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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 CONTRACT FOR INVESTOR AND MEDIA RELATIONS SERVICES AND GRANT OF SHARE OPTIONS

Reference is made to the announcement of Essex Bio-Technology Limited (the “**Company**”) dated 1 November 2017 in relation to the contract for investor and media relations services and the grant of share options (the “**Announcement**”). Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board would like to provide supplementary information in relation to the Service Contract and the HK Zhixin Share Options as follows:

FURTHER INFORMATION ON THE SERVICE CONTRACT

As the Company’s investor and media relations consultant, HK Zhixin’s role and responsibility under the Service Contract are to maintain and enhance effective communications between (a) the Company; and (b) investors and media in the PRC. HK Zhixin was identified and appointed by the Company for its sound knowledge in the investor relations industry and satisfactory performance achieved under the Previous Service Contract.

Services relating to investor relations comprise, among others, establishing strategies related to investor relations, updating investor database, arranging meetings among the Company and analysts or investors, timely collection and follow-up regarding research reports, arranging to send out press release or results announcements to financial media in the PRC and handling enquires of institutional investors.

HK Zhixin's role relating to media relations is of a co-ordinator in nature without involving the giving of any opinions or judgements. Such Services include arranging meetings among the Company and the financial media in Hong Kong or the PRC, arranging to send out press release to the financial media in the PRC, drafting articles in respect of the Company based on publicly available information (e.g. the Company's annual reports and published announcements) for release to PRC internet media, assisting the Company to release research reports or positive information already published by mainstream media to PRC internet media, collecting news articles of the industry published in PRC or Hong Kong newspapers, and clarification actions in relation to publications with inaccurate information about the Company.

FURTHER INFORMATION ON THE HK ZHIXIN SHARE OPTIONS

Basis for determining the number of Share Options exercisable during each exercise period

As disclosed in the Announcement, in respect of the HK Zhixin Share Options granted in consideration of the provision of the Services by HK Zhixin to the Company under the Service Contract,

- (i) during the period from 1 November 2018 to 31 October 2019 (both dates inclusive), the number of Share Options exercisable is 1,700,000 Share Options or 1,700,000 Share Options X the average number of Shares traded per day during the period from 1 November 2017 to 31 October 2018 (both days inclusive)/500,000, whichever is lower;
- (ii) during the period from 1 November 2019 to 31 October 2020 (both dates inclusive), the number of Share Options exercisable is 1,700,000 Share Options or 1,700,000 Share Options X the average number of Shares traded per day during the period from 1 November 2018 to 31 October 2019 (both days inclusive)/750,000, whichever is lower; and
- (iii) during the period from 1 November 2020 to 31 October 2021 (both dates inclusive), the number of Share Options exercisable is 1,600,000 Share Options or 1,600,000 Share Options X the average number of Shares traded per day during the period from 1 November 2019 to 31 October 2020 (both days inclusive)/1,000,000, whichever is lower.

As disclosed above, the number of Share Options exercisable by HK Zhixin is the lower of (i) 1,700,000 or 1,600,000 Share Options (as the case may be); and (ii) 1,700,000 or 1,600,000 Share Options (as the case may be) multiplied by a fraction. In respect of the fraction, while the numerator represents the average number of Shares traded per day during the year immediately preceding the exercise period, the denominator represents the target number of Shares that would be traded per day during the same period.

The target trading volume of the Shares in the amount of 500,000, 750,000 and 1,000,000 for the one-year period ending 30 October 2018, 2019 and 2020, respectively, was determined by the Company having regard to (i) the historical information on the percentage increase in the trading volume of the Shares over the past few years; and (ii) the Company's reasonable expectation of further increase in the trading volume of the Shares since current and potential investors would be better informed about the Company and its business potential as a result of the Services to be rendered by HK Zhixin.

The Board considers that the trading volume of Shares could serve as a yardstick to measure the quality and effectiveness of the Services to be rendered by HK Zhixin. Hence, the number of Share Options exercisable by HK Zhixin during each exercise period is determined by reference to the trading volume of the Shares, rather than a fixed number or percentage. The Board considers that the basis for determining the number of Share Options exercisable under each exercise period in respect of the HK Zhixin Share Options is fair, reasonable and in the interests of the Company and its shareholders as a whole.

Reasons for and benefits of granting Share Options as consideration for the Services to be rendered by HK Zhixin

The Board considers that granting Share Options as consideration for the Services to be rendered by HK Zhixin provides a measurable incentive for HK Zhixin to strive for rendering quality services to the Company. The actual number of Share Options exercisable by HK Zhixin during each exercise period is determined by reference to the trading volume of Shares in the preceding year, this arrangement ties the remuneration for HK Zhixin to the actual capital market performance of the Company.

Furthermore, cash consideration would otherwise be required had there not been a grant of Share Options as consideration for the Services under the Service Contract. This arrangement will have no negative impact on the cash flow of the Company and once the Share Options are exercised, positive cash flow will be generated thereby enabling the Company to retain its cash for the Group's business operations or other business needs.

Reasons for having different bases to determine the number of Share Options exercisable during each exercise period under the Past Service Contract and the Service Contract

Reference is made to the announcement of the Company dated 30 October 2013 in relation to the Past Service Contract. Under the Past Service Contract, the maximum number of Share Options exercisable by HK Zhixin was 50% of the total number of share options granted, which was 1,250,000 Share Options, for each of the exercise periods (i) from 30 April 2014 to 29 October 2016 (both dates inclusive); and (ii) from 30 October 2014 to 29 October 2016 (both dates inclusive).

The Board considers that the terms and conditions of each of the Past Service Contract and the Service Contract were subject to arm's length negotiations between the Company and HK Zhixin at the material time. As the business needs of the Company, the scope of services provided by HK Zhixin and the market conditions were different when the Company negotiated the respective terms of the Past Service Contract and the Service Contract with HK Zhixin, the consideration for the services provided/to be provided by HK Zhixin, and therefore, the basis for determining the number of Share Options exercisable during each exercise period under the Past Service Contract and the Service Contract, respectively, were different.

Acceptance of the HK Zhixin Share Options

The Company received a confirmation dated 1 November 2017 from HK Zhixin in respect of the acceptance of the HK Zhixin Share Options after the Announcement was published.

Information on shareholdings of HK Zhixin in the Company

To the best of the knowledge, information and belief of the Directors, after having made reasonable enquiries with HK Zhixin, HK Zhixin held 4,206,000 Shares as at 13 December 2017, representing approximately 0.75% of the total issued Shares as at 13 December 2017.

The maximum number of Share Options that can be vested with, and exercised by, HK Zhixin pursuant to the terms of the Service Contract and the Offer Letter is 5,000,000. In the event that all such 5,000,000 Share Options are exercised by HK Zhixin during the relevant exercise periods, to the best of the knowledge, information and belief of the Directors, after having made reasonable enquiries with HK Zhixin, the number of Shares held by HK Zhixin will be increased to 9,206,000 Shares, representing approximately 1.62% of the enlarged total issued Shares (assuming there is otherwise no change in the shareholding of HK Zhixin and the total issued share capital of the Company remains unchanged except as enlarged by the issue of Shares upon the exercise of the HK Zhixin Share Options).

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

Hong Kong, 13 December 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.