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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 2016

The board of directors of Essex Bio-Technology Limited (“Company”) presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (“Group”) for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015 and the relevant explanatory notes as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2016 (Unaudited) HK\$'000	For the six months ended 30 June 2015 (Unaudited) HK\$'000
Turnover	4	363,948	313,419
Cost of sales		<u>(68,696)</u>	<u>(56,739)</u>
Gross profit		295,252	256,680
Other revenue	4	2,685	3,593
Distribution and selling expenses		(202,686)	(168,657)
Administrative expenses		(20,681)	(26,121)
Finance costs		<u>(2,010)</u>	<u>(1,271)</u>
Profit before taxation	6	72,560	64,224
Taxation	7	<u>(10,573)</u>	<u>(12,582)</u>
Profit for the period		61,987	51,642
Other comprehensive income for the period			
Item that may be classified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<u>(9,430)</u>	<u>(123)</u>
Total comprehensive income for the period		<u>52,557</u>	<u>51,519</u>
Profit attributable to owners of the Company		<u>61,987</u>	<u>51,642</u>
Total comprehensive income attributable to owners of the Company		<u>52,557</u>	<u>51,519</u>
Earnings per share			
– Basic	9	<u>HK11.08 cents</u>	<u>HK9.28 cents</u>
– Diluted	9	<u>HK10.92 cents</u>	<u>HK9.17 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	<i>10</i>	169,254	174,336
Land use rights		6,548	6,775
Goodwill		2,352	2,417
Other intangible assets	<i>11</i>	46,377	34,368
Convertible loan receivables	<i>12</i>	30,071	11,937
Available-for-sale financial assets	<i>13</i>	69,957	3,882
Deposits and prepayments	<i>16</i>	21,497	23,399
Pledged bank deposits		20,000	20,000
Total non-current assets		366,056	277,114
Current assets			
Inventories	<i>14</i>	46,349	38,679
Trade and other receivables	<i>15</i>	259,639	206,427
Deposits and prepayments	<i>16</i>	70,436	49,746
Cash and cash equivalents		81,206	64,613
Total current assets		457,630	359,465
Total assets		823,686	636,579
Current liabilities			
Trade and other payables	<i>17</i>	196,206	154,288
Bank borrowings	<i>18</i>	158,854	51,000
Current tax liabilities		2,472	2,941
Total current liabilities		357,532	208,229
Net current assets		100,098	151,236
Total assets less current liabilities		466,154	428,350
Non-current liabilities			
Deferred tax liabilities		13,625	15,403
Total liabilities		371,157	223,632
NET ASSETS		452,529	412,947
Capital and reserves attributable to owners of the Company			
Share capital		55,954	55,954
Reserves		396,575	356,993
TOTAL EQUITY		452,529	412,947

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to owners of the Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Statutory surplus reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015	55,675	970	362	41,517	19,802	15,667	197,053	331,046
Profit for the period	-	-	-	-	-	-	51,642	51,642
Other comprehensive income	-	-	-	-	(123)	-	-	(123)
Total comprehensive income for the period	-	-	-	-	(123)	-	51,642	51,519
Dividend paid	-	-	-	-	-	-	(12,247)	(12,247)
Equity-settled share-based payments	-	-	-	-	-	2,927	-	2,927
Appropriation of profits	-	-	-	4,646	-	-	(4,646)	-
At 30 June 2015 (Unaudited)	<u>55,675</u>	<u>970</u>	<u>362</u>	<u>46,163</u>	<u>19,679</u>	<u>18,594</u>	<u>231,802</u>	<u>373,245</u>
At 1 January 2016	55,954	9,908	362	41,517	(2,025)	17,531	289,700	412,947
Profit for the period	-	-	-	-	-	-	61,987	61,987
Other comprehensive income	-	-	-	-	(9,430)	-	-	(9,430)
Total comprehensive income for the period	-	-	-	-	(9,430)	-	61,987	52,557
Dividend paid	-	-	-	-	-	-	(13,796)	(13,796)
Equity-settled share-based payments	-	-	-	-	-	821	-	821
At 30 June 2016 (Unaudited)	<u>55,954</u>	<u>9,908</u>	<u>362</u>	<u>41,517</u>	<u>(11,455)</u>	<u>18,352</u>	<u>337,891</u>	<u>452,529</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	2016 (Unaudited) <i>HK\$'000</i>	For the six months ended 30 June 2015 (Unaudited) <i>HK\$'000</i>
NET CASH GENERATED FROM OPERATING ACTIVITIES	22,416	54,357
NET CASH USED IN INVESTING ACTIVITIES	(99,281)	(11,073)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	<u>94,762</u>	<u>(31,217)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,897	12,067
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	64,613	61,975
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(1,304)</u>	<u>52</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u><u>81,206</u></u>	<u><u>74,094</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	101,206	74,094
LESS: PLEDGED BANK DEPOSITS	<u>20,000</u>	<u>—</u>
	<u><u>81,206</u></u>	<u><u>74,094</u></u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL

Essex Bio-Technology Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 31 July 2000 under Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (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, the development, manufacture and selling of biopharmaceutical products in the People’s Republic of China (“PRC”).

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015 (the “2015 Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

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

3. ACCOUNTING POLICIES

The accounting policies used in preparing the interim financial statements are consistent with those used in the Group’s annual financial statements for the 2015 Financial Statements, except for the amendments and interpretations of New HKFRSs issued by HKICPA which have become effective in this period as detailed in note 2 of the 2015 Financial Statements. The adoption of such New HKFRSs has no material impact on the accounting policies in the Group’s interim financial statements.

4. TURNOVER AND OTHER REVENUE

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). The amount of each significant category of revenue recognised in turnover during the period is as follows:

	2016 (Unaudited) HK\$’000	For the six months ended 30 June 2015 (Unaudited) HK\$’000
Turnover:		
Sales of pharmaceutical products	345,696	295,708
Provision of marketing services	18,252	17,711
	363,948	313,419

	2016 (Unaudited) HK\$'000	For the six months ended 30 June 2015 (Unaudited) HK\$'000
Other revenue:		
Bank interest income	84	114
Changes in fair value on financial assets recognised in profit or loss	54	–
Government grants	832	3,374
Interest income from convertible note receivables	1,702	–
Sundries	13	105
	<u>2,685</u>	<u>3,593</u>
	<u>366,633</u>	<u>317,012</u>

5. SEGMENT REPORTING

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the management for the purposes of resource allocation and performance assessment, the Group has presented the following two reporting segments:

- Pharmaceutical products: Manufacturing and sales of pharmaceutical products
- Provision of marketing services

(a) Reportable segments

Management 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 2016		
	Sales of pharmaceutical products (Unaudited) HK\$'000	Provision of marketing services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Reportable segment revenue			
– Revenue from external customers	<u>345,696</u>	<u>18,252</u>	<u>363,948</u>
Reportable segment profit	<u>70,599</u>	<u>11,060</u>	<u>81,659</u>
	For the six months ended 30 June 2015		
	Sales of pharmaceutical products (Unaudited) HK\$'000	Provision of marketing services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Reportable segment revenue			
– Revenue from external customers	<u>295,708</u>	<u>17,711</u>	<u>313,419</u>
Reportable segment profit	<u>63,768</u>	<u>12,442</u>	<u>76,210</u>

The totals presented for the Group's operating segments reconciled to the Group's key financial figures as presented in the Interim Financial Statements as follows:

	2016 (Unaudited) HK\$'000	For the six months ended 30 June 2015 (Unaudited) HK\$'000
Reportable segment profit	81,659	76,210
Unallocated corporate income and expenses, net	(6,268)	(7,788)
Equity-settled share-based payments	(821)	(2,927)
Finance costs	(2,010)	(1,271)
	<u>72,560</u>	<u>64,224</u>
Profit before taxation	<u>72,560</u>	<u>64,224</u>

Reportable segment profit represents the gross profit by each segment. This is the measure reported to the executive directors for the purpose of resources allocation and performance assessment.

Segment assets and segment liabilities have not been presented as the Group's provision of marketing services segment is with low utilisation of physical assets and the Group does not fall within provision of such amounts to the chief operating decision maker regularly.

(b) Geographical information and major customers

For the six months ended 30 June 2016 and 2015 respectively, the Group's revenue from external customers is derived solely from its operations in the PRC (country of domicile). The geographical location of external customers is based on the location at which the goods are delivered and services rendered. For the six months ended 30 June 2016, except for the available-for-sale financial assets of the Group, all of the Group's non-current assets are located in the PRC (2015: all of the Group's non-current assets are located in the PRC).

Revenues from the largest customer of the Group amounted to approximately HK\$80.2 million (2015: HK\$70.6 million) which represent 22.0% (2015: 22.5%) of the Group's revenue.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2016 (Unaudited) HK\$'000	For the six months ended 30 June 2015 (Unaudited) HK\$'000
Cost of inventories recognised as expenses	61,492	51,470
Employees costs excluding directors' emoluments:-		
Salaries and other benefits	33,282	25,372
Pension fund contributions	1,894	1,237
Equity-settled share-based payments to the employees	321	1,617
Depreciation of property, plant and equipment	5,294	4,927
Amortisation of other intangible assets	119	126
Amortisation of land use rights	80	85
Equity-settled share-based payments to a consultant	300	300
Auditor's remuneration	340	294
Research and development costs recognised as expenses	2,934	5,330
	<u>2,934</u>	<u>5,330</u>

7. TAXATION

No provision for Hong Kong profits tax has been made as the Group had 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 had 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% up to 31 December 2016.

Enterprise income tax rate of 25% is applied to the Group's other operating subsidiaries in the PRC.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

9. 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

	2016 (Unaudited) HK\$'000	For the six months ended 30 June 2015 (Unaudited) HK\$'000
Earnings for the purposes of basic and diluted earnings per share	61,987	51,642
Number of shares		
	2016	2015
Weighted average number of ordinary shares for the purposes of basic earnings per share	559,541,000	556,750,000
Effect of dilutive potential ordinary shares: – share options issued by the Company	8,251,485	6,145,746
Weighted average number of ordinary shares for the purposes of diluted earnings per share	567,792,485	562,895,746

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost					
At 1 January 2015	127,405	62,581	4,374	3,853	198,213
Additions	–	10,287	1,098	–	11,385
Exchange adjustment	(7,057)	(3,873)	(249)	(213)	(11,392)
At 31 December 2015	120,348	68,995	5,223	3,640	198,206
Additions	1,046	2,097	429	442	4,014
Exchange adjustment	(2,659)	(1,550)	(107)	(88)	(4,404)
At 30 June 2016 (Unaudited)	<u>118,735</u>	<u>69,542</u>	<u>5,545</u>	<u>3,994</u>	<u>197,816</u>
Accumulated depreciation					
At 1 January 2015	2,493	8,197	1,978	2,612	15,280
Charge for the year	2,499	6,288	632	374	9,793
Exchange adjustment	(237)	(703)	(103)	(160)	(1,203)
At 31 December 2015	4,755	13,782	2,507	2,826	23,870
Charge for the period	1,197	3,542	362	193	5,294
Exchange adjustment	(125)	(364)	(48)	(65)	(602)
At 30 June 2016 (Unaudited)	<u>5,827</u>	<u>16,960</u>	<u>2,821</u>	<u>2,954</u>	<u>28,562</u>
Carrying amount					
At 30 June 2016 (Unaudited)	<u>112,908</u>	<u>52,582</u>	<u>2,724</u>	<u>1,040</u>	<u>169,254</u>
At 31 December 2015 (Audited)	<u>115,593</u>	<u>55,213</u>	<u>2,716</u>	<u>814</u>	<u>174,336</u>

As at 30 June 2016, the buildings and leasehold improvements of approximately HK\$112.9 million (31 December 2015: nil) were pledged for bank borrowings as set out in note 18.

11. OTHER INTANGIBLE ASSETS

	Development expenditure <i>HK\$'000</i>	Distribution rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 1 January 2015	40,653	2,526	43,179
Additions	11,644	–	11,644
Exchange adjustment	(2,711)	(69)	(2,780)
	<u>49,586</u>	<u>2,457</u>	<u>52,043</u>
At 31 December 2015	49,586	2,457	52,043
Additions	13,106	–	13,106
Exchange adjustment	(1,315)	(122)	(1,437)
	<u>61,377</u>	<u>2,335</u>	<u>63,712</u>
At 30 June 2016 (Unaudited)	<u>61,377</u>	<u>2,335</u>	<u>63,712</u>
Accumulated amortisation and impairment losses			
At 1 January 2015	15,607	1,473	17,080
Amortisation	–	249	249
Impairment for the year	1,282	–	1,282
Exchange adjustment	(915)	(21)	(936)
	<u>15,974</u>	<u>1,701</u>	<u>17,675</u>
At 31 December 2015	15,974	1,701	17,675
Amortisation	–	119	119
Exchange adjustment	(351)	(108)	(459)
	<u>15,623</u>	<u>1,712</u>	<u>17,335</u>
At 30 June 2016 (Unaudited)	<u>15,623</u>	<u>1,712</u>	<u>17,335</u>
Carrying amount			
At 30 June 2016 (Unaudited)	<u>45,754</u>	<u>623</u>	<u>46,377</u>
At 31 December 2015 (Audited)	<u>33,612</u>	<u>756</u>	<u>34,368</u>

12. CONVERTIBLE LOAN RECEIVABLES

For the year ended 31 December 2015, the Group has entered into a convertible loan agreement with an independent third party, with principal amount of RMB10.0 million (approximately HK\$11.9 million) which carries interest at 5% per annum payable quarterly in arrears with maturity on 13 December 2019 at redemption amount of 100% of the principal amount (“Convertible Loan A”). The convertible loan can be converted at any time from the date of issue to the maturity date.

For the period ended 30 June 2016, the Group has entered into a convertible loan agreement with an independent third party, with principal amount of RMB15.0 million (approximately HK\$17.9 million) which carries interest at 6% per annum payable quarterly for a term of 3 years from the date of advancement of the convertible loan, being 19 January 2016 (“Convertible Loan B”).

The initial fair values of the debt components are the residual value after separating out the initial fair value of derivative components. The initial fair values of derivative components are determined by the directors with reference to the valuation reports performed by the independent professional qualified valuers. Subsequent to initial recognition, the debt components are carried at amortised cost using the effective interest method and the derivative components are carried at fair value.

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

	Debt component <i>HK\$'000</i>	Derivative component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2016 (Unaudited)			
– Convertible Loan A	6,909	5,264	12,173
– Convertible Loan B	15,121	2,777	17,898
	<u>22,030</u>	<u>8,041</u>	<u>30,071</u>
At 31 December 2015			
– Convertible Loan A (Audited)	<u>6,621</u>	<u>5,316</u>	<u>11,937</u>

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)
At 1 January	5,316
Payment for purchases	2,851
Change in fair value recognised in profit or loss during the period	54
Exchange differences	(180)
At 30 June	<u>8,041</u>
Total gains or loss for the period included in profit or loss for assets held at the end of the reporting period	<u>54</u>

The key assumptions of the fair values of the derivative components as at 30 June 2016 are as follows:

Conversion option embedded in convertible notes	Significant Unobservable Inputs	%
– Convertible Loan A	Expected volatility	36%
– Convertible Loan B	Expected volatility	<u>52%</u>

The fair values of the derivative components are Level 3 recurring fair value measurement. There is no transfer under the fair value hierarchy classification for the period ended 30 June 2016 and the year ended 31 December 2015.

The key significant unobservable inputs to determine the fair value of the derivative component are the expected volatility. A higher in the expected volatility would result in an increase in the fair value of the derivative component, and vice versa.

As at 30 June 2016 and 31 December 2015 respectively, the Group has not converted any convertible loan into equity interest and the carrying value was nil.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Unlisted equity investments, at cost	<u>69,957</u>	<u>3,882</u>

The unlisted available-for-sale equity securities are measured at cost less impairment at each reporting date because the investments do not have a quoted market price in an active market, the range of reasonable fair value estimate is so significant and therefore whose fair value cannot be reliably measured. The directors of the Company have no intention to dispose of the available-for-sale financial asset at the end of reporting period.

The directors have assessed the impacts on the recoverable amounts of the available-for-sale financial assets and concluded that no impairment loss needs to be made.

14. INVENTORIES

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Raw materials	7,160	7,362
Work in progress	4,009	5,271
Finished goods	<u>35,180</u>	<u>26,046</u>
Total	<u>46,349</u>	<u>38,679</u>

15. TRADE AND OTHER RECEIVABLES

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Trade receivables	257,484	201,524
Other receivables	<u>2,155</u>	<u>4,903</u>
Total	<u>259,639</u>	<u>206,427</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:

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
0-60 days	150,839	122,056
61-90 days	46,134	26,039
> 90 days	60,511	53,429
Total	257,484	201,524

16. DEPOSITS AND PREPAYMENTS

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Deposit paid for acquisition of property, plant and equipment	3,150	2,934
Other deposits	427	430
Prepaid licence fee	23,013	23,875
Deposit paid for purchase of finished goods	63,144	38,593
Other prepayments	2,199	7,313
	91,933	73,145
Less: Current portion	(70,436)	(49,746)
Total	21,497	23,399

17. TRADE AND OTHER PAYABLES

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Trade payables	1,181	2,333
Other payables and accruals (<i>Note</i>)	192,950	149,397
VAT payable	2,075	2,558
Total	196,206	154,288

Note: Other payables and accruals included the amount approximately HK\$179.2 million (31 December 2015: HK\$135.8 million) of accruals for sales and marketing costs.

The ageing analysis of trade payables at the end of the reporting period:

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
0-60 days	594	2,233
61-90 days	–	–
> 90 days	587	100
Total	1,181	2,333

18. BANK BORROWINGS

As at 30 June 2016, the bank borrowings are secured by charges over the land use rights and the building of a subsidiary. The bank borrowings are secured by corporate guarantees provided by the Company and subsidiaries within the Group, and a bank deposit of HK\$20.0 million. As at 31 December 2015, the bank borrowings are secured by corporate guarantees provided by the Company and a subsidiary within the Group, and a bank deposit of HK\$20.0 million.

19. CAPITAL COMMITMENTS

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Contract for		
– property, plant and equipment	2,169	2,570
– development expenditure	27,972	25,068
Total	30,141	27,638

20. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 6 July 2016, the Company entered into a convertible loan agreement with International Finance Corporation (“IFC”), pursuant to which IFC agreed to lend, and the Company agreed to borrow, a convertible loan in an aggregate principal amount of HK\$150 million at an interest rate of 1.9% per annum. Please refer to the announcement of the Company dated 6 July 2016 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

The vision of Essex Bio-Technology Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) is to be a great and socially responsible corporation. Strategically, the Group is in pursuit of innovations in bio-technology and pharmaceuticals to enhance the efficacy of healing and wellness of patients.

Convertible Loan from International Finance Corporation (“IFC”)

On 6 July 2016, the Company entered into a convertible loan agreement with IFC (“Convertible Loan Agreement”), 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 after the date of the disbursement and prior to the maturity date (the date falling on the fifth anniversary of the date of the disbursement).

On 15 July 2016, the Company obtained the Stock Exchange’s conditional approval of the listing of, and permission to deal in, any and all of 25,423,728 Conversion Shares which the Company may issue upon the exercise of the conversion rights by IFC pursuant to the Convertible Loan Agreement.

The proceeds of the convertible loan will be utilized to finance the Company’s strategic investment in and development of the Group’s biopharmaceutical business and general working capital requirements. The directors of the Company (“Directors”) are of the view that the entering into of the Convertible Loan Agreement would allow the Company to raise additional funds for the Group’s business. Furthermore, it is contemplated that the capital base of the Company would be enlarged and strengthened upon conversion of the convertible loan (in part or in full).

Business Review and Prospects

During the period under review, the Group’s emphasis continued primarily on the manufacturing and selling of its flagship biopharmaceutical products for the treatment and healing of surface wounds and eye wounds. In addition, the Group distributed third party products on sole and exclusive distribution right basis.

For the six months ended 30 June 2016, the Group achieved a revenue of approximately HK\$363.9 million (2015: HK\$313.4 million), representing a growth rate of approximately 16.1%. Profit attributable to owners of the Company was approximately HK\$62.0 million, representing an increase of approximately 20.0% over the same period last year. The Group’s sustaining growth and performance, year-on-year, has reaffirmed the well acceptance of its products’ indications, its robust and versatile distribution network and resources in the People’s Republic of China (“PRC”).

To stay ahead of the technology curve and to remain competitive in the Group's surgical (such as dermatology, stomatology and obstetrics) and ophthalmology arena, the Group has initiated an enrichment programme ("Enrichment Programme") in 2015. The key objective of the Enrichment Programme is to enhance the Group's research and development pipeline and to expand its products portfolio for boosting its competitiveness and sustainable growth over the next 5 to 10 years. During the period under review, the Group has successfully sourced and invested in a few companies, details of which are listed below.

Convertible Loan Agreement with Guangxi Medictop Pharmaceutical Co., Ltd ("Guangxi Medictop")

On 8 January 2016, Zhuhai Essex Technology Development Company Limited* (珠海億勝科技發展有限公司) ("Essex Technology"), an indirect wholly-owned subsidiary of the Company, entered into a convertible loan agreement with Guangxi Medictop and its shareholders, pursuant to which Essex Technology agreed to make available a convertible loan in the principal amount of RMB15.0 million to Guangxi Medictop at an interest rate of 6% per annum for a term of 3 years from the date of advancement of the convertible loan, being 19 January 2016.

Within the first 12-month period from the advancement date, Essex Technology shall have the right to convert the principal amount of the convertible loan into such number of shares representing 10% of the enlarged total issued share capital of Guangxi Medictop or demand early repayment of the entire principal amount of the convertible loan together with the accrued interest. Upon fulfilment of certain conditions as set out in the convertible loan agreement, Essex Technology may be required to convert the principal amount of the convertible loan into shares of Guangxi Medictop. Please refer to the announcement of the Company dated 8 January 2016 for further details. As at the date of this announcement, the Group has not converted any of the principal amount of the convertible loan into shares of Guangxi Medictop or demanded early repayment.

The establishment of business relationship with Guangxi Medictop has expanded the surgical product line of the Group and enhanced sales of the Group's core products, the Beifuji series and the Beifuxin series, in the market for obstetrics. In addition, the provision of the convertible loan to Guangxi Medictop offers the Group with an opportunity and, to a certain extent, flexibility to acquire equity interest in Guangxi Medictop, thereby fostering the strategic relationship with Guangxi Medictop.

Collaboration and License Agreement with Abpro Corporation ("Abpro")

On 22 January 2016, Essex Bio-Investment Limited ("Essex Bio-Investment"), a wholly-owned subsidiary of the Company, entered into a collaboration and license agreement (the "Collaboration and License Agreement") with Abpro for an initial term of 10 years, whereby both parties agreed to commercialise and jointly develop selected antibodies into the licensed products.

* For identification purposes only

As part of the strategic business cooperation between the Group and Abpro, on 22 January 2016, both parties entered into a share subscription agreement (“Share Subscription Agreement”), pursuant to which Essex Bio-Investment conditionally agreed to subscribe for, and Abpro conditionally agreed to issue, 616,197 shares of series C preferred stock with a par value of US\$0.001 each in the share capital of Abpro (“Series C Preferred Stock”) for a total consideration of approximately US\$3.5 million (equivalent to approximately HK\$27.3 million). The share subscription is part of the offering by Abpro of the Series C Preferred Stock.

In connection with the share subscription, on 22 January 2016, Essex Bio-Investment and Abpro entered into a warrant subscription agreement (“Warrant Subscription Agreement”), whereby Abpro conditionally agreed to grant 61,619 warrants entitling Essex Bio-Investment to subscribe for 61,619 shares of common stock of Abpro with a par value of US\$0.001 each in the share capital of Abpro (“Abpro Common Stock”) at the initial exercise price of US\$2.08 per Abpro Common Stock, subject to adjustments in accordance with the terms of the warrants.

Abpro is a USA-based biotech company focusing on the field of industrial biotechnology and is principally engaged in the business of developing novel biomolecules for human and animal health, including antibodies against traditionally difficult targets, for companies developing products in the research, diagnostic and therapeutic markets.

The Collaboration and License Agreement enables the parties to leverage on their respective strengths and resources to pursue and accelerate the development of antibody-based products in which the Group has been highly interested. The Share Subscription Agreement and the Warrant Subscription Agreement are for the Group to maintain a strategic cooperation with Abpro.

Distribution Agreement with Elektron Technology UK Limited (“Elektron”)

On 3 March 2016, Essex Medipharma (Zhuhai) Company Limited* (珠海億勝醫藥有限公司) (“Zhuhai Essex Medipharma”), an indirect wholly-owned subsidiary of the Company, entered into a distribution agreement (the “Distribution Agreement”) with Elektron, pursuant to which Elektron agreed to appoint Zhuhai Essex Medipharma as its exclusive distributor of an ophthalmic medical device known as “Henson 9000” (including any spare parts) in China (excluding Hong Kong, Macau and Taiwan) for a period of 8 years from the date on which Zhuhai Essex Medipharma placed the first purchase order with Elektron and may be automatically extended for successive periods of two years each, subject to early termination as provided in the Distribution Agreement. Henson 9000 is a medical instrument for screening and managing glaucoma, which is the leading cause of preventable blindness worldwide.

The collaboration with Elektron establishes a milestone of the Group in the ophthalmic medical device market and expands the range of the Group’s eye care solutions, which will together benefit the Group in striving for sustainable growth in the ophthalmology arena in China.

* *For identification purposes only*

Subscription Agreement with AC Immune SA (“ACI”)

On 11 April 2016, Essex Bio-Investment entered into a subscription agreement with ACI, for the subscription of 518,758 series E preferred shares of ACI with a nominal value of CHF0.02 each in the share capital of ACI (“Subscribed Preferred Shares”) at the subscription price of US\$9.6384 per Subscribed Preferred Shares for a total consideration of approximately US\$5.0 million (equivalent to approximately HK\$39.0 million). Please refer to the announcement of the Company dated 11 April 2016 for further details.

ACI is a Swiss-based biopharmaceutical company focused on Alzheimer’s disease and other neurodegenerative diseases. ACI designs, discovers and develops therapeutic and diagnostic products to prevent and modify diseases caused by misfolding proteins and has technology platforms to create antibodies, vaccines and small molecules to address a broad spectrum of neurodegenerative indications.

Market Development

During the period under review, the Group has 39 regional sales offices (“RSOs”) and 22 marketing agents, with 932 and 323 sales persons respectively, spreading across major cities and provinces in the PRC. RSOs are effectively tasked with the function of promoting the Group’s products and are interacting with pharmaceutical companies, medical practitioners and hospitals. In addition, these RSOs serve another vital role in contributing market intelligence to the Group’s planning on clinical studies and the research and development pipeline.

The Group built its sales force (including RSOs and marketing agents) under two specialized teams, with one team being responsible for the marketing and sales of ophthalmic pharmaceutical products and the other team being responsible for the marketing and sales of surgical products. The ophthalmic sales team and surgical sales team (including both RSOs and marketing agents) have headcounts of 558 and 697 respectively as at 30 June 2016. It is in our development plans that more sales staff will be recruited in the remaining months of 2016.

The Group’s flagship ophthalmic and surgical products are being marketed by more than 3,400 and 1,900 hospitals respectively, spreading across in major cities and provinces in the PRC. During the period under review, the Group had conducted/participated in over 270 seminars and 610 market promotion activities in major cities and provinces in the PRC. Our sales and marketing team is in constant contact with over 130,000 doctors in briefing and educating them on the clinical applications of our products.

Research and Development

The Group's technology platform is built upon a recombinant DNA, more particularly, the basic fibroblast growth factor ("bFGF") and its industrialisation technology. To capitalize on the proprietary technique on bFGF, the Company plans to deliver a series of high quality products to establish itself as market leader in the arena of biopharmaceutical products for wounds healing and treatment. To strengthen the research and development capabilities, the Group has entered into a cooperation agreement with Tasly Pharmaceutical Group Co., Ltd* in 2015 and for the development of, in particular, a therapeutic product using Platelet-Derived Growth Factor (PDGF) for the treatment and healing of diabetic ulcers. The project is being planned for Phase III clinical trials in the PRC.

Furthermore, the Group has developed a nano-antibody research and development platform over the past few years. Through the nano antibody technology platform, a new Vascular Endothelial Growth Factor (VEGF) nano-antibody has been investigated for formulating into therapeutic products for the treatment of cancers and age-related macular degeneration. On 22 January 2016, Essex Bio-Investment entered into the Collaboration and License Agreement, the Share Subscription Agreement and the Warrant Subscription Agreement with Abpro, a USA-based biotech company focusing on the field of industrial biotechnology and is principally engaged in the business of developing novel biomolecules for human and animal health, including antibodies against traditionally difficult targets, for companies developing products in the research, diagnostic and therapeutic markets. Entering into the Collaboration and License Agreement with Abpro offers the Group the opportunity to develop a new range of therapeutic products, using certain antibody candidates of Abpro, for the Group's ophthalmology and surgical businesses, as well as new drugs for the Group's oncology business.

In addition, a new production technology platform – the Blow-Fill-Seal ("BFS") has been established in 2014 and further enhanced in 2015. The establishment of the BFS platform has strengthened the Group's core competency in the field of ophthalmology and enables the Group to develop and produce a series of preservative-free single dose drugs. The Group currently has nine categories of single dose eye drops for the treatment of ocular wound healing, ocular bacterial infection, fatigue, allergy and dry eyes, etc. in the research and development pipeline, which are expected to be approved between 2016 and 2018.

As at the date of this announcement, a total of nine patents have been granted to the Group in the PRC, seven of which are innovation patents (發明專利) on the application of the recombinant bovine bFGF. These seven innovation patents provide market protection for the products of the existing Beifuji and Beifushu series until 2030. The remaining two patents are utility patents (實用專利) on product packaging, which are being applied in the products of the existing Beifuji and Beifushu series. The Group has filed one international patent application for the nano-antibody under the Patent Co-operation Treaty in 2015.

Financial Review

During the period under review, the Group achieved turnover of approximately HK\$363.9 million (2015: HK\$313.4 million), representing a growth rate of approximately 16.1%. The revenue composition is shown in the following table:

* For identification purposes only

Revenue composition for the six months ended 30 June 2016 and 2015

	2016			2015		
	Beifushu and Beifuji series	Third party products	Total	Beifushu and Beifuji series	Third party products	Total
Sales of pharmaceutical products						
- Surgical products	43%	3%	46%	40%	-	40%
- Ophthalmic products	38%	11%	49%	46%	9%	55%
	<u>81%</u>	<u>14%</u>	<u>95%</u>	<u>86%</u>	<u>9%</u>	<u>95%</u>
Provision of marketing services						
- Surgical products	-	2%	2%	-	-	-
- Ophthalmic products	-	3%	3%	-	5%	5%
	<u>-</u>	<u>5%</u>	<u>5%</u>	<u>-</u>	<u>5%</u>	<u>5%</u>
	<u>81%</u>	<u>19%</u>	<u>100%</u>	<u>86%</u>	<u>14%</u>	<u>100%</u>

The revenue growth was largely contributed from sales of flagship biopharmaceutical products, the Beifushu series and Beifuji series products. Sales of Beifushu series and Beifuji series products increased by approximately 10.1%, compared to the same period last year. Revenue from sales of other third parties products increased by approximately 84.6% as compared to the same period last year.

During the period under review, revenue from distribution of third party products and provision of marketing services to such third party's products contributed to approximately 19.0% of the Group's total revenue, compared to approximately 14.0% in the same period of 2015.

The Group's gross profit has grown in tandem with expanded sales. The gross profit for the period ended 30 June 2016 was approximately HK\$295.3 million (2015: HK\$256.7 million), representing an increase of approximately 15.0%.

During the period under review, the Group achieved a profit attributable to owners of the Company of approximately HK\$62.0 million as compared to approximately HK\$51.6 million in the corresponding period in 2015, representing an increase of approximately 20.0%.

The distribution and selling expenses for the period under review were approximately HK\$202.7 million as compared to approximately HK\$168.7 million of the same period last year, representing an increase of approximately 20.2%. The increase in the distribution and selling expenses was mainly attributable to higher costs incurred for the expansion of sales and marketing function, and high initial costs incurred in sales and marketing for the launching of new products. Distribution and selling expenses accounted mainly for remuneration and travelling expenses of sales personnel, advertisements, transportation and delivery, and organization of seminars and conferences for product training and awareness, etc.

The administrative expenses for the period under review were approximately HK\$20.7 million compared to approximately HK\$26.1 million in the corresponding period last year. The decrease of administrative expenses was mainly due to the decrease of approximately HK\$2.1 million in the equity-settled share-based payments to the employees, the decrease of approximately HK\$2.4 million in research and development cost which is recognized as expenses, and a provision of approximately HK\$1.9 million for the net book value of a convertible note receivable in 2015.

The Group had cash and cash equivalents of approximately HK\$81.2 million as at 30 June 2016 (31 December 2015: HK\$64.6 million).

The bank borrowings as at 30 June 2016 were HK\$158.9 million (31 December 2015: HK\$51.0 million). They are repayable within one year and bear interest at prevailing interest rate and are secured by the land use rights and the building of the Group. Besides, the bank borrowings are secured by corporate guarantees provided by the Company and subsidiaries within the Group, and a bank deposit of HK\$20.0 million.

The total finance costs of the Group for the period ended 30 June 2016 were approximately HK\$2.0 million.

Future Plans for material investments or capital assets

Save as disclosed in this announcement, as at 30 June 2016, the Group does not have an immediate plan for any other material investments or acquisition of material capital assets.

Liquidity and Financial Resources

As at 30 June 2016, the Group obtained banking facilities of approximately HK\$197.1 million, of which approximately HK\$158.9 million was utilized.

As at 30 June 2016, the Group had cash and cash equivalents of approximately HK\$81.2 million as compared to approximately HK\$64.6 million as at 31 December 2015.

The Group monitors its capital structure on the basis of a net debts-to-adjusted capital ratio. For this purpose, the Group defines net debts as total debts (which include interest-bearing loans and borrowings and trade and other payables) less cash and cash equivalents and pledged bank deposits. Adjusted capital comprises all components of equity. The net debts-to-adjusted capital ratio as at 30 June 2016 was approximately 60.6% (31 December 2015: 29.2%).

Charges on Group Assets

As at 30 June 2016, the land use rights and the building of the Group with carrying amount in aggregate of approximately HK\$119.6 million and a bank deposit of the Group of HK\$20.0 million were pledged to secure its banking facilities.

Capital Commitments

As at 30 June 2016, the Group had capital commitments amounting to approximately HK\$30.1 million (31 December 2015: HK\$27.6 million).

Contingent Liabilities

As at 30 June 2016, the Group did not have any significant contingent liabilities (2015: Nil).

Foreign Exchange Exposure

The Group's assets, liabilities and transactions are mainly denominated in either Hong Kong dollars or Renminbi, the Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks and therefore no hedging arrangements were made. 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 PRC and Hong Kong banks and earned interests in accordance with the PRC and Hong Kong banks interest rates. Bank deposits were mainly denominated in Renminbi and Hong Kong Dollar.

Employees

As at 30 June 2016, the Group had a total of 1,150 full-time employees (2015: 801 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\$36.6 million and approximately HK\$31.5 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.

Each executive Director has entered into a service agreement with the Company for a term of three years commencing from 27 June 2016 and expiring on 26 June 2019 unless it is terminated by either party by giving the other not less than six months' written notice. The annual remuneration of each executive Director was fixed in his service agreement and he is also entitled to a discretionary annual bonus of such amount (if any) as the Board may determine in its discretion from time to time, having regard to the operating results of the Group and his performance in the relevant financial year, provided that (a) the aggregate amount of the discretionary annual bonuses payable to all Directors in any financial year shall not exceed 5% of the consolidated net profit after taxation and non-controlling interests but before extraordinary items of the Company as shown in its consolidated audited accounts for such financial year ("Net Profit"); (b) the Net Profit for such financial year exceeds HK\$50,000,000; and (c) the amount of the discretionary annual bonus payable to each Director in respect of any financial year shall not exceed 1.4 times of his annual basic salary as a Director in respect of such financial year. The discretionary annual bonus, if any, shall be payable in respect of each financial year of the Company within three months after the issue of the consolidated audited accounts of the Group for such financial year.

Other remuneration and benefits, including retirement benefits scheme, remained at an appropriate level.

Share Capital and Share Options

There was no movement in the Company's authorised share capital during the period under review. Details of the Company's share option scheme as approved by the shareholders of the Company at the annual general meeting held on 3 May 2013 (the "Scheme") are set out below.

Summary of the Scheme

1. Purpose of the Scheme:
 - (a) To recognise and acknowledge the contributions that Eligible Participants (as defined below) have made or may make to the Group.
 - (b) To provide the Eligible Participants (as defined below) with the opportunity of acquiring proprietary interests in the Company with the view to (1) motivate them to optimise their performance and efficiency for the benefit of the Group; and (2) attract and retain or otherwise maintain ongoing business relationship with them whose contributions are, will or expected to be beneficial to the Group.
2. Participants of the Scheme:
 - (a) any director, officer, employee or officer employed by any company in the Group or by any member of the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate") (whether full time or part time) ("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 (“Eligible Participants”).

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

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

33,675,000 Shares.

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

Approximately 6.02%.

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

Not to exceed 1% of the Shares in issue in any 12-month period unless approved by shareholders of the Company.

5. Period within which the Shares must be taken up under an option:

Within 10 years from the date on which the option is offered or such shorter period as the Board may determine.

6. Minimum period for which an option must be held before it can be exercised:

No minimum period unless otherwise determined by the Board.

7. (a) Price payable on application or acceptance of the option:

HK\$1.00.

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

14 days after the offer date of an option.

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

Not applicable.

8. Basis of determining the exercise price:

The exercise price shall be determined by the Board and notified to each grantee and shall not be less than the highest of:

- (a) the closing price of a Share as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheet 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 Stock Exchange of Hong Kong Limited's daily quotations sheets for the 5 business days immediately preceding the date of grant of the relevant option; and
- (c) the nominal value of a Share.

9. The remaining life of the Scheme:

Approximately 7 years (expiring on 2 May 2023).

Pursuant to a board resolution on 30 October 2013, the Company granted 19,500,000 share options to certain employees of the Group under the Scheme. Set out below were details of the outstanding share options granted under the Scheme:

- (i) All share options granted were at an exercise price of HK\$2.30 per share;
- (ii) All holders of share options might only exercise their options in the following manner:

the share options will be vested in 5 tranches, i.e. the first 20% from six months after the date of grant, the second 20% from one year after the date of grant, the third 20% from one and half years after the date of grant, the fourth 20% from two years after date of grant and the balance 20% from two and half years after the date of grant;

- (iii) All outstanding or unexercised share options granted to the grantees shall lapse on 29 October 2018.

The following table discloses the movements in the Company's share options held by each of the Directors, the substantial shareholders of the Company, the employees of the Company in aggregate and other participants granted under the Scheme during the period ended 30 June 2016:

Participants	Date of grant	Exercisable period	Outstanding as at 1 January 2016	Exercised during the period	Outstanding as at 30 June 2016
Ngiam Mia Je Patrick	30.10.2013	30.04.2014 – 29.10.2018	100,000	0	100,000
<i>Director and substantial shareholder</i>	30.10.2013	30.10.2014 – 29.10.2018	100,000	0	100,000
	30.10.2013	30.04.2015 – 29.10.2018	100,000	0	100,000
	30.10.2013	30.10.2015 – 29.10.2018	100,000	0	100,000
	30.10.2013	30.04.2016 – 29.10.2018	100,000	0	100,000
Fang Haizhou	30.10.2013	30.04.2014 – 29.10.2018	700,000	0	700,000
<i>Director</i>	30.10.2013	30.10.2014 – 29.10.2018	700,000	0	700,000
	30.10.2013	30.04.2015 – 29.10.2018	700,000	0	700,000
	30.10.2013	30.10.2015 – 29.10.2018	700,000	0	700,000
	30.10.2013	30.04.2016 – 29.10.2018	700,000	0	700,000
Zhong Sheng	30.10.2013	30.04.2014 – 29.10.2018	0	0	0
<i>Director</i>	30.10.2013	30.10.2014 – 29.10.2018	0	0	0
	30.10.2013	30.04.2015 – 29.10.2018	0	0	0
	30.10.2013	30.10.2015 – 29.10.2018	468,000	0	468,000
	30.10.2013	30.04.2016 – 29.10.2018	700,000	0	700,000
Ngiam Mia Kiat Benjamin	30.10.2013	30.04.2014 – 29.10.2018	100,000	0	100,000
Non-executive director of a wholly-owned subsidiary of the Company and substantial shareholder	30.10.2013	30.10.2014 – 29.10.2018	100,000	0	100,000
	30.10.2013	30.04.2015 – 29.10.2018	100,000	0	100,000
	30.10.2013	30.10.2015 – 29.10.2018	100,000	0	100,000
	30.10.2013	30.04.2016 – 29.10.2018	100,000	0	100,000
Total for directors of the Group			5,668,000	0	5,668,000

Participants	Date of grant	Exercisable period	Outstanding as at 1 January 2016	Exercised during the period	Outstanding as at 30 June 2016
Employees	30.10.2013	30.04.2014 – 29.10.2018	1,940,000	0	1,940,000
	30.10.2013	30.10.2014 – 29.10.2018	2,201,000	0	2,201,000
	30.10.2013	30.04.2015 – 29.10.2018	2,300,000	0	2,300,000
	30.10.2013	30.10.2015 – 29.10.2018	2,300,000	0	2,300,000
	30.10.2013	30.04.2016 – 29.10.2018	2,300,000	0	2,300,000
Total for employees			11,041,000	0	11,041,000
An investor relations consultant	30.10.2013	30.04.2014 – 29.10.2016	1,250,000	0	1,250,000
	30.10.2013	30.10.2014 – 29.10.2016	1,250,000	0	1,250,000
Total for an investor relations consultant			2,500,000	0	2,500,000
Total for the Scheme			19,209,000	0	19,209,000

Equity-settled service contract

On 30 October 2013, the Company entered into a service contract with Hong Kong Zhixin Financial News Agency Limited (“HK Zhixin”) for the appointment of HK Zhixin as the Group’s investor relations consultant in the PRC and the provision of certain services by HK Zhixin to the Group for three years. In consideration of the provision of the services by HK Zhixin, the Company granted 2,500,000 share options to HK Zhixin.

Set out below were details of the outstanding share options granted to HK Zhixin:

- (i) All share options granted were at an exercise price of HK\$2.30 per share;
- (ii) All holders of share options might only exercise their options in the following manner:
 - (1) Up to 50% of the total number of HK Zhixin share options is exercisable during the period from 30 April 2014 to 29 October 2016; and
 - (2) Up to 50% of the total number of HK Zhixin share options is exercisable during the period from 30 October 2014 to 29 October 2016;
- (iii) All outstanding or unexercised HK Zhixin share options shall lapse on 29 October 2016.

The fair values of the services on 30 October 2013 were approximately HK\$1,800,000. These fair values were based on terms and conditions stated in the service contract. The exercise price of the share options outstanding as at 30 June 2016 was HK\$2.30 and the weighted average remaining contractual life was 0.33 year.

All the share options were exercisable as at 30 June 2016.

The Company recognised the total expense of HK\$300,000 for the period ended 30 June 2016 (2015: HK\$300,000) in relation to share options granted by the Company to HK Zhixin.

ADDITIONAL INFORMATION

Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2016, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules were as follows:

Long positions in the shares of the Company:

Name	Capacity	Number of ordinary shares in the Company	Approximate percentage of interest in the Company's issued share capital as at 30 June 2016
Ngiam Mia Je Patrick	Beneficial owner and interests of controlled corporations	153,645,667 (Note 1)	27.46%
Fang Haizhou	Beneficial owner	8,238,300 (Note 2)	1.47%
Zhong Sheng	Beneficial owner	4,037,150 (Note 3)	0.72%

Notes:

1. (a) 146,479,000 ordinary shares were registered in the name of Ngiam Mia Je Patrick.
- (b) 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"). Since Essex Singapore is owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares, Ngiam Mie Je Patrick was deemed to be interested in these shares as he was entitled to exercise or control the exercise of more than one-third of the voting power of Dynatech at general meetings.

- (c) 500,000 underlying shares are his share option entitlement granted on 30 October 2013 under the Scheme.
2. Comprised of (i) 4,738,300 ordinary shares held by him; and (ii) 3,500,000 underlying shares, which are his share option entitlement granted on 30 October 2013 under the Scheme.
 3. Comprised of (i) 2,869,150 ordinary shares held by him; and (ii) 1,168,000 underlying shares, which are his share option entitlement granted on 30 October 2013 under the Scheme.

Save as disclosed above, as at 30 June 2016, none of the Directors and the chief executive of the Company had any interest and short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the Part XV of the SFO) which was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders and Other Persons Who Are Required to Disclose Their Interests Pursuant to Part XV of the SFO

As at 30 June 2016, 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 the shares of the Company

Name	Capacity	Number of share/ underlying shares in the Company	Approximate percentage of interest in the Company's issued share capital as at 30 June 2016
Ngiam Mia Kiat Benjamin	Beneficial owner and interests of controlled corporations	151,720,667 (Note 1)	27.12%
Lauw Hui Kian	Family interest	153,645,667 (Note 2)	27.46%

Notes:

1. (a) 144,554,000 ordinary shares were registered directly in the name of Ngiam Mia Kiat Benjamin.
- (b) 6,666,667 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 as he was entitled to exercise or control the exercise of more than one-third of the voting power of Dynatech at general meetings.
- (c) 500,000 underlying shares are his share option entitlement granted on 30 October 2013 under the Scheme.
2. Lauw Hui Kian is the spouse of Ngiam Mia Je Patrick (an executive Director). Lauw Hui Kian was deemed to be interested in 153,645,667 shares in which Ngiam Mia Je Patrick was interested/deemed to be interested, of which 500,000 shares are Ngiam Mia Je Patrick's interest in option to subscribe for ordinary shares of the Company granted/exercisable under the Scheme.

Save as disclosed above, as at 30 June 2016, 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 the 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

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 Code on Corporate Governance Practices 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 condensed consolidated interim financial statements for the six months ended 30 June 2016.

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 2016.

ON BEHALF OF THE BOARD

Ngiam Mia Je Patrick

Chairman

Hong Kong
5 August 2016

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