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ESSEX BIO-TECHNOLOGY LIMITED

億勝生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1061)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the “Board”) of directors (the “Directors”) of Essex Bio-Technology Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2023 together with comparative figures for the year ended 31 December 2022 as follows:

FINANCIAL HIGHLIGHTS

	Presentation Currency in HK\$			Comparison Results in RMB		
	2023 HK\$'000	2022 HK\$'000	Increase/ (decrease) %	2023 RMB'000	2022 RMB'000	Increase/ (decrease) %
Results						
Turnover	1,706,556	1,317,711	29.5	1,541,706	1,132,140	36.2
Profit for the year	275,260	225,411	22.1	248,670	193,667	28.4
Financial position						
Total assets	2,827,558	2,712,397	4.2	2,559,927	2,395,492	6.9
Total liabilities	903,781	981,030	(7.9)	818,237	866,411	(5.6)
Net assets	1,923,777	1,731,367	11.1	1,741,690	1,529,081	13.9
Cash and cash equivalents	509,845	543,486	(6.2)	461,588	479,987	(3.8)
	2023	2022	Increase/ (decrease) %			
Financial ratios						
Current ratio (Note 1)	1.54	2.16				
Gearing ratio (Note 2)	0.32	0.36				
Gross profit margin (Note 3)	90.2%	90.3%				
Net profit margin (Note 4)	16.1%	17.1%				
Return on equity (Note 5)	14.3%	13.0%				
Earnings per share						
– Basic	HK48.27 cents	HK39.27 cents	22.9			
– Diluted	HK46.90 cents	HK38.28 cents	22.5			
Dividend per ordinary share						
– Interim	HK4.5 cents	HK4.0 cents	12.5			
– Final	HK4.5 cents	HK2.5 cents	80.0			
	<u>HK9.0 cents</u>	<u>HK6.5 cents</u>	38.5			

Notes:

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 HK\$	2022 HK\$
Turnover	3 & 4	1,706,556,141	1,317,710,616
Cost of sales		<u>(167,263,052)</u>	<u>(128,381,601)</u>
Gross profit		1,539,293,089	1,189,329,015
Other revenue, and other gains and losses		48,538,148	(3,131,001)
Distribution and selling expenses		(1,011,995,846)	(758,212,624)
Administrative expenses		(216,967,423)	(155,976,579)
Finance costs		(11,212,159)	(11,472,207)
Share of loss of an associate		<u>(1,641,382)</u>	<u>(193,824)</u>
Profit before income tax	5	346,014,427	260,342,780
Income tax	6	<u>(70,754,810)</u>	<u>(34,931,470)</u>
Profit for the year		<u>275,259,617</u>	<u>225,411,310</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		(42,291,234)	(132,597,063)
<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>11,956,727</u>	<u>(26,495,769)</u>
Other comprehensive income for the year		<u>(30,334,507)</u>	<u>(159,092,832)</u>
Total comprehensive income for the year		<u>244,925,110</u>	<u>66,318,478</u>
Earnings per share attributable to owners of the Company			
Basic	8	<u>HK48.27 cents</u>	<u>HK39.27 cents</u>
Diluted	8	<u>HK46.90 cents</u>	<u>HK38.28 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 HK\$	2022 HK\$
Non-current assets			
Property, plant and equipment	9	384,541,423	398,835,074
Right-of-use assets		21,317,529	2,277,631
Land use rights		14,587,788	15,329,849
Goodwill		56,016,106	57,146,761
Other intangible assets	10	1,054,838,195	978,696,789
Investment in an associate		928,529	2,630,850
Convertible loan receivables	11	–	10,545,317
Financial assets at fair value through other comprehensive income	12	39,067,772	23,218,349
Financial assets at fair value through profit or loss	12	366,251	2,060,452
Deposits and prepayments	15	10,617,279	7,677,656
Total non-current assets		<u>1,582,280,872</u>	<u>1,498,418,728</u>
Current assets			
Inventories	13	62,821,919	83,658,808
Trade and other receivables	14	595,420,249	473,735,334
Deposits and prepayments	15	26,783,683	19,554,110
Convertible loan receivables	11	41,820,601	26,321,521
Financial assets at fair value through profit or loss	12	5,179,921	6,053
Pledged bank deposits		–	14,275,000
Restricted cash		3,405,969	52,941,562
Cash and cash equivalents		509,845,284	543,486,017
Total current assets		<u>1,245,277,626</u>	<u>1,213,978,405</u>
Total assets		<u>2,827,558,498</u>	<u>2,712,397,133</u>
Current liabilities			
Trade and other payables	16	484,212,754	416,325,907
Bank borrowings		55,404,346	105,045,225
Lease liabilities		1,696,026	2,567,651
Convertible loan payable	17	180,460,415	–
Current tax liabilities		88,970,548	36,977,985
Total current liabilities		<u>810,744,089</u>	<u>560,916,768</u>
Net current assets		<u>434,533,537</u>	<u>653,061,637</u>
Total assets less current liabilities		<u>2,016,814,409</u>	<u>2,151,480,365</u>
Non-current liabilities			
Bank borrowings		36,056,728	224,405,892
Lease liabilities		20,404,708	–
Convertible loan payable	17	–	157,715,217
Deferred tax liabilities		36,575,748	37,992,451
Total non-current liabilities		<u>93,037,184</u>	<u>420,113,560</u>
Total liabilities		<u>903,781,273</u>	<u>981,030,328</u>
NET ASSETS		<u><u>1,923,777,225</u></u>	<u><u>1,731,366,805</u></u>
Capital and reserves attributable to owners of the Company			
Share capital		56,758,500	57,160,300
Reserves		1,867,018,725	1,674,206,505
TOTAL EQUITY		<u><u>1,923,777,225</u></u>	<u><u>1,731,366,805</u></u>

NOTES:

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. ADOPTION OF HKFRSs

Adoption of revised HKFRSs with effect from 1 January 2023

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to HKAS 1 require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. The amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide guidance on how to apply the concept of materiality to accounting policy disclosures.

These amendments have an impact on the Group’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s financial statements.

Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

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

Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

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

HKFRS 17 and amendments to HKFRS 17 – Insurance Contracts and related amendments

HKFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to HKFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with HKFRS 4 permitting many previous accounting approaches to be followed.

Since HKFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers. The Group carried out an assessment of its contracts and operations and concluded that the adoption of HKFRS 17 has no impact on the Group's financial statements.

3. TURNOVER

Turnover represents the sales value of goods supplied to customers and service income (net of sales tax, value-added tax, commercial discounts and sales returns), further details of which are set out in note 4.

4. SEGMENT REPORTING

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

- Ophthalmology: Development, manufacture and/or sale of products including 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*)
- Surgical: Development, manufacture and/or sale of products including 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

(a) Reportable segments

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

For the year ended 31 December 2023

	Ophthalmology	Surgical	Total
	HK\$	HK\$	HK\$
Reportable segment revenue			
– Revenue from external customers	<u>753,394,985</u>	<u>953,161,156</u>	<u>1,706,556,141</u>
Reportable segment profit	<u>186,481,635</u>	<u>228,288,109</u>	<u>414,769,744</u>

For the year ended 31 December 2022

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

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

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Reportable segment profit	414,769,744	351,299,679
Unallocated corporate income and expenses, net	(65,216,062)	(48,810,202)
Change in fair value of financial assets at fair value through profit or loss	12,722,346	(4,757,302)
Impairment loss on other intangible assets	(5,049,442)	–
Impairment loss on goodwill	–	(25,830,139)
Equity-settled share-based payments	–	(87,049)
Finance costs	<u>(11,212,159)</u>	<u>(11,472,207)</u>
Profit before income tax	<u>346,014,427</u>	<u>260,342,780</u>

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

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

(b) **Geographical information**

(i) **Revenue from external customers**

For the years ended 31 December 2023 and 2022, the Group's revenue from external customers is derived solely from its operations in the People's Republic of China ("PRC").

(ii) **Non-current assets**

	2023	2022
	HK\$	HK\$
PRC	1,263,594,401	1,205,074,379
Hong Kong	249,054,890	232,738,141
Overseas	30,197,558	24,782,090
	<u>1,542,846,849</u>	<u>1,462,594,610</u>

The non-current assets information above excludes convertible loan receivables, financial assets at fair value through other comprehensive income ("FVTOCI") and financial assets at fair value through profit or loss ("FVTPL"), and is based on the physical locations of the respective assets, except for goodwill and other intangible assets of which is based on the areas of the group entities' operations.

(c) **Information about major customers**

For the year ended 31 December 2023, revenue of HK\$454,572,326 and HK\$185,308,932 (2022: HK\$354,935,984 and HK\$141,967,969) was derived from the sales to two customers (2022: two customers), which individually accounted for over 10% of the Group's total revenue.

5. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	2023	2022
	HK\$	HK\$
Amortisation of land use rights	367,203	386,107
Amortisation of other intangible assets	26,270,840	15,383,511
Auditor's remuneration	1,453,500	1,358,200
Cost of inventories	163,893,660	115,850,893
Cost of services	1,285,547	8,376,343
Depreciation of property, plant and equipment	30,067,557	23,982,180
Depreciation of right-of-use assets	3,170,710	2,161,139
Employee costs excluding Directors' emoluments:		
– Salaries and other benefits	298,225,948	280,068,091
– Pension fund contributions	17,769,636	15,389,251
– Equity-settled share-based payments to the employees	–	87,049
Exchange losses/(gains), net	6,122,070	(2,169,543)
Write-off of inventories	2,083,845	4,154,365
Loss on disposal of property, plant and equipment	2,223,700	285,676
Research and development costs recognised as expenses	39,144,729	23,507,775

6. INCOME TAX

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

	2023	2022
	HK\$	HK\$
Current tax – the PRC		
– Provision for the year	65,736,422	16,203,050
– Underprovision in the prior year	148,873	448,084
Deferred tax	4,869,515	18,280,336
	70,754,810	34,931,470

No provision for Hong Kong profits tax has been made as the Group has no assessable profit arising in Hong Kong.

The Group's major operating subsidiary in Zhuhai, the PRC, was established and carries on business in the Special Economic Zones of the PRC as a high technology enterprise. This subsidiary has obtained a 高新技術企業證書 (High Technology Enterprise Certificate) and is entitled to enjoy the enterprise income tax at the concessionary rate of 15% for the years ended 31 December 2023 and 2022.

Enterprise income tax rate of 25%, 17%, 27.3% and 22% is applied to the Group's other operating subsidiaries in the PRC, Singapore, the United States and Indonesia respectively.

7. DIVIDENDS

	2023	2022
	HK\$	HK\$
Interim dividend – HK\$0.045 (2022: HK\$0.04) per share	25,655,175	22,915,520
Proposed final dividend – HK\$0.045 (2022: Final dividend – HK\$0.025) per share	25,541,325	14,266,225
	51,196,500	37,181,745

The Directors propose a final dividend of HK\$0.045 (2022: HK\$0.025) per ordinary share to be paid. The amount of proposed final dividend is based on the number of issued ordinary shares as at the end of the reporting period. This proposed dividend is not reflected as dividend payable as at the end of the reporting period but will be reflected as an appropriation of retained earnings for the year ending 31 December 2024.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Construction in progress <i>HK\$</i>	Total <i>HK\$</i>
Cost:						
At 1 January 2022	127,057,051	109,045,198	50,647,117	6,835,278	173,953,762	467,538,406
Additions	407,369	10,681,197	25,269,430	102,424	68,119,315	104,579,735
Acquisition of a subsidiary	–	–	191,180	289,435	–	480,615
Disposals	–	(236,146)	(2,507,189)	–	–	(2,743,335)
Transfers	–	101,296,769	2,022,639	–	(103,319,408)	–
Exchange adjustment	(9,750,634)	(11,394,441)	(4,317,749)	(443,976)	(12,378,193)	(38,284,993)
	<u>117,713,786</u>	<u>209,392,577</u>	<u>71,305,428</u>	<u>6,783,161</u>	<u>126,375,476</u>	<u>531,570,428</u>
At 31 December 2022	117,713,786	209,392,577	71,305,428	6,783,161	126,375,476	531,570,428
Additions	1,802,407	2,790,317	4,626,475	1,314,281	17,228,182	27,761,662
Disposals	(30,994)	(1,318,772)	(2,867,145)	(758,245)	–	(4,975,156)
Exchange adjustment	(2,859,228)	(5,134,197)	(1,605,946)	(125,269)	(3,117,142)	(12,841,782)
	<u>116,625,971</u>	<u>205,729,925</u>	<u>71,458,812</u>	<u>7,213,928</u>	<u>140,486,516</u>	<u>541,515,152</u>
At 31 December 2023	116,625,971	205,729,925	71,458,812	7,213,928	140,486,516	541,515,152
Accumulated depreciation:						
At 1 January 2022	19,950,827	72,468,376	22,579,119	5,380,861	–	120,379,183
Charge for the year	2,416,535	11,236,362	9,756,577	572,706	–	23,982,180
Acquisition of a subsidiary	–	–	99,039	260,491	–	359,530
Disposals	–	(185,066)	(2,212,058)	–	–	(2,397,124)
Exchange adjustment	(1,594,981)	(5,855,289)	(1,771,629)	(366,516)	–	(9,588,415)
	<u>20,772,381</u>	<u>77,664,383</u>	<u>28,451,048</u>	<u>5,847,542</u>	<u>–</u>	<u>132,735,354</u>
At 31 December 2022	20,772,381	77,664,383	28,451,048	5,847,542	–	132,735,354
Charge for the year	2,388,068	17,070,004	10,249,789	359,696	–	30,067,557
Disposals	–	(1,110,867)	(852,525)	(682,420)	–	(2,645,812)
Exchange adjustment	(512,694)	(1,937,438)	(627,494)	(105,744)	–	(3,183,370)
	<u>22,647,755</u>	<u>91,686,082</u>	<u>37,220,818</u>	<u>5,419,074</u>	<u>–</u>	<u>156,973,729</u>
At 31 December 2023	22,647,755	91,686,082	37,220,818	5,419,074	–	156,973,729
Carrying amount:						
At 31 December 2023	<u>93,978,216</u>	<u>114,043,843</u>	<u>34,237,994</u>	<u>1,794,854</u>	<u>140,486,516</u>	<u>384,541,423</u>
At 31 December 2022	<u>96,941,405</u>	<u>131,728,194</u>	<u>42,854,380</u>	<u>935,619</u>	<u>126,375,476</u>	<u>398,835,074</u>

The carrying amount of construction in progress represented the costs incurred for the construction of the new factory which will be reclassified to buildings and leasehold improvements, plant and machinery and equipment when the construction is completed.

10. OTHER INTANGIBLE ASSETS

	Development expenditure	Acquired intangible assets	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Cost:			
At 1 January 2022	227,747,986	618,137,818	845,885,804
Additions	43,157,632	276,061,003	319,218,635
Disposal	–	(62,719,447)	(62,719,447)
Exchange adjustment	(16,416,507)	(38,782,667)	(55,199,174)
	<u>254,489,111</u>	<u>792,696,707</u>	<u>1,047,185,818</u>
At 31 December 2022	254,489,111	792,696,707	1,047,185,818
Additions	49,524,555	75,646,289	125,170,844
Exchange adjustment	(5,286,318)	(14,029,613)	(19,315,931)
	<u>298,727,348</u>	<u>854,313,383</u>	<u>1,153,040,731</u>
At 31 December 2023	298,727,348	854,313,383	1,153,040,731
Accumulated amortisation and impairment losses:			
At 1 January 2022	39,232,596	31,344,920	70,577,516
Amortisation	5,095,994	10,287,517	15,383,511
Impairment (<i>Note (a)</i>)	13,011,953	–	13,011,953
Disposal	–	(25,148,774)	(25,148,774)
Exchange adjustment	(3,411,774)	(1,923,403)	(5,335,177)
	<u>53,928,769</u>	<u>14,560,260</u>	<u>68,489,029</u>
At 31 December 2022	53,928,769	14,560,260	68,489,029
Amortisation	5,246,130	21,024,710	26,270,840
Impairment (<i>Note (b)</i>)	–	5,049,442	5,049,442
Exchange adjustment	(1,287,306)	(319,469)	(1,606,775)
	<u>57,887,593</u>	<u>40,314,943</u>	<u>98,202,536</u>
At 31 December 2023	57,887,593	40,314,943	98,202,536
Carrying amount:			
At 31 December 2023	<u>240,839,755</u>	<u>813,998,440[#]</u>	<u>1,054,838,195</u>
At 31 December 2022	<u>200,560,342</u>	<u>778,136,447[#]</u>	<u>978,696,789</u>

The amount mainly represented the following:

- (i) *In 2018, the Group entered into a co-development agreement (and as supplemented and revised from time to time) with an independent third party, Mitotech S.A. under which the Group has agreed to fund for a clinical development in the United States Food and Drug Administration phase 3 clinical trial of an ophthalmic solution containing SkQ1 as its sole active pharmaceutical ingredient (the “SkQ1 Product”) which shall be provided as a pharmaceutical product in the field of dry eye disease, in return for a share of certain income received by Mitotech S.A. from the SkQ1 Product.*

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

During the year ended 31 December 2023, the development cost incurred in the SkQ1 Product was HK\$2,497,668 (2022: HK\$36,150,281). As at 31 December 2023, the carrying amount of the SkQ1 Product was HK\$352,618,198 (2022: HK\$354,105,347).

- (ii) *In 2020, the Group entered into a co-development and exclusive license agreement with an independent third party, Shanghai Henlius Biotech, Inc. (“Henlius”) under which the Group has agreed to fund 80% of the development costs of a pharmaceutical product that contains an anti-vascular endothelial growth factor (anti-VEGF) as a drug substance (the “Licensed Product”), which is intended for the treatment of exudative (wet) age-related macular degeneration. In return, the Group has obtained an exclusive license for the regulatory development, manufacture and commercialisation of the Licensed Product worldwide, subject to commercial sales milestone payment and royalties levied on net sales of the Licensed Product payable to Henlius.*

During the year ended 31 December 2023, the development cost incurred in the Licensed Product was HK\$70,312,529 (2022: HK\$64,652,204). As at 31 December 2023, the carrying amount of the Licensed Product was HK\$280,218,468 (2022: HK\$215,333,767).

- (iii) *In 2022, the Group acquired intellectual property rights and right of Marketing Authorisation Holder relating to 適麗順® (Iodized Lecithin Capsules*) at an effective consideration of HK\$144,079,537. As at 31 December 2023, the carrying amount was HK\$118,874,144 (2022: HK\$136,069,168).*

Notes:

- (a) *During the year ended 31 December 2022, the capitalised costs of two development projects were impaired by the Group as a result of the Group deciding not to further proceed with these two development projects which deviated from the Group’s business direction. Accordingly, an aggregate loss of HK\$13,011,953 on the development expenditure was recognised in profit or loss.*
- (b) *During the year ended 31 December 2023, certain intellectual property rights acquired from 成都上工醫信科技有限公司 (Chengdu Shanggong Medical Technology Co., Ltd.*) (“Shanggong”) were impaired by the Group as the management assessed that such intangible asset will not generate probable future economic benefits to the Group in accordance with the latest business plan of the Group which is to maintain its focus on existing principal activities that do not utilise these intellectual property rights. The recoverable amount, being its value in use, was approximately HK\$12.0 million as at 31 December 2023. Accordingly, an aggregate loss of HK\$5,049,442 was recognised in profit or loss.*

11. CONVERTIBLE LOAN RECEIVABLES

- (i) In 2018, the Group entered into an agreement with an independent third party (“Investee A”) to subscribe for a convertible loan with principal amount of US\$4,500,000 (approximately HK\$35,278,200) which carries interest at 5% per annum with maturity on 31 July 2022 (“Convertible Loan A”). On 7 January 2022, the Group entered into a supplementary agreement with Investee A to extend the maturity date of Convertible Loan A to 31 July 2024. The entire principal amount of Convertible Loan A can be converted into such number of shares representing 45% of the enlarged and fully diluted share capital of Investee A at any time before the maturity date. In the event that no conversion has been taken place before maturity date, Investee A shall repay the Group the outstanding principal amount plus an amount calculated by the Group which would yield a return for the Group on the principal amount of Convertible Loan A of 8% per annum. The first tranche in the principal amount of US\$600,000 (equivalent to HK\$4,696,774) (“Tranche A of Convertible Loan A”) was disbursed to Investee A in 2018. In 2022, the second tranche in the principal amount of US\$600,000 (equivalent to HK\$4,666,004) (“Tranche B of Convertible Loan A”) was subscribed by the Group. Tranches A and B of Convertible Loan A are classified as financial assets at FVTPL upon the initial recognition.
- (ii) In 2019, the Group entered into a convertible loan agreement with an independent third party, Shanggong, with principal amount of RMB15,000,000 (equivalent to HK\$17,045,455) which carries interest at 10% per annum with maturity on 1 January 2021 (“Convertible Loan 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 US\$3,250,000 (equivalent to HK\$25,302,724) which carry interest at 5% per annum with maturity on 30 September 2023 (“Convertible Loan C”). On 22 November 2023, the Group entered into two amendment agreements with Antikor to extend the maturity of Convertible Loan C to 30 April 2024. 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., with principal amount of US\$1,200,000 (equivalent to HK\$9,323,389) which carries interest at 8% per annum with maturity on 15 October 2022 (“Convertible Loan 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 S.A. 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 S.A.

The Group's convertible loan receivables are as follows:

	<i>HK\$</i>
At 31 December 2023	
– Tranches A and B of Convertible Loan A	11,873,144
– Convertible Loan C	29,947,457
	<hr/>
Total, classified under current assets	41,820,601
	<hr/> <hr/>
	<i>HK\$</i>
At 31 December 2022	
– Tranches A and B of Convertible Loan A	10,545,317
– Convertible Loan C	26,321,521
	<hr/>
Total	36,866,838
Less: Current portion	(26,321,521)
	<hr/>
Non-current portion	10,545,317
	<hr/> <hr/>

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

	<i>HK\$</i>
At 1 January 2022	39,976,864
Additions	12,513,587
Settlement	(15,059,312)
Change in fair value recognised in profit or loss	(246,560)
Exchange differences	(317,741)
	<hr/>
At 31 December 2022	36,866,838
Change in fair value recognised in profit or loss	4,953,763
	<hr/>
At 31 December 2023	41,820,601
	<hr/> <hr/>

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

	2023	2022
	HK\$	HK\$
Non-current		
Equity investments designated at FVTOCI (<i>Note (a)</i>)		
– Listed equity investments (<i>Note (b)</i>)	24,454,451	11,468,412
– Unlisted equity investments (<i>Note (c)</i>)	14,613,321	11,749,937
	39,067,772	23,218,349
Equity investments designated at FVTPL (<i>Note (d)</i>)		
– Unlisted equity investments (<i>Note (c)</i>)	366,251	2,060,452
Current		
Equity investments designated at FVTPL (<i>Note (d)</i>)		
– Listed equity investments (<i>Note (b)</i>)	5,179,921	6,053

Notes:

- (a) The equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.
- (b) The balance as at 31 December 2023 represents three (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 (2022: AC Immune SA and Humacyte Inc.). The fair value was based on quoted market price as at 31 December 2023.
- (c) The balance as at 31 December 2023 represents four (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.

13. INVENTORIES

	2023	2022
	<i>HK\$</i>	<i>HK\$</i>
Raw materials	13,994,888	14,433,465
Work in progress	11,528,941	16,489,776
Finished goods	<u>37,298,090</u>	<u>52,735,567</u>
	<u>62,821,919</u>	<u>83,658,808</u>

During the year, the Group has carried out regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption, physical condition and management judgement. As a result, inventories of HK\$2,083,845 (2022: HK\$4,154,365) have been written off and recognised in profit or loss.

14. TRADE AND OTHER RECEIVABLES

	2023	2022
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	567,307,763	451,244,095
Other receivables	<u>28,112,486</u>	<u>22,491,239</u>
	<u>595,420,249</u>	<u>473,735,334</u>

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

The Directors have considered the track records of customers and age of the outstanding balances and are of the view that no provision is required as at 31 December 2023 and 2022.

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

	2023	2022
	<i>HK\$</i>	<i>HK\$</i>
0-60 days	345,808,087	191,493,113
61-90 days	50,810,421	75,777,664
Over 90 days	<u>170,689,255</u>	<u>183,973,318</u>
	<u>567,307,763</u>	<u>451,244,095</u>

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

	2023	2022
	HK\$	HK\$
Neither past due nor impaired	396,618,508	267,270,777
Less than 3 months past due	129,724,922	166,492,583
Over 3 months past due	40,964,333	17,480,735
	<u>567,307,763</u>	<u>451,244,095</u>

15. DEPOSITS AND PREPAYMENTS

	2023	2022
	HK\$	HK\$
Deposits paid for acquisition of property, plant and equipment	10,617,279	7,677,656
Prepayments for purchase of finished goods	12,576,084	9,628,179
Other deposits	1,938,519	1,773,921
Other prepayments	12,269,080	8,152,010
	<u>37,400,962</u>	<u>27,231,766</u>
Total	37,400,962	27,231,766
<i>Less: Current portion</i>	<u>(26,783,683)</u>	<u>(19,554,110)</u>
	<u>10,617,279</u>	<u>7,677,656</u>
Non-current portion	<u>10,617,279</u>	<u>7,677,656</u>

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

16. TRADE AND OTHER PAYABLES

	2023	2022
	HK\$	HK\$
Trade payables	10,581,286	10,656,980
Other payables and accruals (<i>Note</i>)	473,631,468	405,668,927
	<u>484,212,754</u>	<u>416,325,907</u>

Note:

Other payables and accruals included the accruals for sales and marketing costs of HK\$390,074,588 (2022: HK\$308,405,439).

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

	2023	2022
	HK\$	HK\$
0-60 days	8,430,237	10,477,393
61-90 days	16,337	116,613
Over 90 days	2,134,712	62,974
	<u>10,581,286</u>	<u>10,656,980</u>

17. CONVERTIBLE LOAN PAYABLE

On 6 July 2016 (“Issue Date”), the Group entered into a convertible loan agreement with International Finance Corporation (“IFC”), pursuant to which IFC agreed to lend, and the Group agreed to borrow, a convertible loan in an aggregate principal amount of HK\$150,000,000 at an interest rate of 1.9% per annum (the “Convertible Loan Payable”). Subject to the terms of the convertible loan agreement, IFC has the right to convert all or any part of the outstanding principal amount of the Convertible Loan Payable into shares of the Company at a conversion price of HK\$5.90 per share (subject to anti-dilutive adjustments as set out in the convertible loan agreement) at any time prior to the maturity date on 2 August 2021. On 10 July 2020, the Group and IFC entered into an amendment agreement to the convertible loan agreement to extend the maturity date for a period of 3 years to 2 August 2024. On 6 October 2020, the amendment agreement has become effective. The Company accounted for the extension as a derecognition of the existing financial liability and the recognition of a new financial liability with a gain recognised on extinguishment, being the difference between the fair value of consideration given to extinguish the financial liability and its previous carrying amount.

The Company shall repay the outstanding principal amount of the Convertible Loan Payable on the maturity date together with the make whole premium calculated at (i) 6% per annum; or (ii) 8% per annum if there exists a change of control which occurs when, among others, (a) there is a decrease in the shareholdings of the Company’s certain shareholders as a group under specified conditions as stipulated in the convertible loan agreement; (b) certain shareholders of the Company as a group cease to be the single largest direct and indirect shareholder of the Company; or (c) any person (other than certain shareholders as a group) by itself or through its affiliates have obtained the power to appoint a majority of the board of directors of the Company.

Pursuant to the convertible loan agreement, unless otherwise agreed in writing by the IFC, the Company shall, within 10 days following the occurrence of a change of control defined in the convertible loan agreement, prepay the outstanding principal amount of the Convertible Loan Payable, together with accrued interest, the make whole premium (if any), increased costs (if any) thereon and all other amounts payable under the convertible loan agreement, including the amount of unwinding costs payable if the prepayment is not made on an interest payment date.

The fair value of the debt component and the equity conversion component were determined at the issuance/ extinguishment of the Convertible Loan Payable where appropriate. The fair value of the debt component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity. The make whole premium, being an embedded derivative, was measured at fair value separately. At Issue Date and at 31 December 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	Conversion	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
As at 1 January 2022	143,072,711	15,227,318	158,300,029
Imputed interest expense	17,532,089	–	17,532,089
Interest paid	<u>(2,889,583)</u>	<u>–</u>	<u>(2,889,583)</u>
As at 31 December 2022	157,715,217	15,227,318	172,942,535
Imputed interest expense	25,634,781	–	25,634,781
Interest paid	<u>(2,889,583)</u>	<u>–</u>	<u>(2,889,583)</u>
As at 31 December 2023	<u><u>180,460,415</u></u>	<u><u>15,227,318</u></u>	<u><u>195,687,733</u></u>

The Convertible Loan Payable is repayable as follows:

	2023	2022
	<i>HK\$</i>	<i>HK\$</i>
Within one year	180,460,415	–
More than one year but not exceeding two years	<u>–</u>	<u>157,715,217</u>
	<u>180,460,415</u>	<u>157,715,217</u>

BUSINESS REVIEW

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

The Group’s turnover is primarily made up of the 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 PRC. The bFGF Series include Beifushu[®] eye drops, Beifushu[®] eye gel and Beifushu[®] unit-dose eye drops for treatment of ocular wounds, Beifuji[®] spray, Beifuji[®] lyophilised powder and Beifuxin[®] gel for treatment of surface wounds. The bFGF Series are developed and manufactured by the Group, three of which were approved by 國家藥品監督管理局 (National Medical Products Administration) as Category I drugs and four of which are on the list of the National Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance issued by the National Healthcare Security Administration and the Ministry of Human Resources and Social Security of the PRC. Collectively, the combined turnover of the bFGF Series represented about 86.8% of the Group’s total turnover for the year under review.

Apart from the bFGF Series, the Group has a portfolio of commercialised preservative-free unit-dose eye drops, namely Tobramycin, Levofloxacin, Sodium Hyaluronate and Moxifloxacin Hydrochloride Eye Drops.

適麗順[®] (Iodized Lecithin Capsules*) has become one of the Group’s core products and growth drivers. The product, inclusive of its intellectual property rights and right of Marketing Authorisation Holder (MAH), was acquired by the Group in March 2022.

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

The Group further undertakes the promotion and selling of a range of products and medical devices 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 research and development (“R&D”) at various stages of clinical programmes, which cover a handful of unit-dose ophthalmic products and biologics in growth factors and antibody.

SIGNIFICANT BUSINESS DEVELOPMENT ACTIVITIES

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

Investments in Ophthalmology

In 2018, the Group entered into a co-development agreement with Mitotech S.A. (“Mitotech”) and Mitotech LLC for the United States Food and Drug Administration (the “US FDA”) phase 3 clinical trial of an ophthalmic solution containing SkQ1 for dry eye disease (the “SkQ1 Product”). Mitotech is a clinical-stage Luxembourg-based biotechnology company developing novel drugs for the treatment of predominantly age-related disorders. As disclosed in the announcement of the Company dated 24 February 2021, positive outcome was achieved during second phase 3 clinical trial (VISTA-2). The clinical trial study repeated statistically significant positive results on key predefined secondary endpoint (Central Corneal Fluorescein Staining). The Board is enthusiastic about the read-out of clearing of central staining of the cornea (defined as zero staining in central cornea), which reveals the potential of SkQ1 in addressing oxidative stress in dry eye diseases. Following the positive trial outcome of VISTA-2, Mitotech planned a pivotal trial (VISTA-3), which should have commenced after Mitotech’s management team was satisfied by their assessment that there would be no potential disruption to trial centres and patient recruitment amidst the then 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\$352.6 million for the clinical development of the SkQ1 Product with Mitotech is presented as “Acquired Intangible Assets” under the Group’s consolidated financial statements as at 31 December 2023. The investment cost represented 12.5% of the Group’s total assets as at 31 December 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 further 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\$523.1 million). Total actual investment cost of approximately HK\$280.2 million is presented as “Acquired Intangible Assets” under the Group’s consolidated financial statements as at 31 December 2023. The investment cost represented 9.9% of the Group’s total assets as at 31 December 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 31 December 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*). It was also being awarded 突出貢獻愛心企業 (Caring Enterprise with Outstanding Contribution*) and 愛心冠名基金 (Caring Charitable Fund*) presented by Zhuhai Charity Federation.

The Group's Beifushu® has been awarded as one of the Chinese reputable medicine brands in five consecutive years. Also, the Group's Beifuxin® gel has been recognised as 2023年年度生化生物企業優秀品牌 (2023 Excellent Brand of Biochemical and Biological Enterprise*). These awards are the testament to the recognition by the industry for the efficacy and quality of our flagship biologic drug.

In addition, the Company was awarded 最佳中小市值公司 (The Best Mid and Small Cap Company*). The Company was further conferred with 中國卓越IR—最佳股東關係獎 and 最佳數字化投資者關係獎 (China Excellent IR – The Best Shareholder Relations Award* and The Best Digitalised Investor Relations Award*).

MARKET DEVELOPMENT

As at 31 December 2023, the Group maintained a network of 43 regional sales offices in the PRC with more than 1,260 sales and marketing representatives. In addition, the Group has maintained a base in Singapore for market access into Southeast Asian countries since 2020.

For achieving a sustainable growth traction for the Group's current and future products, the Group has been relentlessly making investments to improve its competitiveness and widening 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 year under review, the Group's therapeutic products are being prescribed in more than 12,500 hospitals and medical providers, coupled with approximately 1,800 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 recombinant proteins, in particular, the basic fibroblast growth factor (bFGF). The Group has been able to capitalise on its biologic facility, built with its proprietary technique and know-how, delivering high-quality bFGF Series of biologics in the Ophthalmology and Surgical business segments that constituted the Group's primary current growth driver. Strengthening the Group's biologics-based R&D, the strategic alliances forged with Antikor and Henlius are in furtherance of our R&D plans for biologics in oncology and in ophthalmology for wet-AMD, diabetic macular edema, macular edema caused by retinal vein occlusion and myopic choroidal neovascularisation for mid-term to long-term growth driver.

The establishment of the BFS platform formed part of the Group's core competency to develop and produce a series of preservative-free unit-dose drugs. As at 31 December 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 the date of this announcement, 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. The continuation of the VISTA programme is subject to the completion of the transfer of chemistry, manufacturing and controls (CMC), know-how and intellectual property rights relating to SkQ1 from Mitotech, following the acquisition on 13 October 2022.

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 84 patent certificates or authorisation letters, which include 63 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 and further extended the court order on 18 August 2023 to 13 August 2024 to freeze the assets of the main contractor amounting to approximately HK\$41.8 million, and therefore a bank account of the main contractor with balance of approximately HK\$41.8 million as at 14 August 2023 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 31 December 2023, bank balance of approximately HK\$3.4 million was affected.

Three hearings were held in November 2022, January 2023 and December 2023 at Zhuhai Xiangzhou Court of the PRC, respectively. No judgement by the court on the parties' claims and counterclaims has been delivered as at the date of this announcement. After the hearing held in December 2023, the main contractor handed over the construction site back to the Group.

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

FINANCIAL REVIEW

The revenue of the Group is chiefly derived and denominated in Renminbi from its operations in the PRC. For the year ended 31 December 2023, the Group achieved an increase of 29.5% in the consolidated turnover to approximately HK\$1,706.6 million as compared to approximately HK\$1,317.7 million in 2022.

Correspondingly, the Group's profit increased by 22.1% to approximately HK\$275.3 million as compared to approximately HK\$225.4 million in 2022, which was exceptionally weighed down by the withholding tax incurred.

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

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

The sectoral turnover of Ophthalmology and Surgical is approximately 44.1% and 55.9% of the Group's turnover, respectively. The combined turnover of the Group's flagship biologics, Beifushu® series and Beifuji® series (the basic fibroblast growth factor (bFGF) based biologic drugs), represented about 86.8% of the Group's total turnover, of which Beifushu® series and Beifuji® series accounted for 33.1% and 53.7% of the Group's turnover, respectively. The remaining 13.2% 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 years ended 31 December 2023 and 2022, respectively, is shown in the following table:

<i>Expressed in HK\$' million</i>	2023	2022
Ophthalmology	753.4	553.6
Surgical	953.2	764.1
Total	<u>1,706.6</u>	<u>1,317.7</u>

Ophthalmology contributed approximately HK\$753.4 million to the Group's turnover for the year ended 31 December 2023, representing an increase of 36.1% as compared to 2022. Surgical recorded a total turnover of approximately HK\$953.2 million for the year ended 31 December 2023, representing an increase of 24.7% as compared to 2022. The increase was attributable to the resumption of clinical operations of hospitals to normalcy in the PRC.

The distribution and selling expenses for the year under review were approximately HK\$1,012.0 million as compared to approximately HK\$758.2 million in 2022, representing an increase of 33.5%. 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 year ended 31 December 2023.

The administrative expenses for the year under review were approximately HK\$217.0 million as compared to approximately HK\$156.0 million in 2022. 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\$8.4 million; (ii) an increase in R&D expenses by approximately HK\$15.6 million; and (iii) an increase in amortisation of other intangible assets by approximately HK\$10.9 million.

Total expenditures (inclusive of acquired intangible assets) incurred in R&D for the year ended 31 December 2023 were approximately HK\$164.3 million (2022: approximately HK\$342.7 million), representing 9.6% (2022: 26.0%) of the turnover, of which approximately HK\$125.2 million (2022: approximately HK\$319.2 million) were capitalised.

The Group had cash and cash equivalents of approximately HK\$509.8 million as at 31 December 2023 (2022: approximately HK\$543.5 million).

The Group's bank borrowings as at 31 December 2023 were approximately HK\$91.5 million (2022: approximately HK\$329.5 million), among which 26.3% was repayable within 1 year, 58.4% was repayable in more than 1 year but within 2 years and 15.3% was repayable in more than 2 years but within 5 years. All of the Group's bank borrowings as at 31 December 2023 were denominated in Renminbi and bear interest at floating rate. The interest rate of the Group's bank borrowings ranged from 2.8% to 3.5% per annum as at 31 December 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 year ended 31 December 2023 were approximately HK\$11.2 million (2022: approximately HK\$11.5 million), including an imputed interest expense on the convertible loan payable and interest expenses on bank borrowings and lease liabilities amounting to approximately HK\$39.2 million (2022: approximately HK\$30.4 million) of which approximately HK\$28.0 million (2022: approximately HK\$18.9 million) was capitalised during the year under review.

CONVERTIBLE LOAN FROM INTERNATIONAL FINANCE CORPORATION

On 6 July 2016, the Company entered into a convertible loan agreement (the "Convertible Loan Agreement") with IFC, being a member of the World Bank Group and an international organisation established by Articles of Agreement among its member countries including the PRC, pursuant to which IFC agreed to lend, and the Company agreed to borrow, a convertible loan in an aggregate principal amount of HK\$150.0 million at an interest rate of 1.9% per annum. Subject to the terms of the Convertible Loan Agreement, IFC has the right to convert all or any part of the outstanding principal amount of the convertible loan into ordinary shares of the Company ("Conversion Shares") at a conversion price of HK\$5.90 per share (subject to adjustments as set out in the Convertible Loan Agreement) at any time prior to the maturity date on 2 August 2021.

On 10 July 2020, the Company and IFC entered into an amendment agreement to the Convertible Loan Agreement (the "Amendment Agreement") to extend the maturity date for a period of 3 years to 2 August 2024 (the "Extension"). Save as amended by the Amendment Agreement, the Convertible Loan Agreement and the terms and conditions of the convertible loan shall continue to be in full force and effect. Please refer to the announcement of the Company dated 10 July 2020 for details.

Use of net proceeds from the convertible loan

The net proceeds from the convertible loan (after deducting the fees and expenses in relation to the obtaining of the convertible loan) are approximately HK\$145.0 million, which were utilised for the Company's strategic investment in and development of the Group's biologic business and general working capital requirements. All net proceeds had been utilised in 2018 according to the intended use.

Dilutive effect of the conversion of the convertible loan

As at 31 December 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 31 December 2023:

Shareholders	As at 31 December 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	25.95	147,279,000	24.84
Ngiam Mia Kiat Benjamin	145,354,000	25.61	145,354,000	24.51
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	1.29	7,329,300	1.24
IFC	–	–	25,423,728	4.29
Other shareholders	260,956,033	45.98	260,956,033	44.00
	<u>567,585,000</u>	<u>100</u>	<u>593,008,728</u>	<u>100</u>

Notes:

- (1) 6,666,667 shares were held by Dynatech Ventures Pte Ltd which was wholly owned by Essex Investment (Singapore) Pte Ltd, which in turn was owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares.
- (2) Amongst these 7,329,300 shares, 5,244,300 shares were registered in the name of Fang Haizhou, 2,039,000 shares were registered in the name of Ngiam Hian Leng Malcolm and 46,000 shares were registered in the name of Yau Lai Man.
- (3) Lauw Hui Kian is the spouse of Ngiam Mia Je Patrick (an executive Director) and was therefore deemed to be interested in the shares in which Ngiam Mia Je Patrick was interested/deemed to be interested under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Dilutive effect on earnings per share

Based on the profit attributable to owners of the Company of approximately HK\$275.3 million for the year ended 31 December 2023, the basic and diluted earnings per share attributable to owners of the Company, after considering the full conversion of the convertible loan, were HK48.27 cents and HK46.90 cents respectively.

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

Based on the cash and cash equivalents as at 31 December 2023 and the cash flow from the operations of the Company for the year then ended, the Company has the ability to meet its repayment obligations under the convertible loan which remained unconverted to Conversion Shares as at 31 December 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 "STOCK EXCHANGE") – LOAN FROM IFC

As disclosed in the announcement of the Company dated 10 July 2020, the Group entered into a loan agreement with IFC (the "Loan Agreement") to borrow a loan in the aggregate principal amount of US\$25.0 million (equivalent to approximately HK\$193.7 million) (the "Loan"). On 13 October 2020, the Loan 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 at the relevant time. 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.

REPURCHASE OF SHARES

During the year under review, the Company repurchased 4,028,000 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\$12,616,730 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
July 2023	80,000	3.49	3.40	275,450
August 2023	443,000	3.31	3.09	1,424,680
September 2023	1,914,000	3.10	2.80	5,756,370
October 2023	142,000	2.88	2.68	396,460
November 2023	272,000	2.79	2.53	706,240
December 2023	158,000	2.60	2.16	376,210
	<u>4,028,000</u>			<u>12,616,730</u>

Subsequent to the end of the reporting period and up to the date of this announcement, the Company repurchased 35,000 of its shares on the Stock Exchange in January 2024 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\$2.45 and HK\$2.30, respectively and the total amount paid for the repurchases of HK\$82,800 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, as at 31 December 2023, the Group did not have any immediate plan for material investments or acquisition of material capital assets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group obtained banking facilities of approximately HK\$394.4 million, of which approximately HK\$105.4 million was utilised. Certain of the banking facilities were secured by the corporate guarantees provided by the Company and its certain subsidiaries. During the year under review, the Group obtained term loan facilities from Bank of China and China Merchants Bank of a maximum amount of RMB200.0 million (equivalent to approximately HK\$220.9 million) and RMB100.0 million (equivalent to approximately HK\$110.5 million), respectively.

As at 31 December 2023, the Group had cash and cash equivalents of approximately HK\$509.8 million as compared to approximately HK\$543.5 million as at 31 December 2022. Among the cash and cash equivalents of the Group as at 31 December 2023, 52.3% was denominated in Renminbi, 41.7% was denominated in Hong Kong Dollar and 5.3% was denominated in US Dollar.

The Group monitors its capital structure on the basis of a gearing ratio which is defined as the ratio of total liabilities to total assets. The gearing ratio as at 31 December 2023 was 32.0% (2022: 36.2%).

CHARGES ON GROUP ASSETS

As at 31 December 2023, no asset (2022: a bank deposit of approximately HK\$14.3 million) was being pledged to secure the Group's banking facilities.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had capital commitments which amounted to approximately HK\$295.3 million (2022: approximately HK\$373.4 million).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities (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 year ended 31 December 2023.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in this announcement, the Group did not hold any significant investments as at 31 December 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 31 December 2023, the Group had a total of 1,481 full-time employees (2022: 1,471 full-time employees). The aggregate remuneration of the Group's employees, including that of the Directors, for the year under review and the preceding year amounted to approximately HK\$323.6 million and approximately HK\$303.4 million, respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Share options and bonuses are also available to employees of the Group at the discretion of the Directors depending on the financial performance of the Group.

The remuneration of each executive Director has been determined with reference to the time commitment and responsibilities of each executive Director, and to the operating results of the Group and his/her performance in the relevant financial year.

DIVIDENDS

An interim dividend of HK\$0.045 per ordinary share was paid on 13 September 2023. The Directors have recommended the payment of a final dividend of HK\$0.045 per ordinary share for the financial year ended 31 December 2023 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 5 June 2024. Subject to shareholders' approval, the final dividend will be payable on Monday, 17 June 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 May 2024 to Tuesday, 28 May 2024 (both days inclusive) for ascertaining shareholders' right to attend and vote at the forthcoming annual general meeting to be held on Tuesday, 28 May 2024. During this period, no transfer of shares will be registered. In order to be entitled to attend the aforesaid annual general meeting, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Hong Kong share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 22 May 2024.

The register of members of the Company will be closed from Monday, 3 June 2024 to Wednesday, 5 June 2024 (both days inclusive) for ascertaining shareholders' entitlement to the proposed final dividend. No transfer of shares will be registered during this period. In order to be qualified for the proposed final dividend to be approved at the forthcoming annual general meeting to be held on Tuesday, 28 May 2024, 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 Friday, 31 May 2024.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules throughout the year under review.

EVENT AFTER THE REPORTING PERIOD

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

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's results for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary results announcement.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2023 had been reviewed by the audit committee of the Board (the "Audit Committee") before they were duly approved by the Board under the recommendation of the Audit Committee.

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

Hong Kong
18 March 2024

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*