456,370	416,326
Bank borrowings	<i>20</i>	89,888	105,045
Lease liabilities		1,233	2,568
Current tax liabilities		77,543	36,978
		625,034	560,917
Total current liabilities			

		At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Net current assets		<u>712,207</u>	<u>653,061</u>
Total assets less current liabilities		<u>2,204,088</u>	<u>2,151,480</u>
Non-current liabilities			
Bank borrowings	20	195,913	224,406
Convertible loan payable	21	159,055	157,715
Deferred tax liabilities		<u>41,069</u>	<u>37,992</u>
Total non-current liabilities		<u>396,037</u>	<u>420,113</u>
Total liabilities		<u>1,021,071</u>	<u>981,030</u>
NET ASSETS		<u>1,808,051</u>	<u>1,731,367</u>
Capital and reserves attributable to owners of the Company			
Share capital	22	57,058	57,160
Reserves		<u>1,750,993</u>	<u>1,674,207</u>
TOTAL EQUITY		<u>1,808,051</u>	<u>1,731,367</u>

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
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 January 2022	57,556	73,293	362	90,683	74,183	1,681	(60,376)	18,096	15,227	1,463,572	1,734,277
Profit for the period	-	-	-	-	-	-	-	-	-	139,231	139,231
Other comprehensive income:											
- Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(15,090)	-	-	-	(15,090)
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(78,111)	-	-	-	-	-	(78,111)
Total comprehensive income for the period	-	-	-	-	(78,111)	-	(15,090)	-	-	139,231	46,030
Dividend paid	-	-	-	-	-	-	-	-	-	(31,610)	(31,610)
Equity-settled share-based payments	-	-	-	-	-	87	-	-	-	-	87
Shares repurchased and cancelled	(139)	(3)	-	-	-	-	-	-	-	(5,736)	(5,878)
At 30 June 2022 (Unaudited)	<u>57,417</u>	<u>73,290</u>	<u>362</u>	<u>90,683</u>	<u>(3,928)</u>	<u>1,768</u>	<u>(75,466)</u>	<u>18,096</u>	<u>15,227</u>	<u>1,565,457</u>	<u>1,742,906</u>
At 1 January 2023	57,160	73,286	362	90,683	(58,413)	1,768	(86,872)	18,096	15,227	1,620,070	1,731,367
Profit for the period	-	-	-	-	-	-	-	-	-	169,811	169,811
Other comprehensive income:											
- Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	4,448	-	-	-	4,448
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(79,627)	-	-	-	-	-	(79,627)
Total comprehensive income for the period	-	-	-	-	(79,627)	-	4,448	-	-	169,811	94,632
Dividend paid	-	-	-	-	-	-	-	-	-	(14,266)	(14,266)
Shares repurchased and cancelled	(102)	(2)	-	-	-	-	-	-	-	(3,578)	(3,682)
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	-	-	(1,768)	-	-	-	1,768	-
At 30 June 2023 (Unaudited)	<u>57,058</u>	<u>73,284</u>	<u>362</u>	<u>90,683</u>	<u>(138,040)</u>	<u>-</u>	<u>(82,424)</u>	<u>18,096</u>	<u>15,227</u>	<u>1,773,805</u>	<u>1,808,051</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 30 June
		2023 2022
		(Unaudited) (Unaudited)
	<i>Notes</i>	<i>HK\$'000</i> <i>HK\$'000</i>
Cash flows from operating activities		
Profit before income tax		204,855 162,701
Adjustments for:		
Interest income from convertible loan receivables	6	(867) (1,038)
Interest income from bank deposits	6	(6,163) (2,424)
Change in fair value of financial assets at fair value through profit or loss	6	(7,897) 3,451
Gain on settlement of financial instruments	6	– (11,972)
Finance costs	7	9,436 4,652
Share of loss of an associate		579 –
Amortisation of land use rights	8	188 200
Amortisation of other intangible assets	8	13,732 7,093
Depreciation of property, plant and equipment	8	16,244 12,080
Depreciation of right-of-use assets	8	1,051 1,122
Equity-settled share-based payments	8	– 87
Exchange (gains)/losses, net	8	(1,852) 1,743
Loss on disposal of property, plant and equipment	8	1,796 100
Write-off of inventories	8	827 2,290
		<hr/>
Operating cash flows before working capital changes		231,929 180,085
Decrease in inventories		11,576 14,209
(Increase)/decrease in trade and other receivables		(163,274) 158,856
(Increase)/decrease in deposits and prepayments		(2,669) 412
Increase/(decrease) in trade and other payables		63,416 (103,920)
		<hr/>
Cash generated from operations		140,978 249,642
Tax refunded/(paid)		14,028 (19,250)
		<hr/>
Net cash generated from operating activities		155,006 230,392
		<hr/>

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Cash flows from investing activities		
Acquisition of property, plant and equipment	(4,214)	(43,395)
Deposits paid for acquisition of property, plant and equipment	(870)	(12,367)
Increase in other intangible assets	(67,938)	(119,461)
Acquisition of a subsidiary	–	3,472
Purchase of convertible loan receivables	–	(2,063)
Purchase of financial assets at fair value through other comprehensive income	(3,915)	–
Purchase of financial assets at fair value through profit or loss	(538)	–
Bank interest received	6,163	2,424
Decrease in pledged bank deposits	6,775	27,772
Increase in restricted cash	(44,248)	–
Proceeds from disposal of property, plant and equipment	1	1
Proceeds from disposal of financial assets at fair value through profit or loss	1,985	–
Net cash used in investing activities	(106,799)	(143,617)
Cash flows from financing activities		
Repayments of bank borrowings	(41,021)	(49,189)
Payment of lease liabilities	(1,302)	(1,311)
Payments for shares bought back	(3,681)	(5,878)
Interest paid on bank borrowings	(9,908)	(5,159)
Interest paid on convertible loan payable	(1,441)	(1,441)
Dividends paid to owners of the Company	(14,266)	(31,610)
Net cash used in financing activities	(71,619)	(94,588)
Net decrease in cash and cash equivalents	(23,412)	(7,813)
Cash and cash equivalents at beginning of period	543,486	671,336
Effect of foreign exchange rate changes on cash and cash equivalents	(14,352)	(22,387)
Cash and cash equivalents at end of period	505,722	641,136
Analysis of balances of cash and cash equivalents		
Cash and bank balances	375,722	472,394
Non-pledged time deposits with original maturity of less than three months when acquired	130,000	168,742
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	505,722	641,136

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 Act Chapter 22 (Act 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.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months ended 30 June 2023 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 2022 (the “**2022 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 each group entity.

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 2022 Financial Statements, except for the adoption of amended standards effective for annual periods beginning on or after 1 January 2023. The adoption of these amended standards 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 resources allocation and performance assessment. The Group's reportable and operating segments for financial reporting purposes are as follows:

- Ophthalmology
- Surgical

(a) Reportable segments

The chief operating decision-maker monitors the results of its business units separately for the purpose of making decision about resources allocation and performance assessment. Segment performance is evaluated based on the results from the reportable segments as explained in the table below.

	For the six months ended 30 June 2023		
	Ophthalmology	Surgical	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment revenue			
– Revenue from external customers	<u><u>381,569</u></u>	<u><u>517,790</u></u>	<u><u>899,359</u></u>
Reportable segment profit	<u><u>102,136</u></u>	<u><u>131,014</u></u>	<u><u>233,150</u></u>
	For the six months ended 30 June 2022		
	Ophthalmology	Surgical	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment revenue			
– Revenue from external customers	<u><u>269,444</u></u>	<u><u>386,381</u></u>	<u><u>655,825</u></u>
Reportable segment profit	<u><u>86,684</u></u>	<u><u>106,379</u></u>	<u><u>193,063</u></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:

	2023 (Unaudited) HK\$'000	For the six months ended 30 June 2022 (Unaudited) HK\$'000
Reportable segment profit	233,150	193,063
Unallocated corporate income and expenses, net	(26,756)	(22,172)
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")	7,897	(3,451)
Equity-settled share-based payments	–	(87)
Finance costs	(9,436)	(4,652)
	<u>204,855</u>	<u>162,701</u>

Major corporate expenses comprised mainly the staff costs including Directors' emoluments.

Analysis of segment assets and liabilities has not been presented as the measure of segment assets and liabilities is not regularly provided to the executive Directors.

(b) Geographical information

(i) Revenue from external customers

For the six months ended 30 June 2023 and 2022, the Group's revenue from external customers is derived solely from its operations in the People's Republic of China (the "PRC").

(ii) Non-current assets

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
PRC	1,184,876	1,205,075
Hong Kong	233,763	232,739
Overseas	29,370	24,782
	<u>1,448,009</u>	<u>1,462,596</u>

The non-current asset information above excludes convertible loan receivables, financial assets at fair value through other comprehensive income ("FVTOCI") and financial assets at 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 major customers**

For the six months ended 30 June 2023, revenue of HK\$241.0 million and HK\$103.2 million (For the six months ended 30 June 2022: HK\$176.8 million and HK\$72.0 million) was derived from sales to two customers (For the six months ended 30 June 2022: two customers), 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

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest income from convertible loan receivables	867	1,038
Government grants	1,220	5,460
Interest income from bank deposits	6,163	2,424
Sundry income	10,201	5,227
Change in fair value of financial assets at FVTPL	7,897	(3,451)
Licensing income	–	1,411
Gain on settlement of financial instruments	–	11,972
	<u>26,348</u>	<u>24,081</u>

7. FINANCE COSTS

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest expense on bank borrowings	9,908	5,159
Interest expense on lease liabilities	27	64
Imputed interest expense on convertible loan payable	2,781	2,731
Less: Amount capitalised	(3,280)	(3,302)
	<u>9,436</u>	<u>4,652</u>

8. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	2023 (Unaudited) HK\$'000	For the six months ended 30 June 2022 (Unaudited) HK\$'000
Amortisation of land use rights	188	200
Amortisation of other intangible assets	13,732	7,093
Auditor's remuneration	800	755
Cost of inventories	87,825	58,502
Cost of services	245	8,389
Depreciation of property, plant and equipment	16,244	12,080
Depreciation of right-of-use assets	1,051	1,122
Employee costs excluding Directors' emoluments:		
– Salaries and other benefits	161,474	149,273
– Pension fund contributions	8,177	8,189
– Equity-settled share-based payments to the employees	–	87
Exchange (gains)/losses, net	(1,852)	1,743
Research and development costs recognised as expenses	20,250	11,606
Write-off of inventories	827	2,290
Loss on disposal of property, plant and equipment	<u>1,796</u>	<u>100</u>

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%, 27.3% and 22% is applied to the Group's other operating subsidiaries in the PRC, Singapore, the United States and Indonesia respectively.

10. DIVIDENDS

The Board has resolved on 16 August 2023 to declare an interim dividend of HK\$0.045 (For the six months ended 30 June 2022: HK\$0.04) per ordinary share for the six months ended 30 June 2023, 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

	2023 (Unaudited) <i>HK\$'000</i>	For the six months ended 30 June 2022 (Unaudited) <i>HK\$'000</i>
Profit attributable to owners of the Company for the purposes of calculating basic earnings per share	169,811	139,231
Interest expense on convertible loan payable, net of amount capitalised	<u>2,035</u>	<u>1,998</u>
Profit attributable to owners of the Company for the purposes of calculating diluted earnings per share	<u><u>171,846</u></u>	<u><u>141,229</u></u>

Number of shares

	2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	571,307,122	575,043,801
Effect of dilutive potential ordinary shares: – convertible loan payable	<u>25,423,728</u>	<u>25,423,728</u>
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	<u><u>596,730,850</u></u>	<u><u>600,467,529</u></u>

The computation of diluted earnings per share for the six months ended 30 June 2023 and 2022 did not assume the issue of potential ordinary shares in relation to all share options granted as they had anti-dilutive effect.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:						
At 1 January 2022	127,057	109,045	50,647	6,835	173,954	467,538
Additions	408	10,681	25,269	102	68,119	104,579
Acquisition of a subsidiary	–	–	191	290	–	481
Disposals	–	(236)	(2,507)	–	–	(2,743)
Transfers	–	101,296	2,023	–	(103,319)	–
Exchange adjustment	(9,751)	(11,394)	(4,318)	(444)	(12,378)	(38,285)
At 31 December 2022	117,714	209,392	71,305	6,783	126,376	531,570
Additions	–	219	3,070	–	2,877	6,166
Disposals	–	(819)	(2,172)	–	–	(2,991)
Exchange adjustment	(5,410)	(9,595)	(3,113)	(252)	(5,941)	(24,311)
At 30 June 2023 (Unaudited)	112,304	199,197	69,090	6,531	123,312	510,434
Accumulated depreciation:						
At 1 January 2022	19,951	72,468	22,579	5,381	–	120,379
Charge for the year	2,417	11,236	9,757	572	–	23,982
Acquisition of a subsidiary	–	–	99	261	–	360
Disposals	–	(185)	(2,212)	–	–	(2,397)
Exchange adjustment	(1,595)	(5,855)	(1,772)	(367)	–	(9,589)
At 31 December 2022	20,773	77,664	28,451	5,847	–	132,735
Charge for the period	1,177	9,695	5,179	193	–	16,244
Disposals	–	(726)	(468)	–	–	(1,194)
Exchange adjustment	(1,009)	(3,979)	(1,416)	(221)	–	(6,625)
At 30 June 2023 (Unaudited)	20,941	82,654	31,746	5,819	–	141,160
Carrying amount:						
At 30 June 2023 (Unaudited)	<u>91,363</u>	<u>116,543</u>	<u>37,344</u>	<u>712</u>	<u>123,312</u>	<u>369,274</u>
At 31 December 2022 (Audited)	<u>96,941</u>	<u>131,728</u>	<u>42,854</u>	<u>936</u>	<u>126,376</u>	<u>398,835</u>

13. OTHER INTANGIBLE ASSETS

	Development expenditure <i>HK\$'000</i>	Acquired intangible assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 January 2022	227,748	618,138	845,886
Additions	43,158	276,061	319,219
Disposal	–	(62,720)	(62,720)
Exchange adjustment	(16,417)	(38,782)	(55,199)
	<hr/>	<hr/>	<hr/>
At 31 December 2022	254,489	792,697	1,047,186
Additions	27,436	42,628	70,064
Exchange adjustment	(11,173)	(28,414)	(39,587)
	<hr/>	<hr/>	<hr/>
At 30 June 2023 (Unaudited)	270,752	806,911	1,077,663
	<hr/>	<hr/>	<hr/>
Accumulated amortisation and impairment losses:			
At 1 January 2022	39,233	31,345	70,578
Amortisation	5,096	10,287	15,383
Impairment	13,012	–	13,012
Disposal	–	(25,149)	(25,149)
Exchange adjustment	(3,412)	(1,923)	(5,335)
	<hr/>	<hr/>	<hr/>
At 31 December 2022	53,929	14,560	68,489
Amortisation	3,006	10,726	13,732
Exchange adjustment	(2,509)	(1,043)	(3,552)
	<hr/>	<hr/>	<hr/>
At 30 June 2023 (Unaudited)	54,426	24,243	78,669
	<hr/>	<hr/>	<hr/>
Carrying amount:			
At 30 June 2023 (Unaudited)	<u>216,326</u>	<u>782,668[#]</u>	<u>998,994</u>
At 31 December 2022 (Audited)	<u>200,560</u>	<u>778,137[#]</u>	<u>978,697</u>

[#] The carrying amount of acquired intangible assets as at 30 June 2023 mainly included (i) the development cost incurred in an ophthalmic solution containing SkQ1 as its sole active pharmaceutical ingredient of approximately HK\$348.0 million (31 December 2022: approximately HK\$354.1 million); (ii) the development cost incurred in a pharmaceutical product that contains an anti-vascular endothelial growth factor (anti-VEGF) as a drug substance of approximately HK\$242.1 million (31 December 2022: approximately HK\$215.3 million); and (iii) the carrying amount of intellectual property rights and right of Marketing Authorisation Holder relating to 適麗順® (Iodized Lecithin Capsules*) of approximately HK\$123.0 million (31 December 2022: approximately HK\$136.1 million).

14. CONVERTIBLE LOAN RECEIVABLES

- (i) In 2018, the Group entered into an agreement with an independent third party (“**Investee A**”) to subscribe for a convertible loan with principal amount of US\$4.5 million (approximately HK\$35.3 million) which carries interest at 5% per annum with maturity on 31 July 2022 (“**Convertible Loan A**”). On 7 January 2022, the Group entered into a supplementary agreement with Investee A to extend the maturity date of Convertible Loan A to 31 July 2024. The entire principal amount of Convertible Loan A can be converted into such number of shares representing 45% of the enlarged and fully diluted share capital of Investee A at any time before the maturity date. In the event that no conversion has been taken place before maturity date, Investee A shall repay the Group the outstanding principal amount plus an amount calculated by the Group which would yield a return for the Group on the principal amount of Convertible Loan A of 8% per annum. The first tranche in the principal amount of US\$0.6 million (approximately HK\$4.7 million) (“**Tranche A of Convertible Loan A**”) was disbursed to Investee A in 2018. In 2022, the second tranche in the principal amount of US\$0.6 million (approximately HK\$4.7 million) (“**Tranche B of Convertible Loan A**”) was subscribed by the Group. Tranches A and B of Convertible Loan A are classified as financial assets at FVTPL upon the initial recognition.
- (ii) In 2019, the Group entered into a convertible loan agreement with an independent third party, 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 B**”). On 23 December 2020, the Group entered into a supplementary agreement with Shanggong to (i) extend the maturity date of Convertible Loan B to 1 January 2022; and (ii) adjust the interest rate to 12% per annum. The principal amount of Convertible Loan B 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 B is classified as financial asset at FVTPL upon the initial recognition.

In 2022, Convertible Loan B was settled by way of acquiring certain intellectual property rights from Shanggong.

- (iii) In 2020, 2021 and 2022, the Group made available certain convertible loans to Antikor Biopharma Limited (“**Antikor**”) in the aggregate principal amount of approximately US\$3.3 million (approximately HK\$25.3 million) which carry interest at 5% per annum with maturity on 30 September 2023 (“**Convertible Loan C**”). The aggregate principal amount of Convertible Loan C can be converted into such number of shares representing 23.43% of the enlarged and fully diluted share capital of Antikor at any time before the maturity date. Convertible Loan C is classified as financial asset at FVTPL upon the initial recognition.
- (iv) In 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 D**”). The principal amount of Convertible Loan D 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 D is classified as financial asset at FVTPL upon the initial recognition.

In 2022, Convertible Loan D was settled by way of acquiring a patent and know-how licence relating to SkQ1 in the field of dermatology from Mitotech.

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

HK\$'000

As at 30 June 2023

– Tranches A and B of Convertible Loan A	11,277
– Convertible Loan C	<u>28,609</u>
Total	39,886
Less: Current portion	<u>(28,609)</u>
Non-current portion	<u><u>11,277</u></u>

HK\$'000

As at 31 December 2022

– Tranches A and B of Convertible Loan A	10,545
– Convertible Loan C	<u>26,322</u>
Total	36,867
Less: Current portion	<u>(26,322)</u>
Non-current portion	<u><u>10,545</u></u>

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 2023 are as follows:

HK\$'000

At 1 January 2023	36,867
Change in fair value recognised in profit or loss	<u>3,019</u>
At 30 June 2023 (Unaudited)	<u><u>39,886</u></u>

As at 30 June 2023, the fair values of convertible loan receivables are calculated using Binomial Share Option Model with the following key assumptions:

	Convertible Loan A	Convertible Loan C
Stock price	Nil	US\$0.1
Expected volatility	220%	80%

The key significant unobservable inputs to determine the fair value of convertible loan receivables are the stock price and expected volatility. A higher in the stock price and 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 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Non-current		
Equity investments designated at FVTOCI (<i>Note (a)</i>)		
– Listed equity investments (<i>Note (b)</i>)	16,363	11,468
– Unlisted equity investments (<i>Note (c)</i>)	15,196	11,750
	31,559	23,218
Equity investments designated at FVTPL (<i>Note (d)</i>)		
– Unlisted equity investments (<i>Note (c)</i>)	1,036	2,060
Current		
Equity investments designated at FVTPL (<i>Note (d)</i>)		
– Listed equity investments (<i>Note (b)</i>)	4,461	6

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 2023 represents three (31 December 2022: two) listed equity securities which are listed on the NASDAQ Stock Market of the United States, namely AC Immune SA, Humacyte Inc. and CytoMed Therapeutics Limited (31 December 2022: AC Immune SA and Humacyte Inc.). The fair value was based on quoted market price as at 30 June 2023.
- (c) The balance as at 30 June 2023 represents four (31 December 2022: five) unlisted equity investments, namely the investments in (i) series C preferred stock and common stock of a private company incorporated in the United States; (ii) equity interest in Shangong; (iii) ordinary shares of Antikor; and (iv) series pre-A preferred stock of a 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.

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 2023 are as follows:

HK\$'000

At 1 January 2023	984
Change in fair value recognised in other comprehensive income	(510)
Exchange differences	<u>(22)</u>
At 30 June 2023 (Unaudited)	<u><u>452</u></u>

As at 30 June 2023, the fair value of equity interest in Shanggong is calculated using Value Allocation Model with the following key assumptions:

Expected volatility	45%
Risk-free interest rate	1.83%

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 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
Raw materials	12,234	14,434
Work in progress	15,304	16,490
Finished goods	<u>40,490</u>	<u>52,735</u>
	<u><u>68,028</u></u>	<u><u>83,659</u></u>

17. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Trade receivables	582,094	451,244
Other receivables	<u>26,692</u>	<u>22,491</u>
	<u>608,786</u>	<u>473,735</u>

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 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
0-60 days	332,962	191,493
61-90 days	110,225	75,778
Over 90 days	<u>138,907</u>	<u>183,973</u>
	<u>582,094</u>	<u>451,244</u>

18. DEPOSITS AND PREPAYMENTS

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Deposits paid for acquisition of property, plant and equipment	7,395	7,678
Prepayments for purchase of finished goods	10,470	9,628
Other deposits	2,063	1,774
Other prepayments	<u>8,870</u>	<u>8,152</u>
Total	28,798	27,232
Less: Current portion	<u>(21,403)</u>	<u>(19,554)</u>
Non-current portion	<u>7,395</u>	<u>7,678</u>

19. TRADE AND OTHER PAYABLES

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Trade payables	8,048	10,657
Other payables and accruals (<i>Note</i>)	<u>448,322</u>	<u>405,669</u>
	<u>456,370</u>	<u>416,326</u>

Note:

Other payables and accruals included the accruals for sales and marketing costs of approximately HK\$379.0 million (31 December 2022: approximately HK\$308.4 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 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
0-60 days	8,027	10,477
61-90 days	17	117
Over 90 days	<u>4</u>	<u>63</u>
	<u>8,048</u>	<u>10,657</u>

20. BANK BORROWINGS

As at 30 June 2023, certain of the bank borrowings and banking facilities were secured by (i) corporate guarantees provided by the Company and its certain subsidiaries; and (ii) a pledged bank deposit of approximately HK\$7.5 million.

As at 31 December 2022, certain of the bank borrowings and banking facilities were secured by (i) corporate guarantees provided by the Company and its certain subsidiaries; and (ii) a pledged bank deposit of approximately HK\$14.3 million.

As at 30 June 2023, the Group obtained banking facilities of approximately HK\$475.4 million (31 December 2022: approximately HK\$602.0 million), of which approximately HK\$475.1 million (31 December 2022: approximately HK\$485.2 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.

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 2023, 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 <i>HK\$'000</i>	Conversion component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022	143,073	15,227	158,300
Imputed interest expense	17,532	–	17,532
Interest paid	(2,890)	–	(2,890)
	<hr/>	<hr/>	<hr/>
At 31 December 2022 (Audited)	157,715	15,227	172,942
Imputed interest expense	2,781	–	2,781
Interest paid	(1,441)	–	(1,441)
	<hr/>	<hr/>	<hr/>
At 30 June 2023 (Unaudited)	<u>159,055</u>	<u>15,227</u>	<u>174,282</u>

22. SHARE CAPITAL

Authorised

	At 30 June 2023		At 31 December 2022	
	<i>Number</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>Number</i> (Audited)	<i>HK\$'000</i> (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

	<i>Number</i>	<i>HK\$'000</i>
At 1 January 2022	575,558,000	57,556
Shares repurchased and cancelled	(3,955,000)	(396)
	<hr/>	<hr/>
At 31 December 2022 (Audited)	571,603,000	57,160
Shares repurchased and cancelled (<i>Note</i>)	(1,019,000)	(102)
	<hr/>	<hr/>
At 30 June 2023 (Unaudited)	<u>570,584,000</u>	<u>57,058</u>

Note:

During the six months ended 30 June 2023, the Company repurchased 1,019,000 of its shares on the Stock Exchange for a total consideration of approximately HK\$3.7 million which was paid wholly out of retained profits in accordance with section 257 of the Hong Kong Companies Ordinance. The repurchased shares were cancelled during the six months ended 30 June 2023 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.

(ii) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, pledged bank deposits, restricted cash, trade and other payables, bank borrowings, lease liabilities and convertible loan payable.

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables and current portion of pledged bank deposits, bank borrowings and lease liabilities approximate to their fair values due to the short term maturities of these instruments.

The fair values of non-current portion of bank borrowings, lease liabilities and convertible loan payable for disclosure purposes have been determined using discounted cash flow models and are classified as level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risks of the borrowers or the Company.

(iii) Information about level 2 fair value measurement

The fair values of the financial instruments included in the level 2 category have been determined with reference to generally accepted pricing models based on quoted prices for identical or similar assets or liabilities in markets that are not active.

(iv) Information about level 3 fair value measurement

The fair values of the financial instruments included in the level 3 category as at the end of the current period have been determined by the Directors with reference to the valuation performed by International Valuation Limited, an independent firm of professionally qualified valuers, details of which are set out in notes 14 and 15.

The following table provides an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

	As at 30 June 2023			
	Level 1	Level 2	Level 3	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Recurring fair value measurement				
Financial assets:	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed equity investments	20,824	–	–	20,824
Unlisted equity investments	–	15,780	452	16,232
Convertible loan receivables	–	–	39,886	39,886
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	As at 31 December 2022			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurement	(Audited)	(Audited)	(Audited)	(Audited)
Financial assets:	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed equity investments	11,474	–	–	11,474
Unlisted equity investments	–	12,826	984	13,810
Convertible loan receivables	–	–	36,867	36,867
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

There was no transfer under the fair value hierarchy classification during the six months ended 30 June 2023.

24. CAPITAL COMMITMENTS

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Contracted but not provided for:		
– property, plant and equipment	3,726	3,147
– development expenditure	45,111	65,543
– acquired intangible assets	257,044	146,536
– construction of the new factory	149,600	156,675
– expansion of the existing factory	1,455	1,525
	<u>456,936</u>	<u>373,426</u>

25. RELATED PARTY TRANSACTIONS

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

	2023 (Unaudited) HK\$'000	For the six months ended 30 June 2022 (Unaudited) HK\$'000
Salaries and other benefits	3,675	4,076
Pension fund contributions	25	29
	<u>3,700</u>	<u>4,105</u>

26. EVENT AFTER THE REPORTING PERIOD

On 17 July 2023, the Group has made voluntary repayment of the loan in the aggregate principal amount of US\$25.0 million (equivalent to approximately HK\$195.3 million) in full to IFC ahead of the repayment schedule.

27. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 16 August 2023.

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 of the ophthalmology segment (“**Ophthalmology**”) and surgical (wound care and healing) segment (“**Surgical**”) covering dermatology, stomatology, obstetrics and gynaecology; while pursuing new therapeutics in oncology, orthopaedics and neurology through the Group’s strategic investments.

Currently the Group has six commercialised biologics (collectively referred to as the “**bFGF Series**”) that are marketed and sold in the People’s Republic of China (the “**PRC**”). The bFGF Series include Beifushu eye drops, Beifushu eye gel and Beifushu unit-dose eye drops for treatment of ocular wounds, Beifuji spray, Beifuji lyophilised powder and Beifuxin gel for treatment of surface wounds. The bFGF Series are developed and manufactured by the Group, three of which were approved by 國家藥品監督管理局 (National Medical Products Administration) as Category I 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 87.6% 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, Levofloxacin, Sodium Hyaluronate and Moxifloxacin Hydrochloride Eye Drops.

On 8 March 2022, the acquisition of intellectual property rights relating to technologies and process of product research and development (“**R&D**”), production, and right of Marketing Authorisation Holder of 適麗順® (Iodized Lecithin Capsules*) was completed and 適麗順® (Iodized Lecithin Capsules*) has become one of the Group’s core products since then.

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

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

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

Significant Business Development Activities

We are committed to pragmatically investing in new products and technologies to strengthen the Group's product and R&D pipeline as near to mid-term growth driver in ophthalmology and long-term plan for new therapeutics in oncology. Major investments in ophthalmic products that are currently in an advanced stage of clinical development are outlined as follows:

Investments in Ophthalmology

In 2018, the Group entered into a co-development agreement with Mitotech S.A. ("**Mitotech**") and Mitotech LLC for the United States Food and Drug Administration (the "**US FDA**") phase 3 clinical trial of an ophthalmic solution containing SkQ1 for dry eye disease (the "**SkQ1 Product**"). Mitotech is a clinical-stage Luxembourg-based biotechnology company developing novel drugs for the treatment of predominantly age-related disorders. As disclosed in the announcement of the Company dated 24 February 2021, positive outcome was achieved during second phase 3 clinical trial (VISTA-2). The clinical trial study repeated statistically significant positive results on key predefined secondary 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. Following the positive trial outcome of VISTA-2, Mitotech planned a pivotal trial (VISTA-3), which should have commenced after Mitotech's management team was satisfied by their assessment that there would be no potential disruption to trial centres and patient recruitment amidst the ongoing COVID-19 pandemic.

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

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

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

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

Total actual investment cost of approximately HK\$348.0 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 2023. The investment cost represented 12.3% of the Group’s total assets as at 30 June 2023. According to Frost & Sullivan, the estimated number of patients with moderate-to-severe dry eye disease was around 119.7 million in the PRC in 2020. It is expected that the size of the potential market of the SkQ1 Product will be significant.

In 2020, the Group entered into a co-development and exclusive license agreement (the “**Co-Development License Agreement**”) with Shanghai Henlius Biotech, Inc. (“**Henlius**”) to co-develop a pharmaceutical product that contains an anti-vascular endothelial growth factor (“**anti-VEGF**”) as a drug substance (the “**Anti-VEGF Licensed Product**”), which is intended for the treatment of exudative (wet) age-related macular degeneration (“**wet-AMD**”). As at the date of this announcement, the recombinant anti-VEGF humanised monoclonal antibody injection HLX04-O (“**HLX04-O**”) for the treatment of wet-AMD has been approved to commence the phase 3 clinical trial in Australia, the United States, Singapore, Russia, Serbia and European Union countries such as Hungary, Spain, Latvia, the Czech Republic and Poland. So far, the first patient has been dosed in a phase 3 clinical study for HLX04-O for the treatment of wet-AMD in the PRC, Latvia, Australia and the United States successively. Also, the phase 1/2 clinical study for HLX04-O for the treatment of wet-AMD has shown its safety and tolerability and demonstrated preliminary efficacy.

On 22 February 2023, the Group entered into an amendment agreement with Henlius to amend certain terms of the Co-Development License Agreement, which include payments for regulatory and commercial sales milestones and development costs in respect of the Anti-VEGF Licensed Product. Please refer to the announcement of the Company dated 22 February 2023 and the 2022 annual results announcement of the Company dated 8 March 2023 for details.

Henlius is the holding company of a group principally engaged in (i) the research and development, production and sale of monoclonal antibody (mAb) drugs and the provision of related technical services (except for the development and application of human stem cells, genetic diagnosis and therapy technology); and (ii) the transfer of its own technology and provision of the related technology consultation services.

Total maximum commitment in relation to the co-development of the Anti-VEGF Licensed Product with Henlius is US\$67.0 million (equivalent to approximately HK\$525.0 million). Total actual investment cost of approximately HK\$242.1 million is presented as “Acquired Intangible Assets” under the Group’s interim condensed consolidated financial statements as at 30 June 2023. The investment cost represented 8.6% of the Group’s total assets as at 30 June 2023. The Anti-VEGF Licensed Product can be used for treating wet-AMD, diabetic macular edema, macular edema caused by retinal vein occlusion and myopic choroidal neovascularisation. According to Frost & Sullivan, the estimated number of patients with these 4 categories of disease was around 15.8 million in the PRC in 2020. Assuming each patient applies 4 doses in the first year of treatment and 2 to 3 doses in subsequent years, it is expected that the size of the potential market of the Anti-VEGF Licensed Product will be significant.

Apart from the investments in the SkQ1 Product and the Anti-VEGF Licensed Product, as at 30 June 2023 and the date of this announcement, each of the investments made and held by the Group represented less than 5% of the Group’s total assets.

HONOURS AND AWARDS OBTAINED IN 2023

珠海億勝生物製藥有限公司 (Zhuhai Essex Bio-Pharmaceutical Company Limited*), a wholly-owned subsidiary of the Company, has been recognised as one of the 2022年珠海市創新百強企業創新綜合實力100強 (2022 top 100 innovative companies in Zhuhai*). It has also been recognised as one of the 2022年度TOP100中國化藥企業 (2022 top 100 chemical pharmaceutical companies in the PRC*).

The Group’s Beifushu has been awarded as one of the Chinese reputable medicine brands in five consecutive years. This is a testament to 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 2023, the Group maintains a network of 43 regional sales offices in the PRC with more than 1,200 sales and marketing representatives. The Group expanded its presence in Singapore in 2020 as a base for market access expansion into Southeast Asian countries.

For achieving a sustainable traction on growth for currently marketed products as well as for near-term to mid-term new products being commercialised, the Group initiated investments to improve its competitiveness and widen its customers base under the following plans:

- investing in clinical observation programmes for affirming additional clinical indications of its commercialised products;
- reaching out to market in lower-tier cities in the PRC;
- cultivating pharmaceutical stores, where possible, as a complementary sales channel; and
- nurturing of e-consultation and e-prescription for patients with chronic diseases under its healthtech e-platform.

During the period under review, the Group's therapeutic products are being prescribed in more than 12,100 hospitals and medical providers, coupled with approximately 2,130 pharmaceutical stores, which are widely located in the major cities, provinces and county cities in the PRC.

RESEARCH AND DEVELOPMENT

The R&D's vision is emphasising the dedication to science and innovation, with a mission to develop therapeutics that would meet unmet clinical and/or commercial needs. The Group kick-started a 5-year development plan from 2021 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 that constituted the Group's primary current growth driver. Strengthening the Group's biologics-based R&D, the strategic alliances forged with Antikor Biopharma Limited and Henlius are in furtherance of our R&D plans for biologics in oncology and in ophthalmology for wet-AMD, diabetic macular edema, macular edema caused by retinal vein occlusion and myopic choroidal neovascularisation for mid-term to long-term growth driver.

The establishment of the BFS platform formed part of the Group's core competency to develop and produce a series of preservative-free unit-dose drugs. As at 30 June 2023, the Group has 5 commercialised preservative-free unit-dose eye drops in the product pipeline. A handful of preservative-free unit-dose ophthalmic drugs are under development with targeted commercialisation within the next 2 to 5 years.

As at 30 June 2023, there are 16 R&D programmes in the pre-clinical to clinical stage, out of which 4 ophthalmology programmes are in clinical stage. The 4 ophthalmology programmes listed below are targeted as mid-term growth driver.

1. EB11-18136P: SkQ1 eye drops, second phase 3 clinical trial (US FDA) (VISTA-2) topline data released on 24 February 2021
2. EB11-15120P: Azithromycin eye drops, ongoing review by external key opinion leaders (National Medical Products Administration ("NMPA") in the PRC)
3. EB12-20145P: Bevacizumab intravitreal injection for wet-AMD, phase 3 clinical trial (US FDA, European Medicines Agency, Therapeutic Goods Administration and NMPA in the PRC)
4. EB11-21148P: Cyclosporine eye drops, phase 2 clinical trial (NMPA in the PRC)

As at the date of this announcement, the Group has obtained a total of 73 patent certificates or authorisation letters, which include 52 發明專利 (invention patents), 14 實用新型專利 (utility model patents) and 7 外觀專利 (design patents).

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

PRODUCTION CAPABILITY

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

CONSTRUCTION OF THE SECOND FACTORY IN THE PRC

For the near-term expansion of the Group, a piece of land of about 15,000 square metres located at 珠海高新區科技創新海岸 (Zhuhai Hi-Tech Industrial Park*) was acquired in 2018. The land is within walking distance from the Group's existing factory. The plan is to construct the Group's second factory with a gross floor area (GFA) of about 58,000 square metres to house the Group's R&D centre, additional manufacturing facility, administrative office and staff hostel. Construction work of the second factory has started on 1 January 2020 and planned to complete by 2023, but is currently subject to timely resolution with the main contractor as explained further below.

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

In October 2022, the main contractor initiated counter legal proceedings against one of the subsidiaries of the Company seeking compensation for the disputed construction progress payments and obtained a court order to freeze certain bank accounts of such subsidiary. As at 30 June 2023, bank balances of approximately HK\$92.7 million were affected.

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

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

FINANCIAL REVIEW

The Group's revenue is chiefly derived and denominated in Renminbi from its operations in the PRC. For the six months ended 30 June 2023, the Group achieved a consolidated turnover of approximately HK\$899.4 million, with an increase of 37.1% as compared to the same period last year, indicating normalcy in business to the pre-COVID-19 operating level.

Correspondingly, the Group's profit increased by 22.0% to approximately HK\$169.8 million as compared to approximately HK\$139.2 million for the same period last year.

The Group's turnover is primarily made up of Ophthalmology and Surgical (wound care and healing). The core products that are current growth drivers under each segment are:

1. Ophthalmology – Beifushu series (Beifushu eye drops, Beifushu eye gel and Beifushu unit-dose eye drops), Tobramycin Eye Drops, Levofloxacin Eye Drops, Sodium Hyaluronate Eye Drops and 適麗順® (Iodized Lecithin Capsules*); and
2. Surgical (wound care and healing) – Beifuji series (Beifuji spray, Beifuji lyophilised powder and Beifuxin gel), Carisolv® dental caries removal gel, 佻典醫生 (Dr. YaDian) mouth wash, 伊血安顆粒 (Yi Xue An Granules*) and PELNAC™ collagen-based artificial dermis.

The sectoral turnover of Ophthalmology and Surgical is approximately 42.4% and 57.6% of the Group's turnover, respectively. The combined turnover of the Group's flagship biologics, Beifushu series and Beifuji series (the bFGF based biologic drugs), represented about 87.6% of the Group's total turnover, of which Beifushu series and Beifuji series accounted for 31.9% and 55.7% of the Group's turnover, respectively. The remaining 12.4% of the Group's turnover is mainly contributed by sales of Tobramycin Eye Drops, Levofloxacin Eye Drops, Sodium Hyaluronate Eye Drops, 適麗順® (Iodized Lecithin Capsules*), Carisolv® dental caries removal gel, 佻典醫生 (Dr. YaDian) mouth wash, 伊血安顆粒 (Yi Xue An Granules*) and PELNAC™ collagen-based artificial dermis, collectively.

Composition of turnover for the six months ended 30 June 2023 and 2022, respectively, is shown in the following table:

Expressed in HK\$' million	For the	For the
	six months ended 30 June 2023	six months ended 30 June 2022
Ophthalmology	381.6	269.4
Surgical	517.8	386.4
Total	899.4	655.8

Ophthalmology contributed approximately HK\$381.6 million to the Group's turnover for the six months ended 30 June 2023, representing an increase of 41.6% as compared to the same period last year. Surgical recorded a total turnover of approximately HK\$517.8 million for the six months ended 30 June 2023, representing an increase of 34.0% as compared to the same period last year. The increase was attributable to the resumption of clinical operations of hospitals to normalcy in the PRC.

The distribution and selling expenses for the period under review were approximately HK\$520.7 million as compared to approximately HK\$363.8 million for the corresponding period last year, representing an increase of 43.1%. Such expenses primarily consisted of remuneration, advertising costs, travelling and transportation costs, costs for the organisation of seminars and conferences for product training and awareness, etc. The increase was in line with the increase in turnover for the six months ended 30 June 2023.

The administrative expenses for the period under review were approximately HK\$101.3 million as compared to approximately HK\$79.6 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\$2.3 million; (ii) an increase in R&D expenses by approximately HK\$8.6 million; and (iii) an increase in amortisation of other intangible assets by approximately HK\$6.6 million.

Total expenditures (inclusive of acquired intangible assets) incurred in R&D for the period under review were approximately HK\$90.3 million (For the six months ended 30 June 2022: approximately HK\$197.4 million), representing 10.0% (For the six months ended 30 June 2022: 30.1%) of the turnover, of which approximately HK\$70.1 million (For the six months ended 30 June 2022: approximately HK\$185.8 million) were capitalised.

The Group had cash and cash equivalents of approximately HK\$505.7 million as at 30 June 2023 (31 December 2022: approximately HK\$543.5 million).

The Group's bank borrowings as at 30 June 2023 were approximately HK\$285.8 million (31 December 2022: approximately HK\$329.5 million), among which 31.5% was repayable within 1 year and 68.5% was repayable in more than 1 year but within 5 years. Among the Group's bank borrowings as at 30 June 2023, 13.1% was denominated in Hong Kong Dollar, 19.1% was denominated in Renminbi and 67.8% was denominated in US Dollar. All of the Group's bank borrowings bear interest at floating rate. The interest rate of the Group's bank borrowings ranged from 3.6% to 7.7% as at 30 June 2023. 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 2023 were approximately HK\$9.4 million (For the six months ended 30 June 2022: approximately HK\$4.7 million), including an imputed interest expense on the convertible loan payable and interest expenses on bank borrowings amounting to approximately HK\$12.7 million (For the six months ended 30 June 2022: approximately HK\$7.9 million) of which approximately HK\$3.3 million (For the six months ended 30 June 2022: approximately HK\$3.3 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 biologic business and general working capital requirements. All net proceeds had been utilised in 2018 according to the intended use.

Dilutive effect of the conversion of the convertible loan

As at 30 June 2023, no part of the outstanding principal amount of the convertible loan of HK\$150.0 million has been converted into Conversion Shares.

On the assumption that the convertible loan would be converted into Conversion Shares in full at the initial conversion price of HK\$5.90 per share, the aggregate principal amount of the convertible loan of HK\$150.0 million is convertible into 25,423,728 Conversion Shares.

The following table sets out the total number of shares that the Company should issue if the convertible loan has been fully converted on 30 June 2023:

Shareholders	As at 30 June 2023		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	25.81	147,279,000	24.71
Ngiam Mia Kiat Benjamin	145,354,000	25.47	145,354,000	24.39
Dynatech Ventures Pte Ltd (<i>Note 1</i>)	6,666,667	1.17	6,666,667	1.12
Directors within last 12 months (other than Ngiam Mia Je Patrick) (<i>Note 2</i>)	7,329,300	1.28	7,329,300	1.23
IFC	–	–	25,423,728	4.27
Other shareholders	263,955,033	46.27	263,955,033	44.28
	<u>570,584,000</u>	<u>100</u>	<u>596,007,728</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 7,329,300 shares, 5,244,300 shares were registered in the name of Fang Haizhou, 2,039,000 shares were registered in the name of Ngiam Hian Leng Malcolm and 46,000 shares were registered in the name of Yau Lai Man.
- (3) Lauw Hui Kian is the spouse of Ngiam Mia Je Patrick (an executive Director) and is deemed to be interested in the shares in which Ngiam Mia Je Patrick is interested/deemed to be interested.

Dilutive effect on earnings per share

Based on the profit attributable to owners of the Company of approximately HK\$169.8 million for the six months ended 30 June 2023, the basic and diluted earnings per share attributable to owners of the Company, after considering the full conversion of the convertible loan, were HK29.72 cents and HK28.80 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 2023 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 2023.

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

General Disclosure under Rules 13.18 and 13.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "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 was 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.

On 17 July 2023, the Group has made voluntary repayment of the Loan in full ahead of the repayment schedule.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, as at 30 June 2023, 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 2023, the Group obtained banking facilities of approximately HK\$475.4 million, of which approximately HK\$475.1 million was utilised. Certain of the banking facilities were secured by the corporate guarantees provided by the Company and its certain subsidiaries and a pledged deposit which amounted to approximately HK\$7.5 million. Subsequent to the end of the reporting period and up to the date of this announcement, the Group has obtained a term loan facility from Bank of China of a maximum amount of RMB200.0 million (equivalent to approximately HK\$216.1 million).

As at 30 June 2023, the Group had cash and cash equivalents of approximately HK\$505.7 million as compared to approximately HK\$543.5 million as at 31 December 2022.

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 2023 was 36.1% (31 December 2022: 36.2%).

CHARGES ON GROUP ASSETS

As at 30 June 2023, a bank deposit of approximately HK\$7.5 million (31 December 2022: approximately HK\$14.3 million) was pledged to secure the Group's banking facilities.

CAPITAL COMMITMENTS

As at 30 June 2023, the Group had capital commitments which amounted to approximately HK\$456.9 million (31 December 2022: approximately HK\$373.4 million).

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

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

Save as disclosed in this announcement, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the period ended 30 June 2023.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in this announcement, the Group did not hold any significant investments as at 30 June 2023.

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 2023, the Group had a total of 1,462 full-time employees (31 December 2022: 1,471 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\$173.0 million and approximately HK\$161.2 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 2023, there was no exercise of share options (the "**Options**") granted under the Company's share option schemes as approved by the shareholders of the Company at the annual general meeting held on 3 May 2013 (the "**2013 Scheme**") and on 9 June 2023 (the "**2023 Scheme**"), respectively. Details of the 2013 Scheme and the 2023 Scheme are set out below.

Summary of the 2013 Scheme

1. Purpose of the 2013 Scheme:

- (a) To recognise and acknowledge the contributions that the 2013 Eligible Participants (as defined below) have made or may make to the Group.
- (b) To provide the 2013 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 2013 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 “**2013 Eligible Participants**”).

The basis of eligibility of any of the above classes of the 2013 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 the 2013 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 2013 Scheme.

3. (a) The maximum number of Shares in respect of which Options may be granted under the 2013 Scheme shall not, in aggregate, exceed 10% of the Shares in issue as at the date of approval of the 2013 Scheme, i.e. 55,675,000.

- (b) Number of Options available for grant under the 2013 Scheme as at 1 January 2023 is 25,375,000.

- (c) Number of Shares that may be issued in respect of the Options granted under the 2013 Scheme during the period under review (i.e. 1,000,000 Shares) divided by the weighted average number of Shares in issue for the period under review:

0.18%.

- (d) Total number of ordinary shares of HK\$0.10 each in the capital of the Company available for issue under the 2013 Scheme as at the date of this announcement:

Nil.

- (e) Percentage of the issued share capital that it represents as at the date of this announcement:

Not applicable.

4. Maximum entitlement of each 2013 Eligible Participant under the 2013 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. (a) Minimum period for which an Option must be held before it can be exercised:

No minimum period unless otherwise determined by the Board.

- (b) Minimum period for which an Option must be vested:

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 2013 Scheme:

The 2013 Scheme has been expired on 2 May 2023.

10. Key information on the Options granted under the 2013 Scheme:

As disclosed in the announcement of the Company dated 27 June 2018, 1,000,000 Options were granted to an eligible person under the 2013 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 were lapsed on 26 June 2023.

Summary of the 2023 Scheme

1. Purpose of the 2023 Scheme:

- (a) To recognise and acknowledge the contributions that the 2023 Eligible Participants (as defined below) have (or may have) made or may make to the Group (whether directly or indirectly).
- (b) To attract and retain and appropriately remunerate the best possible quality of Employees (as defined below) and other 2023 Eligible Participants (as defined below).
- (c) To motivate the 2023 Eligible Participants (as defined below) to optimise their performance and efficiency for the benefit of the Group.
- (d) To enhance its business, employee and other relations.
- (e) To retain maximum flexibility as to the range and nature of rewards and incentives which the Group can offer to 2023 Eligible Participants (as defined below).

2. Participants of the 2023 Scheme:

- (a) any director of the Company or any of its subsidiaries or any employee employed by the Company and/or any of its subsidiaries (whether full time or part time) (“**Category A Participant**”); or
- (b) any director or employee (whether full time or part time) of any of the Company’s holding companies, fellow subsidiaries and associated companies (“**Category B Participant**”); or
- (c) any person who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, including consultants and advisors of the Company with relevant expertise in fields related to biotechnology and capital market, and investor relations consultants, which could provide insights on areas such as investor relations, market development and promotion, technological trends and innovations, as well as management (excluding any placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, and professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity) (“**Category C Participant**”)

(Category A Participant, Category B Participant and Category C Participant collectively referred to as the “**2023 Eligible Participants**”). The basis of eligibility of any of the above categories of the 2023 Eligible Participants to the grant of any right(s) to subscribe for the Share(s) granted pursuant to the 2023 Scheme shall be determined by the Board from time to time on the basis of their contribution to the Group in line with the purposes of the 2023 Scheme.

- 3.
- (a) The maximum number of Shares in respect of which Options may be granted under the 2023 Scheme shall not, in aggregate, exceed 10% of the Shares in issue as at the date of approval of the 2023 Scheme, i.e. 57,064,900.
 - (b) The maximum number of Shares in respect of which Options may be granted to all Category C Participants under the 2023 Scheme shall not, in aggregate, exceed 1% of the Shares in issue as at the date of approval of the 2023 Scheme, i.e. 5,706,490.
 - (c) Number of Options available for grant under the 2023 Scheme as at 30 June 2023 and the date of this announcement is 57,064,900.
 - (d) Number of Options available for grant to Category C Participants under the 2023 Scheme as at 30 June 2023 and the date of this announcement is 5,706,490.

- (e) Number of Shares that may be issued in respect of the Options granted under the 2023 Scheme during the period under review (i.e. nil) divided by the weighted average number of Shares in issue for the period under review:

Not applicable.

- (f) Total number of ordinary shares of HK\$0.10 each in the capital of the Company available for issue under the 2023 Scheme as at the date of this announcement:

57,064,900 Shares.

- (g) Percentage of the issued share capital that it represents as at the date of this announcement:

10.00%.

4. Maximum entitlement of each 2023 Eligible Participant under the 2023 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 vested:

Not less than 12 months, save and except that Options to be granted to a Category A Participant may be subject to a vesting period of less than 12 months (or no vesting period) in the following circumstances:

- (a) grants of “make-whole” Options to new joiners to replace the share awards they forfeited when leaving the previous employer;
- (b) grants of Options to a Category A Participant whose employment is terminated due to death or disability or occurrence of any out-of-control event;
- (c) grants of Options that are made in batches during a year for administrative and compliance reasons;
- (d) grants of Options with a mixed or accelerated vesting schedule such as where the Options may vest evenly over a period 12 months; and
- (e) grants of Options with a total vesting and holding period of more than 12 months.

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:

Not applicable.

(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 on the date of grant of the relevant Option, which must be a business day;
- (b) 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 2023 Scheme:

Approximately 9.8 years (expiring on 8 June 2033).

Details of the Options Granted

The following table discloses the movements in the Company's share options held by an employee of the Company during the period ended 30 June 2023:

Participants	Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Outstanding	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding
					as at 1 January 2023				as at 30 June 2023
Employee	27.06.2018	10.0	27.06.2018-26.06.2020	27.06.2020-26.06.2023	300,000	0	0	300,000	0
	27.06.2018	10.0	27.06.2018-26.06.2021	27.06.2021-26.06.2023	300,000	0	0	300,000	0
	27.06.2018	10.0	27.06.2018-26.06.2022	27.06.2022-26.06.2023	400,000	0	0	400,000	0
Total for the 2013 Scheme					1,000,000	0	0	1,000,000	0

During the period under review, no Option has been granted or cancelled in accordance with the terms of the 2013 Scheme and the 2023 Scheme.

ADDITIONAL INFORMATION

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

As at 30 June 2023, 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 2023
Ngiam Mia Je Patrick	Beneficial owner and interests of controlled corporations	153,945,667 (Note 1)	26.98%
Fang Haizhou	Beneficial owner	5,244,300 (Note 2)	0.92%
Ngiam Hian Leng Malcolm	Beneficial owner	2,039,000 (Note 3)	0.36%
Yau Lai Man	Beneficial owner	46,000 (Note 4)	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.

2. 5,244,300 ordinary shares were registered in the name of Fang Haizhou.
3. 2,039,000 ordinary shares were registered in the name of Ngiam Hian Leng Malcolm.
4. 46,000 ordinary shares were registered in the name of Yau Lai Man.

Save as disclosed above, as at 30 June 2023, 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 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 2023, 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 2023
Ngiam Mia Kiat Benjamin	Beneficial owner and interests of controlled corporations	152,020,667 <i>(Note 1)</i>	26.64%
Lauw Hui Kian	Family interest	153,945,667 <i>(Note 2)</i>	26.98%

Notes:

1. (a) 145,354,000 ordinary shares were registered in the name of Ngiam Mia Kiat Benjamin.

(b) 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.
2. 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 2023, 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 1,019,000 of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company as at the date of this announcement. The total amount paid for the repurchases of HK\$3,681,320 was paid wholly out of retained profits of the Company. Details of those transactions are as follows:

Month	Number of shares repurchased	Price per share		Total price paid HK\$
		Highest HK\$	Lowest HK\$	
March 2023	306,000	4.10	3.71	1,165,570
April 2023	345,000	3.72	3.54	1,251,580
May 2023	303,000	3.65	3.33	1,045,070
June 2023	65,000	3.55	3.34	219,100
	<u>1,019,000</u>			<u>3,681,320</u>

Subsequent to the end of the reporting period and up to the date of this announcement, the Company repurchased 80,000 of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company as at the date of this announcement. The highest and lowest price per share paid was HK\$3.49 and HK\$3.40 respectively and the total amount paid for the repurchases of HK\$275,450 was paid wholly out of retained profits of the Company.

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

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 2023.

INTERIM DIVIDEND

The Board has resolved on 16 August 2023 to declare an interim dividend of HK\$0.045 (For the six months ended 30 June 2022: HK\$0.04) per ordinary share for the six months ended 30 June 2023 (the "**Interim Dividend**"), which is payable in cash on Wednesday, 13 September 2023. 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 Monday, 4 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 31 August 2023 to Monday, 4 September 2023 (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, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 30 August 2023.

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 2023.

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

Hong Kong
16 August 2023

Executive directors of the Company as at the date of this announcement are Mr. Ngiam Mia Je Patrick, Mr. Fang Haizhou, Mr. Ngiam Hian Leng Malcolm and Ms. Yau Lai Man. Independent non-executive directors of the Company as at the date of this announcement are Mr. Fung Chi Ying, Ms. Yeow Mee Mooi and Mr. Yan Man Sing Frankie.

* *For identification purpose only*