



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)

2020

INTERIM REPORT





**Pioneering Global
Regenerative
Science & Technology**

The logo for ESSEX 亿胜 is centered in the image. It features the word "ESSEX" in a bold, white, sans-serif font. To the right of "ESSEX" is a stylized white graphic element consisting of two curved lines that form a partial circle or a swoosh. To the right of this graphic is the Chinese characters "亿胜" in a white, bold, sans-serif font. The entire logo is set against a dark blue background with a complex network of glowing blue lines and dots, suggesting a global or digital theme. A bright blue lens flare is visible on the left side of the image, partially overlapping the logo.

ESSEX 亿胜



Tomorrow's today



CONTENTS

- 2 Corporate Information**
- 3 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**
- 4 Condensed Consolidated Statement of Financial Position**
- 5 Condensed Consolidated Statement of Changes in Equity**
- 6 Condensed Consolidated Statement of Cash Flows**
- 8 Notes to the Interim Condensed Consolidated Financial Statements**
- 25 Management Discussion and Analysis**
- 38 Additional Information**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ngiam Mia Je Patrick (*Chairman*)

Fang Haizhou (*Managing Director*)

Independent Non-executive Directors

Fung Chi Ying

Mauffrey Benoit Jean Marie

Yeow Mee Mooi

AUDIT COMMITTEE

Fung Chi Ying (*Chairperson*)

Mauffrey Benoit Jean Marie

Yeow Mee Mooi

REMUNERATION COMMITTEE

Yeow Mee Mooi (*Chairperson*)

Ngiam Mia Je Patrick

Fung Chi Ying

Mauffrey Benoit Jean Marie

NOMINATION COMMITTEE

Yeow Mee Mooi (*Chairperson*)

Ngiam Mia Je Patrick

Fung Chi Ying

Mauffrey Benoit Jean Marie

CORPORATE GOVERNANCE COMMITTEE

Yeow Mee Mooi (*Chairperson*)

Fung Chi Ying

Mauffrey Benoit Jean Marie

COMPANY SECRETARY

Yau Lai Man MBA, ACA, CPA (practising)

AUTHORISED REPRESENTATIVES

Fang Haizhou

Yau Lai Man

AUDITOR

BDO Limited

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Hong Kong

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Hi-Tech Zone

Zhuhai

Guangdong, China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited

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24 Shedden Road

P.O. Box 1586

Grand Cayman KY1-1110

Cayman Islands

HONG KONG SHARE REGISTRAR

Hong Kong Registrars Limited

Shops 1712–1716

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Bank of China

Bank of Communications Co., Ltd.

China Merchants Bank

China Construction Bank

Industrial and Commercial Bank of China (Asia) Limited

STOCK CODE

01061

The board (the “Board”) of directors (the “Directors”) of Essex Bio-Technology Limited (the “Company”) presents the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019 and the relevant explanatory notes as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Turnover	4 & 5	323,835	581,716
Cost of sales		(69,125)	(112,950)
Gross profit		254,710	468,766
Other revenue, and other gains and losses	6	15,747	20,156
Distribution and selling expenses		(163,537)	(300,684)
Administrative expenses		(45,749)	(34,219)
Finance costs	7	(3,381)	(4,239)
Profit before income tax	8	57,790	149,780
Income tax	9	(8,602)	(20,205)
Profit for the period		49,188	129,575
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		(27,261)	(2,670)
<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		(19,101)	13,786
Other comprehensive income for the period		(46,362)	11,116
Total comprehensive income for the period		2,826	140,691
Earnings per share attributable to owners of the Company			
Basic	11	HK8.51 cents	HK22.39 cents
Diluted	11	HK8.51 cents	HK21.96 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	12	195,023	180,361
Right-of-use assets		7,296	8,684
Land use rights		15,755	16,331
Goodwill		22,426	21,849
Other intangible assets	13	412,709	377,028
Convertible loan receivables	14	4,893	46,075
Financial assets at fair value through other comprehensive income	15	94,478	109,774
Deposits and prepayments	18	20,653	10,201
Pledged bank deposit		–	40,150
Total non-current assets		773,233	810,453
Current assets			
Inventories	16	120,314	114,125
Trade and other receivables	17	467,183	651,737
Deposits and prepayments	18	14,163	13,848
Convertible loan receivables	14	48,527	–
Financial assets at fair value through other comprehensive income	15	1,940	10,564
Financial assets at fair value through profit or loss	15	20	25
Pledged bank deposit		42,075	3,850
Cash and cash equivalents		390,388	473,341
Total current assets		1,084,610	1,267,490
Total assets		1,857,843	2,077,943
Current liabilities			
Trade and other payables	19	303,328	465,955
Bank borrowings	20	210,375	19,250
Lease liabilities		1,993	168
Current tax liabilities		3,147	23,717
Total current liabilities		518,843	509,090
Net current assets		565,767	758,400
Total assets less current liabilities		1,339,000	1,568,853
Non-current liabilities			
Bank borrowings	20	–	200,750
Lease liabilities		5,814	8,969
Convertible loan payable	21	143,183	140,159
Deferred tax liabilities		18,495	21,830
Total non-current liabilities		167,492	371,708
Total liabilities		686,335	880,798
NET ASSETS		1,171,508	1,197,145
Capital and reserves attributable to owners of the Company			
Share capital		57,794	57,794
Reserves		1,113,714	1,139,351
TOTAL EQUITY		1,171,508	1,197,145

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory surplus reserve HK\$'000	Foreign currency translation reserve HK\$'000	Share option reserve HK\$'000	Fair value through other comprehensive income reserve HK\$'000	Conversion component of convertible loan payable HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2019	57,875	70,720	362	50,861	(39,747)	4,239	9,308	33,323	741,960	928,901
Profit for the period	-	-	-	-	-	-	-	-	129,575	129,575
Other comprehensive income:										
- Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	13,786	-	-	13,786
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(2,670)	-	-	-	-	(2,670)
Total comprehensive income for the period	-	-	-	-	(2,670)	-	13,786	-	129,575	140,691
Appropriation of profits	-	-	-	13,849	-	-	-	-	(13,849)	-
Dividend paid	-	-	-	-	-	-	-	-	(19,099)	(19,099)
Exercise of share options	6	390	-	-	-	(59)	-	-	-	337
Equity-settled share-based payments	-	-	-	-	-	717	-	-	-	717
Transfer of fair value reserve upon the disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(16,022)	-	16,022	-
At 30 June 2019 (Unaudited)	57,881	71,110	362	64,710	(42,417)	4,897	7,072	33,323	854,609	1,051,547
At 1 January 2020	57,794	71,108	362	79,167	(53,654)	4,654	6,983	33,323	997,408	1,197,145
Profit for the period	-	-	-	-	-	-	-	-	49,188	49,188
Other comprehensive income:										
- Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(19,101)	-	-	(19,101)
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(27,261)	-	-	-	-	(27,261)
Total comprehensive income for the period	-	-	-	-	(27,261)	-	(19,101)	-	49,188	2,826
Appropriation of profits	-	-	-	8,400	-	-	-	-	(8,400)	-
Dividend paid	-	-	-	-	-	-	-	-	(28,897)	(28,897)
Equity-settled share-based payments	-	-	-	-	-	434	-	-	-	434
Transfer of fair value reserve upon the disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(1,611)	-	1,611	-
At 30 June 2020 (Unaudited)	57,794	71,108	362	87,567	(80,915)	5,088	(13,729)	33,323	1,010,910	1,171,508

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Cash flows from operating activities			
Profit before income tax		57,790	149,780
Adjustments for:			
Interest income from convertible loan receivables	6	(944)	(392)
Interest income from bank deposits	6	(2,823)	(888)
Change in fair value of financial assets at fair value through profit or loss	6	(7,959)	(5,791)
Impairment loss on trade receivables	6	2,207	–
Finance costs	7	3,381	4,239
Amortisation of land use rights	8	183	192
Amortisation of other intangible assets	8	3,381	3,723
Depreciation of property, plant and equipment	8	8,438	8,090
Depreciation of right-of-use assets	8	1,190	1,390
Equity-settled share-based payments		434	717
Exchange losses/(gains), net	8	741	(385)
(Gain)/loss on disposal of property, plant and equipment	8	(7)	36
Write-off of inventories	8	1,489	491
Operating cash flows before working capital changes		67,501	161,202
(Increase)/decrease in inventories		(10,116)	9,777
Decrease/(increase) in trade and other receivables		169,020	(79,129)
Increase in deposits and prepayments		(368)	(1,336)
(Decrease)/increase in trade and other payables		(136,639)	21,098
Cash generated from operations		89,398	111,612
Tax paid		(31,570)	(27,994)
Net cash generated from operating activities		57,828	83,618
Cash flows from investing activities			
Acquisition of property, plant and equipment		(23,977)	(11,165)
Deposits paid for acquisition of property, plant and equipment		(8,703)	(4,435)
Deposits paid for acquisition of other intangible assets		(5,519)	–
Increase in other intangible assets		(40,714)	(89,129)
Acquisition of a subsidiary		(2,173)	(435)
Loan to an associate		–	(1,156)
Purchase of convertible loan receivable		(16,555)	(2,746)
Purchase of financial assets at fair value through other comprehensive income		(1,379)	–
Bank interest received		2,823	888
Interest received from convertible loan receivables		–	36
Decrease/(increase) in pledged bank deposit		1,925	(8,000)
Proceeds from disposal of property, plant and equipment		148	7
Proceeds from disposal of financial assets at fair value through other comprehensive income		5,536	39,803
Net cash used in investing activities		(88,588)	(76,332)

	2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Cash flows from financing activities		
Proceeds from bank borrowings	–	40,000
Repayments of bank borrowings	(9,625)	–
Payment of lease liabilities	(1,233)	(1,205)
Proceeds from shares issued under share option scheme	–	337
Interest paid on bank borrowings	(2,759)	(996)
Interest paid on convertible loan payable	(1,441)	(1,441)
Dividends paid to owners of the Company	(28,897)	(19,099)
Net cash (used in)/generated from financing activities	(43,955)	17,596
Net (decrease)/increase in cash and cash equivalents	(74,715)	24,882
Cash and cash equivalents at beginning of period	473,341	311,098
Effect of foreign exchange rate changes on cash and cash equivalents	(8,238)	(1,250)
Cash and cash equivalents at end of period	390,388	334,730
Analysis of balances of cash and cash equivalents		
Cash and bank balances	307,622	334,730
Non-pledged time deposits with original maturity of less than three months when acquired	82,766	–
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	390,388	334,730

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Essex Bio-Technology Limited is a limited liability company incorporated in the Cayman Islands on 31 July 2000 under Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (Stock code: 1061). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is located at Room 2818, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The Group, comprising the Company and its subsidiaries, is principally engaged in investment holding, and development, manufacture and sale of biopharmaceutical products in the People’s Republic of China (the “PRC”).

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These interim condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019 (the “2019 Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards 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 adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the 2019 Financial Statements, except for the adoption of amended standards effective for annual periods beginning on or after 1 January 2020. The adoption of these amended standards has no material impact on the Group’s interim condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. SEGMENT REPORTING

The Group manages its businesses by business lines. The segment information is reported internally to the chief operating decision-maker (i.e. executive directors of the Company) for the purposes of resource allocation and performance assessment. In 2019, the Group reorganised its internal reporting structure by simplifying the segmental classification based on revenue contribution from its product lines so as to enhance operational efficiency. The Group's reportable and operating segments for financial reporting purposes have been reorganised as follows:

- Ophthalmic products
- Surgical products

(a) Reportable segments

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

	For the six months ended 30 June 2020		
	Ophthalmic products (Unaudited)	Surgical products (Unaudited)	Total (Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue			
– Revenue from external customers	<u>146,048</u>	<u>177,787</u>	<u>323,835</u>
Reportable segment profit	<u>32,695</u>	<u>36,972</u>	<u>69,667</u>

	For the six months ended 30 June 2019		
	Ophthalmic products (Unaudited)	Surgical products (Unaudited)	Total (Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue			
– Revenue from external customers	<u>249,919</u>	<u>331,797</u>	<u>581,716</u>
Reportable segment profit	<u>69,701</u>	<u>92,195</u>	<u>161,896</u>

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

	2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Reportable segment profit	<u>69,667</u>	161,896
Unallocated corporate income and expenses, net	<u>(16,021)</u>	(12,951)
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")	<u>7,959</u>	5,791
Equity-settled share-based payments	<u>(434)</u>	(717)
Finance costs	<u>(3,381)</u>	(4,239)
Profit before income tax	<u>57,790</u>	<u>149,780</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 Company's executive directors.

4. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

(i) Revenue from external customers

For the six months ended 30 June 2020 and 2019, the Group's revenue from external customers is derived solely from its operations in the PRC (place of domicile).

(ii) Non-current assets

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
PRC	523,238	454,076
Hong Kong	143,818	154,788
Overseas	6,806	5,590
	673,862	614,454

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

(c) Information about a major customer

For the six months ended 30 June 2020, revenue of HK\$78.2 million (For the six months ended 30 June 2019: HK\$150.7 million) was derived from sales to one (For the six months ended 30 June 2019: one) customer, which individually accounted for over 10% of the Group's total revenue.

5. TURNOVER

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

6. OTHER REVENUE, AND OTHER GAINS AND LOSSES

	2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Interest income from convertible loan receivables	944	392
Government grants	2,871	4,047
Interest income from bank deposits	2,823	888
Sundry income	780	2,569
Change in fair value of financial assets at FVTPL	7,959	5,791
Licensing income	2,577	5,399
Impairment loss on trade receivables	(2,207)	–
Processing income	–	1,070
	15,747	20,156

7. FINANCE COSTS

	2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Interest expense on bank borrowings	2,759	996
Interest expense on lease liabilities	114	129
Imputed interest expense on convertible loan payable	4,465	4,256
Less: Amount capitalised	(3,957)	(1,142)
	3,381	4,239

8. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Amortisation of land use rights	183	192
Amortisation of other intangible assets	3,381	3,723
Auditor's remuneration	620	790
Cost of inventories	50,351	72,707
Cost of services	17,285	39,752
Depreciation of property, plant and equipment	8,438	8,090
Depreciation of right-of-use assets	1,190	1,390
Employee costs excluding directors' emoluments:		
– Salaries and other benefits	86,079	91,850
– Pension fund contributions	1,291	3,838
– Equity-settled share-based payments to the employees	306	385
Equity-settled share-based payments to the consultant of the Group	128	332
Exchange losses/(gains), net	741	(385)
Research and development costs recognised as expenses	2,960	1,117
Write-off of inventories	1,489	491
(Gain)/loss on disposal of property, plant and equipment	(7)	36

9. INCOME TAX

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

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

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

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (For the six months ended 30 June 2019: An interim dividend of HK\$0.035 per ordinary share was declared).

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

Earnings

	2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Profit attributable to owners of the Company for the purposes of calculating basic earnings per share	49,188	129,575
Interest expense on convertible loan payable, net of amount capitalised	N/A	3,114
Profit attributable to owners of the Company for the purposes of calculating diluted earnings per share	49,188	132,689

Number of shares

	2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	577,937,000	578,760,392
Effect of dilutive potential ordinary shares:		
– share options issued by the Company	N/A	128,596
– convertible loan payable	N/A	25,423,728
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	577,937,000	604,312,716

The computation of diluted earnings per share for the six months ended 30 June 2020 does not assume the issue of potential ordinary shares in relation to all share options granted and the conversion of convertible loan payable as they have anti-dilutive effect.

The computation of diluted earnings per share for the six months ended 30 June 2019 did not assume the issue of potential ordinary shares in relation to certain share options granted as they had anti-dilutive effect.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost:						
At 1 January 2019	117,736	88,714	16,341	4,731	1,091	228,613
Additions	455	4,115	11,300	1,815	13,733	31,418
Acquisition of a subsidiary	-	-	760	-	-	760
Disposals	-	(38)	(353)	(437)	-	(828)
Exchange adjustment	(1,596)	(1,244)	(355)	(68)	(169)	(3,432)
At 31 December 2019	116,595	91,547	27,693	6,041	14,655	256,531
Additions	-	1,130	5,106	-	21,195	27,431
Acquisition of a subsidiary	-	-	84	492	-	576
Disposals	-	(123)	(136)	-	-	(259)
Exchange adjustment	(2,808)	(2,211)	(679)	(118)	(491)	(6,307)
At 30 June 2020 (Unaudited)	113,787	90,343	32,068	6,415	35,359	277,972
Accumulated depreciation:						
At 1 January 2019	11,493	38,157	6,061	3,578	-	59,289
Charge for the year	2,348	9,712	5,198	397	-	17,655
Acquisition of a subsidiary	-	-	604	-	-	604
Disposals	-	(30)	(316)	(26)	-	(372)
Exchange adjustment	(182)	(624)	(151)	(49)	-	(1,006)
At 31 December 2019	13,659	47,215	11,396	3,900	-	76,170
Charge for the period	1,144	4,932	2,109	253	-	8,438
Acquisition of a subsidiary	-	-	84	242	-	326
Disposals	-	(102)	(16)	-	-	(118)
Exchange adjustment	(336)	(1,169)	(277)	(85)	-	(1,867)
At 30 June 2020 (Unaudited)	14,467	50,876	13,296	4,310	-	82,949
Carrying amount:						
At 30 June 2020 (Unaudited)	99,320	39,467	18,772	2,105	35,359	195,023
At 31 December 2019 (Audited)	102,936	44,332	16,297	2,141	14,655	180,361

13. OTHER INTANGIBLE ASSETS

	Development expenditure HK\$'000	Acquired intangible assets HK\$'000	Total HK\$'000
Cost:			
At 1 January 2019	111,748	135,271	247,019
Additions	31,522	129,940	161,462
Acquisition of a subsidiary	–	6,701	6,701
Exchange adjustment	(1,744)	(1,787)	(3,531)
At 31 December 2019	141,526	270,125	411,651
Additions	13,250	31,421	44,671
Exchange adjustment	(3,250)	(3,214)	(6,464)
At 30 June 2020 (Unaudited)	151,526	298,332	449,858
Accumulated amortisation and impairment losses:			
At 1 January 2019	15,547	12,696	28,243
Amortisation	1,541	5,297	6,838
Exchange adjustment	(227)	(231)	(458)
At 31 December 2019	16,861	17,762	34,623
Amortisation	749	2,632	3,381
Exchange adjustment	(410)	(445)	(855)
At 30 June 2020 (Unaudited)	17,200	19,949	37,149
Carrying amount:			
At 30 June 2020 (Unaudited)	134,326	278,383	412,709
At 31 December 2019 (Audited)	124,665	252,363	377,028

14. CONVERTIBLE LOAN RECEIVABLES

In 2015, the Group entered into a convertible loan agreement with an independent third party, a private company registered in the PRC ("Investee A"), 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 principal amount of Convertible Loan A can be converted into such equity interest representing 30% of the entire equity interest of Investee A at any time from the date of issue to the maturity date. The principal activities of Investee A are manufacturing and selling of dental treatment techniques in the PRC. Convertible Loan A is secured by 100% equity interest in Investee A.

In 2019, Convertible Loan A was eliminated at consolidation level upon the acquisition of 100% equity interest in Investee A.

14. CONVERTIBLE LOAN RECEIVABLES (CONTINUED)

In 2018, the Group entered into a convertible loan agreement with an independent third party, a private company incorporated in Singapore (“Investee B”), with principal amount of SG\$2.0 million (approximately HK\$11.8 million) which carries interest at 2.5% per annum payable quarterly in arrears with maturity on 1 June 2023 (“Convertible Loan B”). The first tranche of Convertible Loan B in the principal amount of SG\$1.0 million (approximately HK\$5.9 million) (“Tranche A of Convertible Loan B”) was disbursed to Investee B in 2018. The entire principal amount of Convertible Loan B can be converted into such number of shares representing 40% of the enlarged and fully diluted share capital of Investee B at any time before the maturity date. In the event that no conversion has been taken place before the maturity date, Investee B 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 B of 6% per annum. Tranche A of Convertible Loan B is classified as financial asset at FVTPL upon the initial recognition.

In 2019, Tranche A of Convertible Loan B was eliminated at consolidation level upon the acquisition of 100% equity interest in Investee B.

In 2018, the Group entered into an agreement with an independent third party, DB Therapeutics, Inc (“DBT”), to subscribe for a convertible loan with principal amount of US\$4.5 million (approximately HK\$35.3 million) which carries interest at 5% per annum with maturity on 31 July 2022 (“Convertible Loan C”). Convertible Loan C will be disbursed to DBT in five tranches and the first tranche in the principal amount of US\$0.6 million (approximately HK\$4.7 million) (“Tranche A of Convertible Loan C”) was disbursed to DBT in 2018. The entire principal amount of Convertible Loan C can be converted into such number of shares representing 45% of the enlarged and fully diluted share capital of DBT at any time before the maturity date. In the event that no conversion has been taken place before maturity date, DBT 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 C of 8% per annum. Tranche A of Convertible Loan C is classified as financial asset at FVTPL upon initial recognition.

In 2019, the Group entered into a convertible loan agreement with an independent third party, Antikor Biopharma Limited (“Antikor”), with principal amount of approximately US\$0.4 million (approximately HK\$2.7 million) for a term of 6 months (“Convertible Loan D”). Convertible Loan D carries interest at 5% per annum on the principal amount of Convertible Loan D outstanding on the conversion date, or 8% per annum if no conversion has been taken place before the maturity date. The principal amount of Convertible Loan D was converted into such number of shares representing 6.54% of the enlarged and fully diluted share capital of Antikor in 2019. The Group also acquired certain convertible loan notes (the “Sale Loan Notes”) issued by Antikor at an aggregate amount of approximately GBPO.3 million (approximately HK\$2.9 million) which was converted in 2019. Convertible Loan D and the Sale Loan Notes are classified as financial asset at FVTPL upon the initial recognition.

In 2019, the Group entered into a convertible loan agreement with an independent third party, another private company incorporated in Singapore (“Investee C”), with principal amount of US\$2.0 million (approximately HK\$15.6 million) (“Convertible Loan E”) which would yield a return of 25% per annum for the Group on the principal amount of Convertible Loan E if no conversion has been taken place before maturity date (i.e. 5 January 2021). The principal amount of Convertible Loan E can be converted into such number of shares representing less than 19% of the enlarged and fully diluted share capital of Investee C at any time before the maturity date. Convertible Loan E is classified as financial asset at FVTPL upon the initial recognition.

In 2019, the Group entered into a convertible loan agreement with an independent third party, 成都上工醫信科技有限公司 (Chengdu Shanggong Medical Technology Co., Ltd.*) (“Shanggong”), with principal amount of RMB15.0 million (approximately HK\$17.0 million) which carries interest at 10% per annum with maturity on 1 January 2021 (“Convertible Loan F”). The principal amount of Convertible Loan F can be converted into such equity interest representing approximately 8.11% of the entire equity interest of Shanggong at any time from the date of issue to the maturity date. Convertible Loan F is classified as financial asset at FVTPL upon the initial recognition.

14. CONVERTIBLE LOAN RECEIVABLES (CONTINUED)

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

	HK\$'000
As at 30 June 2020	
– Tranche A of Convertible Loan C	4,893
– Convertible Loan E	19,058
– Convertible Loan F	29,469
Total	53,420
Less: Current portion	(48,527)
Non-current portion	4,893
	HK\$'000
As at 31 December 2019	
– Tranche A of Convertible Loan C	4,893
– Convertible Loan E	17,033
– Convertible Loan F	24,149
Total, classified under non-current assets	46,075

The movements in fair value of convertible loan receivables classified as level 3 in the fair value hierarchy during the period ended 30 June 2020 are as follows:

	HK\$'000
At 1 January 2020	46,075
Change in fair value recognised in profit or loss	7,964
Exchange differences	(619)
At 30 June 2020 (Unaudited)	53,420

As at 30 June 2020, the fair values of convertible loan receivables are calculated using Binomial Share Option Model with the following key assumptions:

	Convertible Loan C	Convertible Loan E	Convertible Loan F
Dividend yield	Nil	Nil	Nil
Expected volatility	113%	54%	81%

The key significant unobservable input to determine the fair value of convertible loan receivables is the expected volatility. A higher in the expected volatility would result in an increase in the fair value of convertible loan receivables, and vice versa.

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

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Non-current		
Equity investments designated at FVTOCI (<i>Note (a)</i>)		
– Listed equity investments (<i>Note (b)</i>)	26,722	33,991
– Unlisted equity investments (<i>Note (c)</i>)	67,756	75,783
	94,478	109,774
Current		
Equity investments designated at FVTOCI (<i>Note (a)</i>)		
– Listed equity investments (<i>Note (b)</i>)	1,940	10,564
Equity investments designated at FVTPL		
– Listed equity investments (<i>Note (d)</i>)	20	25

Notes:

- (a) The equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.
- (b) The balance as at 30 June 2020 represents two (31 December 2019: two) listed equity securities which are listed on the NASDAQ Stock Market of the United States, namely AC Immune SA and MeiraGTx Holdings plc (“MeiraGTx”). The fair value was based on quoted market price as at 30 June 2020.

During the period ended 30 June 2020, the Group divested a portion of its equity interest in MeiraGTx. The aggregate fair value on respective dates of disposal was approximately HK\$5.5 million and the accumulated gain recognised in other comprehensive income of approximately HK\$1.6 million was transferred to retained earnings.

- (c) The balance as at 30 June 2020 represents five (31 December 2019: four) unlisted equity investments, namely the investments in (i) series B preferred stock of a private company incorporated in the United States; (ii) series C preferred stock and common stock of another private company incorporated in the United States; (iii) equity interest in Shanggong; (iv) equity interest in Antikor; and (v) 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.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The movements in fair value of equity interest in Shanggong classified as level 3 in the fair value hierarchy during the period ended 30 June 2020 are as follows:

	Equity interest in Shanggong HK\$'000
At 1 January 2020	25,870
Change in fair value recognised in other comprehensive income	5,665
Exchange differences	(660)
At 30 June 2020 (Unaudited)	<u>30,875</u>

As at 30 June 2020, the fair value of equity interest in Shanggong is calculated using Value Allocation Model with the following key assumptions:

	Equity interest in Shanggong
Expected volatility	59%
Risk-free interest rate	2.34%

A higher in the expected volatility would result in an increase in the fair value of equity interest in Shanggong, and vice versa. A higher in the risk-free interest rate would result in a decrease in the fair value of equity interest in Shanggong, and vice versa.

16. INVENTORIES

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited)
		HK\$'000
Raw materials	10,837	10,998
Work in progress	15,018	9,309
Finished goods	94,459	93,818
	<u>120,314</u>	<u>114,125</u>

17. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Trade receivables	432,001	608,811
Less: Impairment loss	(2,193)	–
	429,808	608,811
Other receivables	37,375	42,926
	467,183	651,737

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

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

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
0–60 days	204,844	418,493
61–90 days	70,164	54,291
Over 90 days	154,800	136,027
	429,808	608,811

18. DEPOSITS AND PREPAYMENTS

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Deposits paid for acquisition of property, plant and equipment	15,170	10,201
Deposits paid for acquisition of other intangible assets	5,483	–
Other deposits	906	840
Other prepayments	13,257	13,008
Total	34,816	24,049
Less: Current portion	(14,163)	(13,848)
Non-current portion	20,653	10,201

19. TRADE AND OTHER PAYABLES

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Trade payables	5,515	53,139
Other payables and accruals (<i>Note</i>)	297,813	412,816
	303,328	465,955

Note:

Other payables and accruals included the accruals for sales and marketing costs of approximately HK\$283.7 million (31 December 2019: approximately HK\$355.5 million).

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

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
0–60 days	5,504	53,119
61–90 days	2	18
Over 90 days	9	2
	5,515	53,139

20. BANK BORROWINGS

As at 30 June 2020 and 31 December 2019, the bank borrowings and banking facilities were secured by (i) corporate guarantees provided by the Company and subsidiaries within the Group; and (ii) a pledged bank deposit of approximately HK\$42.1 million (31 December 2019: HK\$44.0 million).

As at 30 June 2020, the Group obtained banking facilities of approximately HK\$626.1 million (31 December 2019: approximately HK\$406.8 million), of which HK\$220.0 million (31 December 2019: HK\$220.0 million) was utilised.

21. CONVERTIBLE LOAN PAYABLE

On 6 July 2016, the Group entered into a convertible loan agreement with International Finance Corporation (“IFC”) in an aggregate principal amount of HK\$150.0 million (the “Convertible Loan Payable”). Subject to the terms of the convertible loan agreement, IFC has the right to convert all or any part of the outstanding principal amount of the Convertible Loan Payable into shares of the Company at any time after the date of disbursement and prior to the then maturity date (i.e. the date falling on the fifth anniversary of the date of the disbursement). 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 a date falling on the eighth anniversary of the date of the disbursement.

21. CONVERTIBLE LOAN PAYABLE (CONTINUED)

The major terms and conditions of the Convertible Loan Payable are as follows:

(i) Interest rate

The outstanding principal amount of the Convertible Loan Payable at 1.9% per annum.

(ii) Conversion price

The conversion price is HK\$5.9 per share (subject to anti-dilutive adjustments as set out in the convertible loan agreement).

(iii) Repayment

The Company shall repay the outstanding principal amount of the Convertible Loan Payable on the maturity date, together with the make whole premium (if any).

Make whole premium is an amount calculated by IFC which would yield a return for IFC on the principal amount of the Convertible Loan Payable of (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 the Company.

The fair value of the debt component and the equity conversion component were determined at the issuance of the Convertible Loan Payable. The fair value of the debt component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity. The make whole premium, being an embedded derivative, was measured at fair value separately. At the date of issue of the Convertible Loan Payable and at 30 June 2020, the fair value of the make whole premium was determined by the Directors to be minimal.

The movements of the Convertible Loan Payable during the period ended 30 June 2020 are as follows:

	Debt component	Conversion component	Total
	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2019	134,366	33,323	167,689
Imputed interest expense	8,675	–	8,675
Interest paid	(2,882)	–	(2,882)
As at 31 December 2019 (Audited)	140,159	33,323	173,482
Imputed interest expense	4,465	–	4,465
Interest paid	(1,441)	–	(1,441)
As at 30 June 2020 (Unaudited)	143,183	33,323	176,506

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Financial assets measured at fair value

As at the end of the reporting period, convertible loan receivables and equity investments included in the interim condensed consolidated financial statements require measurement at, and disclosure of, fair value.

The fair value of financial instruments with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key unobservable inputs and fair value are set out in notes (iii) and (iv) below.

(ii) Financial instruments not measured at fair value

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

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

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

(iii) Information about level 2 fair value measurement

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

(iv) Information about level 3 fair value measurement

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

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Recurring fair value measurement Financial assets:	As at 30 June 2020			Total (Unaudited) HK\$'000
	Level 1 (Unaudited) HK\$'000	Level 2 (Unaudited) HK\$'000	Level 3 (Unaudited) HK\$'000	
Listed equity investments	28,682	–	–	28,682
Unlisted equity investments	–	36,881	30,875	67,756
Convertible loan receivables	–	–	53,420	53,420

Recurring fair value measurement Financial assets:	As at 31 December 2019			Total (Audited) HK\$'000
	Level 1 (Audited) HK\$'000	Level 2 (Audited) HK\$'000	Level 3 (Audited) HK\$'000	
Listed equity investments	44,580	–	–	44,580
Unlisted equity investments	–	49,913	25,870	75,783
Convertible loan receivables	–	–	46,075	46,075

There was no transfer under the fair value hierarchy classification during the six months ended 30 June 2020.

23. CAPITAL COMMITMENTS

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Contracted but not provided for:		
– property, plant and equipment	3,080	5,096
– development expenditure	29,469	28,025
– acquired intangible assets	108,147	133,446
– construction of the new factory	181,401	199,237
– expansion of the existing factory	9,650	–
	331,747	365,804

24. RELATED PARTY TRANSACTIONS

- (a) On 29 May 2020, the Group acquired 100% equity interest in Majeton Pte. Ltd. (“Majeton”), a private company incorporated in Singapore, from Ngiam Hian Leng Malcolm (son of Ngiam Mia Je Patrick, Chairman and an executive Director of the Company) and two independent third parties. Majeton is engaged in the research, marketing, sales and distribution of therapeutic products and medical devices in the healthcare industry. The acquisition was in line with the Group’s expansion strategies. The purchase consideration of SG\$0.5 million (approximately HK\$2.7 million) was in the form of cash, of which SG\$0.26 million (approximately HK\$1.4 million) was paid to Ngiam Hian Leng Malcolm.
- (b) Details of compensation paid to key management of the Group (all being the Directors) are as follows:

	2020 (Unaudited) HK\$’000	For the six months ended 30 June 2019 (Unaudited) HK\$’000
Salaries and other benefits	2,934	3,048
Pension fund contributions	14	20
	2,948	3,068

25. EVENT AFTER THE REPORTING PERIOD

Apart from the amendment agreement with IFC as disclosed in note 21, the Group entered into a loan agreement dated 10 July 2020 with IFC, pursuant to which IFC conditionally agrees to lend, and the Group conditionally agrees to borrow a loan in the aggregate principal amount of US\$25.0 million (approximately HK\$193.8 million). Please refer to the announcement of the Company dated 10 July 2020 for details. As at the date of this report, no drawdown of the loan has been made by the Group.

26. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 18 August 2020.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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

The Group’s business focuses on two main therapeutic areas: (i) Ophthalmology; and (ii) surgical arena of topical (skin) surface wounds primarily covering dermatology, stomatology, obstetrics and gynaecology (collectively referred to as the “Surgical”); while pursuing new therapeutics in oncology, orthopaedics and neurology through the Group’s enrichment programme (the “Enrichment Programme”).

Currently the Group has five commercialised genetically engineered therapeutic products, formulated with rb-bFGF, that are being marketed and sold as Beifushu (eye drops and gel) for treatment of ocular wounds, Beifuji (spray and lyophilised powder) and Beifuxin (gel) for treatment of topical (skin) surface wounds, in the People’s Republic of China (the “PRC”) (collectively referred to as the “bFGF Series”). 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 81.5% of the Group’s total turnover for the period under review.

The Group has obtained approval for registration, manufacture and commercialisation of several preservative-free single-dose eye drops, namely Tobramycin Eye Drops, Levofloxacin Eye Drops, Sodium Hyaluronate Eye Drops and Beifushu Eye Drops, in the PRC since April 2017. These products are progressively gaining market access and are expected to strengthen the product pipeline in the next few years.

The Group maintains a pipeline of multi-project in research and development (“R&D”) at various stages of clinical programmes, of which several projects involve growth factors, antibody and a handful of single-dose ophthalmic products.

The Group undertakes importation, promotion and distribution of a range of third party products that are complementary to the Group’s therapeutics business of Ophthalmology and Surgical, collectively contributed about 18.0% to the Group’s total turnover for the period under review.

Enrichment Programme

The Enrichment Programme was initiated since 2015, chiefly for expanding the Group's R&D technologies and products portfolio. Up to the date of this report, the Group has invested totalling approximately HK\$439.2 million in projects and/or companies that are at different clinical stages of development of therapeutics particularly in the fields of ophthalmology and oncology, and in healthtech for therapy.

Each of the investments represented less than 5% of the Group's total assets as at 30 June 2020 and the date of this report, except for the total maximum commitment in relation to the clinical development of the SkQ₁ Product (an ophthalmic solution containing SkQ₁ as its sole active pharmaceutical ingredient which shall be provided as a pharmaceutical product in the field of dry eye disease) under the co-development agreement with Mitotech S.A. and Mitotech LLC on 16 July 2018 and as supplemented and revised from time to time.

On 4 June 2020, the Group entered into a framework agreement with 西藏林芝百盛藥業有限公司 (Tibet Linzhi Parkson Pharmaceutical Co., Ltd.*) in relation to the possible acquisition of, among others, all intellectual property rights relating to all technologies and process of product R&D and production of 適麗順 (Iodized Lecithin Capsules*) and other medicinal products in different forms in which iodized lecithin serves as an active pharmaceutical ingredient.

MARKET DEVELOPMENT

As at 30 June 2020, the Group keeps maintaining a strong sales and distribution network by deploying 43 regional sales offices in the PRC and a total number of about 1,310 sales and marketing representatives, out of which approximately 780 people are full-time staff and approximately 530 people are on contract basis or from appointed agents.

During the period under review, the Group's pharmaceutical products are being prescribed in around 8,880 hospitals and medical organisations, coupled with approximately 2,000 pharmaceutical stores, which are mainly located in the major cities, provinces and county cities in the PRC.

For achieving a sustainable traction in ongoing growth amid recent significant regulatory changes on drugs pricing and prescription, the Group initiated the following sales and marketing strategies and tactics to improve its competitiveness:

- Investing in clinical observation programmes for affirming additional clinical indications of its commercialised products;
- Reaching out to market in lower-tier cities;
- Cultivating pharmaceutical stores, where possible, as complementary sales channel; and
- Building on-line platform for medical consultation and e-prescription for patients with chronic diseases under its healthtech initiative.

During the period under review, the Group has initiated its expansion of the sales and distribution network to Southeast Asian countries by setting up a base in Singapore.

RESEARCH AND DEVELOPMENT

The Group's key R&D initiatives comprise of growth factor, antibody (i.e. mAb, bsAb, sdAb, scFv, ADC/FDC, etc.), drug formulation and Blow-Fill-Seal ("BFS") platform. Growth factor, antibody and drug formulation are technologies for the development of therapeutic drugs, whereas BFS platform is a state-of-the-art manufacturing facility for producing preservative-free single-dose drugs, in particular for ophthalmic drugs.

One of the Group's technology platform is built on a recombinant proteins, in particular, the basic fibroblast growth factor (bFGF). To capitalise on the proprietary technique and know-how in fibroblast growth factors (FGF), the Group pursues to deliver a series of high-quality biopharmaceutical products to establish itself as a market leader in the field of ophthalmology and wound healing. Furthermore, the Group over the past few years has been engaging in exploratory research on biologics-based approaches in various fields; the recent strategic alliance forged with Antikor Biopharma Limited is furtherance of our research programme, especially in the field of oncology.

The establishment of the BFS platform has strengthened the Group's core competency to develop and produce a series of preservative-free single-dose drugs. As at 30 June 2020, the Group has been granted with the approval for registration and commercialisation of 4 types of preservative-free single-dose eye drops in the PRC, and has obtained a 藥品GMP證書 (Certificate of Good Manufacturing Practices for Pharmaceutical Products) in respect of the preservative-free single-dose Tobramycin Eye Drops. It is expected that the handful of preservative-free single-dose ophthalmic drugs under the development would be approved within the next 2 years.

As at the date of this report, the Group has obtained a total of 30 patent certificates or authorisation letters: 23 發明專利 (invention patent), 3 實用新型專利 (utility model patent) and 4 外觀專利 (design patent).

To advance our pursuits of new therapeutics programme involving antibodies that, in particular, target in oncology and ophthalmology, a wholly-owned subsidiary, EssexBio Therapeutics Inc. ("EssexBio USA"), has been incorporated in the United States on 9 March 2020. EssexBio USA is set up as the Group's R&D centre and clinical trial management of the Group's products in the United States. Being in the United States, EssexBio USA will position the Group with better visibility for in and out licensing potential of technologies and products.

PRODUCTION CAPABILITY

The Group's factory in Zhuhai is fully equipped with production plants for the production of active pharmaceutical ingredients, the Group's flagship biopharmaceutical formulations and the state-of-the-art BFS production plants for the production of preservative-free single-dose drugs.

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 has started on 1 January 2020 and is expected to be completed by mid 2023.

FINANCIAL REVIEW

The Group's revenue is chiefly derived and denominated in Renminbi from its operations in the PRC. For the six months ended 30 June 2020, the Group recorded a total turnover of approximately HK\$323.8 million, a decrease of 44.3% as compared to the same period of last year. The decrease is attributable to the governmental restrictions in place during the period under review in a number of provinces and municipalities in the PRC to curb the spread of the novel coronavirus (COVID-19), which significantly disrupted the clinical operations of hospitals in the PRC and have prevented non-emergency patients visiting hospitals and outpatient clinics. As at the date of this report, the clinical operations of hospitals and outpatient clinics have not been fully back to its normal level prior to the outbreak of COVID-19, although significant improvement has been seen since June 2020. The board (the "Board") of directors of the Company (the "Directors") will continue to monitor and mitigate the impact of COVID-19 on the Group's operation and financial performance.

The sectoral business of the Group is organised under:

1. Ophthalmology – Beifushu series and third party ophthalmic products including Xalatan® Eye Drops, Xalacom® Eye Drops and 適麗順 (Iodized Lecithin Capsules*); and
2. Surgical – Beifuji series and third party surgical products including 伊血安顆粒 (Yi Xue An Granules*)

The sectoral turnover of Ophthalmology and Surgical is approximately represented by 45.1% and 54.9% of the Group's turnover, respectively.

Composition of turnover for the six months ended 30 June 2020 and 2019, respectively, is shown in the following table:

Expressed in HK\$' million	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Ophthalmology	146.0	249.9
Surgical	177.8	331.8
Total	323.8	581.7

Ophthalmology contributed approximately HK\$146.0 million to the Group's turnover for the six months ended 30 June 2020, representing a decrease of 41.6% as compared to the same period of last year. Surgical recorded a total turnover of approximately HK\$177.8 million for the six months ended 30 June 2020, representing a decrease of 46.4% as compared to the same period of last year. The decrease was attributable to the aforementioned impact of COVID-19.

During the period under review, the Group achieved a profit of approximately HK\$49.2 million as compared to the corresponding period last year of approximately HK\$129.6 million, representing a decrease of 62.0% which was attributable to the aforementioned impact of COVID-19.

The distribution and selling expenses for the period under review were approximately HK\$163.5 million as compared to the corresponding period last year of approximately HK\$300.7 million, representing a decrease of 45.6%. Such expenses primarily consisted of remuneration, advertising costs, travelling and transportation costs, costs for organisation of seminars and conferences for product training and awareness, etc. The decrease is in line with the decrease in turnover for the six months ended 30 June 2020.

The administrative expenses for the period under review were approximately HK\$45.7 million as compared to the corresponding period last year of approximately HK\$34.2 million. The increase in administrative expenses was mainly due to the donation of approximately HK\$5.8 million and approximately HK\$3.7 million for expansion of operations to Singapore and the United States, and the establishment of on-line platform for medical consultation. R&D expenditures incurred during the period ended 30 June 2020 increased to approximately HK\$3.0 million as compared to the corresponding period last year of approximately HK\$1.1 million.

The Group had cash and cash equivalents of approximately HK\$390.4 million as at 30 June 2020 (31 December 2019: approximately HK\$473.3 million).

The Group's bank borrowings as at 30 June 2020 were approximately HK\$210.4 million (31 December 2019: HK\$220.0 million), among which 12.5% was repayable within 1 year and 87.5% was repayable in more than 1 year but within 5 years. All of the Group's bank borrowings were denominated in Hong Kong Dollar and bear interest at floating rate. The interest rate of the Group's bank borrowings was 1.4% as at 30 June 2020. Please refer to the sub-section headed "Liquidity and Financial Resources" for details of banking facilities.

The total finance costs of the Group for the period ended 30 June 2020 were approximately HK\$3.4 million (For the six months ended 30 June 2019: approximately HK\$4.2 million), including an imputed interest expense on the convertible loan payable amounting to approximately HK\$4.5 million (For the six months ended 30 June 2019: approximately HK\$4.2 million) of which approximately HK\$1.2 million (For the six months ended 30 June 2019: approximately HK\$1.1 million) was capitalised during the period under review.

Convertible loan from International Finance Corporation ("IFC")

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

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 a date falling on the eighth anniversary of the date of the disbursement (the "Extension"). Save as amended by the Amendment Agreement, the Convertible Loan Agreement and the terms and conditions of the convertible loan shall continue in full force and effect. Please refer to the announcement of the Company dated 10 July 2020 for details. As at the date of this report, approvals have been obtained from The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in respect of (i) the Extension pursuant to Rule 28.05 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"); and (ii) the listing of, and permission to deal in, the Conversion Shares, respectively.

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 intended to be utilised for the Company's strategic investment in and development of the Group's biopharmaceutical business and general working capital requirements. All net proceeds had been utilised in 2018 according to the intended use.

Dilutive effect of the conversion of the convertible loan

As at 30 June 2020, 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 of the Company to be issued upon full conversion of the convertible loan as at 30 June 2020:

Shareholders	As at 30 June 2020		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	25.48	147,279,000	24.41
Ngiam Mia Kiat Benjamin	145,354,000	25.15	145,354,000	24.09
Dynatech Ventures Pte Ltd (<i>Note 1</i>)	6,666,667	1.15	6,666,667	1.10
Directors within last 12 months (other than Ngiam Mia Je Patrick) (<i>Note 2</i>)	7,280,450	1.26	7,280,450	1.21
IFC	–	–	25,423,728	4.21
Other shareholders	271,356,883	46.96	271,356,883	44.98
	<u>577,937,000</u>	<u>100</u>	<u>603,360,728</u>	<u>100</u>

Notes:

- (1) 6,666,667 shares were held by Dynatech Ventures Pte Ltd ("Dynatech") which was wholly owned by Essex Investment (Singapore) Pte Ltd ("Essex Singapore"), which in turn was owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares.
- (2) Amongst these 7,280,450 shares, 5,244,300 shares were registered in the name of Fang Haizhou and 2,036,150 shares were registered in the name of Zhong Sheng (being a former Director who resigned with effect from 4 July 2020).
- (3) Lauw Hui Kian is the spouse of Ngiam Mia Je Patrick (an executive Director) and is deemed to be interested in the shares in which Ngiam Mia Je Patrick is interested/deemed to be interested.

Dilutive effect on earnings per share

Potential ordinary shares in relation to the conversion of convertible loan payable are anti-dilutive as the conversion to ordinary shares would increase earnings per share attributable to owners of the Company for the six months ended 30 June 2020.

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

Based on the cash and cash equivalents as at 30 June 2020 and the cash flow from the operations of the Company for the period then ended, the Company has the ability to meet its repayment obligations under the convertible loan which remained unconverted to Conversion Shares as at 30 June 2020.

General disclosure under Rules 13.18 and 13.21 of the Listing Rules – Loan from IFC

As disclosed in the announcement of the Company dated 10 July 2020, the Group entered into a loan agreement dated 10 July 2020 with IFC (the “Loan Agreement”), pursuant to which IFC conditionally agrees to lend, and the Group conditionally agrees to borrow a loan in the aggregate principal amount of US\$25.0 million (equivalent to approximately HK\$193.8 million) (the “Loan”). As at the date of this report, no drawdown of the Loan has been made 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, by notice to the Group, require it to immediately repay the Loan (or such part of the Loan as is specified in the relevant notice) and pay all interest accrued on it together with the prepayment premium 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).

COVID-19 has negatively impacted the Group’s business operation and financial performance. The Board considers that the Extension 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 this 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 the Extension and the Loan are in the interests of the Company and its shareholders as a whole.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, as at 30 June 2020, the Group did not have any immediate plan for material investments or acquisition of material capital assets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group obtained banking facilities of approximately HK\$626.1 million, of which HK\$220.0 million was utilised. All of the banking facilities were secured by the corporate guarantees provided by the Company and subsidiaries within the Group and a pledged deposit which amounted to approximately HK\$42.1 million.

As at 30 June 2020, the Group had cash and cash equivalents of approximately HK\$390.4 million as compared to approximately HK\$473.3 million as at 31 December 2019.

The Group monitors its capital structure on the basis of a gearing ratio which is defined as the ratio of total liabilities to total assets. The gearing ratio as at 30 June 2020 was 36.9% (31 December 2019: 42.4%).

CHARGES ON GROUP ASSETS

As at 30 June 2020, bank deposit of approximately HK\$42.1 million (31 December 2019: HK\$44.0 million) was pledged to secure the Group's banking facilities.

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had capital commitments amounted to approximately HK\$331.7 million (31 December 2019: approximately HK\$365.8 million).

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

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

Save as disclosed in this report, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the period ended 30 June 2020.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in this report, the Group did not hold any significant investments as at 30 June 2020.

FOREIGN EXCHANGE EXPOSURE

It is the Group's policy to borrow and deposit cash in local currencies to minimise currency risk.

The Group's assets, liabilities and transactions are mainly denominated in Hong Kong Dollar, Renminbi or US Dollar. The Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange risks and therefore no hedging arrangements were made. So long as the linked exchange rate system in Hong Kong with US Dollar is maintained, it is expected that the Group will not be subject to any significant exchange risk. However, the Group will review and monitor the relevant foreign exchange exposure from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements as appropriate.

TREASURY POLICY

The Group generally financed its operations with internally generated cash flows, bank and other borrowings. The Group placed these resources into interest-bearing bank accounts opened with the PRC and Hong Kong banks and earned interests in accordance with the PRC and Hong Kong banks rates. Bank deposits were mainly denominated in Renminbi, Hong Kong Dollar and US Dollar.

EMPLOYEES

As at 30 June 2020, the Group had a total of 1,199 full-time employees (31 December 2019: 1,110 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\$90.0 million and approximately HK\$98.5 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.

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 performance in the relevant financial year.

SHARE CAPITAL AND SHARE OPTIONS

There was no movement in the Company's authorised share capital during the period under review. For the period ended 30 June 2020, there was no exercise of share options (the "Options") granted under 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"). Details of the Scheme are set out below.

Summary of the Scheme

1. Purpose of the Scheme:
 - (a) To recognise and acknowledge the contributions that the 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 (the "Affiliate") (whether full time or part time) (the "Employee"), consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to an Affiliate; or
 - (b) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, officer, Employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or an Affiliate; or
 - (c) a company beneficially owned by any director, officer, Employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or an Affiliate (the "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) (the "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 report:

25,375,000 Shares.
- (b) Percentage of the issued share capital that it represents as at the date of this report:

4.39%.

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 daily quotations sheet of the Stock Exchange on the date of grant of the relevant Option, which must be a business day;

(b) an amount equivalent to the average closing price of a Share as stated in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant of the relevant Option; and

(c) the nominal value of a Share.

9. The remaining life of the Scheme:

Approximately 2.8 years (expiring on 2 May 2023).

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

- (1) As disclosed in the announcement of the Company dated 11 November 2016, 2,300,000 Options were granted to three eligible persons under the Scheme. Set out below are details of such Options granted on 11 November 2016:
 - (a) Exercise price of the Options granted: HK\$5.90 per Share.
 - (b) Each grantee is entitled to exercise the Options in accordance with the following vesting periods and in the following manner:
 - (i) up to 20% of the total number of Options granted to such grantee is exercisable during the period from 11 May 2017 to 10 November 2021 (both dates inclusive);
 - (ii) up to 20% of the total number of Options granted to such grantee is exercisable during the period from 11 November 2017 to 10 November 2021 (both dates inclusive);
 - (iii) up to 20% of the total number of Options granted to such grantee is exercisable during the period from 11 May 2018 to 10 November 2021 (both dates inclusive);
 - (iv) up to 20% of the total number of Options granted to such grantee is exercisable during the period from 11 November 2018 to 10 November 2021 (both dates inclusive); and
 - (v) up to 20% of the total number of Options granted to such grantee is exercisable during the period from 11 May 2019 to 10 November 2021 (both dates inclusive).
 - (c) All outstanding or unexercised Options granted to the grantees shall lapse after 10 November 2021.
- (2) As disclosed in the announcement of the Company dated 1 November 2017, the Company entered into the service contract with Hong Kong Zhixin Financial News Agency Limited (“HK Zhixin”) for the appointment of HK Zhixin as the Company’s investor and media relations consultant. HK Zhixin shall act as the Company’s investor and media relations consultant and shall provide to the Company certain services related to relations with investors and media for a term commencing on 1 November 2017 up to 31 October 2021 (both days inclusive). In consideration of the provision of the services by HK Zhixin to the Company, the Company shall grant an aggregate of 5,000,000 Options to HK Zhixin to subscribe for up to 5,000,000 Shares under the Scheme. Set out below are the details of such Options granted on 1 November 2017:
 - (a) The exercise price for:
 - (i) Options to subscribe for up to 1,700,000 Shares, representing 34% of the total number of Options granted, the exercise period of which is from 1 November 2018 to 31 October 2019 (both dates inclusive), will be HK\$6.50 per Share;
 - (ii) Options to subscribe for up to 1,700,000 Shares, representing 34% of the total number of Options granted, the exercise period of which is from 1 November 2019 to 31 October 2020 (both dates inclusive), will be HK\$7.50 per Share; and

(iii) Options to subscribe for up to 1,600,000 Shares, representing 32% of the total number of Options granted, the exercise period of which is from 1 November 2020 to 31 October 2021 (both dates inclusive), will be HK\$8.50 per Share.

(b) HK Zhixin is entitled to exercise the Options in accordance with the following vesting periods and in the following manner:

(i) up to 34% of the total number of Options granted to HK Zhixin is exercisable during the period from 1 November 2018 to 31 October 2019 (both dates inclusive). The number of Options exercisable is 1,700,000 Options or 1,700,000 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 (*Note 1*);

Note 1: On 31 October 2019, 1,700,000 Options were lapsed.

(ii) up to 34% of the total number of Options granted to HK Zhixin is exercisable during the period from 1 November 2019 to 31 October 2020 (both dates inclusive). The number of Options exercisable is 1,700,000 Options or 1,700,000 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 (*Note 2*); and

Note 2: As at 30 June 2020, 1,085,507 Options were exercisable.

(iii) up to 32% of the total number of Options granted to HK Zhixin is exercisable during the period from 1 November 2020 to 31 October 2021 (both dates inclusive). The number of Options exercisable is 1,600,000 Options or 1,600,000 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;

the term “average number of Shares traded per day” means the total number of Shares traded on the trading days during the relevant period/the total number of trading days in the relevant period, and the number of Shares traded as set out on the website of the Stock Exchange shall be relied upon in respect of the number of Shares traded on each trading day.

(c) Each of the outstanding or unexercised Options granted to HK Zhixin shall lapse after the respective exercise periods. The vesting periods shall be subject to the provisions of the service contract of HK Zhixin in relation to early termination of the service contract.

- (3) As disclosed in the announcement of the Company dated 27 June 2018, 1,000,000 Options were granted to an eligible person under the Scheme. Set out below are details of such Options granted on 27 June 2018:
- (a) Exercise price of the Options granted: HK\$10.00 per Share.
- (b) The grantee is entitled to exercise the Options in accordance with the following vesting periods and in the following manner:
- (i) up to 30% of the total number of Options granted to such grantee is exercisable during the period from 27 June 2020 to 26 June 2023 (both dates inclusive);
- (ii) up to 30% of the total number of Options granted to such grantee is exercisable during the period from 27 June 2021 to 26 June 2023 (both dates inclusive); and
- (iii) up to 40% of the total number of Options granted to such grantee is exercisable during the period from 27 June 2022 to 26 June 2023 (both dates inclusive).
- (c) All outstanding or unexercised Options granted to the grantee shall lapse after 26 June 2023.

Details of the Options Granted

The following table discloses the movements in the Company's share options held by each of the employees of the Company in aggregate and other participants granted under the Scheme during the period ended 30 June 2020:

Participants	Date of grant	Exercise price HK\$	Exercisable period	Outstanding as at 1 January 2020	Granted during the period	Exercised during the period	Outstanding as at 30 June 2020
Employees	11.11.2016	5.9	11.05.2017–10.11.2021	403,000	0	0	403,000
	11.11.2016	5.9	11.11.2017–10.11.2021	460,000	0	0	460,000
	11.11.2016	5.9	11.05.2018–10.11.2021	460,000	0	0	460,000
	11.11.2016	5.9	11.11.2018–10.11.2021	460,000	0	0	460,000
	11.11.2016	5.9	11.05.2019–10.11.2021	460,000	0	0	460,000
	27.06.2018	10.0	27.06.2020–26.06.2023	300,000	0	0	300,000
	27.06.2018	10.0	27.06.2021–26.06.2023	300,000	0	0	300,000
	27.06.2018	10.0	27.06.2022–26.06.2023	400,000	0	0	400,000
Total for employees				3,243,000	0	0	3,243,000
An investor relations consultant	01.11.2017	7.5	01.11.2019–31.10.2020	1,085,507	0	0	1,085,507
	01.11.2017	8.5	01.11.2020–31.10.2021	1,600,000	0	0	1,600,000
Total for an investor relations consultant				2,685,507	0	0	2,685,507
Total for the Scheme				5,928,507	0	0	5,928,507

During the period under review, no Option has been cancelled or lapsed.

* For identification purpose only

ADDITIONAL INFORMATION

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

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions in shares of the Company:

Name	Capacity	Number of ordinary shares/ underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital as at 30 June 2020
Ngiam Mia Je Patrick	Beneficial owner and interests of controlled corporations	153,945,667 <i>(Note 1)</i>	26.64%
Fang Haizhou	Beneficial owner	5,244,300 <i>(Note 2)</i>	0.91%
Zhong Sheng <i>(resigned with effect from 4 July 2020)</i>	Beneficial owner	2,036,150 <i>(Note 3)</i>	0.35%

Notes:

- 147,279,000 ordinary shares were registered in the name of Ngiam Mia Je Patrick.
 - 6,666,667 ordinary shares were held by Dynatech which was wholly owned by Essex Singapore. Since Essex Singapore is owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares, Ngiam Mia Je Patrick was deemed to be interested in these shares under the SFO as he was entitled to exercise or control the exercise of more than one-third of the voting power of Dynatech at general meetings.
- 5,244,300 ordinary shares were registered in the name of Fang Haizhou.
- 2,036,150 ordinary shares were registered in the name of Zhong Sheng.

Save as disclosed above, as at 30 June 2020, 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 2020, the following persons or entities, other than a Director or chief executive of the Company had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company:

Name	Capacity	Number of ordinary shares/ underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital as at 30 June 2020
Ngiam Mia Kiat Benjamin	Beneficial owner and interests of controlled corporations	152,020,667 <i>(Note 1)</i>	26.30%
Lauw Hui Kian	Family interest	153,945,667 <i>(Note 2)</i>	26.64%

Notes:

1. (a) 145,354,000 ordinary shares were registered 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 under the SFO as he was entitled to exercise or control the exercise of more than one-third of the voting power of Dynatech at general meetings.
2. Lauw Hui Kian is the spouse of Ngiam Mia Je Patrick (an executive Director). Lauw Hui Kian was deemed to be interested in 153,945,667 shares in which Ngiam Mia Je Patrick was interested/deemed to be interested under the SFO.

Save as disclosed above, as at 30 June 2020, no other persons or entities (other than the Directors and chief executive of the Company whose interests are set out under the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above) had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the period under review.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters, including reviewing the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

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 2020.

ON BEHALF OF THE BOARD

Ngiam Mia Je Patrick

Chairman

Hong Kong
18 August 2020