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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 AND THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2017

Reference is made to the announcement dated 6 July 2016 in relation to the Convertible Loan from IFC (the “**Announcement**”), the annual report for the year ended 31 December 2016 (the “**2016 Annual Report**”) and the interim report for the 6 months period ended 30 June 2017 (the “**2017 Interim Report**”) of Essex Bio-Technology Limited (the “**Company**”). Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement or the 2016 Annual Report (as the case may be).

SUPPLEMENTARY INFORMATION IN RELATION TO THE CONVERTIBLE LOAN

In addition to the information in relation to the Convertible Loan as set out under, among others, the sections headed “Management Discussion and Analysis” and the “Notes to the Consolidated Financial Statements” of each of the 2016 Annual Report and the 2017 Interim Report, the Board would like to provide supplementary information on the 2016 Annual Report and the 2017 Interim Report in respect of (i) the intended use of the balance of net proceeds from the Convertible Loan in the amount of HK\$38.9 million; and (ii) the dilution impact of the Convertible Loan.

Particulars of the Convertible Loan

The following table summarizes the particulars of the Convertible Loan:

Date of the Convertible Loan Agreement	Principal	Conversion price per Share	Amount converted into Shares as at 31 December 2016	Amount converted into Shares as at 30 June 2017	Amount converted into Shares as at the date of this announcement	Balance	Number of Shares to be issued upon full conversion (assuming full conversion at the Conversion Price of HK\$5.90 per Share)
6 July 2016	HK\$150.0 million	HK\$5.90 per Share (subject to adjustments as set out in the Convertible Loan Agreement)	-	-	-	HK\$150.0 million	25,423,728 Shares

Use of net proceeds from the Convertible Loan

As at 31 December 2016 and 30 June 2017, respectively, the unused net proceeds from the Convertible Loan amounted to approximately HK\$38.9 million, which was intended to be used for development of the Group's biopharmaceutical business. As at the date of this announcement, the Group has not identified any specific target projects for this purpose. Updates on the actual and intended use of the net proceeds from the issue of the Convertible Loan will be disclosed in the annual reports and interim reports to be issued by the Company.

Dilution effect of the conversion of the Convertible Loan

As at 31 December 2016 and 30 June 2017, respectively, the outstanding principal amount of the Convertible Loan of HK\$150.0 million, or any part thereof, has not 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\$150,000,000 is convertible into approximately 25,423,728 Conversion Shares.

The following table sets out the total number of Shares to be issued upon full conversion of the Convertible Loan as at 31 December 2016:

Shareholders	As at 31 December 2016		Immediately upon full conversion of the Convertible Loan at the Conversion Price of HK\$5.90 per Share	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Mr. Ngiam Mia Je Patrick	146,479,000	26.06	146,479,000	24.93
Mr. Ngiam Mia Kiat Benjamin	144,854,000	25.77	144,854,000	24.65
Dynatech Ventures Pte Ltd (<i>Note 1</i>)	6,666,667	1.19	6,666,667	1.13
Directors (other than Mr. Ngiam Mia Je Patrick) (<i>Note 2</i>)	6,054,450	1.08	6,054,450	1.03
IFC	–	–	25,423,728	4.33
Other Shareholders	<u>258,094,883</u>	<u>45.90</u>	<u>258,094,883</u>	<u>43.93</u>
Total	<u><u>562,149,000</u></u>	<u><u>100</u></u>	<u><u>587,572,728</u></u>	<u><u>100</u></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 Mr. Ngiam Mia Je Patrick and Mr. Ngiam Mia Kiat Benjamin in equal shares.
- (2) Amongst these 6,054,450 Shares, 4,738,300 Shares were registered in the name of Mr. Fang Haizhou and 1,316,150 Shares were registered in the name of Mr. Zhong Sheng.
- (3) Ms. Lauw Hui Kian is the spouse of Mr. Ngiam Mia Je Patrick (an executive Director) and is deemed to be interested in the Shares in which Mr. Ngiam Mia Je Patrick is interested/deemed to be interested in.

The following table sets out the total number of Shares to be issued upon full conversion of the Convertible Loan as at 30 June 2017:

Shareholders	As at 30 June 2017		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 %
Mr. Ngiam Mia Je Patrick	146,479,000	26.06	146,479,000	24.93
Mr. Ngiam Mia Kiat Benjamin	144,854,000	25.77	144,854,000	24.65
Dynatech Ventures Pte Ltd (<i>Note 1</i>)	6,666,667	1.19	6,666,667	1.13
Directors (other than Mr. Ngiam Mia Je Patrick) (<i>Note 2</i>)	5,714,450	1.02	5,714,450	0.97
IFC	–	–	25,423,728	4.33
Other Shareholders	<u>258,434,883</u>	<u>45.96</u>	<u>258,434,883</u>	<u>43.99</u>
Total	<u><u>562,149,000</u></u>	<u><u>100</u></u>	<u><u>587,572,728</u></u>	<u><u>100</u></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 Mr. Ngiam Mia Je Patrick and Mr. Ngiam Mia Kiat Benjamin in equal shares.
- (2) Amongst these 5,714,450 Shares, 4,738,300 Shares were registered in the name of Mr. Fang Haizhou and 976,150 Shares were registered in the name of Mr. Zhong Sheng.
- (3) Ms. Lauw Hui Kian is the spouse of Mr. Ngiam Mia Je Patrick (an executive Director) and is deemed to be interested in the Shares in which Mr. Ngiam Mia Je Patrick is interested/deemed to be interested in.

The Company's ability to meet the repayment obligations under the Convertible Loan

Based on the cash and cash equivalents as at 31 December 2016 and 30 June 2017, respectively, and the cash flow from the operations of the Company for the year/period then ended respectively, the Company has the ability to meet its repayment obligations under the Convertible Loan which remained unconverted to Convertible Shares as at 31 December 2016 and 30 June 2017, respectively.

The Board confirms that the above additional information does not affect other information contained in the 2016 Annual Report and the 2017 Interim Report and the contents of the 2016 Annual Report and the 2017 Interim Report remain correct and unchanged.

SUPPLEMENTARY INFORMATION ON CERTAIN AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Board would like to supplement the 2016 Annual Report with additional information on certain available-for-sale financial assets, namely, 518,758 common shares of AC Immune SA (“ACI”) (which were automatically converted from series E preferred shares upon the listing of ACI on the NASDAQ Stock Market) which was carried at fair value in the amount of approximately HK\$52.2 million as at 31 December 2016 (the “**Relevant AFS Financial Assets**”). The Relevant AFS Financial Assets accounted for approximately 5.59% of the Group’s total assets as at 31 December 2016.

The Board would like to provide additional information in relation to the Relevant AFS Financial Assets as at 31 December 2016 as follows:

Description of the investments	Number of shares held as at 31 December 2016	Carrying amount at fair value as at 31 December 2016 <i>HK\$’ million (approximate)</i>
Common shares of ACI	518,758	52.2

Performance for the year ended 31 December 2016 and future prospects of the Relevant AFS Financial Assets

ACI is a Swiss-based biopharmaceutical company focused on Alzheimer’s disease and other neurodegenerative diseases.

As set out in ACI’s annual report for the year ended 31 December 2016 (“**ACI 2016 Annual Report**”), ACI recorded revenue of approximately CHF23.2 million and net loss of approximately CHF7.1 million for the year ended 31 December 2016. In addition, ACI will leverage on its proprietary technology platforms to discover, design and develop novel, proprietary medicines for prevention, diagnosis and treatment of neurodegenerative diseases associated with protein misfolding.

The Board believes that ACI is managed by experienced management team, and that ACI will continue to expand its product portfolio and leverage on its technology platforms. The Directors are optimistic about the business prospects of ACI, but at the same time believe that the performance of investments on listed securities such as the Relevant AFS Financial Assets will be dependent on, in addition to the financial and operating performance of the investee company, market sentiments which are affected by many factors, including but not limited to the performance of the macro economy.

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

Hong Kong, 17 October 2017

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.