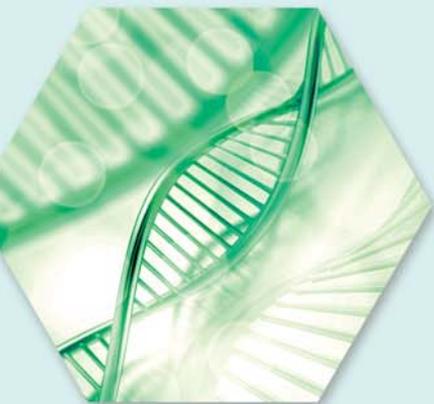




# Regent Pacific Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 575



ANNUAL  
REPORT  
**2015**





# CONTENTS

<b>2</b>	PERFORMANCE OVERVIEW
<b>4</b>	CHAIRMAN'S STATEMENT
<b>6</b>	CEO'S REPORT
<b>21</b>	ENVIRONMENT, COMMUNITY, HEALTH AND SAFETY
<b>23</b>	DIRECTORS' REPORT
<b>71</b>	MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE GROUP'S PERFORMANCE
<b>76</b>	CORPORATE GOVERNANCE REPORT
<b>103</b>	INDEPENDENT AUDITOR'S REPORT
	AUDITED FINANCIAL STATEMENTS
<b>105</b>	Consolidated Statement of Comprehensive Income
<b>107</b>	Consolidated Statement of Financial Position
<b>109</b>	Consolidated Statement of Changes in Equity
<b>111</b>	Consolidated Statement of Cash Flows
<b>113</b>	Notes to the Financial Statements

# PERFORMANCE OVERVIEW

A summary of the financial performance and other notable events for 2015 include:

- A loss attributable to shareholders of the Company of US\$9.33 million, which was mainly attributable to: (i) the marked-to-market losses of US\$5.77 million in respect of the Company's equity portfolio of financial assets at fair value through profit or loss; and (ii) the loss on the deemed disposal of Plethora Solutions Holdings plc ("**Plethora**") of US\$3.56 million, both of which are non-cash items, while being offset somewhat by (iii) the gain on disposal of Binary Holdings Ltd. ("**Binary**", formerly known as "**Regent Markets Holdings Ltd.**") of US\$8.94 million.
- Shareholders' equity of US\$39.08 million or net asset value per share of Hong Kong cents 8.69 (US cents 1.12), a decrease of approximately 20% as compared at 31 December 2014, with the decrease being mainly attributable to the loss attributable to shareholders of the Company of US\$9.33 million as stated above.
- On 15 December 2015 the Company announced that it had reached agreement with Michael G Wyllie, the independent Plethora director, on the terms of a recommended share-for-share takeover offer, pursuant to which the Company announced that it will seek to acquire the entire issued and to be issued ordinary share capital of Plethora not already owned by the Company (the "**Transaction**"). The Company made an announcement in Hong Kong by way of a very substantial and connected transaction announcement as well as jointly with Plethora in the United Kingdom by way of a firm offer announcement pursuant to Rule 2.7 of the City Code on Takeovers and Mergers (both announcements, the "**Firm Offer Announcements**"). It was proposed that the Transaction be effected by means of a scheme of arrangement of Plethora in the UK under Part 26 of the Companies Act (the "**Scheme**") (although the Company reserved the right to effect the Transaction by way of a traditional takeover offer). The Transaction constituted a very substantial and connected acquisition of the Company under Chapters 14 and 14A of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and required approval of the independent shareholders of the Company in general meeting. The Scheme became effective on 9 March 2016 whereby Plethora is now a wholly owned subsidiary of the Company.
- The successful disposal of 938,978 shares in Binary, being a majority of the Company's shareholding in Binary (previously a 49.90% owned associated company of the Company), for an aggregate consideration of US\$15 million, representing a realised "cash-on-cash" return of 12.92 times the Company's original cash investment of approximately US\$1.88 million. The disposal was a major and connected transaction of the Group, which successfully closed on 8 April 2015, being the following business day after the Company's Extraordinary General Meeting held on 2 April 2015. This disposal was another remarkable result for the Group achieved in a period of approximately 15 years, inclusive of dividends received.
- The investment of GBP 1.2 million (or approximately US\$1.84 million) for 89,753 new ordinary shares of The Diabetic Boot Company Limited, representing approximately 16.79% of the share capital of the company as at 31 December 2015.

- Acquisition from Sharwood Limited of certain rights and obligations under a promissory note in respect of services provided to Plethora in relation to the procurement of out-licencing opportunities for PSD502<sup>®</sup>, Plethora's principal product, for a total cash consideration of GBP 2.4 million (or approximately US\$3.67 million). The Company is entitled under the promissory note to success based amounts capped at approximately GBP 4.58 million (or approximately US\$6.75 million). The success based arrangement will be payable in relation to all amounts paid and due under the licence agreement signed in September 2014 with Recordati S.p.A. In addition, the Company has the right to receive accelerated payments should Plethora or any of its licensed assets be acquired by another party, which as mentioned above are capped at approximately GBP 4.58 million (or approximately US\$6.75 million). These arrangements expire on the earlier of 15 September 2024 or when the cap of approximately GBP 4.58 million (or approximately US\$6.75 million) has been paid to the Company. Following completion of the acquisition of Plethora, referred to above and below, and upon Plethora becoming a wholly-owned subsidiary of the Company, this agreement will be an intra-group arrangement.
- The continued equity accounting of the Company's investment in Plethora whereby the Group's consolidated financial statements reflected its then share (10.54%) of the net loss of Plethora.
- Maintaining and actively monitoring the Company's existing and significant investments in Trinity Exploration & Production plc (approximately 4.12%), Condor Gold plc (approximately 8.68%), Venturex Resources Limited (approximately 33.63%) and Endeavour Mining Corporation ("**Endeavour**") (approximately 0.76%).
- Strong financial position with no debt, with over US\$18.99 million in cash, listed and unlisted securities (including the securities listed on the Australian Securities Exchange and pledged with the Australian Commissioner of Taxation of US\$2.39 million).

Subsequent to year end, the Group has undertaken the following notable events:

- Following on from the Firm Offer Announcements, on 4 February 2016 the Company dispatched its very substantial and connected acquisition circular in respect of the Transaction to its shareholders and, on the same date, Plethora dispatched its scheme document in the UK to its shareholders.
- As has been publicly announced, all requisite approvals for the Transaction were obtained and the Scheme became effective on 9 March 2016, rendering Plethora now a wholly-owned subsidiary of the Company.
- Disposed of its entire interest in Endeavour on market for total gross proceeds of US\$2.80 million and realizing a gain on disposal of US\$0.32 million during the period ended 30 June 2016.

Going forward, the Group will: (i) focus on integrating Plethora into the Group; (ii) pursue the successful commercialisation of PSD502<sup>®</sup> as quickly as possible, not only in Europe, but also in the remaining key markets of the US, Latin America and Asia Pacific regions; and (iii) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

# CHAIRMAN'S STATEMENT

Dear Shareholders

2015 was another challenging year for the global economy, together with commodities and financial markets.

While our results were broadly in line with 2014, our financial results for 2015 were again adversely affected by substantially lower commodity prices (oil prices have declined markedly since September 2015, while the prices of other commodities, especially metals, have fallen as well), with global miners facing significant headwinds in their quest to improve margins and profitability. The outlook for the global resources industry remains a very challenging one and supports the Company's continual, but deliberate move into healthcare and life sciences investments, investments that are less sensitive to macroeconomic fundamentals and fluctuations.

In 2015, global economic activity remained subdued (with growth currently estimated at 3.1% in 2015 and projected at 3.4% in 2016 and 3.6% in 2017). Growth in emerging market and developing economies — while still accounting for over 70% of global growth — declined for the fifth consecutive year, while a modest recovery continued in advanced economies. Three key transitions continue to influence the global outlook: (1) the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services, (2) lower prices for energy and other commodities, and (3) a gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy.

Overall growth in China is evolving broadly as envisaged, but with a faster-than-expected slowdown in imports and exports, in part reflecting weaker investment and manufacturing activity. These developments, together with market concerns about the future performance of the Chinese economy, are having spillovers to other economies through trade channels and weaker commodity prices, as well as through diminishing confidence and increasing volatility in financial markets.

In advanced economies, a modest and uneven recovery is expected to continue, with a gradual further narrowing of output gaps. The picture for emerging market and developing economies is diverse but in many cases challenging. Risks to the global outlook remain tilted to the downside and relate to ongoing adjustments in the global economy: a generalized slowdown in emerging market economies, China's rebalancing, lower commodity prices, and the gradual exit from extraordinarily accommodative monetary conditions in the United States. If these key challenges are not successfully managed, global growth could be derailed.

Looking at the Group's existing and legacy investments in natural resources (which are non-core and are the focus of its existing divestment programme), energy related investments are continuing to suffer through a, well reported, weaker commodity price environment, although the Group's exposure to gold and other precious metals is currently reflecting renewed enthusiasm in the space, helped, in part, by ongoing uncertainty around global economic conditions. While we expect commodity markets to remain volatile, we remain confident that on a fundamental basis, demand will be underpinned by urbanization of emerging and recovery of developed economies globally.

Unlike the Group's legacy investments in natural resources (which are non-core and are the focus of its divestment programme), fortunately, the Group's healthcare and life sciences investments, including its investment in Plethora, remain its core focus as evidenced by the Group's successful acquisition of Plethora and are far less sensitive to macroeconomic fundamentals and fluctuations. The Group remains excited about the prospects of these investments, including Plethora.

As previously mentioned, we held a belief that there was hidden value within Binary Holdings Ltd. ("**Binary**") and, during the year, disposed of a majority of our shareholding in Binary for an aggregate consideration of US\$15 million representing a realised "cash-on-cash" return of 12.92 times the Company's original cash investment of approximately US\$1.88 million. The disposal was a major and connected transaction of the Group, which successfully closed on 8 April 2015. This disposal was another remarkable result for the Group achieved in a period of approximately 15 years, inclusive of dividends received. We hold a residual 1.87% stake in Binary Limited, which we will look to dispose of during 2016.

The Group's portfolio of financial assets at fair value through profit or loss ("**FAFVPL**") incurred a realised and unrealised loss of approximately US\$5.78 million, which was a result of the continuing deterioration of commodity prices. The total value of our portfolio of FAFVPL was approximately US\$8.15 million as at 31 December 2015, down from approximately US\$13.88 million in 2014.

The Group's balance sheet remains strong and nimble, with cash balances and securities of FAFVPL standing at approximately US\$13.62 million, with no external debt. Our net asset value per share was US cents 1.12 (or approximately HK cents 8.69) at the end of 2015.

Our strategy remains the same and our strengthened balance sheet has us well positioned to deliver on this. The Company has every intention of continuing on with its existing business of investing in companies engaged in the health care and life sciences sectors. Going forward, the Group will: (i) focus on integrating Plethora into the Group; (ii) pursue the successful commercialisation of PSD502<sup>®</sup> as quickly as possible, not only in Europe, but also in the remaining key markets of the US, Latin America and Asia Pacific regions; and (iii) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

On behalf of the Board, I want to thank our shareholders for their continued support and our employees for their hard work in another challenging year.

**James Mellon**

*Co-Chairman*

30 March 2016

2015 was another challenging year with the Group recording a loss attributable to shareholders of the Company of US\$9.33 million, which was mainly attributable to: (i) the marked-to-market losses of US\$5.77 million in respect of the Company's equity portfolio of financial assets at fair value through profit or loss ("FAFVPL"); and (ii) the loss on the deemed disposal of Plethora Solutions Holdings plc ("Plethora") of US\$3.56 million, both of which are non-cash items, while being offset somewhat by (iii) the gain on disposal of Binary Holdings Ltd. ("Binary") of US\$8.94 million.

The Company's strategic objective is the pursuit of strategic and value-led investments in the healthcare and life sciences sectors. As part of its extensive review of possible investment opportunities in the healthcare and life sciences sectors, the Company embarked upon the acquisition of Plethora, which the Company announced in the Firm Offer Announcements on 15 December 2015 and completed on 9 March 2016.

These are exciting times for the Company and its shareholders, as we have better fortified our position in and control of Plethora while, at the same time, strengthening our foothold in the healthcare and life sciences sectors.

A single aligned management team, with deep knowledge of the industry and product, has been created by the Transaction (as defined below) with Michael G Wyllie joining the Company as our Chief Scientific Officer. The enlarged management team will continue to focus on the successful commercialisation of PSD502<sup>®</sup> as quickly as possible, in particular in the remaining key markets of the U.S., Latin America and Asia Pacific regions. The Company believes that Asia Pacific is likely to become a key component to the eventual marketing and distribution strategy for PSD502<sup>®</sup> and the Company's Hong Kong office will provide an excellent base from which to manage the controlled launch of the product following receipt of relevant regulatory approvals. PSD502<sup>®</sup> is likely to be introduced in Europe initially, as it has already secured European Medicines Agency approval in November 2013.

Earlier in 2015, the Company disposed of a majority of its interest in Binary, and, where possible and practicable, intends to sell its remaining non-healthcare and life sciences assets in the near future and focus all its attentions on its new healthcare and life sciences strategy. In this respect, the Company has sold its entire interest in Endeavour Mining Corporation ("Endeavour") on market for total gross proceeds of US\$2.80 million, realizing a gain on disposal of US\$0.32 million during the period ended 30 June 2016.

Looking at the Group's existing and legacy investments in natural resources (which are non-core and are the focus of its existing divestment programme), energy related investments are continuing to suffer through a, well reported, weaker commodity price environment, although the Group's exposure to gold and other precious metals is currently reflecting renewed enthusiasm in the space, helped, in part, by ongoing uncertainty around global economic conditions. While we expect commodity markets to remain volatile, we remain confident that on a fundamental basis, demand will be underpinned by urbanization of emerging and recovery of developed economies globally.

Unlike the Group's legacy investments in natural resources (which are non-core and are the focus of its divestment programme), fortunately, the Group's healthcare and life sciences investments, including its investment in Plethora, remain its core focus as evidenced by the Transaction and are far less sensitive to macroeconomic fundamentals and fluctuations. The Group remains excited about the prospects of these investments, including Plethora.

Going forward, the Group will: (i) focus on integrating Plethora into the Group; (ii) pursue the successful commercialisation of PSD502<sup>®</sup> as quickly as possible, not only in Europe, but also in the remaining key markets of the US, Latin America and Asia Pacific regions; and (iii) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

So, in summary, during the year, we:

- made the Firm Offer Announcements (as defined below) in respect of the acquisition of Plethora (now completed).
- disposed of 938,978 shares in Binary, being a majority of its shareholding in Binary (previously a 49.90% owned associated company of the Company), for an aggregate consideration of US\$15 million representing a realised "cash-on-cash" return of 12.92 times the Company's original cash investment of approximately US\$1.88 million. The disposal was a major and connected transaction of the Group, which successfully closed on 8 April 2015, being the following business day after the Company's Extraordinary General Meeting held on 2 April 2015. This disposal was another remarkable result for the Group achieved in a period of approximately 15 years, inclusive of dividends received.
- continued to equity account the Company's investment in Plethora whereby the Group's consolidated financial statements reflected its share (as at 31 December 2015, 10.54%) of the net loss of Plethora.
- invested GBP 1.2 million (or approximately US\$1.84 million) for 89,753 new ordinary shares of The Diabetic Boot Company Limited, representing approximately 16.79% of the share capital of the company.
- acquired, from Sharwood Limited ("**Sharwood**"), certain rights and obligations under a promissory note in respect of services provided to Plethora in relation to the procurement of out-licencing opportunities for PSD502<sup>®</sup>, Plethora's principal product for a total cash consideration of GBP 2.4 million (or approximately US\$3.67 million). The Company is entitled under the promissory note to success based amounts capped at approximately GBP 4.58 million (or approximately US\$6.75 million). The success based arrangement will be payable in relation to all amounts paid and due under the licence agreement signed in September 2014 with Recordati S.p.A. ("**Recordati**") In addition, the Company has the right to receive accelerated payments should Plethora or any of its licensed assets be acquired by another party, which as mentioned above are capped at approximately GBP 4.58 million (or approximately US\$6.75 million). These arrangements expire on the earlier of 15 September 2024 or when the cap of approximately GBP 4.58 million (or approximately US\$6.75 million) has been paid to the Company. Following completion of the Transaction and upon Plethora becoming a wholly-owned subsidiary of the Company, this agreement will be an intra-group arrangement.
- continued to work with Plethora's management team to unlock value as quickly as possible through the (i) redesign and manufacture of a reduced fill can in preparation for its commercial launch by Recordati in the European Union ("**EU**"), (ii) progression of the preparation of the New Drug Application ("**NDA**") to the US Food and Drug Administration ("**FDA**"), and (iii) bringing to closure the discussions with new potential commercial partners with regards to licensing PSD502<sup>®</sup> in other geographical regions. Negotiations are at a more advanced stage with a number of potential marketing partners and Plethora is hopeful that an announcement will be made in the near future. However, shareholders should please note that given the nature of licensing talks, it is not possible for Plethora to determine with accuracy the timing of completing such agreements, nor to give guidance on the terms thereof.

- maintained and actively monitored our existing and significant investments in Trinity Exploration & Production plc, ("Trinity") (approximately 4.12%), Condor Gold plc ("Condor") (approximately 8.68%), Venturex Resources Limited ("Venturex") (approximately 33.63%) and Endeavour (approximately 0.76%).
- continued to evaluate existing investments around their natural life cycle with a view to divesting of non-core assets and investments in line with our stated divestment strategy.
- evaluated other investment and business development opportunities across the healthcare and life sciences sectors, in Asia and elsewhere.

We are in a strong financial position with no debt, having cash, listed and unlisted securities of US\$18.99 million as at 31 December 2015.

Shareholders' equity decreased by 20% to US\$39.08 million as at 31 December 2015 from US\$48.75 million as at 31 December 2014.

To date, the aggregate value of the Group's existing investment portfolio of listed securities in mining and resources companies, while fluctuating daily with the equity and foreign exchange markets as they are being marked-to-market, are largely tracking in line with the relevant resources indices.

The Group's associate, Plethora, contributed a share of loss of US\$2.65 million to the Group for the year ended 31 December 2015. In addition, the Group's disposed associate, Binary, contributed a share of profit of US\$1.46 million for the period up to 8 April 2015, which it ceased to be an associate.

We set out below the review of our associated investments together with the results of our main listed investments:-

## **BINARY**

During 2015, the Company was pleased to announce that it successfully disposed of 938,978 shares in Binary, being a majority of its shareholding in Binary (previously a 49.90% owned associated company of the Company), for an aggregate consideration of US\$15 million representing a realised "cash-on-cash" return of 12.92 times the Company's original cash investment of approximately US\$1.88 million. The disposal was a major and connected transaction of the Group, which successfully closed on 8 April 2015, being the following business day after the Company's Extraordinary General Meeting held on 2 April 2015. This disposal was another remarkable result for the Group achieved in a period of approximately 15 years, inclusive of dividends received.

## PLETHORA

### Highlights

- On 15 December 2015, Plethora announced that Michael G Wyllie, the independent director of Plethora, had agreed the terms of a recommended share-for-share takeover offer with Regent by means of a scheme of arrangement of Plethora in the UK under part 26 of the Company Act, pursuant to which the Company announced that it will seek to acquire the entire issued and to be issued ordinary share capital of Plethora not already owned by the Company. The Company and Plethora made a joint announcement in the United Kingdom by way of a firm offer announcement pursuant to Rule 2.7 of the UK Takeover Code and also the Company made its announcement in Hong Kong by way of a very substantial and connected transaction announcement (the "**Firm Offer Announcements**"). It was proposed that the transaction be effected by means of a scheme of arrangement of Plethora in the UK under Part 26 of the Companies Act (although the Company reserved the right to effect the transaction by way of a traditional takeover offer) (the "**Transaction**").
- Positive progress made in the redesign and manufacture of the PSD502<sup>®</sup> reduced fill product for the treatment of premature ejaculation with three Good Manufacturing Practice ("**GMP**") batches manufactured by Pharmaserve North-West Ltd. ("**Pharmaserve**") and placed on stability with Catalent Pharma Solutions, LLC ("**Catalent (RTP)**").
- Appointment of Catalent (RTP) as Plethora's US development partner for the reduced fill product.
- Further progression of the NDA with the FDA.
- Discussions with new potential licensing partners for PSD502<sup>®</sup> in other geographical regions at an advanced stage.
- Terms agreed with Sharwood for the transfer of their agreement to the Company, which provides for reduced tiered royalty rates payable by Plethora capped at maximum amount of GBP 4.58 million.
- Conversion of GBP 1.6 million of the Plethora Group's GBP 2 million of long term debt into equity; and the Plethora Group made a reduced loss of GBP 5.65 million (2014: restated loss of GBP 16.16 million) and had a cash balance as at 31 December 2015 of GBP 93,000 (31 December 2014: GBP 5.07 million).

### Introduction

Plethora continues to be focused on the development and commercialisation of its principal pharmaceutical product PSD502<sup>®</sup>, which is believed to have significant potential value based on the prevalence of premature ejaculation and the lack of a widely available effective treatment. The financial year has seen the Plethora Group make further progress in three important areas:

1. The redesign and manufacture of a reduced fill can (Reduced Fill Product) in preparation for its commercial launch by Recordati in the EU;
2. Preparations for the filing of the NDA with the FDA; and
3. Discussions with new potential commercial partners with regards to licensing PSD502<sup>®</sup> in other geographical regions.

## PLETHORA (Continued)

### Operations Update

During the period Plethora has continued to prepare for the initial commercial launch of the PSD502<sup>®</sup> reduced fill can in the EU by Recordati, currently anticipated during the latter half of 2016.

The key objectives are to:

- Complete 3 GMP batches, including at least 3 months of stability of the reduced fill can;
- Obtain the EU approval variation by 30 June 2016 for the Reduced Fill Product, such that Plethora can obtain the variation payment of EUR 6 million from Recordati; and
- Manufacture of the 20-dose product under GMP conditions and in compliance with the existing European Medicines Agency ("EMA") approval to avoid any risk of the Sunset date being invoked in the EU by November 2016.

By way of background, the initial development studies aimed at developing the Reduced Fill Product of PSD502<sup>®</sup> resulted in selection of a 4.3g fill weight in the current EU Marketing Authorisation (MA) approved 17ml container closure system. However, as announced in Plethora's Final Results for the year ended 31 December 2014, when manufactured under development conditions this product generated data that did not support this fill weight and container closure system as a candidate suitable for further development.

Since then additional feasibility and development work has been completed at Pharamserve and also Catalent (RTP), the registered finished product manufacturer for the PSD502<sup>®</sup> EU MA. Multiple fill weights, ranging from 5g to 7.7g, and container closure system combinations in 17ml and 10ml cans were investigated to identify the optimum fill weight/container closure system combination for further development and manufacture.

Manufacture of the feasibility batches was completed at both Pharamserve and Catalent (RTP) in July 2015. The necessary studies and generation of data to enable selection of a fill weight/container closure system combination was completed in October 2015.

Since then production of the reduced fill can has progressed to schedule, with all three GMP batches successfully completed in December 2015 by Pharamserve. These batches are now on stability testing with Catalent (RTP) in the UK. Plethora expect Recordati to commercially launch the product in the European Union during the latter half of 2016, and under the terms of the Company's licence agreement with Recordati a payment of up to EUR 10 million in total is payable upon first commercial sales of PSD502<sup>®</sup> in France, Germany, Italy, Spain and Portugal (being a payment of EUR 2 million in respect of each of these countries).

To avoid any risk of the Sunset date of the existing EMA approval of PSD502<sup>®</sup> being invoked leading to withdrawal of marketing authorisation, it is intended for the 20-dose product to be manufactured by Catalent (RTP) and launched in a single EU market prior to the Sunset date of November 2016. Catalent (RTP) is the registered manufacturing site for the EU MA. Manufacture of the 20 dose can by Catalent (RTP) is expected to occur in early Q2 2016.

## PLETHORA (Continued)

### NDA with the FDA

Plethora, through its US regulatory consultant, is in the process of submitting an NDA with the FDA. Plethora has made significant progress in the preparation for the start of the supplementary Phase III clinical study required by the FDA for the completion of an NDA. Plethora is interacting with the FDA with agreement achieved on the final form and content of the Patient Reported Outcome ("PRO" or "PE") questionnaire or the "copyrightable" PEBEQ (Premature Ejaculation Bothersome Evaluation Questionnaire) to be used in this supplementary Phase III clinical study. The PRO was submitted to the FDA in March 2016. The Phase III clinical study is anticipated to start in Q3 2016. It is therefore expected that the NDA will be filed with the FDA in Q2 2017 and in accordance with mandates set forth by the Prescription Drug User Fee Act (PDUFA date), the FDA will be required to respond to the dossier within a 10 month timescale, which would facilitate approval in the USA by Q2 2018 and a commercial launch shortly thereafter.

### Licensing Opportunities

Discussions and negotiations are currently taking place with:

- (i) A global pharmaceutical company for 'out licensing' the grant of rights by Plethora in respect of PSD502<sup>®</sup> for certain countries in LATAM, Asia Pacific (including Australia) and South Africa. The parties have entered into non-binding heads of terms and have moved into discussions on the licence agreement which anticipate an up-front payment to Plethora followed by additional payments upon the achievement of certain milestones plus royalties linked to sales; and
- (ii) A multinational pharmaceutical company for 'out licensing' the grant of rights by Plethora in respect of PSD502<sup>®</sup> for countries in the Middle East region. The parties have entered into non-binding heads of terms and have moved into discussions on the licence agreement which anticipate an up-front payment to Plethora followed by additional payments upon the achievement of certain milestones plus royalties linked to sales.

Negotiations continue for licensing out PSD502<sup>®</sup> with both these pharmaceutical companies and with other strategic commercial marketing partners on normal commercial terms. However, negotiations will not complete (whether successfully or not) until either or both of Catalent (RTP) and Pharmaserve can manufacture under good manufacture practice conditions a Reduced Fill Product, which meet the minimum specifications after three months stability. Therefore it is not possible to determine with accuracy the timing of completion of such agreements and no assurance can be given that negotiations will lead to a binding licensing agreement(s) as described in (i) and/or (ii) above or at all. The Company hopes to be in a position to make further announcements relating to its out licensing activities after completion of successful GMP batches of the Reduced Fill Product, including the stability studies that are being undertaken.

## PLETHORA (Continued)

### Intellectual Property Rights

The patents and Special Protection Certificates have been transferred to the Group from Dr. Richard Henry completing the transfers of the IP to the Group in respect of PSD502<sup>®</sup> and final payment of US\$250,000 has been made to Dr. Richard Henry.

### Trading Update/Going Concern

As at 31 December 2015 Plethora had cash resources of GBP 93,000. As a consequence of this limited cash resource and the committed and expected expenditure of Plethora over the subsequent short term period, a loan agreement was entered into between the Company and Plethora on 23 December 2015, pursuant to which the Company provided a loan facility of up to GBP 1,000,000 to Plethora for general working capital purposes. No funds were drawn down before year end. However, as at 24 February 2016 Plethora had drawn down four tranches totalling GBP 1 million of the loan facility and Plethora had cash balances as at that date of approximately GBP 0.31 million.

However, with the completion of the scheme of arrangement, Plethora now has the financial support of the Group as it is a wholly-owned subsidiary.

During the financial year ended 31 December 2015, the Plethora Group recorded a loss for the period of GBP 5.65 million (full year to 31 December 2014: restated loss of GBP 16.16 million).

The total operating costs for the financial year ended 31 December 2015 was GBP 7.90 million (full year to 31 December 2014: GBP 20.07 million) included (i) R&D costs related to the regulatory development of PSD502<sup>®</sup> of GBP 2.94 million (full year to 31 December 2014: GBP 2.73 million), and (ii) administrative and an exceptional expenses of GBP 4.96 million (full year to 31 December 2014: GBP 17.34 million).

Underlying R&D costs and administrative expenses for the financial year ended 31 December 2015 were broadly lower than the Board's expectations, before adjustments being made to account for non-cash related share option costs. R&D costs are currently been driven by the project to establish a manufacturing line with the Company's manufacturing partners Pharmaserve and Catalent (RTP) and the subsequent manufacture of development and GMP batches of the reduced fill can. Manufacturing set up costs are expected to fall significantly following the year ended 31 December 2015, but the overall level of expenditure is expected to be maintained as the FDA approval process begins to gather pace following the issue of the first good manufactured practice batches.

A net finance income of GBP 2.06 million (full year to 31 December 2014: income of GBP 3,000) were recognised in the financial year ended 2015. This credit was generated as a result of fair valuing the Company's warrant instruments as at 31 December 2015 of GBP 2.29 million (31 December 2014: GBP 0.93 million credit) offset by the interest charge and unwind of the discount applied to the Company's borrowings at 31 December 2015 of GBP 0.23 million (31 December 2014: GBP 0.93 million cost).

## **PLETHORA** (Continued)

### **Trading Update/Going Concern** (Continued)

As that all R&D expenditure is expensed, there were no significant balance sheet movements to comment upon during the financial year ended 31 December 2015.

As at 31 December 2015 the Group had cash resources of GBP 93,000 (31 December 2014: GBP 5.07 million) and trade receivable and other receivables of GBP 0.82 million (2014: GBP 0.54 million). In addition, Plethora Group had trade creditors of GBP 0.60 million (2014: GBP 0.25 million) and accruals of GBP 0.27 million (2014: GBP 0.73 million). Plethora Group had net liabilities of GBP 3.42 million (2014: GBP 3.62 million).

### **The Offer**

On 15 December 2015 the Company announced that it had reached agreement with the Michael G Wyllie, the independent Plethora director, on the terms of a recommended share-for-share takeover offer, pursuant to which the Company announced that it will seek to acquire the entire issued and to be issued ordinary share capital of Plethora not already owned by the Company. The Company made this announcement in Hong Kong by way of a very substantial and connected transaction announcement as well as jointly with Plethora in the United Kingdom by way of a firm offer announcement pursuant to Rule 2.7 of the UK Takeover Code. It was proposed that the transaction be effected by means of a scheme of arrangement of Plethora in the UK under Part 26 of the Companies Act (although the Company reserved the right to effect the transaction by way of a traditional takeover offer). The transaction constituted a very substantial and connected acquisition of the Company under Chapters 14 and 14A of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and required approval of the independent shareholders of the Company in general meeting. Following on from the Firm Offer Announcements, on 4 February 2016 the Company dispatched its very substantial and connected acquisition circular in respect of the transaction to its shareholders and, on the same date, Plethora dispatched its scheme document in the UK to its shareholders. As has been publicly announced, all requisite approvals for the transaction were obtained and the scheme of arrangement became effective on 9 March 2016, rendering Plethora now a wholly-owned subsidiary of the Company.

## **PLETHORA** (Continued)

### **Outlook**

The Group is on track in relation to all its key performance measures as it moves along the path with its manufacturing partners to producing a commercially viable Reduced Fill Product, filing its NDA with the FDA and bringing PSD502® to market through its strategic commercial partners.

Now that the 3 GMP batches of the Reduced Fill Product have been manufactured, Plethora will continue to work with its manufacturing partners for the completion of the stability studies and the eventual commercial release of the GMP batches of the Reduced Fill Product, with the aim of obtaining EU approval variation by 30 June 2016. This would release a further EUR 6 million milestone receipt from the Plethora's commercial partner Recordati and enable the commercial launch of the product by Recordati in the EU during the latter half of 2016.

Negotiations with new potential licensing partners covering other geographies outside of those included in the agreement with Recordati are now at an advanced stage. The completion of these negotiations is dependent on the production of GMP batches that have met specifications after stability studies have been completed of the Reduced Fill Product by our manufacturing partners.

The Phase III clinical study for the NDA is anticipated to start in Q3 2016. It is therefore expected that the NDA will be filed with the US FDA in Q2 2017 and in accordance with mandates set forth by the Prescription Drug User Fee Act (PDUFA date), the FDA will be required to respond to the dossier within a 10 month timescale, which would facilitate approval in the USA by Q2 2018 and a commercial launch shortly thereafter.

## **TRINITY**

2015 was a particularly difficult year for all oil and gas producers with the continued precipitous decline in the benchmark price of crude oil, which has fallen from above US\$100 per bbl. in Q2 2014 to below US\$37 per bbl. at year end 2015. Trinity, like many other exploration and production companies, has been faced with the reality that its business is not sustainable in the current environment and, as such, the company entered into a strategic review process which has included asset sales, reductions in staff levels as well as decreased overhead and capital spending.

The company commenced its strategic review on 8 April 2015 and on 21 October 2015 announced the sale of substantially all of its onshore assets for cash consideration of US\$20.8 million. Trinity's lenders have been cooperative in extending existing credit facilities and the company has undertaken staff cuts which have considerably reduced general and administrative costs. The result is a restructured company that has changed its strategy to focus entirely on development of its off-shore assets and will produce approximately half of its current 3,000 boepd once the announced asset sale is completed in Q1 2016.

Chairman Bruce Dingwall has replaced the CEO and assumed executive responsibility for increasing the operational efficiencies of the company in an attempt to ensure the business remains sustainable in the current adverse price environment. Strategically, the company will now focus on growing its off-shore reserves through optimization of existing wells and completion of sub-surface evaluation work on its TGAL (Trintes), Brighton Marine and Pt. Ligoure properties. The Company continues to own 4.12% of Trinity's issued share capital.

## CONDOR

The Company actively monitored and maintained its strategic position in Condor representing approximately 8.68% of its issued share capital, which for the twelve months ended 31 December 2015, resulted in a marked-to-market loss of 69.53%.

Condor's concession holdings in Nicaragua currently contain an attributable NI 43-101 compliant Mineral Resource of 2.32 million oz gold at 4.0g/t including a high grade open pit resource of 1.06 million oz gold at 3.1g/t on its 100% owned La India Project.

In January 2016, Condor announced results of an independent optimization study that was undertaken in October 2015 and which has added 20-25% to the estimated annual production that can be achieved at the La India project. In addition, the study confirmed that a combination of open pit and underground mine development should allow for very favorable project economics including:

- A project Internal Rate of Return ("IRR") of 30%
- A Net Present Value ("NPV") of US\$196 million
- Very low average All-in Sustaining Costs ("AISC") of US\$700 per oz gold throughout the life of the project.
- Low initial capital requirement of US\$110 million (including contingency).
- 1.3 – 1.5 million oz of gold produced over 9 years Life of Mine ("LOM").
- Average annual production of a minimum of 91,000 oz of gold over the first 5 years of the project.

At present, Condor is considerably undervalued on a per ounce basis versus comparable peer companies and the share price will likely rebound strongly in the event of increased spot gold prices in 2016.

## ENDEAVOUR

The Company actively monitored and maintained its position in Endeavour representing approximately 0.76% of its issued share capital, which for the twelve months ended 31 December 2015, resulted in a marked to market gain of 50.80%.

Endeavour is a Canadian-based gold mining company focused in West Africa. The company owns five gold mines in Ghana, Burkina Faso, Cote D'Ivoire and Mali. In 2015 Endeavour produced 518,000 ounces at AISC of under US\$930 per ounce. Endeavour continues to be on a growth trajectory with 2016 production forecast to be between 575,000 and 600,000 ounces of gold production and AISC of between US\$875 and US\$925 per ounce. During 2015, the company reduced its net debt by 44% from US\$254 million to US\$143 million (as at end Q4 2015) and enters 2016 well positioned to fund an exploration spending plan of US\$20 million. For 2016, Endeavor is budgeting to achieve pre-tax cash flow of US\$100 million using a relatively conservative forecast gold price of US\$1,150.

It is anticipated that the company will decide in H1 2016 whether to proceed with development of the Hounde gold project in Burkina Faso. If developed, this project would be Endeavor's sixth producing mine in West Africa. The Hounde project offers potentially robust economics with Endeavour estimating after tax IRR of >30%, a NPV of US\$359 million and low AISC of < US\$720/oz over a 10 years LOM. The Hounde project is fully permitted and offers open pit reserves of 2.1 million ounces of gold with an average grade of 2.1 grams per tonne. If project development were to commence in early 2016, Endeavour management has stated that the Hounde project would be scheduled to enter production as early as Q4 2017 with initial production of approximately 240,000 ounces per annum.

Post financial year end the Company disposed of its entire interest in Endeavour on market for total gross proceeds of US\$2.80 million and realizing a gain on disposal of US\$0.32 million during the period ended 30 June 2016.

## VENTUREX

The Company actively monitored and maintained its strategic position in Venturex, representing approximately 33.63% of its issued share capital, which for the twelve months ended 31 December 2015, booked a marked to market loss of 10.62%.

During 2015, Venturex focused primarily on an Optimization Study that addressed the company's need to re-evaluate the status and viability of its two main copper-zinc projects in the Pilbara region of Western Australia. The main benefit of the study was to complete a new mine plan that will reduce planned capital costs by 28% (to US\$202 million from US\$279 million) and increase potential LOM by 30% to 11 years. These economic metrics should provide the foundation for Venturex to advance its projects further toward financing and development, which will offer the company exposure to the strong long-term market outlook, particularly for zinc.

In 2016, the company will undertake a limited exploration program to further assess the potential of its extensive land holdings in the Pilbara region at Sulphur Springs, Whim Creek and Liberty Indee. Following a successful rights offering that raised US\$1.0 million, the company's management and board are confident that prospects for the Venturex portfolio of assets can be significantly enhanced in the near term.

## REVENUE AND PROFIT

The Group recorded a loss attributable to the shareholders of the Company of US\$9.33 million in 2015, compared with a similar loss attributable to shareholders of the Company of US\$8.56 million in 2014.

The corporate division (revenue and fair value loss on financial instruments) recorded a loss of US\$5.69 million (2014: US\$11.01 million).

The Group's associate, Plethora, contributed a share of loss of US\$2.65 million to the Group for the year ended 31 December 2015. In addition, the Group's disposed associate, Binary, contributed a share of profit of US\$1.46 million for the period up to 8 April 2015, the date it ceased to be an associate.

The main elements of the loss are analysed as follows:

	US\$ million
Share of profit from Binary	1.46
Share of loss from Plethora	(2.65)
Gain on disposal of Binary	8.94
Loss on deemed disposal of Plethora	(3.56)
Corporate investment	(13.52)
<b>Total loss attributable to shareholders of the Company</b>	<b>(9.33)</b>

## FINANCIAL POSITION

Shareholders' equity decreased by 19.82% to US\$39.08 million as at 31 December 2015 from US\$48.75 million as at 31 December 2014. The decrease was mainly due to: (i) the loss attributable to shareholders of the Company of US\$9.33 million for the year ended 31 December 2015; (ii) the decrease of the exchange reserve by US\$1 million, which was offset against (iii) the increase in investment revaluation reserve by US\$0.83 million.

The investments in Plethora of US\$17.29 million accounted for 44.24% of shareholders' equity. The Group's assets also comprised: (i) cash and bank balances of US\$5.47 million; (ii) listed and unlisted investments of US\$13.51 million; and (iii) an intangible asset of US\$3.44 million; (iv) derivative financial instruments of US\$0.48 million; and (v) other assets and receivables of US\$2.64 million.

The Group's liabilities comprised: (i) payables and accruals of US\$3.62 million and (ii) derivative financial instruments of US\$0.17 million.

## STRATEGIC PLAN

The Board and the Company's senior management play an active role in the Company's strategy development and planning process. The Chief Executive Officer ("CEO") regularly interacts with the Board in respect of the strategic plan and direction of the Company, during which meetings the CEO seeks and is provided input in respect of the proposed priorities and initiatives previously discussed and agreed with senior management, aiming at developing an agreed approach for the Company to generate and preserve its long-term value, while agreeing shorter term priorities and objectives. In addition, the risks associated with the current operations and strategy of the Company are currently being tested by way of an internal audit process conducted through an independent service provider, with the aim of identifying ways in which the Company can better identify and manage its risks.

In order to generate or preserve value over the longer term, the Group is committed to:

- divesting of non-core assets and investments to enable the Company to pursue growth and opportunistic investments in the healthcare and life sciences sector;
- leverage off our expert international and local teams to tackle difficult markets, deliver results and achieve global recognition; and
- utilise the Company's Hong Kong listing through strong liquidity and access to international capital markets, together with maintaining our corporate governance and social responsibility standards in line with the policies set down by The Stock Exchange of Hong Kong Limited and best practice.

The Company is committed to creating shareholder value and returns through accretive acquisitions and returning surplus capital to shareholders by way of an effective dividend policy and share repurchase programme.

The current strategy of the Group can be seen in the latest Company presentation available on the Company's website ([www.regentpac.com](http://www.regentpac.com)).

## PRESENTATION OF SEGMENTAL INFORMATION GOING FORWARD

As mentioned in the Chairman's Statement and in my CEO Report, the Group's strategic goal is to pursue value-led investments in the healthcare and life sciences sectors. The Group's investments in Plethora and lately, Diabetic Boot illustrate the new direction the Group has taken over the last 3 years. As explained in my Report, part of the overall strategic plan is to generate and preserve shareholder value over the longer term which will require the Group to divest certain non-core assets and investments in order to reallocate these funds to pursue higher growth opportunities in the healthcare and life sciences sectors. To this end the Group has been moving away from its original focus in the natural resource sector over the last 3 years and two of the Group's previous specific and main areas of focus, coking coal production ("Coking Coal") and the exploration and mining of metals resources ("Metals Mining") are no longer a key part of the Group's future development plans. In previous years, both these key areas were reported on in the Group's annual and interim financial statements as operating segments, with detailed segmental information on their performance and net assets utilised. At 31 December 2015 and 2014, the Coking Coal and Metals Mining operations (segments) were essentially inactive, contributing less than 0.2% and 9% respectively of the Group's net loss before tax, and 0.1% and 0.01% respectively of the Group's total assets. As the natural resource sector is no longer a core focus for the Group, as CEO, I no longer receive internal reports for the purposes of managing these operations or to allocate resources to them. Accordingly, as from the next interim reporting period for the six months ended 30 June 2016 and thereafter, the Group will no longer present segment information for Coking Coal and Metals Mining. In addition, in line with the change of focus away from the natural resource sector, the Group will also no longer provide the disclosures it used to voluntarily provide regarding its compliance with the disclosure requirements for Mineral Companies under Chapter 18 of the Hong Kong Listing Rules as this is no longer relevant to the Group's operations.

## FUNDING

As at 31 December 2015, the Group had US\$5.47 million in cash and US\$0.68 million on margin deposits held with the Group's brokers for trading of derivatives that represented 14.00% and 1.74% of its total shareholders' equity, which does not take into account the Group's holding of securities of FAFVPL that amounted to US\$8.15 million.

## CONTINGENT LIABILITIES

Saved as those disclosed in notes 27 and 31, the Group has no material contingent liabilities as at 31 December 2015.

## AUSTRALIAN TAX ON BCI SALE

As has been previously disclosed, the Company is currently in dispute with the Australian tax authorities in connection with a disposal by the Group of an investment in BC Iron Limited ("BCI"), a company listed on the Australian Securities Exchange. The Australian Taxation Office considered that capital gains tax was payable in the amount of approximately A\$12.78 million (or approximately US\$9.32 million), which excludes interest that has accrued on this amount since 2 December 2013 which, as at 4 January 2016, was approximately A\$2.81 million (or approximately US\$2.05 million). On 24 January 2013, the Company received orders from the Federal Court of Australia in relation to a notice of assessment issued by the Australian Taxation Office (the "Assessment"), which stated that the tax was due and payable on 2 December 2013 and provided that the Company could not remove from Australia or dispose of, deal with or diminish the value of its assets in Australia up to the unencumbered value of the amount assessed.

Following orders from the Federal Court of Australia, the Company has granted a specific security deed to the Commonwealth of Australia in respect of certain of the Company's holding of 518,103,930 shares in Venturix, 10,854,568 shares in Bannerman Resources Limited and 12,700,000 shares in Tigers Realm Coal Limited, of which the aggregate market value (as at 31 December 2015) is approximately A\$3.28 million (or approximately US\$2.39 million) as security against the Assessment. In consideration for granting this security, the Commissioner of Taxation stayed recovery action in respect of the Assessment until the matter is resolved. The exchange rates used in this paragraph are the historic exchange rates at the relevant time.

The Company has received independent tax advice that, based on a valuation of BCI's real property (including mining tenements) and non-real property assets, the Company has a basis for challenging the assessment in its entirety and, accordingly, there is no longer a provision in the Company's financial statements relating to this dispute. The Company has shared its independent tax advice with the Commissioner of Taxation. The Company has received a copy of a report produced by an external consultant for the Commissioner of Taxation and understands that there are a number of matters of material disagreement, or on which a materially different view is held, between the Commissioner of Taxation's external consultant and the Company and its Australian tax advisers. The dispute is due to enter a formal dispute resolution process.

**Jamie Gibson**

*Chief Executive Officer*

30 March 2016

# ENVIRONMENT, COMMUNITY, HEALTH AND SAFETY

Our environmental, community, health and safety focus is a significant priority in promoting sustainable practices for social and environmental responsibility. Our core approach is the health and safety of our employees, including: respect for the individual, for each other, for stakeholders and for the cultures that we operate in.

## HEALTHY AND SAFETY

The Group bases its health and safety strategy on three cornerstone elements:-

- We subscribe to the position that we have a duty of care to provide a safe environment for all of our employees to work.
- We advocate behaviour and standards that comply fully with local occupational health and safety laws. Beyond this, "international best practice" will underpin our activities in all areas.
- We ensure effective communication and education with all employees so as to develop a healthy and safety culture that is bolstered by equal ownership and commitment.

There were no lost time injuries during the financial year for the Company.

## COMMUNITY

The Group is committed to fulfilling its obligations and duties as a responsible corporate citizen, ensuring that its behaviour reflects a genuine concern for its stakeholders, including shareholders, employees, their families and the communities and environments in which we live and work.

The Company aims to ensure that the communities in which we operate derive real social and economic benefits from our presence.

There were no reportable community concerns during the financial year.

## ENVIRONMENT

The Group is intrinsically aware of the interaction of its activities and the environment. The Company, through all its employees and representatives, is committed to:-

- Encouraging environmentally sustainable practices in its daily decision making processes, including land use, operations, planning and purchasing.
- Undertaking alternative practices and procedures to minimize negative impacts on the environment.
- Integrating environmental awareness and responsibility throughout its host communities.
- Being mindful, in the operations of the Company, of all appropriate economic, environmental and social concerns.

There are a variety of different challenges in respect to the development of post-mine landscapes that are stable, resistant to erosion, encapsulate mine wastes and provide a suitable surface or water body targeted for specific end land use requirements. These range from the development of sustainable bio diverse ecosystems endemic to the local area, through to suitable agricultural, agro-forestry or aquaculture production systems. The Group is dedicated to achieving these outcomes by:

- undertaking baseline studies to better understand the rehabilitation process and identify key indicators for reclamation success.
- following disturbance, we aim with our partners, to rehabilitate the land to a form and state agreed by stakeholders, including the local community and government. This focuses on the early development of final landforms with direct return of topsoils where possible to minimise costs and maximise the restoration process.
- aiming to conduct progressive rehabilitation, wherever possible, to reduce the impacts on the environment, and minimise the residual impacts of the site or rehabilitation works at the time of mine closure.

There were no reportable environmental incidents during the financial year.

The Directors (the “**Directors**” or the “**Board**”) of Regent Pacific Group Limited (the “**Company**” and collectively with its subsidiaries, the “**Group**”) are pleased to submit their report and the audited financial statements of the Company and the Group for the year ended 31 December 2015 (the “**Financial Statements**”).

## **PRINCIPAL ACTIVITIES**

The Company’s principal activity is investment holding, and the Group’s principal activities consist of biopharma, resources and corporate investments.

Principal activities of the respective subsidiaries of the Company during the year are set out in note 32 to the Financial Statements.

## **RESULTS AND DIVIDENDS**

The Group’s results for the year ended 31 December 2015 are set out in the Consolidated Statement of Comprehensive Income on pages 105 to 106.

No interim dividend was paid for the years ended 31 December 2015 and 2014.

The Directors do not recommend the payment of a final dividend (2014: Nil).

# DIRECTORS' REPORT

## SUMMARY FINANCIAL INFORMATION

The results and the assets and liabilities of the Group for the current year and the last four financial years (extracted from the audited financial statements and reclassified as appropriate) are set out below:

### Results:

	2015 US\$'000	2014 US\$'000	2013 US\$'000	2012 US\$'000	2011 US\$'000
<b>Total income less fair value on financial instruments</b>	(5,685)	(11,007)	(16,024)	(885)	(24,615)
Income less expenses before impairment losses and provision	(14,715)	(17,738)	(29,930)	(20,895)	(45,212)
Reversal of impairment on loan receivables	1,386	250	—	—	—
Impairment losses on available-for-sale financial assets	(194)	(267)	(1,710)	(16,024)	(4,863)
Write down	—	—	—	—	(4,345)
Operating loss	(13,523)	(17,755)	(31,640)	(36,919)	(54,420)
Gain on disposal of the Ji Ri Ga Lang Coal Project	—	—	—	4,409	—
Gain on disposal of the Yinzishan Mining Project	—	—	—	—	2,401
Gain on disposal of an associate	8,938	—	—	—	—
Loss on deemed disposal of an associate	(3,560)	(6,017)	—	—	—
Gain from bargain purchase of associate	—	25,809	—	—	—
Share of results of associates	(1,193)	(10,604)	(420)	(1,430)	1,705
Loss before taxation	(9,338)	(8,567)	(32,060)	(33,940)	(50,314)
Tax credit/(payment)	—	—	6,334	(11,084)	—
Loss for the year	(9,338)	(8,567)	(25,726)	(45,024)	(50,314)
Non-controlling interests	5	4	90	170	1,787
<b>Loss attributable to shareholders of the Company</b>	(9,333)	(8,563)	(25,636)	(44,854)	(48,527)

## SUMMARY FINANCIAL INFORMATION (Continued)

### Assets and liabilities:

	2015 US\$'000	2014 US\$'000	2013 US\$'000	2012 US\$'000	2011 US\$'000
Property, plant and equipment	48	108	199	294	296
Interests in associates	17,295	30,206	9,134	11,774	24,727
Available-for-sale financial assets	5,367	2,130	2,334	5,279	9,287
Intangible asset	3,441	—	—	—	—
Current assets	16,684	19,871	50,972	134,517	172,175
<b>Total assets</b>	<b>42,835</b>	<b>52,315</b>	<b>62,639</b>	<b>151,864</b>	<b>206,485</b>
Current liabilities	(3,790)	(3,604)	(3,742)	(3,374)	(23,137)
Non-current liabilities	—	—	—	(7,197)	—
<b>Total liabilities</b>	<b>(3,790)</b>	<b>(3,604)</b>	<b>(3,742)</b>	<b>(10,571)</b>	<b>(23,137)</b>
<b>Net assets</b>	<b>39,045</b>	<b>48,711</b>	<b>58,897</b>	<b>141,293</b>	<b>183,348</b>

## BUSINESS REVIEW

### Fair review of the Company's business

The Company, a limited liability company incorporated under the laws of the Cayman Islands whose shares are listed on the Main Board of the HK Stock Exchange, is a diversified investment group currently holding various corporate and strategic investments across the healthcare and life sciences sectors, which has become its core focus, as well as legacy investments in the natural resources sector. The Company's headquarters are in Hong Kong and the Group (including subsidiaries but excluding associates) employed approximately 16 employees at 31 December 2015.

2015 was another challenging year with the Group recording a loss attributable to shareholders of the Company of US\$9.33 million, which was mainly attributable to: (i) the marked-to-market losses of US\$5.77 million in respect of the Company's equity portfolio of financial assets at fair value through profit and loss (the "FAFVPL"); and (ii) the loss on the deemed disposal of Plethora Solutions Holdings plc ("Plethora") of US\$3.56 million, both of which are non-cash items, while being offset somewhat by (iii) the gain on disposal of Binary Holdings Ltd. ("Binary") of US\$8.94 million.

The Company's strategic objective is the pursuit of strategic and value-led investments in the healthcare and life sciences sectors. As part of its extensive review of possible investment opportunities in the healthcare and life sciences sectors, the Company embarked upon the acquisition of Plethora, which the Company announced in the Firm Offer Announcements (as defined below) on 15 December 2015 and completed on 9 March 2016, following the admission of the consideration shares to the Main Board of the HK Stock Exchange, further particulars of which are set out below.

Earlier in 2015, the Company disposed of a majority of its interest in Binary, and, where possible and practicable, intends to sell its remaining non-healthcare and life sciences assets in the near future and focus all its attentions on its new healthcare and life sciences strategy. In this respect, the Company has sold its entire interest in Endeavour Mining Corporation ("Endeavour") on market for total gross proceeds (before expenses) of approximately US\$2.80 million and a net realised gain of approximately US\$0.32 million) which will be recognised in the Company's result for the six months ended 30 June 2016.

Looking at the Group's existing and legacy investments in natural resources (which are non-core and are the focus of its existing divestment programme), energy related investments are continuing to suffer through a, well reported, weaker commodity price environment, although the Group's exposure to gold and other precious metals is currently reflecting renewed enthusiasm in the space, helped, in part, by ongoing uncertainty around global economic conditions. While the Group expects commodity markets to remain volatile, the Group is confident that on a fundamental basis, demand will be underpinned by urbanization of emerging and recovery of developed economies globally.

Unlike the Group's legacy investments in natural resources (which are non-core and are the focus of its divestment programme), fortunately, the Group's healthcare and life sciences investments, including its investment in Plethora, remain its core focus as evidenced by the acquisition of Plethora and are far less sensitive to macroeconomic fundamentals and fluctuations. The Group remains excited about the prospects of these investments, including Plethora.

As at 31 December 2015, the Company had a strong financial position with no debt, having cash, listed and unlisted securities of US\$18.99 million.

A review of the Group's associated investments, together with the results of its main listed investments, are set out in the CEO Report contained herein.

## BUSINESS REVIEW (Continued)

### Important post balance sheet events

#### *Acquisition of Plethora Solutions Holdings plc*

On 15 December 2015 the Company announced that it had reached agreement with Michael G Wyllie, the independent Plethora director, on the terms of a recommended share-for-share takeover offer, pursuant to which the Company announced that it will seek to acquire the entire issued and to be issued ordinary share capital of Plethora not already owned by the Company. The Company made this announcement in Hong Kong by way of a very substantial and connected transaction announcement as well as jointly with Plethora in the United Kingdom by way of a firm offer announcement pursuant to Rule 2.7 of the City Code on Takeovers and Mergers of the United Kingdom (collectively the “**Firm Offer Announcements**”). It was proposed that the transaction be effected by means of a scheme of arrangement of Plethora in the UK under Part 26 of the Companies Act (although the Company reserved the right to effect the transaction by way of a traditional takeover offer). The transaction constituted a very substantial and connected acquisition of the Company under Chapters 14 and 14A of the HK Listing Rules and required approval of the independent shareholders of the Company in general meeting. Following on from the Firm Offer Announcements, on 4 February 2016 the Company dispatched its very substantial and connected acquisition circular in respect of the transaction to its shareholders and, on the same date, Plethora dispatched its scheme document in the UK to its shareholders. As has been publicly announced, all requisite approvals for the transaction were obtained and the scheme of arrangement became effective on 9 March 2016, rendering Plethora now a wholly-owned subsidiary of the Company.

#### *Disposal of entire position in Endeavour*

As announced on 17 February 2016 by way of a discloseable transaction announcement, the Company has sold its entire interest in Endeavour on market for total gross proceeds (before expenses) of approximately US\$2.80 million and a net realised gain of approximately of US\$0.32 million which will be recognised in the Company's result for the six months ended 30 June 2016.

## **BUSINESS REVIEW** (Continued)

### **Likely future development of the Company's business**

As would be appreciated, following the acquisition of Plethora, much of the Group's attention will be directed towards integrating Plethora into the Group and in pursuing the successful commercialisation of PSD502<sup>®</sup> as quickly as possible, not only in Europe, but also in the remaining key markets of the US, Latin America and Asia Pacific regions.

The acquisition of Plethora will allow the management team to focus on the successful commercialisation of PSD502<sup>®</sup> as quickly as possible, in particular in the remaining key markets of the US, Latin America and Asia Pacific regions. The Company believes that Asia Pacific is likely to become a key component to the eventual marketing and distribution strategy for PSD502<sup>®</sup> and the Company's Hong Kong office will provide an excellent base from which to manage the controlled launch of the product following receipt of relevant regulatory approvals. PSD502<sup>®</sup> is likely to be introduced in Europe initially, as it already has secured approval from the European Medicines Agency (the "EMA").

A single aligned management team, with deep knowledge of the industry and product, has been created by the acquisition. Led by Jamie Gibson, the enlarged Group will combine Plethora's scientific expertise, under Michael G Wyllie's leadership, with the Company's corporate, management and commercial skills.

The Company strongly supports Plethora's development strategy for PSD502<sup>®</sup> and will continue progressing PSD502<sup>®</sup> to market through strategic commercial partners, not by itself, and therefore it is intended that the Group will continue to outsource sales, marketing and distribution functions to selected partners to maximise the commercial potential of the product. This is a differentiating factor from traditional start-up companies in the pharmaceutical sector.

As stated above, Plethora has obtained the marketing approval from the EMA in November 2013 for marketing PSD502<sup>®</sup> within the EU. The Group will continue to dedicate the necessary resource, with the assistance of its US regulatory consultant, to pursue approval from the Food and Drug Administration (the "FDA") in the US as quickly as possible by diligently working through the various regulatory steps, next being the submission of a New Drug Application (the "NDA") with the FDA. In this respect, it is expected that the NDA will be filed with the US FDA in Q2 2017 and in accordance with mandates set forth by the Prescription Drug User Fee Act (PDUFA date), the FDA will be required to respond to the dossier within a 10 month timescale, which would facilitate approval in the US by Q2 2018 with a commercial launch shortly thereafter.

All other regulatory approvals for territories outside the US, EU, Europe (non-EU countries), Russia, Commonwealth of Independent States, Turkey and certain North African countries, will be applied for by the Group's licensing partners for these territories when licensing agreements have been entered into.

If a marketing approval is not obtained in any of these countries, the Group still intends for Recordati S.p.A., Plethora's licensing partner for the EU, Russia, Commonwealth of Independent States, Turkey and certain North African countries, to launch PSD502<sup>®</sup> in those jurisdictions in which Plethora then has appropriate regulatory approval, currently for the EU.

## BUSINESS REVIEW (Continued)

### Likely future development of the Company's business (Continued)

Consequently, following completion of the acquisition, rather than operate a pharmaceutical company, the Group, through its subsidiary Plethora, will simply be managing economic rights and entitlements flowing from the sales of PSD502<sup>®</sup> by strategic commercial partners (through licensing agreements). The Company and Plethora will not be manufacturing or marketing PSD502<sup>®</sup>, as these operational aspects have been and will continue to be completely outsourced to selected commercial partners, and will instead be managing its investment by way of managing the flow of licensing and royalty payments that flow from sales. For these reasons, the Group does not plan to make any fundamental changes to Plethora's business, and the existing business of the Group, being that of an investment company having its core focus on the health care and life sciences sectors, would continue unimpeded.

Going forward, the Group will: (i) focus on integrating Plethora into the Group; (ii) pursue the successful commercialisation of PSD502<sup>®</sup> as quickly as possible, not only in Europe, but also in the remaining key markets of the US, Latin America and Asia Pacific regions; and (iii) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

A summary analysis of the performance and position of the Company's business for the year ended 31 December 2015 is set out below:-

	As at 31 December 2015 US\$'000	As at 31 December 2014 US\$'000	Increase/ (decrease) in absolute value %
Fair value loss on financial instruments			
Unrealised loss on financial assets at fair value through profit or loss	(5,767)	(11,663)	(50.55)
Realised (loss)/gain on disposal of financial assets at fair value through profit or loss	(16)	10	N/A
Realised loss on disposal of available-for-sale financial assets	(5)	—	N/A
Realised gain on derivative financial instruments	207	325	(36.31)
Unrealised (loss)/gain on derivative financial instruments	(623)	115	N/A
	(6,204)	(11,213)	(44.67)

The fair value loss on financial instruments was US\$6,204,000 for the year ended 31 December 2015 (2014: US\$11,213,000). The significant improvement was mainly due to the decrease of unrealized loss on the FAFVPL to US\$5,767,000 from US\$11,663,000 for the year ended 31 December 2015 and 2014 respectively.

# DIRECTORS' REPORT

## BUSINESS REVIEW (Continued)

### Likely future development of the Company's business (Continued)

	As at 31 December 2015 US\$'000	As at 31 December 2014 US\$'000	Increase/ (decrease) in absolute value %
<b>Available-for-sale financial assets (the "AFS")</b>			
As at 1 January	2,130	2,334	(8.74)
Addition	1,842	—	N/A
Disposal	(185)	—	N/A
Reclassification	943	—	N/A
Change in fair value	831	63	1,219.05
Impairment loss	(194)	(267)	(27.34)
<b>As at 31 December</b>	<b>5,367</b>	<b>2,130</b>	<b>151.97</b>
<b>Financial assets at fair value through profit or loss</b>			
As at 1 January	13,876	37,814	(63.30)
Addition	281	262	7.25
Disposal	(244)	(511)	(52.25)
Reclassification	—	(12,026)	(100)
Change in fair value	(5,767)	(11,663)	(50.55)
<b>As at 31 December</b>	<b>8,146</b>	<b>13,876</b>	<b>(41.29)</b>

The investment in the AFS increased by 151.97% to US\$5.37 million from US\$2.13 million as at 31 December 2015 and 2014 respectively. It was mainly due to: (i) the investment of GBP 1.2 million (or approximately US\$1.84 million) for 89,753 new ordinary shares of The Diabetic Boot Company Limited, representing approximately 16.79% of the share capital of the company as at 31 December 2015, to enhance the investment and business development opportunities across the healthcare and life sciences sectors, in Asia and elsewhere; (ii) the reclassification of the remaining shares in Binary of US\$943,000 from interest in associate to the AFS; and (iii) the recognition of the unrealised gain of US\$637,000 in the AFS for the year ended 31 December 2015; which were offset somewhat by: (iv) the disposal of the AFS of US\$185,000.

The investment in the FAFVPL decreased by 41.29% to US\$8.15 million from US\$13.88 million as at 31 December 2015 and 2014 respectively. It was mainly due to (i) the unrealised loss of US\$5.77 million; and (ii) the disposal of US\$244,000, which was offset somewhat by the addition of US\$281,000.

## **BUSINESS REVIEW** (Continued)

### **Likely future development of the Company's business** (Continued)

#### *Funding*

As at 31 December 2015, the Group had US\$5.47 million in cash and US\$0.68 million on margin deposit held with the Group's brokers for trading of derivatives that represented 14.00% and 1.74% of its total shareholders' equity, which does not take into account for the Group's holding of securities of the FAFVPL that amounted to US\$8.15 million.

#### *Gearing ratio*

No gearing ratio (being long term debts over total equity and long term debts) is calculated as there was no long term debt as at 31 December 2015.

### **The Company's environmental policies and performance and compliance with relevant laws and regulations**

The Company operates one office, its headquarters, in Hong Kong and the Group (including subsidiaries but excluding associates) employs only approximately 16 employees as at 31 December 2015. Given its relatively small work force and that it is only an investment company, the Group's environmental footprint is very limited. That said, the Directors believe that the Group's procedures comply with applicable regulations. Moreover, the Group has a number of policies and procedures in place to promote compliance with all relevant laws and regulations, the veracity and adherence to which is independently audited on an annual basis.

### **Reliance on key personnel, customers and suppliers**

In common with many other smaller companies, the Group's future success will be in part dependent on its ability to retain and attract suitable senior and qualified personnel, as well as managing relationships with key customers and suppliers. While the loss of any of these key personnel or the breakdown in the relationships with key customers and suppliers may have a material adverse effect on the future of the Group's business, the Group is comfortable that such risks are being appropriately managed.

## BUSINESS REVIEW (Continued)

### Principal risks and uncertainties facing the Company

Shareholders should refer to the very substantial and connected acquisition circular of the Company dated 4 February 2016 and dispatched to shareholders in conjunction with the acquisition of Plethora. In the circular, the Company has listed out what it perceives to be the principal risks and uncertainties in respect of: (i) the acquisition itself; (ii) the Company and, assuming completion of the acquisition of Plethora, the enlarged group; and (iii) the Company's shares.

Now that the acquisition of Plethora has completed and for ease of reference, below are the principal risks and uncertainties in respect of the Group, as enlarged by the acquisition of Plethora. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, may also have an adverse effect on the Group's operating results, financial condition and prospects. If any of the risks described below (or in the circular) actually occur, the Group may not be able to conduct its business as currently planned and its financial condition, operating results and cash flows could be seriously harmed. In that case, the market price of the Company's shares could decline, and all or part of an investment in the shares could be lost.

Any references below to the Company's or the Group's business or products (or any risks in connection with such business or products) includes the business or products (and risks in connection with such business or products) of investee companies (including Plethora, in particular PSD502<sup>®</sup>) in which the Company or Group has invested in the healthcare and life sciences sectors.

#### *Contingent liability in respect of Australian Capital Gains Tax*

As previously disclosed, the Company is currently in dispute with the Australian Taxation Office in connection with the disposal by the Group of an investment in BC Iron Limited, a company listed on the Australian Securities Exchange, in respect of a notice of assessment issued to the Company (the "**Assessment**"), which stated that capital gains tax was due and payable by the Company on 2 December 2013 in the amount of approximately A\$12.78 million (equivalent to approximately US\$9.27 million), which excludes interest that has accrued on this amount since 2 December 2013 which, as at 2 November 2015, was approximately A\$2.57 million (equivalent to approximately US\$1.86 million). The exchange rates used in this paragraph are the historic exchange rates at the relevant time.

While the Company has received independent expert Australian advice that it has grounds to challenge the Assessment in its entirety, in the event that the dispute is not resolved to the Company's satisfaction and the Company is required to pay some or all of the Assessment in the near term, such payment will have a material and adverse impact of the Group's financial condition, results of operations and prospects.

## BUSINESS REVIEW (Continued)

### Principal risks and uncertainties facing the Company (Continued)

*The disposal of legacy investments may face liquidity constraints and/or may decline in value*

The Company is a diversified investment group currently holding various corporate and strategic investments across the healthcare and life sciences sectors, as well as legacy investments in the natural resources sector. Where possible and practicable, the Company intends to sell its remaining non-healthcare and life sciences assets ("Non-Core Assets") in the near future and focus all its attentions on its new healthcare and life sciences strategy. The liquidity of a security relates to the ability to readily dispose of that security and the price to be obtained upon disposition of the security, which may be lower than the prevailing market price. The Company may not be able to dispose of illiquid Non-Core Assets in a timely fashion or at their expected prices. Additionally, a longer time period may lead to the market value of an investment declining before the Company is able to complete a disposal which may have a material and adverse effect on the Group's business, financial condition, trading performance and prospects.

*The Company is exposed to fluctuating prices of crude oil, gold, uranium, copper, zinc and coal*

The Company is exposed to fluctuating prices of crude oil, gold, copper, zinc, uranium and coal in relation to its Non-Core Assets. The prices of crude oil, gold, copper, zinc, uranium and coal are affected by supply and demand, both globally and regionally. Factors that influence supply and demand include operational issues, natural disasters, weather, political instability, conflicts, economic conditions and actions by major commodity producing countries. Price fluctuations could have a material adverse effect on the value of the Non-Core Assets in the natural resources sector. The Company's assets have in the past been impaired, and there could be impairments in the future which may have a material and adverse effect on the Group's business, financial condition, trading performance and prospects.

*Plethora depends to a material extent on the success of its lead product candidate, PSD502<sup>®</sup>, which it is developing for the treatment of premature ejaculation. If Plethora is unable to obtain regulatory approval beyond the EU, or to commercialise PSD502<sup>®</sup>, or experiences significant delays in doing so, this would have a material adverse effect on its business.*

Plethora has invested a significant portion of its financial and other resources in the development of PSD502<sup>®</sup> for the treatment of premature ejaculation. As a result of the acquisition of Plethora, the Group's prospects, financial condition and results of operations for the foreseeable future, including its ability to achieve profitability, will depend heavily on whether PSD502<sup>®</sup> is successfully developed and commercialised. The success of PSD502<sup>®</sup> will depend on a number of factors, including those generally affecting biopharmaceutical products, and more specifically: the successful manufacturing of Good Manufacturing Practice batches of the reduced fill can by its manufacturing partners, being Pharmaserve (North West) Ltd. and/or Catalent Pharma Solutions, LLC (RTP); the receipt of the NDA from the FDA; the successful negotiation of 'out licensing' agreements for territories outside of Europe; and the successful launching of commercial sales of PSD502<sup>®</sup> by Plethora's commercial partners at expected prices.

## **BUSINESS REVIEW** (Continued)

### **Principal risks and uncertainties facing the Company** (Continued)

#### *Commercialised product risk*

The businesses of the Group will depend, both on the successful commercialisation of existing but yet to be commercialised products and further out-licensing and/or development, obtaining and maintaining of marketing authorisations and subsequent successful commercialisation of any new products. There can be no assurance in respect of anticipated product sales from products yet to be marketed. Product sales may be affected by adverse market developments, including the market for a particular product not developing in the manner predicted by the Company, downward pressure on pricing from governments and other third parties to limit healthcare costs, increased competition and the withdrawal of a product for regulatory reasons or otherwise. Failure to commercialise any new products or existing products or adverse market developments could adversely affect the Group's growth prospects, financial condition and results of operations.

#### *Development Risk*

The Group currently has a number of products for which marketing authorisations have been, will be or are being, sought in various territories. The Group anticipates filing applications to obtain further marketing authorisations in the future. There can be no assurance that any products for which marketing authorisation application is made will receive such authorisation and price reimbursement (if applicable) in those territories for which marketing authorisations are sought, or if they do, that they will be successfully commercialised in those territories. There can also be no assurance that such marketing authorisations will be obtained in a timely manner.

The Group's future success will depend in part on its ability to identify products and product candidates for acquisition and licensing and the development and commercialisation of those products and product candidates. There can be no assurance that the Group will be successful in identifying suitable new products and product candidates for commercialisation or that it will succeed in acquiring products or product candidates on commercial terms. Any failure of these products to obtain marketing authorisation, or to be successfully commercialised, could have a material adverse effect on the Group's financial condition, results of operations and prospects.

## **BUSINESS REVIEW** (Continued)

### **Principal risks and uncertainties facing the Company** (Continued)

#### *Reliance on third parties*

The strategy of the Group is to use partners to assist in commercialising its products in the largest markets. Therefore, the Group will be, and will continue to be, reliant on third parties for the successful commercialisation of its products. There can be no assurance that the Group will be able to secure such partners or that, once secured, the Group's partners will continue to commit the necessary resources to achieve commercial success. The Group's ability to penetrate the markets that they serve is highly dependent upon the level of customer service provided by, and the quality and breadth of the other product lines carried by, its commercial partners, which may change from time to time, and over which the Group has little or no control.

The Group is reliant upon third parties for the manufacture of raw materials and components of current and future products. Its ability to procure their manufacture in a manner which complies with regulatory requirements may be constrained, and its ability to develop and deliver such material on a timely and competitive basis may be adversely affected.

From time to time the Group will rely on third-party contract research organisations to conduct its clinical trials. If these third parties do not successfully carry out their contractual duties or regulatory obligations, the Group's clinical trials may be extended, delayed, suspended or terminated and the Group may not be able to obtain regulatory approval for or successfully commercialise its products.

#### *Reimbursement and product price uncertainty*

In some territories, the Group's products may be or become subject to a regime of reimbursement and/or pricing by government health authorities, private health insurers or other organisations. In some territories, the pricing of pharmaceutical products seeking reimbursement status is subject to government control. The government may fix the price according to set factors or may negotiate the prices of products. There is increasing pressure from governments and other third party payers to limit healthcare costs by limiting both the price level and reimbursement status for new products, and by refusing reimbursement status in some cases. There can be no assurance that when future price levels of targeted cost savings are set, the pricing of the Group's products will not be materially adversely affected.

The ability of the Group to commercialise its products successfully will depend, in part, on the extent to which reimbursement will be available from such authorities, private health insurers and other organisations. It is not certain that reimbursement status will be obtained for the Group's new products or that the Group will maintain or obtain satisfactory price levels for such products.

Failure to obtain or maintain reimbursement for any products could have a material adverse effect on the Group's financial condition and results of operations.

## **BUSINESS REVIEW** (Continued)

### **Principal risks and uncertainties facing the Company** (Continued)

#### *Achievement of commercial success or acceptance*

The Group's products under development are targeted at medical conditions for which a number of marketed products already exist and where other companies also have new products in development. The products may also experience competition from the products of other companies which have greater research, development, marketing, financial and personnel resources than the Group has or will have.

Market acceptance of the Group's products under development will largely depend on the Group's ability to demonstrate their relative safety, efficacy, cost-effectiveness and ease of use. The Directors believe that the Group's products will not be used unless it is proven that, based on experience, clinical data and recommendations from opinion leaders, these products are both safe and effective.

The products of the Group may include new technologies that have not been previously used and must compete with more established treatments currently accepted as the standard form of treatment. The attributes of some of those products may require some changes in treatment techniques that have become standard within the medical community, and there may be resistance to change. Many clinicians may not switch to the products of the Group until there is sufficient, long-term clinical evidence to convince them to alter their existing treatment methods. In addition, clinicians may be slow to change their medical treatment practices because of perceived liability risks arising from the use of new products. Similarly, changes in attitudes towards forms of treatment amongst clinicians or patients may adversely affect the commercial prospects and success of the Group's products. Any failure to gain market acceptance of the Group's products could adversely affect the sales of its products and its ability to achieve profitability.

#### *Manufacturing*

The Group contracts out the manufacture of its current products and sales will depend upon, among other things, the continuance of suitable manufacturers being available to the Group on commercial terms.

The manufacture of the Group's products is subject to regulation and periodic inspection by various regulatory bodies for compliance with quality standards. There can be no assurance that the regulatory authorities will not, during the course of an inspection of existing or new facilities, identify what they consider to be deficiencies in meeting the applicable standards and request or seek remedial action that could interrupt or prevent the continued manufacture of the Group's products or significantly increase the cost of manufacturing such products. In addition, the Group is exposed to the risk of failure of the manufacturing facilities or production stoppages as a consequence of fire, equipment failure and other accidents. If such failure occurs, the Group could be exposed to non-production. Non-production could result in a material adverse effect on the Group's sales, financial condition, results of operations and prospects.

## **BUSINESS REVIEW** (Continued)

### **Principal risks and uncertainties facing the Company** (Continued)

#### *Competition*

The specialty pharmaceutical industry is highly competitive. The competitors of the Group have and will continue to develop products and product candidates which directly compete with the Group's products. Competing products could prove to be superior treatment alternatives to any or all of the Group's products and/or product candidates, thus reducing or eliminating the Group's potential revenues from such product or products, or resulting in the decision to cease development of a product candidate. Even if the Group is successful in developing effective products, new products introduced after the Group commences marketing of any product may be safer, more effective, less expensive or easier to administer than the Group's products. Competitors may also enjoy a significant competitive advantage if they are able to achieve patent protection, obtain data or market exclusivity, market authorisations and/or commence commercial sales of their products before the Group. A further risk is that competitors can offer products of similar quality below the price level at which the Group can make an appropriate return. Since competitors of the Group may have significantly greater resources than the Group itself, or may be more advanced in the development of their products, the Group may not be able to compete successfully. This would have a material adverse effect on the Group's financial condition, results of operations and prospects.

#### *Acquisitions and joint ventures*

The Group has in the past made acquisitions and entered into joint ventures. The Group may enter into acquisitions, joint ventures or strategic alliances. There can be no guarantee that future cash flows will be sufficient to fund future acquisitions, joint ventures or strategic alliances which have not yet been identified by the Group.

The allocation of the price paid to acquire a business usually leads to the revaluation of its existing assets, as well as the identification and recognition of new intangible assets which result in additional amortisation expenses or, in subsequent years, in charges related to the impairment of redundant or overvalued assets. Furthermore, acquisitions and joint-ventures may also result in costly and disruptive restructurings. These events have had, and similar events in the future may have, a material effect on the operating performance and financial situation of the Group and/or the price of the Company's shares.

Acquisitions involve numerous other risks relating to integration, including the failure to achieve the expected benefits and synergies, the diversion of management's attention from other business concerns and the loss of key employees. Joint ventures present the risk of conflicts of interest or strategy. Joint venture partners may also be unable to fulfil their obligations under the joint venture agreement or experience financial or other difficulties. If the Group is unable to manage all of these risks efficiently, it may be forced to incur extraordinary expenses or charges which may have an adverse effect on its financial condition, results, operations and prospects.

There can be no guarantee that in the future the Group will be able to source appropriate acquisitions to grow the business alongside its organic development.

## **BUSINESS REVIEW** (Continued)

### **Principal risks and uncertainties facing the Company** (Continued)

#### *Financing requirements and access to capital*

The amount and timing of the expenditures required to carry out the product development activities of the Group are uncertain and will depend on numerous factors, some of which are outside the Group's control. Factors that could increase the Group's funding requirements include, but are not limited to:

- higher costs and slower progress than expected to develop products or obtain regulatory approvals;
- slower progress than expected in securing development and commercialisation partners for the Group's products; and
- costs incurred in relation to the protection of the Group's intellectual property.

Greater than expected expenditure requirements may materially and adversely affect the Group's financial results and their ability to introduce new products profitably.

#### *Protection of patents and proprietary rights*

The ability of the Group's products to compete effectively with those developed by other companies will depend, amongst other things, on the Group's ability to secure and enforce valid patents and other proprietary rights. No assurance can be given that any patent applications will proceed to grant or that any granted patents will be enforceable and, if enforceable, will be sufficiently broad in their scope to provide commercially valuable protection for the Group's products. Even if the Group is able to secure enforceable, commercially valuable, intellectual property protections, the costs associated with enforcement against a third party infringing the Group's rights may be substantial, and the outcome of any associated litigation may be uncertain.

The commercial success of the Group's products will also depend upon non-infringement of patents granted to third parties who may have filed applications or who have obtained, or may obtain, patents which might inhibit the Group's ability to develop and exploit its own products. As patent applications are not normally published until 18 months after the date of priority applications (or, in the case of the US, until grant), the Group cannot be certain that it was the first to make the innovation covered by each pending application. If this is the case, the Group may need to obtain alternative technology or reach commercial terms on the licensing of other parties' intellectual property rights. There can be no assurance that the Group will be able to obtain such alternative technology or be able to licence, on commercially acceptable terms or at all, such intellectual property rights.

In addition, third parties may allege infringement by the Group of their intellectual property. Even if the Group is ultimately able to successfully defend itself against such allegations, the costs associated with such defence may be significant and the Group may endure a long period of uncertainty regarding the outcome of such allegations.

## **BUSINESS REVIEW** (Continued)

### **Principal risks and uncertainties facing the Company** (Continued)

#### *Protection of patents and proprietary rights (Continued)*

The commercial success of some of the Group's products will also depend to a degree on being able to use and enforce certain trade marks. There can be no assurance that these trade marks will not be challenged and, if challenged, that the trade mark would not be found to be invalid.

The commercial success of the Group's products may also depend on third parties not enforcing their trade mark rights. If a third party is successful in enforcing its trade mark, the Group, or its licensees, may need to abstain from using a mark, obtain an alternative mark or reach commercial terms on the in-licensing of such third parties' intellectual property rights. There can be no assurance that the Group, or its licensees, will be able to obtain such alternative mark or be able to licence, on commercially acceptable terms or at all, such intellectual property rights.

To develop and maintain its competitive position, the Group also relies on unpatented trade secrets and improvements, unpatented confidential knowhow and continuing technological innovation. The trade secrets and confidential know-how represent the practical knowledge base which the Group has acquired in developing its products. Trade secrets and know-how can only be protected by keeping the information secret and confidential and the Group achieves this with security measures it considers to be reasonable, including confidentiality agreements with its collaborators, consultants and employees. The Group may not have adequate remedies if these agreements are breached and the Group's competitors may independently develop any of the proprietary information.

If the Group fails to obtain adequate protection for its intellectual property, its competitors may be able to take advantage of the Group's research and development efforts. The Group has in-licensed and acquired intellectual property rights from third parties and the Group may do so in the future. There can be no assurance that such intellectual property rights are, or will be, free from the rights and interests of further third parties and that such further third parties will not challenge the rights of the Group to such intellectual property.

Where registered intellectual property rights are licensed to, but not maintained by, the Group, there can be no assurance that the licensor will adequately maintain and protect the underlying intellectual property rights in which the Group has an interest. Such further third party interests, or any failure by a licensor to maintain and protect underlying intellectual property rights, could materially and adversely affect the business and/or financial position of the Group.

#### *Reliance on key personnel*

In common with many other smaller companies, the Group's future success will be in part dependent on its ability to retain and attract suitable senior and qualified personnel. The loss of any of these key personnel may have a material adverse effect on the future of the Group's business.

## **BUSINESS REVIEW** (Continued)

### **Principal risks and uncertainties facing the Company** (Continued)

#### *Regulation and regulatory environment*

The activities of the Group are and will be subject to regulation from a number of regulatory authorities in different countries, which can range from regulation impacting the authorisation of a new product, the manufacturing processes for new and existing products and the pricing of new and existing products. The international speciality pharmaceutical and medical device industries are highly regulated by numerous governmental authorities in the UK, Europe and the US, and by regulatory agencies in other countries where the Group intends to test or market products it may develop. National regulatory authorities administer a wide range of laws and regulations governing the testing, approval, manufacturing, labelling, marketing and pricing of drugs and devices and also review the quality, safety and effectiveness of pharmaceutical products and devices. These regulatory requirements are a major factor in determining whether a substance can be developed into a marketable product and the amount of time and expense associated with such development. Government regulation imposes significant costs and restrictions on the development of pharmaceutical products for human use, including those the Group is or will be developing. The development, clinical evaluation, manufacture and marketing of the Group's products and on-going research and development activities are subject to regulation by governments and regulatory agencies in all territories within which the Group intends to manufacture and market its products (whether itself or through a partner or licensee). No assurance can be given that any of the Group's products under development will successfully complete the clinical trial process or that regulatory approvals to manufacture and market these products will ultimately be obtained or maintained in all or any territories.

The time taken to obtain regulatory approval varies between territories and no assurance can be given that any of the Group's products under development will be approved in any territory within the timescale envisaged, or at all. This may result in a delay, or make impossible, the commercialisation of its products.

Furthermore, each regulatory authority may impose its own requirements (for instance, by restricting the product's indicated uses) and may refuse to grant, or may require additional data before granting, an approval, even though the relevant product candidate may have been approved by another territory's authority.

If regulatory approval is obtained, the product and its manufacture will be subject to continual review and this approval may be withdrawn or restricted. Changes in applicable legislation or regulatory policies, or discovery of problems with the product, or its restrictions on the product, its sale, manufacture or use, including withdrawal of the product from the market or otherwise, may have an adverse effect on the Group's business, results of operations and prospects. Changes to regulation and the regulatory environment could materially impact the ability of the Group to bring new products to the market or could materially impact the profitability and cashflows of the Group if it is unable to adjust accordingly or may require the Group to incur significant additional expenditure to ensure its products and product candidates comply with new and increased regulation.

Failure of any one of the Group's products to meet regulatory standards could result in failure of the Group to bring a product to market or the withdrawal of an existing product from the market. This would have an adverse effect on the Group's business, results of operations and prospects.

## **BUSINESS REVIEW** (Continued)

### **Principal risks and uncertainties facing the Company** (Continued)

#### *Maintenance of products' regulatory status in relevant territories*

The activities of the Group rely on regulatory expertise to ensure products meet regulatory requirements and to monitor changes in legislation to ensure that product licences and CE marks can be maintained in the future. There can be no assurance that products will continue to meet regulatory requirements if these change after the original regulatory approval has been granted.

Failure of any one of the Group's products to meet regulatory standards could result in the withdrawal of an existing product from the market. This would have an adverse effect on the Group's business, results of operations and prospects.

#### *Market perceptions and negative publicity*

The business of the Group is and will be highly dependent upon market perceptions of the Group, its brands and the safety and quality of the products. The Group's businesses could be adversely affected if the Group or its brands are subject to negative publicity. The Group could also be adversely affected if any of its products or any similar products distributed by other companies prove to be, or are asserted to be, harmful to consumers. Also, because of the Group's dependence upon market perceptions, any adverse publicity associated with illness or other adverse effects resulting from consumers' use or misuse of the Group's products or any similar products distributed by other companies could have a material adverse impact on the Group's results of operations.

Furthermore, government bodies and regulatory agencies require that potential pharmaceutical products are subject to pre-clinical studies, prior to conducting human trials. The Group may place contracts for such work either itself or through its collaborators. Such work can be subject to adverse public opinion and has attracted the attention of special interest groups. Such special interest groups have not had a significant impact on the Group's operations to date. There can, however, be no assurance that such groups will not, in the future, have a significant impact on the Group's activities or those of its licensees or collaborators, or that any such public opinion would not adversely affect the Group's operations.

#### *Product liability and product liability insurance*

The activities of the Group expose it to potential product liability and professional indemnity risks that are inherent in the research, development, manufacturing, marketing and use of pharmaceutical products and medical devices. The Group faces the risk that the use of its products in human clinical trials will result in adverse effects, including deaths, or that long-term adverse effects may emerge following marketing approval of its products. There can be no assurance that the insurances necessary to mitigate the exposure to such risks will be available to the Group at an acceptable cost or at all, or that, in the event of any claim, the level of insurance carried by the Group now or in the future will be adequate or that a product liability or other claim would not materially adversely affect the Group's business. If the Group is not able to adequately protect itself against potential liability claims, it may find it difficult or impossible to secure commercialisation of its products.

## **BUSINESS REVIEW** (Continued)

### **Principal risks and uncertainties facing the Company** (Continued)

#### *Environmental and safety regulation*

The Group is and will be subject to environmental and safety laws and regulations, including those governing the use of hazardous materials. The cost of compliance with these and similar future regulations could be substantial. Although the Directors believe that the Group's procedures comply with applicable regulations, the Group cannot eliminate the risk of accidental contamination or injury from such materials. In the event of an incident, the resulting liabilities could have an adverse impact on the Group. Similarly, many of the Group's suppliers, collaborators and customers are subject to similar laws and regulations. Contravention of such laws and regulations by these groups could have an adverse impact on the Group.

#### *International activities*

Given the international nature of its business, the Group will be subject to a number of political, regulatory and trade risks, including:

- unexpected regulatory reforms;
- customs duties, export controls and other trade barriers;
- longer account receivable payments cycles and difficulties in collecting accounts receivable in certain countries;
- limited legal protection of intellectual property rights in certain countries;
- social and political instability; and
- regulations relating to withholding taxes on payments made by distributors in overseas territories.

The Group cannot guarantee that it will be able to manage these risks, many of which are outside its control, or that it will be able to ensure compliance with applicable regulations without incurring additional costs.

#### *The Group must manage the growth of its operations effectively*

The Group's ability to manage its growth effectively will require it to continue to improve its operations and procedures and to train, motivate and manage its employees as appropriate for a growing organisation. Any failure to manage current and planned growth by making the requisite improvements to its operations and proceedings may have a material and adverse effect on the Group's business, financial condition, trading performance and prospects.

## **BUSINESS REVIEW** (Continued)

### **Principal risks and uncertainties facing the Company** (Continued)

#### *Exchange rate fluctuations*

As a consequence of the international nature of the Group, it will be exposed to risks associated with changes in foreign currency exchange rates. The Group's future sales operations will be affected by fluctuations in exchange rates to the extent that its sales and purchases are denominated in currencies other than its reporting currency. Movements in exchange rates to translate foreign currencies may have a significant impact on the Group's results of operations, financial position and cash flows from year to year.

#### *Non guarantee of tax treatment*

Any changes to applicable tax legislation may have an adverse effect on the Group's tax status and/or the Group's financial results. Any changes may also affect the return on an investor's investment in the Group and result in changes in tax rates and relief.

## **SUBSIDIARIES AND ASSOCIATES**

Particulars of the Company's subsidiaries and the Group's associates are set out in notes 32 and 14 respectively to the Financial Statements.

## **GOODWILL**

Goodwill of the Group was fully impaired in prior years as set out in note 11 to the Financial Statements.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 12 to the Financial Statements.

## SHARE CAPITAL AND OPTIONS

Details of the Company's share capital and outstanding share options under the Share Option Scheme (2002) are set out below and in note 21 to the Financial Statements.

### I. Share Capital

As at 1 January 2015, the total issued ordinary share capital of the Company consisted of 3,485,730,523 shares. During the year ended 31 December 2015, no new shares were issued and allotted by the Company, and no shares were repurchased by the Company.

At the Company's Extraordinary General Meeting held on 2 March 2016, the authorised share capital of the Company was increased from US\$105,500,000 comprising: (a) 10,000,000,000 ordinary shares of US\$0.01 each ("**Ordinary Share(s)**"); and (b) 550,000,000 unclassified shares of US\$0.01 each (which may be issued as Ordinary Shares or non-voting convertible deferred shares ("**Deferred Share(s)**")) to US\$235,500,000 by the creation of 13,000,000,000 additional Ordinary Shares so that the share capital comprises: (i) 23,000,000,000 Ordinary Shares; and (ii) 550,000,000 unclassified shares of US\$0.01 each (which may be issued as Ordinary Shares or Deferred Shares).

On 9 March 2016, an aggregate of 13,886,781,298 new ordinary shares were issued and allotted by the Company as consideration shares upon completion of the conditional all share takeover offer for Plethora Solutions Holdings plc (effected by way of a scheme of arrangement under Part 26 of the Companies Act 2006).

No shares were repurchased by the Company subsequent to the year end date and prior to the date of this report.

Accordingly, as at the date of this report, the total issued ordinary share capital of the Company consists of 17,372,511,821 shares.

## SHARE CAPITAL AND OPTIONS (Continued)

### 2. Share Option Scheme (2002)

The Company's share option scheme, named "Share Option Scheme (2002)" (the "**Share Option Scheme (2002)**"), which was adopted with shareholders' approval at the Company's annual general meeting held on 15 November 2002, expired on 15 November 2012, being the tenth anniversary of its commencement date. The provisions of the rules of the Share Option Scheme (2002) shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted and remaining outstanding prior to the date of the expiry.

Details of the Share Option Scheme (2002) and particulars of the options held under the scheme by various participants are set out in note 21 to the Financial Statements.

As at 1 January 2015, under the Share Option Scheme (2002) there were outstanding and vested options entitling the holders to subscribe for an aggregate of 111,266,132 ordinary shares at exercise prices ranging from HK\$0.300 to HK\$1.152 per share.

During the year ended 31 December 2015:

- No new options were granted;
- No vested options were exercised;
- No outstanding options lapsed; and
- No options were cancelled.

Accordingly, as at 31 December 2015, under the Share Option Scheme (2002) there were outstanding options entitling the holders to subscribe for an aggregate of 111,266,132 ordinary shares at exercise prices ranging from HK\$0.300 to HK\$1.152 per share.

Subsequent to the year end date and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options lapsed or were cancelled.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 22 to the Financial Statements. The Company considers that only profits and share premium are distributable to shareholders.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

A general mandate was granted to the Directors at the Company's annual general meeting held on 5 June 2014 to repurchase, on The Stock Exchange of Hong Kong Limited (the "HK Stock Exchange"), shares up to a maximum of 348,573,052 shares (the "2014 Repurchase Mandate"). Since 5 June 2014, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2014 Repurchase Mandate.

The 2014 Repurchase Mandate expired upon close of the Company's annual general meeting held on 4 June 2015, at which a new general mandate was granted to the Directors to repurchase, on the HK Stock Exchange, shares up to a maximum of 348,573,052 shares (the "2015 Repurchase Mandate"). Since 4 June 2015 and prior to the date of this report, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2015 Repurchase Mandate.

Save for the above, the Company or its subsidiaries did not purchase, sell or redeem any of their listed securities, whether on the HK Stock Exchange or otherwise, during the year ended 31 December 2015 or subsequent to the year end date and prior to the date of this report.

## PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at all times during the year ended 31 December 2015 and prior to the date of this report, the Company has complied with the public float requirement prescribed in the HK Listing Rules for the Company.

## DIRECTORS

The Directors of the Company who held office during the year ended 31 December 2015 and up to the date of this report were:

James Mellon (*Co-Chairman*)\*

Stephen Roland Dattels (*Co-Chairman*)\*

Jamie Alexander Gibson (*Chief Executive Officer*)

Charles David Andrew Comba<sup>#</sup>

Julie Oates<sup>#</sup>

Stawell Mark Searle<sup>#</sup>

Jayne Allison Sutcliffe\*

\* *Non-Executive Directors*

<sup>#</sup> *Independent Non-Executive Directors*

In accordance with Article 86(3) of the Company's Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the shareholders in general meeting, as an addition to the existing Board. Any Director so appointed shall retire at the next annual general meeting of the Company but shall then be eligible for re-election. Any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

In accordance with Article 87, at each annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation, providing that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years (which is in compliance with Code Provision A.4.2 of the Corporate Governance Code). A retiring Director shall be eligible for re-election.

No Directors will retire pursuant to Article 86(3) at the forthcoming annual general meeting of the Company (the "**2016 Annual General Meeting**"), and Stephen Dattels, Jamie Gibson and Jayne Sutcliffe will retire by rotation pursuant to Article 87 at the 2016 Annual General Meeting. All of them, being eligible, offer themselves for re-election. Details of the Directors proposed to be re-elected, as required under Rule 13.51(2) of The Rules Governing the Listing of Securities on the HK Stock Exchange (the "**HK Listing Rules**"), are set out in the accompanying circular to shareholders. Rotational retirement and re-election of the retiring Directors will be dealt with by a separate resolution for each of the retiring Directors at the 2016 Annual General Meeting.

None of the Directors proposed for re-election at the 2016 Annual General Meeting has any unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment (other than statutory compensation), except that the service agreement of Jamie Gibson is determinable by either party by giving one year's notice.

None of the Directors of the Company has any unexpired service contract with the Company or any of its subsidiaries, which was entered into on or before 31 January 2004 and was exempt from the shareholders' approval requirement under Rule 13.68 of the HK Listing Rules but is required to be disclosed in the Company's annual report pursuant to Paragraph 14A of Appendix 16 to the HK Listing Rules.

## DIRECTORS (Continued)

Biographical details of the Directors who hold office as at the date of this report are as follows:

- I. **James Mellon**, aged 59, British, was appointed as an Executive Director of the Company in July 1991, and was re-designated as a Non-Executive Director in May 2002, and is currently Non-Executive Co-Chairman of the Board of Directors. He holds a Master's degree in Politics, Philosophy and Economics from Oxford University and, since graduating in 1978, his whole career has been spent in asset management. Mr Mellon worked for GT Management Plc from 1978 to 1984. In July 1984, he joined the Thornton Group where he was Managing Director of the Asian operation. From 1988 to 1990, he was an executive director of Tyndall Holdings Plc responsible for business expansion and corporate development. In 1990, Mr Mellon co-founded and became Chief Executive of Regent Pacific Group. In 1994, he became Chairman of Regent Pacific Group. Mr Mellon has over 20 years' investment experience in Asia. He specialises in the development and restructuring of international investment vehicles, and travels extensively across the region on company visits and fact-finding missions. He is also director of certain subsidiaries of Regent Pacific Group. Mr Mellon is also: (i) a non-executive director of 3Legs Resources plc (having been appointed on 9 June 2015), a non-executive director of Charlemagne Capital Limited, a non-executive director of Condor Gold plc, the executive co-chairman of the board of Fast Forward Innovations Limited (formerly known as Kuala Limited) (having been appointed as an executive director on 13 July 2015 and as co-chairman on 7 September 2015), the executive chairman of the board of Manx Financial Group plc, the non-executive chairman of the board of Port Erin Biopharma Investments Limited, the executive chairman of the board of Speymill plc and a non-executive director of West African Minerals Corporation, all of which are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange; (ii) the non-executive chairman of the board of Rivington Street Holdings Limited (which was de-listed from PLUS in the United Kingdom on 3 April 2014); (iii) the non-executive chairman of the board of Speymill Deutsche Immobilien Company plc (which was de-listed from AIM on 31 May 2011); and (iv) a non-executive director of Portage Biotech Inc (which is dually listed on the Over the Counter Bulletin Board of NASDAQ of the United States and the Canadian Stock Exchange). He was formerly: (1) a non-executive director of Brazilian Gold Corporation ("BGC", which was delisted from the Toronto Venture Exchange ("TSX-V") on 25 November 2013), having ceased his directorship upon completion of the 100% acquisition of BGC by Brazil Resources Inc (which is dually listed on TSX-V and OTCQX) by a plan of arrangement on 22 November 2013; (2) a non-executive director of Miraculins Inc (which is listed on TSX-V), having not stood for re-election on 29 May 2014; (3) the non-executive chairman of the board of Plethora Solutions Holdings plc (which became a wholly owned subsidiary of the Company upon completion of a scheme of arrangement on 9 March 2016 and was de-listed from AIM on 11 March 2016), having resigned on 9 March 2016; (4) a non-executive director of Polo Resources Limited (an AIM-listed company, having voluntarily withdrawn its listing from the Bermuda Stock Exchange ("BSX") on 23 May 2014), having resigned on 14 May 2013; (5) a non-executive director of Summit Corporation plc (an AIM-listed company), having resigned on 3 December 2014; (6) a non-executive director of Venturex Resources Limited ("VXR", which is listed on the Australian Securities Exchange ("ASX")), having been appointed on 5 February 2013, representing the Company's interest held in VXR, and resigned on 10 June 2013; and (7) a non-executive director of Webis Holdings plc (an AIM-listed company), having resigned on 19 January 2012.

## DIRECTORS (Continued)

2. **Stephen Roland Dattels**, aged 68, Canadian, was appointed as Non-Executive Co-Chairman of the Board in February 2008. Mr Dattels is an experienced senior mining executive, and was one of the key executives at Barrick Gold Corporation (whose shares are dually listed on the Toronto Stock Exchange and the New York Stock Exchange) during its formative years before leaving in 1987. He has helped to form and finance a number of mining ventures, including UraMin Inc, an African based uranium company. He has a Bachelor of Arts degree from McGill University, a law degree (cum laude) from the University of Western Ontario and has completed the Program for Management Development at Harvard University. Mr Dattels is also the executive co-chairman of the board of Fast Forward Innovations Limited (formerly known as Kuala Limited) (an AIM-listed company). He was: (i) a non-executive director of GCM Resources plc (an AIM-listed company), having resigned on 26 June 2013; (ii) a non-executive co-chairman of the board of Polo Resources Limited (an AIM-listed company, having voluntarily withdrawn its listing from BSX on 23 May 2014), having formerly been the joint executive chairman of its board and re-designated as a non-executive director on 2 July 2013 and having resigned on 17 October 2013; and (iii) the chief executive and an executive co-chairman of the board of West African Minerals Corporation (an AIM-listed company), having resigned on 17 July 2013.
  
3. **Jamie Alexander Gibson**, aged 50, British, joined Regent Pacific Group in April 1996 and was appointed as an Executive Director and Chief Operating Officer of the Company in January 2002. In May 2002, he became Chief Executive Officer of the Company. Mr Gibson has spent most of his professional career with the Company specialising in corporate finance, direct equity investments and structuring emerging market investment products. Prior to joining the Company, he worked at Clifford Chance, Coopers & Lybrand and KPMG. Mr Gibson has a law degree from Edinburgh University. He is also director of a number of subsidiaries of Regent Pacific Group, including Amerinvest Coal Industry Holding Company Limited, which in turn holds a 25% equity interest in West China Coking & Gas Company Limited, and an executive director and the Chief Executive Officer of Plethora Solutions Holdings plc (which became a wholly owned subsidiary of the Company upon completion of a scheme of arrangement on 9 March 2016 and was de-listed from AIM on 11 March 2016). Mr Gibson was formerly: (i) a non-executive director of BC Iron Limited ("BCI", an ASX-listed company), having been appointed on 16 July 2012, representing the Company's 23.11 per cent interest then held in BCI, and resigned on 18 December 2012 in anticipation of the Company's contemplated disposal of its entire interest in BCI; and (ii) the alternate director to James Mellon on the board of VXR (as referred to above), having been appointed on 12 March 2013 and resigned on 10 June 2013.

## DIRECTORS (Continued)

4. **Charles David Andrew Comba**, aged 72, Canadian, has been an Independent Non-Executive Director of the Company since October 2005. He is currently director of a Canadian listed company, namely CR Capital Corp (formerly known as Cogitore Resources Inc) (listed on the NEX board of TSX-V). Until his retirement in May 2005, he held senior staff positions as Director Issues Management and more recently as Director of Regulatory Affairs with the Prospectors and Developers Association of Canada. Mr Comba also served the association as a Director prior to joining staff in 1998. He served on or led mineral exploration teams that have made eleven significant discoveries of base and precious metals, primarily for Falconbridge Group companies. Five discoveries were taken to production. After holding Falconbridge Regional Exploration Manager positions in Timmins, Ontario and Sudbury, Ontario, Mr Comba was transferred to Toronto, Ontario in 1990 as Vice President of Exploration Falconbridge Gold Corporation. Subsequent to the sale of FGC to Kinross Gold Corporation he became a director, President and Chief Executive Officer of a Kinross controlled exploration company, Pentland Firth Ventures Limited. Mr Comba obtained two geological degrees from Queen's University Kingston, Ontario, Canada, an MSc (1975) and a Hon BSc (1972). He ceased to be a director of North American Palladium Ltd (listed on the Toronto Stock Exchange and the American Stock Exchange) on 23 June 2014 by mandatory retirement upon the age of 71. Mr Comba was a director and chairman of the board of First Nickel Inc (listed on the Toronto Stock Exchange), which agreed on 20 August 2015 to enter into receivership with its two principal debt holders.
5. **Julie Oates**, aged 54, British, has been an Independent Non-Executive Director of the Company since September 2004. She trained with PKF (Isle of Man) LLC and qualified in 1987 as a member of The Institute of Chartered Accountants in England and Wales. Mrs Oates later joined the international firm of Moore Stephens, and was appointed partner in the Isle of Man firm in 1997. In 2002, she joined a local trust company as Managing Director and in 2003 established her own accountancy practice. Mrs Oates has experience in both the general practice areas of accounting and business assurance as well as offshore corporate and trust administration. Mrs Oates acts as director for a number of companies and is licensed by the Isle of Man Government Financial Services Authority.

## DIRECTORS (Continued)

6. **Stawell Mark Searle**, aged 72, British, has been an Independent Non-Executive Director of the Company since October 2001. He has over 30 years' experience in the investment management industry. Having trained with Jardine Matheson, the Far Eastern trading house in London, he was seconded to Samuel Montagu where he worked for two years in their Investment Department. Subsequently, Mr Searle joined Investment Intelligence Limited becoming Investment Director responsible for management of a stable of open ended funds. Between 1982 and 1987, he was Managing Director of Richards Longstaff Limited, a privately owned investment consultancy. In the following ten years, he was Investment Director of Gerrard Asset Management. Mr Searle has been a director of a number of closed-ended funds during his career and most recently was a director of Invesco Perpetual European Absolute Return Investment Trust Plc (formerly a listed company on the London Stock Exchange), which was liquidated at the end of October 2009 at the request of a majority of shareholders.
7. **Jayne Allison Sutcliffe**, aged 52, British, was appointed as the Group Corporate Finance Director in August 1991 and was re-designated as a Non-Executive Director in June 2000. Mrs Sutcliffe has spent most of her professional career in the fund management industry specialising in sales and marketing initially at Thornton Management and then at Tyndall Holdings Plc. Mrs Sutcliffe co-founded Regent Pacific Group in 1990 where she established, and was responsible for, the Group's corporate finance activities. She has a Master's degree in Theology from Oxford University. Mrs Sutcliffe is also director of a subsidiary of Regent Pacific Group. She is also the Group Chief Executive of Charlemagne Capital Limited, which is listed on AIM.

None of the Directors has any relationships (either financial or business or family or other material/relevant relationship(s)) with any other Directors, senior management or substantial or controlling shareholders of the Company.

None of the Directors has any connections (either being a director or an employee) with any company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong.

# DIRECTORS' REPORT

## DIRECTORS (Continued)

The Directors serve on the various committees of the Board as follows:

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee (Note 1)	Connected Transactions Committee (Note 2)	Technical Committee (Notes 3 & 4)	Inside Information Committee (Notes 5 & 6)
James Mellon	Member of Audit Committee	Member of Remuneration Committee	Chairman of Nomination Committee	Chairman of Investment Committee			
Stephen Dattels							
Jamie Gibson				Member of Investment Committee	Member of Connected Transactions Committee	Chairman of Technical Committee	Member of Inside Information Committee
David Comba						Member of Technical Committee	
Julie Oates	Chairlady of Audit Committee	Member of Remuneration Committee	Member of Nomination Committee		Chairlady of Connected Transactions Committee		
Mark Searle	Member of Audit Committee	Chairman of Remuneration Committee	Member of Nomination Committee		Member of Connected Transactions Committee		
Jayne Sutcliffe							

## DIRECTORS (Continued)

### Notes:

1. The Investment Committee oversees the investments of the Group.
2. The Connected Transactions Committee reviews and monitors any conflict of interests that the Group may have with any of its directors, employees or members and, moreover, any actual or potential connected or related party transaction (including connected transactions exempted under the HK Listing Rules) that the Group is proposing to enter into, including any approvals thereof.
3. The Technical Committee reviews and monitors the compliance of the Company with the requirements of Chapter 18 of the HK Listing Rules (together with associated provisions of the HK Listing Rules).
4. The Technical Committee comprises other members who are not Directors of the Company.
5. The Inside Information Committee reviews and monitors the compliance of the Company with its statutory disclosure obligations under Part XIVA of the Securities and Futures Ordinance of Hong Kong, the HK Listing Rules and other applicable laws and regulations in respect of disclosure and transparency relevant to the Company.
6. The Inside Information Committee comprises other members who are not Directors of the Company.

The Company has been informed by James Mellon that there is an arrest warrant in his name, which was originally issued by the South Korean prosecutor's office on 19 December 2000 and subsequently re-issued on 14 January 2004. The warrant was due to remain valid and effective until 12 March 2010. The arrest warrant pertains to Mr Mellon's alleged involvement in a conspiracy to manipulate the share price of Regent Securities Co, Ltd. Mr Mellon has informed the Company that he denies these allegations which are wholly without substance.

## SENIOR MANAGEMENT

1. **David Samuel Church**, Head of Mergers and Acquisitions and General Counsel, aged 41, Australian, joined Regent Pacific Group in 2008 and is based in Hong Kong. He is also director of a number of subsidiaries of Regent Pacific Group. Mr Church has more than 16 years' experience in mergers and acquisitions and corporate finance in Australia, the UK, Europe and Asia with expertise across multiple sectors. Mr Church has worked on domestic and international corporate transactions as well as major international equity offerings for corporates and investment banks. He has over eleven years' experience in Asia including transactions in Hong Kong, Korea, the PRC, Singapore, Indonesia, Malaysia and the Philippines. Mr Church has acted and advised on some of the most high profile M&A transactions in Europe and Asia. He is qualified and has practiced as a solicitor in Australia, with Clayton Utz, and in the UK and Hong Kong, with Linklaters.
2. **Paul Eric Jones**, Investment Director, aged 51, Canadian, has 25 years of experience in the energy industry and corporate finance. This has included various professional disciplines encompassing fund management, commercial banking and business development. Before joining Regent Pacific Group in April 2011, Mr Jones was employed for six years with a Canadian private equity fund, where he was principally engaged in evaluating investment opportunities on behalf of the firm's investors and managing a portfolio of public and private securities. Prior thereto, Mr Jones was a Director in the energy lending group at the Canadian Imperial Bank of Commerce (CIBC) where he specialised in arranging debt financing and providing advisory services to oil and gas producers. Previous to his banking career, Mr Jones was a financial analyst with TransCanada Corp. (a large Canadian power generation and energy transmission company), where he was responsible for initiatives relating to bond issuance, project finance, capital budgeting and investor relations. Mr Jones holds a Bachelor of Arts and a Master of Business Administration (Finance), both from the University of Calgary.
3. **Professor Michael Grant Wyllie**, Chief Scientific Officer, aged 65, British, has particular responsibility for the process of securing approvals of the product, regulatory compliance and assisting the Chief Executive Officer in the commercial development of Fortacin of Plethora Solutions Holdings plc ("**Plethora**"). Prof Wyllie is a co-founder of Plethora. He has over 30 years of experience in senior management level positions within the pharmaceutical industry, with Wyeth and Pfizer. He has considerable hands-on experience in all aspects of the drug discovery and development process, and has been involved with new project inception, drug discovery and safety testing, early and late stage clinical development, regulatory filing, and the successful commercialisation of products, including Cardura® (doxazosin), Enablex® (darifenacin) and Viagra® (sildenafil). Prof Wyllie sits on the Clinical Trial Design and Future Therapies in BPH Committees of the World Health Organisation International Consultations on Urological Disease and the International Advisory Panel to The University of Strathclyde. He is an assistant editor of the British Journal of Urology in the Sexual Medicine Section. He has over 200 publications and is the named inventor of over 80 patents. He is an independent director on the board of the NASDAQ listed reproductive health company, Repros (RPRX).

## DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS

As at 31 December 2015, the Directors of the Company had the following beneficial interests in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company or of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (the "SFO")), which were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which were otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the HK Listing Rules:

### I. Securities of the Company

#### a. Ordinary shares of US\$0.01 each

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares*	Approximate % holding**
James Mellon		Beneficial owner	Long position	154,986,181	4.45%
	A	Beneficiary of a trust	Long position	375,821,134	10.78%
Stephen Dattels	B	Beneficiary of a trust	Long position	284,266,097	8.16%
Jamie Gibson		Beneficial owner	Long position	142,319,138	4.08%
David Comba		—	—	—	—
Julie Oates	C	Interests held jointly with another person	Long position	2,500,000	0.07%
Mark Searle		Beneficial owner	Long position	4,000,000	0.12%
	D	Beneficiary of a trust	Long position	1,000,000	0.03%
Jayne Sutcliffe		Beneficial owner	Long position	17,160,465	0.49%
	E	Beneficiary of a trust	Long position	27,965,226	0.80%

\* These numbers do not include the number of the shares to be issued upon exercise of the outstanding options held by the Directors under the Share Option Scheme (2002), which are disclosed in sub-paragraph (b) below.

\*\* The total issued ordinary share capital of the Company as at 31 December 2015 consisted of 3,485,730,523 shares.

## DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

### I. Securities of the Company (Continued)

#### a. Ordinary shares of US\$0.01 each (Continued)

Subsequent to the year end date and on 9 March 2016, an aggregate of 13,886,781,298 new shares were issued and allotted by the Company upon the scheme of arrangement (the "**Scheme**", under Part 26 of the Companies Act 2006), by way of which the conditional all share takeover by the Company for Plethora Solutions Holdings plc was effected, becoming effective. Accordingly, as at the date of this report, the Directors of the Company have the following beneficial interests in the ordinary shares of US\$0.01 each of the Company, which are recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which are otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests which the Directors are deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code:

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares*	Approximate % holding***
James Mellon	G	Beneficial owner	Long position	1,461,764,962	8.41%
	G	Beneficiary of a trust	Long position	2,412,097,156	13.88%
Stephen Dattels	B	Beneficiary of a trust	Long position	284,266,097	1.64%
Jamie Gibson	H	Beneficial owner	Long position	692,085,138	3.98%
David Comba	—	—	—	—	—
Julie Oates	C	Interests held jointly with another person	Long position	2,500,000	0.01%
Mark Searle	I	Beneficial owner	Long position	4,712,280	0.03%
	I	Beneficiary of a trust	Long position	20,707,600	0.12%
	I	Family interest	Long position	6,283,040	0.04%
Jayne Sutcliffe		Beneficial owner	Long position	17,160,465	0.10%
	E	Beneficiary of a trust	Long position	27,965,226	0.16%

\* These numbers do not include the number of the shares to be issued upon exercise of the outstanding options held by the Directors under the Share Option Scheme (2002), which are disclosed in sub-paragraph (b) above.

\*\*\* The total issued ordinary share capital of the Company as at the date of this report consists of 17,372,511,821 shares.

## DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

### I. Securities of the Company (Continued)

#### b. Options under Share Option Scheme (2002)

Please refer to note 21 to the Financial Statements as to the details of the Share Option Scheme (2002), which expired on 15 November 2012, with the provisions of the rules of the scheme remaining in full force and effect to the extent necessary to give effect to the exercise of any options granted and remaining outstanding prior to the date of the expiry.

As at 31 December 2015, the following Directors of the Company had personal interests in options granted under the Share Option Scheme (2002), entitling them to subscribe for ordinary shares of US\$0.01 each in the capital of the Company in accordance with, and subject to, the terms of the scheme:

Name of Director	Date of grant	Total number of shares subject to the option <sup>#</sup>	Subscription price per share (HK\$)	Exercise period <sup>#</sup>	Number of shares subject to vested options <sup>#</sup>	Consideration for grant of option (HK\$)
James Mellon	2 October 2007	13,000,000	1.152	2 October 2008 – 1 October 2017	13,000,000	10.00
Jamie Gibson	4 April 2006	45,600,000	0.300	4 April 2007 – 3 April 2016	45,600,000	10.00
	2 October 2007	13,000,000	1.152	2 October 2008 – 1 October 2017	13,000,000	10.00
David Comba	2 October 2007	5,000,000	1.152	2 October 2008 – 1 October 2017	5,000,000	10.00

<sup>#</sup> The options entitle the holders to exercise one-third of the option at each of the first, second and third anniversary dates after the date of grant. Any entitlements unexercised in any prior period may be carried forward to the following periods but, in any event, must be exercised within 10 years from the date of grant. All entitlements then remain unexercised will lapse.

During the year ended 31 December 2015 and prior to the date of this report, no new options were granted to the Directors of the Company under the Share Option Scheme (2002), and none of the outstanding options were exercised or cancelled.

Save for the above, during the year ended 31 December 2015 and prior to the date of this report, no Directors of the Company exercised any of their rights under the respective options granted to them pursuant to the Share Option Scheme (2002) and subscribed for shares in the Company; and no new options were granted; and no outstanding options lapsed or were cancelled.

## DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

### 2. Securities of associated corporations

— Ordinary shares of US\$0.01 of AstroEast.com Limited (note F)

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % holding
James Mellon	—	—	—	—	—
Stephen Dattels	B	Beneficiary of a trust	Long position	5,250,000	18.74%
Jamie Gibson	—	Beneficial owner	Long position	225,000	0.80%
David Comba	—	—	—	—	—
Julie Oates	—	—	—	—	—
Mark Searle	—	—	—	—	—
Jayne Sutcliffe	—	Beneficial owner	Long position	150,000	0.54%

Notes:

- A. The 375,821,134 ordinary shares in the Company are held by companies wholly owned by the trustee of a settlement, of which James Mellon is a beneficiary.
- B. The 284,266,097 ordinary shares in the Company and 5,250,000 ordinary shares in AstroEast.com Limited are held by an investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary.
- C. The 2,500,000 ordinary shares in the Company are held by Julie Oates for the beneficial interests jointly with Alan Clucas Oates (her spouse).
- D. The 1,000,000 ordinary shares in the Company are held to the order of a pension fund, of which Mark Searle is the sole beneficiary.
- E. The 27,965,226 ordinary shares in the Company are held by the trustee of a discretionary trust, under which Jayne Sutcliffe and members of her family may become beneficiaries.
- F. AstroEast.com Limited is an indirect 50.99% owned subsidiary of the Company.
- G. 1,306,778,781 new shares and 2,036,276,022 new shares were issued and allotted by the Company to: (i) James Mellon; and (ii) a company wholly owned by the trustee of a settlement, of which James Mellon is a beneficiary respectively on 9 March 2016 upon the Scheme becoming effective.

The 2,412,097,156 ordinary shares in the Company are held by companies wholly owned by the trustee of a settlement, of which James Mellon is a beneficiary.

## DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

Notes: (Continued)

H. 549,766,000 new shares were issued and allotted by the Company to Jamie Gibson on 9 March 2016 upon the Scheme becoming effective.

I. 4,000,000 ordinary shares in the Company were transferred from Mark Searle (held for his personal interest) to the pension fund, of which he is the sole beneficiary, before the Scheme became effective.

4,712,280 new shares, 15,707,600 new shares and 6,283,040 new shares were issued and allotted by the Company to: (i) Mark Searle; (ii) the pension fund, of which Mark Searle is the sole beneficiary; and (iii) Juliet Mary Druce Searle (the spouse of Mark Searle) respectively on 9 March 2016 upon the Scheme becoming effective.

The 20,707,600 ordinary shares in the Company are held to the order of a pension fund, of which Mark Searle is the sole beneficiary.

The 6,283,040 ordinary shares in the Company are held by Juliet Mary Druce Searle (the spouse of Mark Searle).

Save as disclosed herein, as at 31 December 2015 and as at the date of this report, none of the Directors had/has any beneficial interests or short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or of any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors were/are deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code.

Save as disclosed herein, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) did not grant to any Director of the Company any rights to subscribe for the equity or debt securities of the Company or of any of its associated corporations, or had there been any exercise of such options during the period or prior to the date of this report (including those interests which the Directors were/are deemed or taken to have under such provisions of the SFO).

## CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS

### (I) Disposal of shares in Binary Holdings Ltd.

On 16 January 2015, the Company announced that it was to dispose of up to 938,978 shares ("**Binary Share(s)**" or "**Sale Share(s)**") in Binary Holdings Ltd. ("**Binary**", formerly known as "Regent Markets Holdings Ltd.", a limited liability company incorporated in the British Virgin Islands and continued in the Cayman Islands), being approximately 46.95 per cent of the total issued share capital of Binary and a majority of the Company's shareholding in Binary (then a 49.90 per cent owned associated company of the Company), for an aggregate consideration of US\$15 million (the "**Disposal**").

- (a) As part of the Disposal, on 16 January 2015 (after market close in Hong Kong), the Company entered into a sale and purchase agreement (the "**First Sale Agreement**") with: (1) JYS (BVI) Ltd.; (2) Jean-Yves Sireau; (3) Binary; (4) James Mellon; and (5) Capital International (Nominees) Limited ("**CINL**", as the nominee for a pension fund, of which Anderson Whamond is the sole beneficiary) in respect of the disposal by the Company of, in aggregate, 708,584 Binary Shares (the "**First Sale**") to: (a) Jean-Yves Sireau (187,796 Binary Shares, by way of a share transfer); (b) Binary (375,591 Binary Shares, by way of a selective share buy-back); (c) James Mellon (125,197 Binary Shares, by way of a share transfer); and (d) CINL (as the nominee for Anderson Whamond) (20,000 Binary Shares, by way of a share transfer) (collectively the "**First Sale Purchaser(s)**") for US\$15.9748152 per Binary Share, or an aggregate consideration of US\$11,319,498.46, which was to be payable by the purchasers (in the amounts relative to the numbers of Sale Shares acquired by the respective purchasers) to the Company in the following manner:
- (i) an amount equal to US\$5,659,749.23 was to be payable and must be paid in cash (in US\$) by 5:00 p.m. on the date of closing of the First Sale (the "**First Sale Closing**"); and
  - (ii) an amount equal to US\$5,659,749.23, together with any interest at the rate of 8 per cent per annum to be calculated and accrue daily in respect of any and all unpaid sums from (and including) the date of the First Sale Closing ("**deferred consideration**"), was to be payable and must be paid in cash (in US\$) within 18 months of the date of the First Sale Closing.

Separate from and in addition to the First Sale, as part of the Disposal, it was the intention of the Company to dispose of up to 230,394 Binary Shares (the "**Third Parties Sale Share(s)**") to third parties (by sale and purchase agreement(s) (the "**Third Parties Sale Agreement(s)**") on exactly the same terms in respect of price and otherwise on substantially similar terms and conditions as set out in the First Sale Agreement), for an aggregate consideration of US\$3,680,501.57 (if any) on or before the expiry of six months from the date of the First Sale Agreement (or, in any event, such other date as may be agreed among the parties thereto) (the "**First Sale Long Stop Date**"). In the First Sale Agreement, the Company agreed that in the event that the Third Parties Sale Agreement(s) had not been entered into by the Company with third parties in respect of the Third Parties Sale Shares (being 230,394 Binary Shares) on or prior to the First Sale Long Stop Date, each of the First Sale Purchasers should have the right to acquire his/its pro rata share (calculated by dividing the number of Sale Shares allocated to each First Sale Purchaser in the First Sale Agreement by the total number of Sale Shares) of the unsold Third Parties Sale Shares on exactly the same terms in respect of price and otherwise on substantially similar terms and conditions as set out in the First Sale Agreement, within five Business Days (as defined therein) of the First Sale Long Stop Date, unless otherwise agreed between the parties. Should any Third Parties Sale Shares remain unsold thereafter, such unsold Third Parties Sale Shares should remain in the property of the Company, to be held legally and beneficially by it and kept in its possession.

## CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

### (I) Disposal of shares in Binary Holdings Ltd. (Continued)

- (b) On 4 March 2015, the Company further announced that it entered into a sale and purchase agreement (the “**Third Parties Sale Agreement**”) on 4 March 2015 (after market close in Hong Kong) with: (1) Euroblue Investments Limited; (2) CINL (as nominee for Anderson Whamond); and (3) five independent individuals in respect of the disposal by the Company of, in aggregate, 230,394 Binary Shares (the “**Third Parties Sale**”), in each case by way of a share transfer, to: (a) Euroblue Investments Limited (187,796 Binary Shares); (b) CINL (as the nominee for Anderson Whamond) (20,000 Binary Shares); and (c) five independent individuals (in aggregate, 22,598 Binary Shares) (collectively the “**Third Parties Sale Purchaser(s)**”) for US\$15.9748152 per Binary Share, or an aggregate consideration of US\$3,680,501.57, which was to be payable by the purchasers (in the amounts relative to the numbers of Sale Shares acquired by the respective purchasers) to the Company in the following manner:
- (i) an amount equal to US\$1,840,250.79 was to be payable and must be paid in cash (in US\$) by 5:00 p.m. on the date of closing of the Third Parties Sale (the “**Third Parties Sale Closing**”); and
  - (ii) an amount equal to US\$1,840,250.79, together with any interest at the rate of 8 per cent per annum to be calculated and accrue daily in respect of any and all unpaid sums from (and including) the date of the Third Parties Sale Closing (“**deferred consideration**”), was to be payable and must be paid in cash (in US\$) within 18 months of the date of the Third Parties Sale Closing.

As the Third Parties Sale Agreement was entered into, the Company did not consider it likely that the First Sale Purchasers would be offered their pro rata rights to acquire any remaining Binary Shares (as referred to in Paragraph (a) above). However, in the event that, for whatever reason, the Third Parties Sale Agreement was not to close as planned, it was envisaged that such rights would remain.

As CINL (as nominee for Anderson Whamond) was also participating in the Third Parties Sale Agreement and was doing so in excess of what its pro rata entitlement might have been should the aforementioned shortfall remained as at the First Sale Long Stop Date, each of the First Sale Purchasers executed, on 24 February 2015, a waiver and consent of its participation in the Third Parties Sale.

The Third Parties Sale was conditional upon the First Sale Closing and it was anticipated that the Third Parties Sale Closing would take place immediately or as soon as practicable following the First Sale Closing.

The Disposal (in its entirety) or simply the First Sale constituted a major transaction of the Company under Chapter 14 of the HK Listing Rules. And, the Third Party Sale alone constituted a discloseable transaction of the Company under Chapter 14 of the HK Listing Rules.

## CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

### (I) Disposal of shares in Binary Holdings Ltd. (Continued)

Further, given that James Mellon (Non-Executive Co-Chairman of the Company then holding, by himself and his associates, 15.23 per cent of the total issued share capital of the Company) and Anderson Whamond (formerly a Non-Executive Director of the Company during the period from January 1999 to February 2008 and then a director of Interman Limited, a wholly owned subsidiary of the Company, holding, by himself and his associates, 0.40 per cent of the total issued share capital of the Company), both purchasers (either legally or beneficially) named in either or both the First Sale Agreement and the Third Parties Sale Agreement, as applicable, were connected persons of the Group, the Disposal, together with any purchase by them of any shortfall in the Third Parties Sale Shares not otherwise disposed of under the Third Parties Sale Agreement, also constituted connected transactions of the Company under Chapter 14A of the HK Listing Rules.

Besides, the deferred consideration payable in respect of the First Sale and the Third Parties Sale, attracting daily interest at the rate of 8 per cent per annum until maturity (being 18 months from the date of the relevant closing) would, in the cases of James Mellon and Anderson Whamond, constitute financial assistance under Chapter 14A of the HK Listing Rules and, in other cases, constitute financial assistance to other purchasers under Chapter 14 of the HK Listing Rules.

As noted in the shareholders' circular issued by the Company on 16 March 2015, an independent board committee, comprising the Company's three Independent Non-Executive Directors (namely David Comba, Julie Oates and Mark Searle), was established (and having taken the advice from the Company's independent financial adviser, Altus Capital Limited) to advise the independent shareholders on the First Sale and the Third Parties Sale (together, the Disposal, and including the financial assistance), which were presented for the approval of the Company's shareholders at its extraordinary general meeting held on 2 April 2015, with James Mellon, Anderson Whamond and Jean-Yves Sireau (and their respective associates), given their interests held in the Disposal, abstaining from voting in respect of the resolutions presented at the meeting. No other shareholders were required to abstain from voting in respect of any of the resolutions.

The First Sale and the Third Parties Sale were completed on 8 April 2015, being the first Business Day (as defined in the First Sale Agreement and the Third Parties Sale Agreement) following the aforesaid extraordinary general meeting.

## CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

### (2) Subscription of new shares in The Diabetic Boot Company Limited

On 28 May 2015, the Company announced that it (as a new investor) entered into a subscription agreement (the "Subscription Agreement") with: (a) Leslie Lindsay (as the founder of The Diabetic Boot Company Limited ("Diabetic Boot")); and (b) Diabetic Boot in respect of the subscription by the Company, at GBP 13.37 per share in Diabetic Boot ("Diabetic Boot Share(s)") in cash, of 89,753 new Diabetic Boot Shares of GBP 0.001 each, for an aggregate consideration of GBP 1,199,997.61 (the "Subscription").

Given that: (i) James Mellon (Non-Executive Co-Chairman of the Company then holding, by himself and his associates, 15.35 per cent of the total issued share capital of the Company); (ii) Stephen Dattels (Non-Executive Co-Chairman of the Company then holding, through his associate, 8.16 per cent of the total issued share capital of the Company); and (iii) Anthony Baillieu (whose connection with the Company as referred to below, then holding, through a nominee company owned by his family which held shares and cash to the individual family members' accounts, 0.0057 per cent of the total issued share capital of the Company), all shareholders of Diabetic Boot, were connected persons of the Group, the Subscription constituted a connected transaction of the Company under Chapter 14A of the HK Listing Rules. However, none of the above-mentioned Directors has a material interest in the Subscription, and the Subscription was exempted from the circular (including independent financial advice) and shareholders' approval requirements under the de minimis provisions of Rule 14A.76(2) of Chapter 14A of the HK Listing Rules.

Anthony Baillieu was formerly a Director of the Company having resigned in October 2005, but remained as a director of two of the Company's dormant subsidiaries (being AstroEast.com Limited and AstroEast.com (Hong Kong) Limited), holding such positions since January 2000. Mr Baillieu then held, through a nominee company owned by his family, but to his own individual account, 0.0057 per cent of the total issued share capital of the Company.

Completion has taken place on the date of the Subscription Agreement, upon the parties thereto having performed their respective obligations thereunder.

## CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

### (3) Conditional all share takeover offer for Plethora Solutions Holdings plc (effected by way of a scheme of arrangement under Part 26 of the Companies Act 2006)

On 15 December 2015, the Company announced that it had reached agreement with Michael G Wyllie, being an independent director of Plethora (a limited liability company incorporated in England and Wales, with its shares listed on the Alternative Investment Market of the London Stock Exchange), on the terms of a recommended share-for-share takeover offer, pursuant to which the Company would acquire the entire issued and to be issued ordinary share capital of Plethora not already owned by the Company, which would be effected by means of a scheme of arrangement of Plethora in the United Kingdom under Part 26 of the Companies Act 2006 (the "Transaction") (the "HK VSA Announcement").

The Transaction constituted a very substantial acquisition of the Company under Chapter 14 of the HK Listing Rules.

In addition, given that: (i) James Mellon (Non-Executive Co-Chairman of the Company then holding, by himself and his associates, 15.35 per cent of the total issued share capital of the Company); (ii) Jamie Gibson (Executive Director and Chief Executive Officer of the Company then holding, by himself, 4.08 per cent of the total issued share capital of the Company); and (iii) Mark Searle (Independent Non-Executive Director of the Company then holding, by himself and his associate, 0.14 per cent of the total issued share capital of the Company), all shareholders and/or holders of the Plethora Convertible Instruments (as defined in the HK VSA Announcement) and/or awards under the Plethora LTIP (as defined in the HK VSA Announcement) and, in the case of James Mellon and Jamie Gibson, directors of Plethora, were connected persons of the Group, the Transaction also constituted a connected transaction of the Company under Chapter 14A of the HK Listing Rules.

Furthermore, Anthony Baillieu, who was appointed as a non-executive director of Plethora on 12 May 2015, was formerly a Director of the Company having resigned in October 2005, but remained as a director of two of the Company's dormant subsidiaries (being AstroEast.com Limited and AstroEast.com (Hong Kong) Limited), holding such positions since January 2000. Mr Baillieu then held, through a nominee company owned by his family, but to his own individual account, 0.0057 per cent of the total issued share capital of the Company.

As noted in the shareholders' circular issued by the Company on 4 February 2016, an independent board committee, comprising David Comba and Julie Oates, being the only Independent Non-Executive Directors of the Company who did not have a material interest in the Transaction, was established (and having taken the advice from the Company's independent financial adviser, Altus Capital Limited) to advise the independent shareholders on the Transaction, which was presented for the approval of the Company's shareholders at its extraordinary general meeting held on 2 March 2016, with James Mellon, Jayne Sutcliffe, Anderson Whamond, Jamie Gibson, Mark Searle, Anthony Baillieu and Greg Bailey (and their respective associates), given their interests held in the Transaction, abstaining from voting in respect of the resolutions presented at the meeting. No other shareholders were required to abstain from voting in respect of any of the resolutions.

The Transaction was completed on 9 March 2016, with 13,886,781,298 consideration shares issued by the Company.

## **CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS** (Continued)

Save for the above, no connected transactions (as defined in Chapter 14A of the HK Listing Rules) or significant contracts (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules) of the Company, to which the Company or any of its subsidiaries was/is a party and in which a Director or Directors of the Company had/has/have a material interest, either directly or indirectly, subsisted/subsists as at 31 December 2015 or as at the date of this report or at any time during the year or prior to the date of this report.

Further, the Company established a connected transactions committee on 20 October 2008 to review and monitor any conflict of interests that the Group may have with any of its directors, employees or members and, moreover, any actual or potential connected or related party transaction (including connected transactions exempted under the HK Listing Rules) that the Group is proposing to enter into, including any approvals thereof. The committee comprises Julie Oates (the Chairlady), Jamie Gibson and Mark Searle.

## **PERMITTED INDEMNITY PROVISION**

Except for the directors' and officers' liability insurance policy provided by the Company in respect of legal action against its Directors, during the year ended 31 December 2015 and prior to the date of this report, there was not any permitted indemnity provision (whether made by the Company or otherwise) (as referred to in Sections 468 to 470 of the Companies Ordinance (Chapter 622) of Hong Kong (the "**Companies Ordinance**") and Section 9 of the Companies (Directors' Report) Regulation (Chapter 622D) of Hong Kong) in force for the benefit of any Director of the Company or any director of any associated company of the Company.

## **MANAGEMENT CONTRACTS**

No contracts, other than contracts of service with any Director of the Company or any person engaged in the full-time employment of the Company, subsisted/subsists as at 31 December 2015 or as at the date of this report or at any time during the year or prior to the date of this report, whereby any individual, firm or body corporate undertook/undertakes the management and administration of the whole or any substantial part of any business of the Company, as referred to in Section 543 of the Companies Ordinance.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Directors, except for the Independent Non-Executive Directors who are not subject to the disclosure requirement under Rule 8.10 of the HK Listing Rules, have declared that they (or their respective associates) are not interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business save that the following companies may pursue investment opportunities that may compete against the Company:

### (1) 3Legs Resources plc

3Legs Resources plc ("**3Legs Resources**", AIM: 3LEG) is company listed on the AIM, which seeks to invest in and/or acquire companies within life sciences and related technologies, with initial geographical focus in North America, Asia and Europe but investments may also be considered in other regions to the extent that its board of directors considers that valuable opportunities exist and positive returns can be achieved.

James Mellon is a non-executive director of 3Legs Resources, and as at the date of this report:

- The Company does not hold any interests in its total issued share capital; and
- James Mellon (himself and through his associates) holds approximately 14.97 per cent of its total issued share capital.

### (2) Circum Minerals Limited

Circum Minerals Limited ("**Circum Minerals**") is an unlisted natural resources company and an emerging Potash producer.

Stephen Dattels is the chairman of the board of Circum Minerals, and as at the date of this report:

- The Company does not hold any interests in its total issued share capital; and
- Investment companies wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, hold approximately 15.94 per cent of its total issued share capital.

### (3) Condor Gold plc

Condor Gold plc ("**Condor**", AIM: CNR and FSX: W5X) is a UK based gold exploration company dually listed on AIM and the Frankfurt Stock Exchange, focused on proving a large commercial reserve on its 100 per cent owned La India Project in Nicaragua.

James Mellon is a non-executive director of Condor, and as at the date of this report:

- The Company holds approximately 8.68 per cent of its total issued share capital; and
- James Mellon (himself and through his associate) holds less than 3 per cent of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s).

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

### (4) The Diabetic Boot Company Limited

The Diabetic Boot Company Limited (“**Diabetic Boot**”) is a private single product medical device company based near Oxford, in the United Kingdom, focusing on the treatment of diabetic foot ulcers, which are a comorbidity of diabetic mellitus.

As at the date of this report:

- The Company holds approximately 16.79 per cent of its total issued share capital; and
- James Mellon (himself and through his associates) holds approximately 17.78 per cent of its total issued share capital.

As at the date of this report, Port Erin Biopharma Investments Limited (as referred to below) holds approximately 1.33 per cent of the total issued share capital of Diabetic Boot.

As at the date of this report, Fast Forward Innovations Limited (as referred to below) holds approximately 4.86 per cent of the total issued share capital of Diabetic Boot.

### (5) Fast Forward Innovations Limited (formerly known as Kuala Limited)

Fast Forward Innovations Limited (“**Fast Forward Innovations**”, AIM: FFWD) is an AIM-listed company, aiming to bring investment opportunities often reserved for the private market of venture capital firms to the public market. Fast Forward Innovations invests in visionary entrepreneurs developing innovative technologies that solve problems in their industries.

Stephen Dattels and James Mellon are the executive co-chairmen of the board of Fast Forward Innovations (James Mellon having been appointed as an executive director on 13 July 2015 and as co-chairman on 7 September 2015), and as at the date of this report:

- The Company does not hold any interests in its total issued share capital;
- An investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, holds approximately 11.34 per cent of its total issued share capital; and
- James Mellon (through his associate) holds approximately 7.77 per cent of its total issued share capital.

As at the date of this report, Fast Forward Innovations holds approximately 4.86 per cent of the total issued share capital of Diabetic Boot (as referred to above).

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

### (6) Port Erin Biopharma Investments Limited

Port Erin Biopharma Investments Limited ("**Port Erin Biopharma**", AIM: PEBI) is an AIM-listed company investing in the Biotechnology and Biopharmaceutical sector.

James Mellon is the non-executive chairman of the board of Port Erin Biopharma, and as at the date of this report:

- The Company does not hold any interests in its total issued share capital; and
- James Mellon (himself and through his associate) holds approximately 29.01 per cent of its total issued share capital.

As at the date of this report, Port Erin Biopharma holds approximately 1.33 per cent of the total issued share capital of Diabetic Boot (as referred to above).

### (7) Portage Biotech Inc

Portage Biotech Inc ("**Portage Biotech**", CSE: PBT.U and OTCBB: PTGEF) is dually listed on the Over the Counter Bulletin Board of NASDAQ of the United States and the Canadian Securities Exchange, focusing on discovering and developing innovative cell permeable peptide therapies and developing drug therapies.

James Mellon is a non-executive director of Portage Biotech, and as at the date of this report:

- The Company does not hold any interests in its total issued share capital;
- James Mellon (himself and through his associates) holds approximately 16.82 per cent of its total issued share capital; and
- A company owned by Jennifer Dattels, the spouse of Stephen Dattels, holds approximately 0.36 per cent of its total issued share capital.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

### (8) West African Minerals Corporation

West African Minerals Corporation (“**West African Minerals**”, AIM: WAFM) is an AIM-listed company, focusing on investing in natural resources companies and/or physical resources assets.

James Mellon is a non-executive director of West African Minerals, and as at the date of this report:

- The Company does not hold any interest in its total issued share capital;
- An investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, holds approximately 7.21 per cent of its total issued share capital; and
- James Mellon (himself and through his associate) holds approximately 6.17 per cent of its total issued share capital.

Currently, the existing businesses of above companies do not compete against the Company's existing businesses. Should the Company and any of the above companies come into competition in the future, no Director of the Company shall vote on any board resolution of the Company approving any contract or arrangement or any other proposal in which they or any of their associates have a material interest, nor shall they be counted in the quorum present in the meeting, in each case if, and to the extent, required under Rule 13.44 of the HK Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

The Directors are not aware of any persons (other than James Mellon and Stephen Dattels, whose interests are set out in detail under the section headed “Directors' Interests in Securities and Options”), who, as at 31 December 2015 or as at the date of this report, had/has beneficial interests or short positions in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company, which would have to be recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests which they were/are deemed or taken to have under such provisions of the SFO).

## MAJOR CUSTOMERS AND SUPPLIERS

The major customers and suppliers of the Group provided less than 30% of the total income and purchase expenditure of the Group.

# DIRECTORS' REPORT

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## AUDITORS

The Financial Statements were audited by BDO Limited.

There was no change in the Company's auditor during the preceding three years.

BDO Limited will retire at the 2016 Annual General Meeting and, being eligible, offer itself for re-appointment. An ordinary resolution has been proposed for the 2016 Annual General Meeting for the re-appointment of BDO Limited.

## CORPORATE GOVERNANCE REPORT

Shareholders' attention is also drawn to the Corporate Governance Report included in this annual report, in compliance with Appendix 14 to the HK Listing Rules.

On Behalf of the Board

**James Mellon**

*Co-Chairman*

30 March 2016

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE GROUP'S PERFORMANCE

## REVENUE AND PROFIT

The Group recorded a loss attributable to the shareholders of the Company of US\$9.33 million in 2015, compared with a similar loss attributable to shareholders of the Company of US\$8.56 million in 2014.

The corporate division (revenue and fair value loss on financial instruments) recorded a loss of US\$5.69 million (2014: US\$11.01 million).

The Group's associate, Plethora Solutions Holdings plc ("**Plethora**"), contributed a share of loss of US\$2.65 million to the Group for the year ended 31 December 2015. In addition, the Group's disposed associate, Binary Holdings Ltd. ("**Binary**"), contributed a share of profit of US\$1.46 million for the period up to 8 April 2015, the date it ceased to be an associate.

The main elements of the loss are analysed as follows:

	US\$ million
Share of profit from Binary	1.46
Share of loss from Plethora	(2.65)
Gain on disposal of Binary	8.94
Loss on deemed disposal of Plethora	(3.56)
Corporate investment	(13.52)
<b>Total loss attributable to shareholders of the Company</b>	<b>(9.33)</b>

## FINANCIAL POSITION

Shareholders' equity decreased by 19.82% to US\$39.08 million as at 31 December 2015 from US\$48.75 million as at 31 December 2014. The decrease was mainly due to: (i) the loss attributable to shareholders of the Company of US\$9.33 million for the year ended 31 December 2015; (ii) the decrease of the exchange reserve by US\$1 million, which was offset against (iii) the increase in investment revaluation reserve by US\$0.83 million.

The investments in Plethora of US\$17.29 million accounted for 44.24% of shareholders' equity. The Group's assets also comprised: (i) cash and bank balances of US\$5.47 million; (ii) listed and unlisted investments of US\$13.51 million; and (iii) an intangible asset of US\$3.44 million; (iv) derivative financial instruments of US\$0.48 million; and (v) other assets and receivables of US\$2.64 million.

The Group's liabilities comprised: (i) payables and accruals of US\$3.62 million, and (ii) derivative financial instruments of US\$0.17 million.

## STRATEGIC PLAN

The Board and the Company's senior management play an active role in the Company's strategy development and planning process. The Chief Executive Officer regularly interacts with the Board in respect of the strategic plan and direction of the Company, during which meetings the Chief Executive Officer seeks and is provided input in respect of the proposed priorities and initiatives previously discussed and agreed with senior management, aiming at developing an agreed approach for the Company to generate and preserve its long-term value, while agreeing shorter term priorities and objectives. In addition, the risks associated with the current operations and strategy of the Company are currently being tested by way of an internal audit process conducted through an independent service provider, with the aim of identifying ways in which the Company can better identify and manage its risks.

In order to generate or preserve value over the longer term, the Group is committed to:

- divesting of non-core assets and investments to enable the Company to pursue growth and opportunistic investments in the healthcare and life sciences sector;
- leverage off our expert international and local teams to tackle difficult markets, deliver results and achieve global recognition; and
- utilise the Company's Hong Kong listing through strong liquidity and access to international capital markets, together with maintaining our corporate governance and social responsibility standards in line with the policies set down by The Stock Exchange of Hong Kong Limited and best practice.

The Company is committed to creating shareholder value and returns through accretive acquisitions and returning surplus capital to shareholders by way of an effective dividend policy and share repurchase programme.

The current strategy of the Group can be seen in the latest Company presentation available on the Company's website ([www.regentpac.com](http://www.regentpac.com)).

## FUNDING

As at 31 December 2015, the Group had US\$5.47 million in cash and US\$0.68 million on margin deposits held with the Group's brokers for trading of derivatives that represented 14.00% and 1.74% of its total shareholders' equity, which does not take into account the Group's holding of securities of financial asset at fair value through profit or loss that amounted to US\$8.15 million.

## GEARING RATIO

No gearing ratio (being long term debts over total equity and long term debts) is calculated as there was no long term debt as at 31 December 2015.

## CONTINGENT LIABILITIES

Saved as those disclosed in notes 27 and 31, the Group has no material contingent liabilities as at 31 December 2015.

## CHARGE ON ASSETS

As announced by the Company on 28 January 2013, 18 April 2013 and 23 August 2013 and as further disclosed in the Company's half yearly and annual reports for 2013 and half yearly report for 2014, the Company received orders from the Federal Court of Australia in relation to an assessment issued by the Commissioner of Taxation in the amount of A\$12.78 million following completion of the sale of its securities in BC Iron Limited for gross proceeds of A\$81.61 million (the "Assessment"). The amount of potential tax assessed was expressed to be due and payable on 2 December 2013.

Following consultation with the Commissioner of Taxation and pursuant to the terms of the Settlement Deed (as defined in the announcement dated 18 April 2013), the Company agreed to grant The Commonwealth of Australia, represented by the Commissioner of Taxation, a specific security deed (as amended by way of a deed of amendment dated 27 November 2013) (together, the "Specific Security Deed") in respect of certain of the Company's holding of 518,103,930 shares in Venturix Resources Limited, 10,854,568 shares in Bannerman Resources Limited and 12,700,000 shares in Tigers Realm Coal Limited, of which the market value are A\$2.59 million (or approximately US\$1.89 million), A\$0.30 million (or approximately US\$0.22 million) and A\$0.38 million (or approximately US\$0.28 million) as at 31 December 2015 respectively, as security against the Assessment, in consideration of the Commissioner of Taxation taking steps to discontinue the Court orders within 7 days of the date of the Specific Security Deed and staying recovery action in respect of the Assessment until the matter is resolved within the time provided for in any relevant law following the Final Determination of Objection (as defined in the announcement dated 18 April 2013).

None of the Group's other assets was pledged as at 31 December 2015 (2014: Nil).

## MANAGEMENT OF RISK

In 2015, the most significant risk affecting the profitability and viability in respect of the Group is the continued success and revenue derived from its listed equity portfolio and in respect of the Group's interest in Plethora. Risks relating to the Group's interests include:

## MANAGEMENT OF RISK (Continued)

### Equity Markets

Global financial markets are continuing to experience significant levels of volatility, driven largely by macro-economic imbalances stemming from the sovereign debt problems in the Europe and the credit tightening in developing countries. As such, the future returns from the Group's equity portfolio are linked to the health of the macro environment for which the Group cannot control. Past returns from the listed equity portfolio cannot be used to judge the Group's future listed equity performance.

### Foreign Exchange Risk

The Group operates using US dollars. As such the Group is exposed to foreign currency fluctuations arising from operations of its subsidiaries and associates. This exposure relates mainly to the translation between US dollars and non-US dollar currencies. Currency fluctuations may affect the revenues which the Group realises from its subsidiaries and associates and, in particular, its interest in Plethora. This exposes the Group to increased volatility in earnings as reported in US dollars due to fluctuations in foreign exchange rates. While foreign currencies are generally convertible into US dollars, there is no guarantee that they will continue to be so convertible or that fluctuations in the value of such currencies will not have an adverse effect on the Group.

### Interest Rate Risk

The Group does not have any operating lines of credit or bank facilities. Therefore, the Group was not exposed to interest rate risk in the financial year concerned.

### Risks Inherent to Plethora (the Company's most significant investment)

1. The timing and quantum of receipt of upfront, milestone and royalty income from strategic commercial marketing partners, which in itself is dependent on the successful partnering and commercial launch of PSD502®;
2. The management of Plethora's cost base and maintaining adequate working capital and ensuring sufficient funds are made available to complete the ongoing work with Pharmaserve North-West Ltd. and Catalent Pharma Solutions, LLC and regulatory approval processes and bringing PSD502® to market;
3. The retention of key employees to complete the commercialisation process;
4. Delays and other unforeseen disruptions to the manufacturing and regulatory approval projects which could have an adverse impact on the commercial launch of PSD502® and future revenues; and
5. The exposure to competition from new generic entrants into the market.

## FINANCIAL INSTRUMENTS

The Group will operate both equity market and currency hedges from time to time. Investment is carefully controlled, in accordance with parameters set by the Board, in short term situations where physical assets may be inappropriate. There is strict segregation between the investment management and settlement functions.

In the course of the Group's normal operations, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 December 2015, the amount of these margin deposits was US\$0.68 million (2014: US\$0.41 million). In terms of the total operations of the Group, activities of this nature are of limited materiality.

## FOREIGN CURRENCY

The Group had not taken out any currency hedge as the management is not aware of any material foreign currency risk against its investments in financial assets. Currently, the Group has no material financial liabilities denominated in foreign currencies other than US dollars.

## MATERIAL ACQUISITIONS AND DISPOSALS

As previously announced, during the year the Group: (i) invested GBP 1.2 million (or approximately US\$1.84 million) for 89,753 new ordinary shares of The Diabetic Boot Company Limited, representing approximately 16.79% of the share capital of the company; and (ii) acquired from Sharwood Limited certain rights and obligations under a promissory note in respect of services provided to Plethora in relation to the procurement of out-licencing opportunities for PSD502®, Plethora's principal product, for a total cash consideration of GBP 2.4 million (or approximately US\$3.67 million).

## SEGMENTAL INFORMATION

For details of the segment information, please refer to note 5 to the Financial Statements.

## EMPLOYEES

The Group, including subsidiaries but excluding associates, employed approximately 16 employees at 31 December 2015 (2014: 19 employees). The remuneration policy is to reward key employees by a combination of salaries, profit related discretionary bonuses and share options and share awards, where appropriate. For employees below Board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by the Remuneration Committee of the Board. In all cases, profit related discretionary bonuses and grants of share rewards will be agreed by the Remuneration Committee of the Board.

# CORPORATE GOVERNANCE REPORT

## THE CORPORATE GOVERNANCE CODE

The Company is committed to a high standard of corporate governance, for which the Directors are accountable to the Company, and has applied the principles of The Corporate Governance Code (the “**CG Code**”) in a manner consistent with best practices of a listed issuer. The primary responsibility for performing the corporate governance functions for the Company, as referred to in the terms of reference set out in Code Provision D.3.1 of the CG Code, rests with the Board of Directors (the “**Board**”), with the full support of the Company’s secretary and its executive management.

The Company continues to monitor developments in this area of corporate governance as they relate to listed issuers in Hong Kong.

As far as the Directors are aware, the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2015 and prior to the date of this report.

## THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

In compliance with Code Provision A.5.4 of The Code on Corporate Governance Practices (the “**Code on CG Practices**”), which was re-stated as Code Provision A.6.4 of the CG Code with effect from 1 April 2012, the Group adopted its code for securities transactions by Directors and employees (the “**Group’s Code**”), on exactly the terms and required standard contained in The Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to The Rules Governing the Listing of Securities (the “**HK Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**HK Stock Exchange**”), on 31 March 2004.

The Group’s Code was last revised on 10 December 2012 (to take effect from 1 January 2013) in order to comply with the amendments made to the Model Code consequential to the introduction of the statutory disclosure regime in respect of inside information under Part XIVA of the Securities and Futures Ordinance of Hong Kong (the “**SFO**”).

Having made specific enquiries, all Directors of the Company confirmed that they have complied with the Group’s Code during the year ended 31 December 2015 and prior to the date of this report.

Directors’ interests in securities and options of the Company are set out in detail under the section headed “Directors’ Interests in Securities and Options” in the Directors’ Report.

The Group’s Code is available on the Company’s website: [www.regentpac.com](http://www.regentpac.com).

## BOARD OF DIRECTORS

### Composition

During the year ended 31 December 2015 and prior to the date of this report, there were no changes in the directorate.

The Board currently consists of seven Directors, namely:

James Mellon (*Non-Executive Co-Chairman of the Board*)

Stephen Roland Dattels (*Non-Executive Co-Chairman of the Board*)

Jamie Alexander Gibson (*Executive Director and Chief Executive Officer*)

Charles David Andrew Comba (*Independent Non-Executive Director*)

Julie Oates (*Independent Non-Executive Director*)

Stawell Mark Searle (*Independent Non-Executive Director*)

Jayne Allison Sutcliffe (*Non-Executive Director*)

The Directors who held office during the year ended 31 December 2015 and up to the date of this report, accompanied by their respective biographical details, are listed in the Directors' Report under the section headed "Directors". It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as directors in the best interests of the Company. All Directors are aware of the required levels of fiduciary duties and duties of skill, care and diligence under Rule 3.08 of the HK Listing Rules.

In compliance with Code Provision A.3.2 of the CG Code, an updated list of the Company's Directors identifying their role and function are available from the "List of Directors" on the websites of the Company ([www.regentpac.com](http://www.regentpac.com)) and the HK Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

In accordance with Article 86(3) of the Company's Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the shareholders in general meeting, as an addition to the existing Board. Any Director so appointed shall retire at the next annual general meeting of the Company but shall then be eligible for re-election. Any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. In addition, Article 87 provides that at each annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation, providing that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years (which is in compliance with Code Provision A.4.2 of the CG Code). A retiring Director shall be eligible for re-election.

No Directors will retire pursuant to Article 86(3) at the forthcoming annual general meeting of the Company (the "**2016 Annual General Meeting**"), and Stephen Dattels, Jamie Gibson and Jayne Sutcliffe will retire by rotation pursuant to Article 87 at the 2016 Annual General Meeting. All of them, being eligible, offer themselves for re-election. Details of the Directors proposed to be re-elected, as required under Rule 13.51(2) of the HK Listing Rules, are set out in the accompanying circular to shareholders. Rotational retirement and re-election of the retiring Directors will be dealt with by a separate resolution for each of the retiring Directors at the 2016 Annual General Meeting.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS (Continued)

### Composition (Continued)

None of the Directors proposed for re-election at the 2016 Annual General Meeting has any unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment (other than statutory compensation), except that the service agreement of Jamie Gibson (who stands for rotational re-election at the 2016 Annual General Meeting) specifies that his appointment may be terminated by either party giving one year's notice.

None of the Directors of the Company has any unexpired service contract with the Company or any of its subsidiaries, which was entered into on or before 31 January 2004 and was exempt from the shareholders' approval requirement under Rule 13.68 of the HK Listing Rules but is required to be disclosed in the Company's annual report pursuant to Paragraph 14A of Appendix 16 to the HK Listing Rules.

None of the Directors has any relationships (either financial or business or family or other material/relevant relationship(s)) with any other Directors, senior management or substantial or controlling shareholders of the Company.

None of the Directors has any connections (either being a director or an employee) with any company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### Board meetings and attendance and written resolutions

During the year ended 31 December 2015, the Directors held meetings at least at a quarterly interval and in total four Board meetings were held during the year. The attendance of the respective Directors at the Board meetings are set out below:

Name of Director	Number of meetings held	Number of meetings attended	Number of meetings absent	Attendance rate (%)
James Mellon	4	3	1	75%
Stephen Dattels	4	4	0	100%
Jamie Gibson	4	4	0	100%
David Comba	4	4	0	100%
Julie Oates	4	4	0	100%
Mark Searle	4	4	0	100%
Jayne Sutcliffe	4	2	2	50%

## BOARD OF DIRECTORS (Continued)

### Board meetings and attendance and written resolutions (Continued)

Subsequent to the year end date and prior to the date of this report, the Directors held two Board meetings, which were attended by all Directors, except that Mark Searle was absent from one of the meetings and Jayne Sutcliffe was absent from both meetings.

Article 116(2) of the Company's Articles of Association provides that Directors may participate in any meeting of the Board by means of a conference telephone or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.

Sufficient notices were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings, and an agenda and accompanying board papers were given to all Directors in a timely manner before the appointed date of the Board meetings. Adequate information was also supplied by the management to the Board in a timely manner to enable it to make informed decisions, which were made in the best interests of the Company. Directors are always given opportunity to include matters in the agenda of the Board meetings.

Draft minutes of the Board meetings were circulated to all Directors for their comment and approval, before the final versions of the minutes were signed and initialled by all Directors who attended the meetings. All minutes of Board meetings are kept by the Company Secretary, which are open for inspection by any Director.

Resolutions were also passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary. In any event, the matters in which a substantial shareholder or a Director has a conflict of interest, which the Board has determined to be material, will be considered at a Board meeting but not to be dealt with by way of circulation of written resolutions or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a Board meeting). Independent Non-Executive Directors, who, and whose close associates, have no material interest in the transaction will also be asked to attend such Board meeting. Pursuant to Rule 13.44 of the HK Listing Rules and Article 103 of the Company's Articles of Association, interested Directors will be required to abstain from voting on any Board resolution in which they or any of their close associates have a material interest and that they shall not be counted in the quorum present at the relevant Board meeting. Further, the Company established a connected transactions committee (the "**Connected Transactions Committee**") on 20 October 2008 (as detailed below).

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS (Continued)

### General meetings and attendance

The Company held its annual general meeting for Year 2015 (the “**2015 Annual General Meeting**”) on 4 June 2015, which was attended and chaired by Jamie Gibson, the Executive Director of the Company.

Due to other business commitments, James Mellon and Stephen Dattels, the Co-Chairmen of the Board, were unable to attend and chair the 2015 Annual General Meeting, with apologies duly noted. The Directors of the Company had appointed Jamie Gibson to take the chair of the meeting.

Shareholders also noted that:

- (i) James Mellon was also the Chairman of the Company’s nomination committee (the “**Nomination Committee**”);
- (ii) Julie Oates was the Chairlady of the Company’s audit committee (the “**Audit Committee**”); and
- (iii) Mark Searle was the Chairman of the Company’s remuneration committee (the “**Remuneration Committee**”).

The Chairman or Chairlady of the above board committees were not available to attend the meeting due to other business commitments, with apologies duly noted. They had, in accordance with Code Provision E.1.2 of the CG Code, appointed Jamie Gibson to answer any questions shareholders might raise at the meeting with respect to the respective committees.

In accordance with Code Provision E.1.2 of the CG Code, the Company had invited representatives of its external Auditor, BDO Limited, to attend the 2015 Annual General Meeting to answer questions about the audit of the Company’s financial statements, including the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies and auditor’s independence.

In addition, during the year ended 31 December 2015, the Company held an extraordinary general meeting on 2 April 2015 to approve the disposal by the Company of the shares in Binary Holdings Ltd., which constituted a major and connected transaction of the Company (details of which are set out in the paragraph headed “Connected Transactions and Significant Contracts” in the Directors’ Report). The meeting was attended and chaired by Jamie Gibson, the Executive Director of the Company.

## BOARD OF DIRECTORS (Continued)

### General meetings and attendance (Continued)

The attendance of the respective Directors at the general meetings are set out below:

Name of Director	Number of meetings held	Number of meetings attended	Number of meetings absent	Attendance rate (%)
James Mellon	2	0	2	0.00%
Stephen Dattels	2	0	2	0.00%
Jamie Gibson	2	2	0	100.00%
David Comba	2	0	2	0.00%
Julie Oates	2	0	2	0.00%
Mark Searle	2	0	2	0.00%
Jayne Sutcliffe	2	0	2	0.00%

Further, as noted from the shareholders' circular issued by the Company on 4 February 2016, an extraordinary general meeting was held on 2 March 2016 to approve the conditional all share takeover offer for Plethora Solutions Holdings plc, which constituted a very substantial and connected acquisition of the Company (details of which are set out in the paragraph headed "Connected Transactions and Significant Contracts" in the Directors' Report), which was attended and chaired by Jamie Gibson, the Executive Director of the Company.

### Time commitment

As for the contribution required from a Director to perform his responsibilities to the Company, the Board has determined that:

- (i) Executive Directors are full time employees of the Company and thus must contribute all their working time to managing the Company's affairs; and
- (ii) Non-Executive Directors and Independent Non-Executive Directors should contribute no less than 12 days per annum on the Company's business.

The Board has also determined that an annual review should be conducted on the above contribution requirements and whether each Director has contributed sufficient time performing their responsibilities to the Company during the year. An annual review of the Directors' contribution to the Company was conducted in March 2015, with no exceptions being reported, such that the Directors were able to perform their duties and responsibilities in compliance with the HK Listing Rules and the CG Code.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS (Continued)

### Time commitment (Continued)

Subsequent to the year end date, the Board conducted a review of the Directors' contribution to the Company in March 2016, with no exceptions being reported, such that the Directors were able to perform their duties and responsibilities in compliance with the HK Listing Rules and the CG Code.

Further, the Directors have disclosed, on a semi-annual basis, to the Company the number and nature of offices held in public companies and organisations and other significant commitments and, on a timely basis, any changes to their commitments, including the identity of the public companies or organisations and an indication of the time involved.

### The Board and management

The Directors receive timely, regular and necessary management and other information to enable them to fulfill their duties, including regular updates of the development in the laws and regulations applicable to the Company. The Board has agreed a procedure for the Directors to have access to independent professional advice at the Company's expense and to the advice and services of the Company Secretary.

Each of the Directors keeps abreast of his/her responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. All Directors are updated from time to time with development in the laws and regulations applicable to the Company.

The Board leads the Company with good governance and strategic direction. It is committed to make decisions in the best interests of the Company. It also reviews the Group's control and accountability framework in line with the HK Listing Rules and the Company's internal charter. Responsibility for day-to-day management of the business lies with the executive management, with the Board agreeing the overall financial plan. Accordingly, the following duties of the Board have been delegated to the management:

- (i) the daily operations of the Company, including the management of all aspects of the Company's principal activities;
- (ii) the financial operations of the Company, including the preparation of the monthly management accounts, interim report and annual report and the timely distribution to the Board;
- (iii) the company secretarial activities, including the preparation and timely dispatch of minutes of Board meetings; and
- (iv) corporate and regulatory issues, including corporate strategy and planning, internal controls and compliance, providing that the following shall always be subject to approval by a resolution of the Board:
  - material capital commitment (material being defined as representing more than 5 per cent of the Company's net assets based on the most recent financial information on hand);
  - issuance, purchase or redemption of securities (including options);

## BOARD OF DIRECTORS (Continued)

### The Board and management (Continued)

- significant contracts with any Director (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules) and connected transactions;
- relevant transactions (which are loans, quasi loans and credit transactions) with any Director as referred to in the Companies Ordinance (Chapter 622) of Hong Kong; and
- management contracts of service with any Director (as referred to in the Companies Ordinance (Chapter 622) of Hong Kong) and bank borrowings.

In compliance with Code Provision A.3.2 of the CG Code, details of the composition of the various committees of the Board are set out in the Directors' Report under the section headed "Directors", which are available from the "List of Directors" on the websites of the Company ([www.regentpac.com](http://www.regentpac.com)) and the HK Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

### Directors' training

All Directors are mindful that they should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

By emails circulated by the Company Secretary from time to time, Directors are provided with updates on the HK Listing Rules and the relevant statutes, rules and regulations. Updates which were circulated during the year ended 31 December 2015 included:

- The "Consultation Conclusions on Review of Listing Rules on Disclosure of Financial Information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standard and Proposed Minor/Housekeeping Rule Amendments" published by the HK Stock Exchange on 6 February 2015;
- The letter in relation to the "Publication of Review of Disclosure in Issuers' Annual Reports to Monitor Rule Compliance – Report 2014" issued by the HK Stock Exchange on 27 March 2015;
- The "Financial Statements Review Programme Report 2014" published by the HK Stock Exchange on 17 July 2015;
- The "Clear and Concise: A Director's Guide to Writing the Business Review of an Annual Report" published by The Hong Kong Institute of Directors;

# CORPORATE GOVERNANCE REPORT

## **BOARD OF DIRECTORS** (Continued)

### **Directors' training** (Continued)

- The "Guidance Letter for Trading Halt in Securities of Listed Issuers" published by the HK Stock Exchange on 11 December 2015; and
- The "Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide" published by the HK Stock Exchange on 21 December 2015.

Directors also reported that they have attended various training programmes and seminars during the year ended 31 December 2015 (which were funded by the Company upon request) and confirmed that they have complied with Code Provision A.6.5 of the CG Code.

Subsequent to the year end date and prior to the date of this report, updates, among other things, were circulated by the Company Secretary to the Directors on:

- The letter in relation to the "Publication of Review of Disclosure in Issuers' Annual Reports to Monitor Rule Compliance – Report 2015" issued by the HK Stock Exchange on 29 January 2016.

### **Board evaluation**

In compliance with Code Provision B.1.9 of the CG Code, the Board has determined that an annual evaluation should be conducted on the Board's performance. An annual performance evaluation was conducted in March 2015, with no exceptions being reported.

Subsequent to the year end date, the Board conducted an evaluation of the Board's performance in March 2016, with no exceptions being reported.

### **Directors' and officers' liability insurance policy**

In compliance with Code Provision A.1.8 of the CG Code, the Company has arranged appropriate directors' and officers' liability insurance policy in respect of legal action against its Directors, which is reviewed and renewed on an annual basis.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with the Rules 3.10(1) and 3.10A of the HK Listing Rules, the Board currently comprises three Independent Non-Executive Directors, namely David Comba, Julie Oates and Mark Searle, representing more than one-third of the Board.

### Code Provision A.4.3

Code Provision A.4.3 of the CG Code provides that serving more than 9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves for more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be elected.

In accordance with Article 87 of the Company's Articles of Association, James Mellon, Julie Oates and Mark Searle retired by rotation at the 2015 Annual General Meeting. All of them, being eligible, offered themselves for re-election. In particular regard to Code Provision A.4.3, it was noted that:

- (i) Julie Oates, who was appointed as an Independent Non-Executive Director on 28 September 2004, was last re-elected as a Director of the Company at the Company's annual general meeting held for Year 2013 (while she would be serving her 9th year in 2013); and
- (ii) Mark Searle, who was appointed as an Independent Non-Executive Director on 31 October 2001, was last re-elected as a Director of the Company at the Company's annual general meeting held for Year 2013 (while he has served for more than 9 years). [Note: Prior to 2013, Mark Searle was re-elected as a Director of the Company at the Company's annual general meeting held for Year 2011, which was before Code Provision A.4.3 becoming effective on 1 April 2012.]

At a meeting of the Nomination Committee held in March 2015, James Mellon and Jamie Gibson were of the view that each of David Comba, Julie Oates and Mark Searle were independent under the independence criteria set out in Rule 3.13(1) to (8) of the HK Listing Rules and had proved to be capable of efficiently exercising independent judgement. Among them, Julie Oates had the appropriate professional qualifications and accounting and related financial management expertise under Rule 3.10(2). Accordingly, the Directors considered that Julie Oates and Mark Searle should be re-elected as Independent Non-Executive Directors at the 2015 Annual General Meeting. Such view was noted at a Board Meeting held in March 2015.

Such reasoning, accompanied by the details of the Directors proposed to be re-elected, as required under Rule 13.51(2) and Code Provision A.4.3, were duly set out in the shareholders' circular issued by the Company on 21 April 2015. It was also noted in the circular that Julie Oates and Mark Searle serve on the Audit Committee, the Connected Transactions Committee, the Nomination Committee and the Remuneration Committee, while Julie Oates is the Chairlady of the first two committees and Mark Searle is the Chairman of the Remuneration Committee.

The Company used to deal with the rotational retirement and re-election of the retiring Directors by a separate resolution for each of the retiring Directors at the Company's annual general meetings.

Accordingly, each of the retiring Directors (including David Comba) was duly re-elected as a Director by a separate resolution at the 2015 Annual General Meeting.

## INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

### Confirmation of independence

Pursuant to paragraph 12B of Appendix 16 to the HK Listing Rules, each of the Independent Non-Executive Directors has confirmed by an annual confirmation: (i) that he/she complies with each of the independence criteria referred to in Rule 3.13(1) to (8); (ii) that he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person (as such term is defined in the HK Listing Rules) of the Company; and (iii) that there are no other factors that may affect his/her independence at the same time as the submission of his/her Declaration and Undertaking in Form B of Appendix 5 to the HK Listing Rules.

The Directors consider that all three Independent Non-Executive Directors continue to be independent under the independence criteria referred to in Rule 3.13(1) to (8) and are capable of efficiently exercising independent judgement. Among them, Julie Oates has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). Julie Oates and Mark Searle serve on the Audit Committee, the Connected Transactions Committee, the Nomination Committee and the Remuneration Committee, while Julie Oates is the Chairlady of the first two committees and Mark Searle is the Chairman of the remuneration committee. And, David Comba is a member of the Technical Committee.

### CO-CHAIRMEN AND CHIEF EXECUTIVE OFFICER

James Mellon has been the Non-Executive Chairman of the Board since October 2005, and Stephen Dattels was appointed as the Non-Executive Co-Chairman of the Board on 12 February 2008. The Co-Chairmen provide leadership for the Board. They also ensure that the Board works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner.

Jamie Gibson has been the Chief Executive Officer since May 2002 and he is responsible for the day-to-day management of the Company's business.

In order to ensure a balance of power and authority, the roles of the Co-Chairmen of the Board and the Chief Executive Officer are segregated and the division of their responsibilities has been established by the respective written terms of reference, in compliance with Code Provision A.2.1 of the former Code on CG Practices and later the CG Code. The Co-Chairmen, however, have delegated the following duties to the Chief Executive Officer or the Company Secretary so that:

- (i) the Chief Executive Officer is empowered to draw up and approve the agenda for each Board meeting taking into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda; and
- (ii) the Company Secretary is empowered to, with the guidance from the Chief Executive Officer, dispatch the notice, agenda and accompanying Board papers to all Directors in a timely manner.

## **CO-CHAIRMEN AND CHIEF EXECUTIVE OFFICER** (Continued)

Pursuant to Code Provision A.2.7 of the CG Code, James Mellon (Non-Executive Co-Chairman of the Board) held a private meeting in March 2015 with the Non-Executive Directors (including the Independent Non-Executive Directors), without the presence of the Executive Director, which was attended by the three Independent Non-Executive Directors (namely David Comba, Julie Oates and Mark Searle) and Stephen Dattels (Non-Executive Co-Chairman of the Board) and Jayne Sutcliffe (Non-Executive Director).

Subsequent to the year end date and prior to the date of this report, the Non-Executive Co-Chairmen of the Board held a private meeting in March 2016 with the Non-Executive Directors (including the Independent Non-Executive Directors), without the presence of the Executive Director, which was attended by all Non-Executive Directors except Jayne Sutcliffe.

## **NON-EXECUTIVE DIRECTORS**

The letter of appointment of James Mellon (for the position as Non-Executive Co-Chairman of the Board) does not specify a term for his appointment. However, in compliance with Code Provision A.4.1, his appointment may be terminated by either party giving 30 calendar days' notice, and he is also subject to the directors' retirement provisions as set out in the Company's Articles of Association. Further, Mr Mellon's advisory agreement specifies that his appointment as an adviser of the Company may be terminated by either party giving one year's notice.

The letter of appointment of each of the remaining five Non-Executive Directors (including the independent Directors) provides that his/her appointment may be terminated by either party giving 30 calendar days' notice and he/she is also subject to the directors' retirement provisions as set out in the Company's Articles of Association.

## **REMUNERATION COMMITTEE**

The Remuneration Committee was established on 5 November 2004, with its specific written terms of reference which deal with its authority and duties first adopted on 18 March 2005 in compliance with the code provisions in B.1 of the former Code on CG Practices. Its terms of reference were recently amended on 13 March 2012 in order to comply with the relevant code provisions in the CG Code which were designated to take effect on 1 April 2012. In compliance with Rule 3.25 of the HK Listing Rules, the committee currently comprises the Non-Executive Co-Chairman of the Board (James Mellon) and two Independent Non-Executive Directors, namely Julie Oates and Mark Searle, and is responsible to review and approve the remuneration packages of the Directors and the employees. The committee is chaired by Mark Searle.

Since its establishment, the Remuneration Committee has adopted the model where the committee should determine, with delegated responsibility, remuneration packages of individual Executive Directors and senior management, being the model referred to in Code Provision B.1.2(c) of the CG Code. No Directors or any of their associates are involved in deciding their own remuneration.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE (Continued)

During the year ended 31 December 2015 the Remuneration Committee did not hold any meetings but passed one set of written resolutions regarding the payment of special one-off bonuses.

Subsequent to the year end date and prior to the date of this report, the Remuneration Committee did not hold any meetings or passed any written resolutions.

Article 116(2) of the Company's Articles of Association provides that Directors may participate in any meeting of the Board by means of a conference telephone or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.

Sufficient notices were given to all committee members so as to ensure each of them had an opportunity to attend the meetings, and an agenda and accompanying board papers were given to all committee members in a timely manner before the appointed date of the committee's meetings. Adequate information was also supplied by the management to the committee in a timely manner to enable it to make informed decisions, which were made in the best interests of the Company. Committee members are always given opportunity to include matters in the agenda of the committee's meetings.

The Company's procedures require draft minutes of the committee's meetings to be circulated to all members for their comment and approval, before the final versions of the minutes are signed and initialled by all members who attended the meetings. All minutes of committee's meetings are kept by the Company Secretary, which are open for inspection by any member of the committee.

In compliance with Code Provision B.1.3 of the CG Code, the terms of reference of the Remuneration Committee are available on the websites of the Company ([www.regentpac.com](http://www.regentpac.com)) and the HK Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

## NOMINATION COMMITTEE

The Nomination Committee was established on 13 March 2012, with its specific written terms of reference which deal with its authority and duties, in compliance with the code provisions in A.5 of the CG Code which were designated to take effect on 1 April 2012. In compliance with Code Provision A.5.1 of the CG Code, the committee currently comprises the Non-Executive Co-Chairman of the Board (James Mellon) and two Independent Non-Executive Directors, namely Julie Oates and Mark Searle, and is responsible for the nomination of Directors of the Company and the review of the composition of the Board. The committee is chaired by James Mellon.

## NOMINATION COMMITTEE (Continued)

During the year ended 31 December 2015, the Nomination Committee held one meeting with respect to: (i) an annual review of the structure, size and composition (including skills, knowledge, experience and diversity of perspectives) of the Board; (ii) an annual review of the “Board Diversity Policy” (as set out in detail below); (iii) an annual review of the independence of the Independent Non-Executive Directors; and (iv) the re-appointment of Julie Oates and Mark Searle (being Independent Non-Executive Directors serving for more than 9 years) at the 2015 Annual General Meeting. The attendance of the respective Directors at the Nomination Committee’s meetings are set out below:

Name of Director	Number of meetings held	Number of meetings attended	Number of meetings absent	Attendance rate (%)
James Mellon	1	1	0	100.00%
Mark Searle	1	1	0	100.00%
Julie Oates	1	1	0	100.00%

Subsequent to the year end date and prior to the date of this report, the Nomination Committee held one meeting, which was attended by all members of the committee, with respect to: (i) an annual review of the structure, size and composition (including skills, knowledge, experience and diversity of perspectives) of the Board; (ii) an annual review of the “Board Diversity Policy” (as set out in detail below); and (iii) an annual review of the independence of the Independent Non-Executive Directors.

Article 116(2) of the Company’s Articles of Association provides that Directors may participate in any meeting of the Board by means of a conference telephone or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.

Sufficient notices were given to all committee members so as to ensure each of them had an opportunity to attend the meetings, and an agenda and accompanying board papers were given to all committee members in a timely manner before the appointed date of the committee’s meetings. Adequate information was also supplied by the management to the committee in a timely manner to enable it to make informed decisions, which were made in the best interests of the Company. Committee members are always given opportunity to include matters in the agenda of the committee’s meetings.

Draft minutes of the committee’s meetings were circulated to all members for their comment and approval, before the final versions of the minutes were signed and initialled by all members who attended the meetings. All minutes of committee’s meetings are kept by the Company Secretary, which are open for inspection by any member of the committee.

During the year ended 31 December 2015 and prior to the date of this report, there were no changes in the directorate, either new appointments or resignations.

In compliance with Code Provision B.5.3 of the CG Code, the terms of reference of the Nomination Committee are available on the websites of the Company ([www.regentpac.com](http://www.regentpac.com)) and the HK Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

## **NOMINATION COMMITTEE** (Continued)

### **Board Diversity Policy**

In anticipation of the new provisions of the CG Code concerning board diversity taking effect on 1 September 2013, the Nomination Committee adopted the “Board Diversity Policy” of the Company on 20 March 2013, which is set out below.

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective.

The Nomination Committee reviews and assesses Board composition on behalf of the Board and recommends the appointment of new Directors. The Nomination Committee also oversees the conduct of the annual review of Board effectiveness.

- In reviewing Board composition, the Nomination Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to maintain an appropriate range and balance of skills, experience and background on the Board.
- In identifying suitable candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity of the Board.
- As part of the annual performance evaluation of the effectiveness of the Board, Board committees and individual Directors, the Nomination Committee will consider the balance of skills, experience, independence and knowledge of the Company on the Board and the diversity representation of the Board.

The Nomination Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

In order to set meaningful objectives, the Nomination Committee will assess its current diversity levels and identify where gaps exist. Measurable objectives will then be developed which are tailored towards improving diversity in areas where most improvement is needed.

## **NOMINATION COMMITTEE** (Continued)

### **Board Diversity Policy** (Continued)

The Company acknowledges that there are a number of different types of measurable objectives which may be implemented to assist in meeting its diversity goals, including:

- procedural and structural objectives: for example, implementing internal review and reporting procedures or ensuring that candidates are interviewed by a diverse selection/interview panel;
- diversity targets: setting specific diversity targets, for example setting targets for the number of women on the Board and implementing timeframes for this to occur by; and
- initiatives and programs: for example, identifying appropriate initiatives and programs and determining how the initiative will operate, who will be responsible for implementing it and setting a timetable for its introduction.

The Nomination Committee will review the policy on Board diversity annually, which will include an assessment of the effectiveness of the policy. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.

An annual review of the Board Diversity Policy was conducted in March 2015. The Nomination Committee was of the view that the Company's Board Diversity Policy was suitable for the size of the Company.

Subsequent to the year end date, the Nomination Committee conducted a review of the Board Diversity Policy in March 2016, which was concluded with the view that the Company's Board Diversity Policy was suitable for the size of the Company.

## **CORPORATE GOVERNANCE FUNCTION**

The primary responsibility for performing the corporate governance functions for the Company, as referred to in the terms of reference set out in Code Provision D.3.1 of the CG Code, rests with the Board, with the full support of the Company's secretary and its executive management.

During the year ended 31 December 2015 and prior to the date of this report, among other things, the Board, in order to comply with the new code provisions in the CG Code relevant to risk management and internal control systems, revised the terms of reference of the Audit Committee.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2015 have been reviewed by the Audit Committee.

The Audit Committee was established on 11 March 1999 with its specific written terms of reference which deal with its authority and duties. Its terms of reference were subsequently amended in order to incorporate the amendments made from time to time to the relevant code provisions of the former Code on CG Practices and were recently amended on 17 April 2015 in order to comply with the code provisions in the CG Code relevant to risk management and internal control systems, which were designated to take effect on 1 January 2016. The committee's purpose is to assist the Board in:

- (i) providing an independent review of the effectiveness of the Company's financial reporting process;
- (ii) evaluating and determining the nature and extent of the risks the Board is willing to take in achieving the Company's strategic objectives and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems; and
- (iii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

In compliance with Rule 3.21 of the HK Listing Rules, the Audit Committee currently comprises the Non-Executive Co-Chairman of the Board (James Mellon) and two Independent Non-Executive Directors, namely Julie Oates and Mark Searle. The committee is chaired by Julie Oates, who has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2).

During the year ended 31 December 2015, the Audit Committee held two meetings with respect to: (i) the internal control review, the review and approval of the Company's audited financial statements for the year ended 31 December 2014, the risk management, an annual evaluation of the external and internal auditors of the Company, and an annual evaluation of the performance of the committee; and (ii) the internal control review (including risk management) and the review and approval of the Company's interim financial statements for the six months ended 30 June 2015 respectively, with the presence of the external and internal auditors for the relevant resolutions. The attendance of the respective Directors at the Audit Committee's meetings are set out below:

Name of Director	Number of meetings held	Number of meetings attended	Number of meetings absent	Attendance rate (%)
Julie Oates	2	2	0	100.00%
James Mellon	2	2	0	100.00%
Mark Searle	2	2	0	100.00%

## **AUDIT COMMITTEE** (Continued)

Subsequent to the year end date and prior to the date of this report, the Audit Committee held one meeting which was attended by all members of the committee, with the presence of the external and internal auditors for the relevant resolutions, with respect to the internal control review, the review and approval of the Company's audited financial statements for the year ended 31 December 2015, the risk management, an annual evaluation of the external and internal auditors of the Company, and an annual evaluation of the performance of the committee.

Article 116(2) of the Company's Articles of Association provides that Directors may participate in any meeting of the Board by means of a conference telephone or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.

Sufficient notices were given to all committee members so as to ensure each of them had an opportunity to attend the meetings, and an agenda and accompanying board papers were given to all committee members in a timely manner before the appointed date of the committee's meetings. Adequate information was also supplied by the management to the committee in a timely manner to enable it to make informed decisions, which were made in the best interests of the Company. Committee members are always given opportunity to include matters in the agenda of the committee's meetings.

Draft minutes of the committee's meetings were circulated to all members for their comment and approval, before the final versions of the minutes were signed and initialled by all members who attended the meetings. All minutes of committee's meetings are kept by the Company Secretary, which are open for inspection by any member of the committee.

The Audit Committee discharged their duties in accordance with their terms of reference with no exceptions reported.

In compliance with Code Provision C.3.4 of the CG Code, the terms of reference of the Audit Committee are available on the websites of the Company ([www.regentpac.com](http://www.regentpac.com)) and the HK Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

## **CONNECTED TRANSACTIONS COMMITTEE**

The Company established the Connected Transactions Committee on 20 October 2008 to review and monitor any conflict of interests that the Group may have with any of its directors, employees or members and, moreover, any actual or potential connected or related party transaction (including connected transactions exempted under the HK Listing Rules) that the Group is proposing to enter into, including any approvals thereof. The committee comprises two Independent Non-Executive Directors, namely Julie Oates (the Chairlady) and Mark Searle, and the Executive Director and Chief Executive Officer (Jamie Gibson).

Since its establishment, the Connected Transactions Committee did not hold any meeting.

# CORPORATE GOVERNANCE REPORT

## CONNECTED TRANSACTIONS COMMITTEE (Continued)

The terms of reference of the Connected Transactions Committee are available on the Company's website: [www.regentpac.com](http://www.regentpac.com).

- (1) As noted in the announcements dated 16 January and 4 March 2015 and the shareholders' circular dated 16 March 2015 issued by the Company, an independent board committee, comprising the Company's three Independent Non-Executive Directors (namely David Comba, Julie Oates and Mark Searle), was established (and having taken the advice from the Company's independent financial adviser, Altus Capital Limited) to advise the independent shareholders on the disposal of a majority of the Company's shareholding in Binary Holdings Ltd. (formerly a 49.90% owned associated company of the Company) (as set out in more details in the paragraph headed "Connected Transactions and Significant Contracts" in the Directors' Report), which constituted a major and connected transaction of the Company under Chapters 14 and 14A of the HK Listing Rules and was presented for the approval of the Company's shareholders at its extraordinary general meeting held on 2 April 2015, with interested parties (and their respective associates) abstaining from voting in respect of the resolutions presented at the meeting. The disposal of, in aggregate, 938,978 shares in Binary Holdings Ltd. (being the "**First Sale**" and the "**Third Parties Sale**" referred to in the aforesaid announcements and shareholders' circular) was completed on 8 April 2015.
- (2) As noted in the announcements dated 4 November and 15 December 2015 and the shareholders' circular dated 4 February 2016 issued by the Company, an independent board committee, comprising David Comba and Julie Oates, being the only Independent Non-Executive Directors of the Company who did not have a material interest in the transaction, was established (and having taken the advice from the Company's independent financial adviser, Altus Capital Limited) to advise the independent shareholders on the conditional all share takeover offer for Plethora Solutions Holdings plc (to be effected by way of a scheme of arrangement under Part 26 of the Companies Act 2006 (the "**Scheme**")) (as set out in more details in the paragraph headed "Connected Transactions and Significant Contracts" in the Directors' Report), which constituted a very substantial and connected acquisition of the Company under Chapters 14 and 14A of the HK Listing Rules and was presented for the approval of the Company's shareholders at its extraordinary general meeting held on 2 March 2016, with interested parties (and their respective associates) abstaining from voting in respect of the resolutions presented at the meeting. The Scheme became effective on 9 March 2016.

## INSIDE INFORMATION COMMITTEE

In view of the introduction of the statutory disclosure regime in respect of inside information under Part XIVA of the SFO and the consequential amendments made to the HK Listing Rules, which took effect on 1 January 2013, the Company established an inside information committee on 28 January 2013 to review and monitor the compliance of the Company with its statutory disclosure obligations under Part XIVA of the SFO, the HK Listing Rules and other applicable laws and regulations in respect of disclosure and transparency relevant to the Company. The committee comprises Jamie Gibson (the Executive Director and the Chief Executive Officer), the Company Secretary, the Chief Financial Officer and the General Counsel.

## AUDITOR

### Remuneration

The Audit Committee reviewed and approved the auditor's remuneration on the basis that it was fair and reasonable for the size and operations of the Group and such remuneration was in the best interests of the Company. Apart from audit services, the Group's Auditor, BDO Limited, provided non-audit services in respect of taxation, for which BDO Limited received a fee of approximately US\$7,000 during the year ended 31 December 2015.

### Attendance at general meetings

In accordance with Code Provision E.1.2 of the CG Code, at the Company's invitation, representatives of its external Auditor, BDO Limited, attended the 2015 Annual General Meeting to answer questions about the audit of the Company's financial statements, including the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

## COMPANY SECRETARY

The Company Secretary of the Company is Fung Yuk Bing (Stella), who is a full time employee of the Group and reports to the Board and the Chief Executive Officer. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.

Ms Fung is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Company Secretaries. She has confirmed that she has complied with Rule 3.29 of the HK Listing Rules and has taken no less than 15 hours of relevant professional training during the year ended 31 December 2015.

## SHAREHOLDERS' RIGHTS AND COMMUNICATION

### Shareholders' communication policy

The Company has adopted on 13 March 2012 the following shareholders' communication policy (including the procedures for shareholders: (i) to requisition an extraordinary general meeting; or (ii) to put forward proposals at the Company's general meetings; or (iii) to put enquiries to the Directors), which is available from the "Corporate Documents" on the website of the Company ([www.regentpac.com](http://www.regentpac.com)):

- (1) Article 58 of the Company's Articles of Association provides that the Board may whenever thinks fit call extraordinary general meetings, and:
- two or more Members holding at the date of deposit of the requisition not less than one-fifth of the paid up capital of the Company carrying the right of voting at general meetings of the Company or
  - any one Member which is a clearing house

shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

- (2) Shareholders who wish to communicate with the Company, including: (i) to requisition an extraordinary general meeting pursuant to Article 58 of the Company's Articles of Association; (ii) to put forward proposals at the Company's general meetings; or (iii) to put enquiries to the Directors should write to the Chief Executive Officer or the Company Secretary of the Company (contact details set out below), accompanied by the details of their proposals.
- (3) The Chief Executive Officer of the Company is currently Jamie Gibson whose email address is: [jamie.gibson@regentpac.com](mailto:jamie.gibson@regentpac.com).

The Company Secretary of the Company is currently Stella Fung whose email address is: [stella.fung@regentpac.com](mailto:stella.fung@regentpac.com).

The Company's address and telephone and facsimile numbers are set out on its website.

## SHAREHOLDERS' RIGHTS AND COMMUNICATION (Continued)

### Procedures for shareholders to propose a person for election as a Director of the Company

The Company has adopted on 13 March 2012 the following procedures for shareholders to propose a person for election as a Director of the Company, which are available from the "Corporate Documents" on the website of the Company ([www.regentpac.com](http://www.regentpac.com)) in compliance with Rule 13.51D of the HK Listing Rules:

- (1) Article 86(1) to (3) of the Company's Articles of Association provides that:
  - (1) Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There shall be a maximum of fifteen Directors unless otherwise determined by resolution of the Board. The Directors shall be elected or appointed in the first place by the subscribers to the Memorandum of Association or by a majority of them and thereafter in accordance with Article 87 and shall hold office until their successors are elected or appointed.
  - (2) Subject to the Articles and the Companies Law (Revised) of the Cayman Islands, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board.
  - (3) The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the Members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Members in general meeting. Subject to the provisions of these Articles, any Director so appointed shall retire at the next Annual General Meeting but shall then be eligible for election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.
- (2) Shareholders who wish to propose a person for election as a Director of the Company should write to the Chief Executive Officer or the Company Secretary of the Company (contact details set out below), accompanied by the detailed resume of the candidate.
- (3) The Chief Executive Officer should forward the shareholder's proposal, as soon as practicable upon receipt, to the Company's Nomination Committee for consideration.
- (4) If the Nomination Committee considers that the candidate may be appropriate for election as a Director of the Company, the Nomination Committee or the Chairman of the Nomination Committee may conduct an interview with the candidate, either in person or by telephonic or video-conferencing or by whatever means the Nomination Committee considers as appropriate.
- (5) The Nomination Committee should resolve as to whether a recommendation should be given to the Board to approve or decline the election of the candidate as a Director of the Company.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS AND COMMUNICATION (Continued)

### Procedures for shareholders to propose a person for election as a Director of the Company (Continued)

- (6) If the Board agrees with the proposed appointment, it should, if it is to fill a casual vacancy consequential from the retirement or resignation of any Director, resolve the appointment of the new Director pursuant to Article 86(3) or, if it is an addition to the existing Board, propose an ordinary resolution for the appointment of the new Director at the Company's next annual general meeting pursuant to Article 86(2).
- (7) The relevant shareholder should be communicated with the decision of the Board accordingly.
- (8) The Chief Executive Officer of the Company is currently Jamie Gibson whose email address is: [jamie.gibson@regentpac.com](mailto:jamie.gibson@regentpac.com).  
The Company Secretary of the Company is currently Stella Fung whose email address is: [stella.fung@regentpac.com](mailto:stella.fung@regentpac.com).  
The Company's address and telephone and facsimile numbers are set out on its website.

### Review of shareholders' communication policy

In compliance with Code Provision E.1.4 of the CG Code, the Board has determined that an annual review should be conducted on the effectiveness of the above shareholders' communication policy. An annual review was conducted in March 2015, which concluded that the Company had in place a compliant (under the CG Code) and effective means of communication with its shareholders.

Subsequent to the year end date, the Board conducted a review of the above shareholders' communication policy in March 2016, which concluded that the Company had in place a compliant (under the CG Code) and effective means of communication with its shareholders.

## INVESTOR RELATIONS

During the year ended 31 December 2015 and prior to the date of this report, there were no changes made to the Company's Memorandum and Articles of Association, except that the authorised share capital of the Company was increased from US\$105,500,000 to US\$235,500,000 by the addition of US\$130,000,000 divided into 13,000,000,000 new shares of US\$0.01 each.

In compliance with Rule 13.90 of the HK Listing Rules, an updated copy of the Company's amended and re-stated Memorandum and Articles of Association is available on the websites of the Company ([www.regentpac.com](http://www.regentpac.com)) and the HK Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

## INVESTOR RELATIONS (Continued)

### Right to demand poll

Under Article 66 of the Company's Articles of Association, subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles of Association, at any general meeting on a show of hands every member present in person (or being a corporation, present by a representative duly authorised) or by proxy shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. Where a member is, under the HK Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

A resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is required under the HK Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- a. by the chairman of such meeting; or
- b. by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- c. by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- d. by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

## INVESTOR RELATIONS (Continued)

### Right to demand poll (Continued)

The Directors have noted that the aforesaid Article 66 is not in compliance with Section 591(2) of the new Companies Ordinance (Chapter 622) of Hong Kong, which took effect on 3 March 2014. Section 591(2) provides that a provision of a company's articles is void in so far as it would have the effect of making ineffective a demand for a poll at a general meeting on any question (other than: (i) the election of the chairperson of the meeting; or (ii) the adjournment of the meeting), which is made:

- (a) by at least five members having the right to vote at the meeting;
- (b) by a member or members representing at least 5 per cent of the total voting rights of all the members having the right to vote at the meeting; or
- (c) by the chairperson of the meeting.

Given that the Company is not a Hong Kong incorporated company and that pursuant to Rule 13.39(4) of the HK Listing Rules, the chairman of the Company's general meetings will demand a poll on all resolutions proposed at the meeting, the Directors have not proposed any amendments to Article 66 of the Company's Articles of Association regarding the members' right to demand poll.

### Notice periods of general meetings

It is noted that amendments have been made to Appendix 13B to the HK Listing Rules (Additional requirements for the Memorandum and Articles of Association of issuers incorporated or otherwise established in the Cayman Islands) in the "Consultation Conclusions on Review of Listing Rules on Disclosure of Financial Information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standard and Proposed Minor/Housekeeping Rule Amendments" published by the HK Stock Exchange on 6 February 2015, which took effect on 1 April 2015, to align the notice periods for general meetings required for the Cayman Islands incorporated companies with the relevant requirements under the new Companies Ordinance (Chapter 622) (which took effect on 3 March 2014) of Hong Kong, being 21 days for annual general meetings and 14 days for any other general meetings. The existing Article 59 of the Company's Articles of Association complies with these requirements.

In addition, Code Provision E.1.3 of the CG Code requires that the issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.



## **INTERNAL CONTROL**

The Audit Committee has engaged an internal audit and consulting firm to undertake a review of the Group's internal control systems, including financial, operational and compliance functions.

### **Internal audit function**

The Group has maintained an internal audit function assisting the Board in maintaining an effective internal control system by evaluating its effectiveness and efficiency and by promoting continuous improvement. The internal audit function of the Group, which is independent of management, reports directly to the Audit Committee regularly and has access to the Chairlady of the Audit Committee if appropriate during the year.

To enhance the objectivity and competency of the internal audit function, the Group outsourced the internal audit function to an internal audit and consulting firm.

The internal audit function performs regular reviews of the Group's internal controls based on a risk-based internal audit plan approved by the Audit Committee. The annual audit plan was arrived at using a risk-based approach to determine the priorities of the internal audit activity.

### **Annual internal control assessment**

During the year ended 31 December 2015, the internal audit function has conducted reviews of the system of internal controls of the Group. Internal control reviews were carried out in accordance with the risk-based internal audit plan.

Findings and recommendations on internal control deficiencies were communicated with management and action plans were developed by management to address the issues identified. Post-audit reviews were scheduled to ensure the action plans were executed as designed.

Key findings of each internal control review assignment were reported to and reviewed by the Audit Committee on a timely basis.



# CORPORATE GOVERNANCE REPORT

## FINANCIAL REPORTING

The financial statements of the Company for the year ended 31 December 2015 have been reviewed by the Audit Committee. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. An explanation of the basis on which the Company generates or preserves value over the longer term (the business model) and the strategy for delivering the Company's objectives are set out under the section headed "Strategic Plan" in the "Management's Discussion and Analysis of the Group's Performance".

A report of the independent Auditor with respect to the Company's financial statements for the year ended 31 December 2015 is included in this annual report.

On Behalf of the Board

**James Mellon**

*Co-Chairman*

30 March 2016

# INDEPENDENT AUDITOR'S REPORT



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## TO THE SHAREHOLDERS OF REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Regent Pacific Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 105 to 192, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

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## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BDO Limited**

Certified Public Accountants

Jonathan Russell Leong

Practising Certificate no. P03246

30 March 2016

Hong Kong

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 US\$'000	2014 US\$'000
Revenue:	5		
Corporate investment income		212	(10)
Other income		307	216
		519	206
Fair value loss on financial instruments	6	(6,204)	(11,213)
Total income less fair value loss on financial instruments		(5,685)	(11,007)
Expenses:			
Employee benefit expenses	7	(5,945)	(4,215)
Rental and office expenses		(664)	(814)
Information and technology expenses		(167)	(184)
Marketing costs and commissions		(16)	(7)
Professional and consulting fees		(1,550)	(995)
Other operating expenses		(688)	(516)
Operating loss before impairment loss		(14,715)	(17,738)
Impairment loss on available-for-sale financial assets	15	(194)	(267)
Reversal of impairment on loan receivables	18	1,386	250
Operating loss	6	(13,523)	(17,755)
Gain on disposal of an associate	14 (iv)	8,938	—
Gain from bargain purchase of an associate	14	—	25,809
Loss on deemed disposal of an associate	14 (iii)	(3,560)	(6,017)
Share of results of associates	14	(1,193)	(10,604)
Loss before income tax		(9,338)	(8,567)
Taxation	8	—	—
<b>Loss for the year</b>		<b>(9,338)</b>	<b>(8,567)</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 US\$'000	2014 US\$'000
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Change in fair value of available-for-sale financial assets	15	831	63
Exchange (loss)/gain on translation of financial statements of foreign operations		(6)	69
Share of other comprehensive income of associates		(988)	(1,751)
Reclassification to profit or loss on disposal of an associate		(164)	—
<b>Other comprehensive income for the year</b>		<b>(327)</b>	<b>(1,619)</b>
<b>Total comprehensive income for the year</b>		<b>(9,665)</b>	<b>(10,186)</b>
<b>Loss for the year attributable to:</b>			
Shareholders of the Company		(9,333)	(8,563)
Non-controlling interests		(5)	(4)
		<b>(9,338)</b>	<b>(8,567)</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		(9,660)	(10,182)
Non-controlling interests		(5)	(4)
		<b>(9,665)</b>	<b>(10,186)</b>
<b>Losses per share attributable to shareholders of the Company during the year</b>			
	10	US cent	US cent
– Basic and Diluted		(0.27)	(0.25)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 US\$'000	2014 US\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	48	108
Intangible asset	13	3,441	—
Interests in associates	14	17,295	30,206
Available-for-sale financial assets	15	5,367	2,130
		26,151	32,444
<b>Current assets</b>			
Cash and bank balances	17	5,474	3,588
Financial assets at fair value through profit or loss	16	8,146	13,876
Loan receivables	18	75	250
Prepayments, deposits and other receivables	19	2,505	1,217
Derivative financial instruments	23	484	940
		16,684	19,871
<b>Current liabilities</b>			
Trade payables, deposits received, accruals and other payables	20	(3,623)	(3,271)
Derivative financial instruments	23	(167)	(333)
		(3,790)	(3,604)
<b>Net current assets</b>		12,894	16,267
<b>Total assets less current liabilities</b>		39,045	48,711
<b>NET ASSETS</b>		39,045	48,711

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 US\$'000	2014 US\$'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to shareholders of the Company</b>			
Share capital	21	34,857	34,857
Reserves	22	4,227	13,888
Equity attributable to shareholders of the Company		39,084	48,745
<b>Non-controlling interests</b>		(39)	(34)
<b>TOTAL EQUITY</b>		39,045	48,711

The consolidated financial statements on pages 105 to 192 were approved and authorised for issue by the Board of Directors on 30 March 2016.

**James Mellon**  
*Co-Chairman*

**Jamie Gibson**  
*Executive Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

2015	Equity attributable to shareholders of the Company										
	Share capital US\$'000	Accumulated losses US\$'000	Share premium US\$'000	Share-based payment reserve US\$'000	Capital redemption reserve US\$'000	Investment revaluation reserve US\$'000	Statutory reserve US\$'000	Foreign currency exchange reserve US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
At 1 January 2015	34,857	(274,699)	275,389	2,382	8,228	401	176	2,011	48,745	(34)	48,711
<b>Loss for the year</b>	—	(9,333)	—	—	—	—	—	—	(9,333)	(5)	(9,338)
<b>Other comprehensive income</b>											
Foreign currency translation adjustment	—	—	—	—	—	—	—	(6)	(6)	—	(6)
Change in fair value of available-for-sale financial assets (note 15)	—	—	—	—	—	831	—	—	831	—	831
Share of translation reserve of associates (note 14 (iii))	—	—	—	—	—	—	—	(989)	(989)	—	(989)
Reclassified to profit or loss on disposal of an associate (note 14 (iv))	—	—	—	(162)	—	—	—	(2)	(164)	—	(164)
<b>Total comprehensive income for the year</b>	—	(9,333)	—	(162)	—	831	—	(997)	(9,661)	(5)	(9,666)
At 31 December 2015	34,857	(284,032)	275,389	2,220	8,228	1,232	176	1,014	39,084	(39)	39,045

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

2014	Equity attributable to shareholders of the Company										
	Share capital US\$'000	Accumulated losses US\$'000	Share premium US\$'000	Share-based payment reserve US\$'000	Capital redemption reserve US\$'000	Investment revaluation reserve US\$'000	Statutory reserve US\$'000	Foreign currency exchange reserve US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
At 1 January 2014	34,857	(266,285)	275,389	2,531	8,228	338	176	3,693	58,927	(30)	58,897
Share options forfeited	—	149	—	(149)	—	—	—	—	—	—	—
Transactions with shareholders	—	149	—	(149)	—	—	—	—	—	—	—
Loss for the year	—	(8,563)	—	—	—	—	—	—	(8,563)	(4)	(8,567)
<b>Other comprehensive income</b>											
Foreign currency translation adjustment	—	—	—	—	—	—	—	69	69	—	69
Change in fair value of available-for-sale financial assets (note 15)	—	—	—	—	—	63	—	—	63	—	63
Share of reserve of associates	—	—	—	—	—	—	—	(1,751)	(1,751)	—	(1,751)
<b>Total comprehensive income for the year</b>	—	(8,563)	—	—	—	63	—	(1,682)	(10,182)	(4)	(10,186)
At 31 December 2014	34,857	(274,699)	275,389	2,382	8,228	401	176	2,011	48,745	(34)	48,711

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 US\$'000	2014 US\$'000
Cash flows from operating activities:			
Loss before income tax		(9,338)	(8,567)
Adjustments for:			
Depreciation of property, plant and equipment	12	66	94
Amortisation of intangible asset	13	226	—
Gain from bargain purchase of an associate	14	—	(25,809)
Dividend income	5	(169)	—
Interest income on bank deposits		(2)	(2)
Other interest income	6, 30	(59)	—
Reversal of impairment on loan receivables	18	(1,386)	(250)
Share of results of associates	14	1,193	10,604
Unrealised loss/(gain) on derivative financial instruments	6, 23	623	(115)
Unrealised loss on financial assets at fair value through profit or loss	6, 16	5,767	11,663
Loss on disposal of available-for-sale financial assets		5	—
Gain on disposal of an associate	14 (iv)	(8,938)	—
Loss on deemed disposal of an associate	14 (iii)	3,560	6,017
Impairment loss on available-for-sale financial assets	15	194	267
		(8,258)	(6,098)
Change in working capital			
Decrease in loan receivables, prepayments, deposits and other receivables		40	1,899
(Increase)/Decrease in financial assets at fair value through profit or loss		(37)	249
Increase/(Decrease) in trade payables, deposits received, accruals and other payables		352	(34)
Cash used in operations		(7,903)	(3,984)
Interest received on bank deposits		2	2
Dividend received from available-for-sale financial assets and financial assets at fair value through profit or loss		169	—
Income tax paid		—	—
Net cash used in operating activities		(7,732)	(3,982)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 US\$'000	2014 US\$'000
Cash flows from investing activities:			
Purchase of property, plant and equipment	12	(5)	(2)
Purchase of available-for-sale financial assets	15	(1,842)	—
Investment in an associate	14	—	(4,404)
Purchase of intangible asset	13	(3,667)	—
Proceeds from disposal of available-for-sale financial assets		180	—
Proceeds from disposal of an associate	14, 30	14,000	—
(Increase)/Decrease in margin deposit placed with broker firms		(269)	481
Dividend received from associates	14	—	2,795
Recovery of loan receivables on which impairment previously made	18	1,561	—
Net cash generated from/(used in) investing activities		9,958	(1,130)
Net increase/(decrease) in cash and cash equivalents		2,226	(5,112)
Cash and cash equivalents at the beginning of the year		3,588	9,055
Effects of foreign currency fluctuations		(340)	(355)
Cash and cash equivalents at the end of the year		5,474	3,588
Represented by:			
Cash and bank balances	17	5,474	3,588

# NOTES TO THE FINANCIAL STATEMENTS

## I. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. Its registered office is at P. O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "HK Stock Exchange") and are also traded on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange.

The consolidated financial statements are presented in United States Dollars ("US\$"), which is also the functional currency of the Company. All values are rounded to the nearest thousand ("US\$'000") except when otherwise indicated.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on the HK Stock Exchange (the "HK Listing Rules").

The Company is engaged in investment holding, and the principal activities of the Company and its subsidiaries (collectively as defined as the "Group") consist of investments in biopharma companies, exploration and mining of natural resource, and other corporate investments. The principal place of business of the Group is in Hong Kong.

The consolidated financial statements for the year ended 31 December 2015 were approved and authorised for issue by the Board of Directors on 30 March 2016.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### 2.1 Adoption of amendments to HKFRSs – first effective on 1 January 2015

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The adoption of these amendments has no material impact on the Group's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

### 2.2 New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

#### Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity’s share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

#### Amendments to HKAS 27 - Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

### 2.2 New or revised HKFRSs that have been issued but are not yet effective (Continued)

#### HKFRS 9 (2014) - Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at financial assets at fair value through profit and loss (“FAFVPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FAFVPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FAFVPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

#### Amendments to HKFRS 10 and HKAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business, the gain or loss is recognised in full, and conversely when the transaction involves assets that do not constitute a business, the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

### 2.2 New or revised HKFRSs that have been issued but are not yet effective (Continued)

#### *HKFRS 15 - Revenue from Contracts with Customers*

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Directors are in the process of making an assessment of the expected impact of these amendments, new or revised standards and interpretations in the period of initial application. Presently, the Directors are of the opinion that these amendments are unlikely to have a significant impact on the Group's results of operations and financial position.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

### 2.3 New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the preparation of financial statements apply to the Company in this financial year.

The Directors consider that there is no impact on the Group’s financial position or performance. However, the new Hong Kong Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer required.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for:

- financial instruments classified as available-for-sale and at fair value through profit or loss; and
- derivative financial instruments

which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in the non-controlling interest having a deficit balance.

### 3.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure or rights to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses. The Group's investment in associates includes goodwill identified on acquisition.

Goodwill is calculated at each stage of the acquisition based on the consideration paid and share of fair value of net assets acquired at the date of each acquisition. If the sum of this consideration is lower than the fair value of the net assets acquired, the difference is recognised in profit or loss as a gain from bargain purchase.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profits/loss of associates" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.5 Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. United States dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign currency exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign currency exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign currency exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign currency exchange reserve.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.6 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are recognised as an expense in profit or loss during the financial period in which they are incurred.

Depreciation on assets is provided to write off their cost less the expected residual value over their estimated useful lives, using the straight-line method. The estimated useful lives used for this purpose are as follows:

Furniture and fixtures	5 years
Computer and other equipment	3-5 years

The assets' expected residual values, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on retirement or disposal is determined as the difference between the net sale proceeds and the carrying amount of the asset and is recognised in profit or loss on disposal.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.7 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceeds the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 3.12(ii)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

#### *The Group as lessee*

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

### 3.9 Financial instruments

#### (i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

#### **Financial assets at fair value through profit and loss**

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Financial instruments (Continued)

#### (i) Financial assets (Continued)

##### Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

##### Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

#### (ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payment;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization; and
- a significant or prolonged decline in the fair value of an available-for-sale in an equity financial asset below its cost.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Financial instruments (Continued)

#### (ii) Impairment loss on financial assets (Continued)

##### For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

##### For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss. Objective evidence would include a significant or prolonged decline in fair value of an investment below its cost.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Financial instruments (Continued)

#### (iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

#### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

#### **Financial liabilities at amortised cost**

Financial liabilities at amortised cost including trade payables, deposits received, accruals and other payables are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Financial instruments (Continued)

#### (iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (v) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### (vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.10 Impairment of other assets

At the end of the reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- interests in subsidiaries and associates

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 3.7), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

### 3.11 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.12 Intangible assets (other than goodwill)

#### (i) *Acquired intangible assets*

Intangible assets which comprise out-licensing rights acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of intangible assets with finite useful lives is provided on the straight-line method over their estimated useful lives as follows:

Out-licensing rights	9 years
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#### (ii) *Impairment*

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 3.10).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount; however, the carrying amount should not be increased above the lower of its recoverable amount and the carrying amount that would have resulted had no impairment loss been recognised for the asset in prior years. All reversals are recognised in profit or loss immediately.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.13 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

### 3.14 Employee benefits

#### (i) Bonus payments

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.14 Employee benefits (Continued)

#### (ii) Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the Mandatory Provident Fund Scheme. Contributions are made based on a percentage of the employees' basic salaries.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

#### (iii) Share-based employee compensation

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the (i) share options awarded and (ii) ordinary shares expected to vest respectively. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the employee share-based payment reserve in equity if the grant is equity-settled share-based payment transaction. In respect of cash-settled share-based payment transaction, the corresponding increase is recognised as a liability. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of i) share options and ii) ordinary shares expected to vest respectively. Non-market vesting conditions are included in assumptions about the number of i) options ii) ordinary shares that are expected to vest. Estimates are subsequently revised if there is any indication that the number of i) share options and ii) ordinary shares expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in employee share-based payment reserve will be transferred to share premium. After vesting date, if the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in employee share-based payment reserve will be transferred to retained profit.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.14 Employee benefits (Continued)

#### (iv) Shares held for share award scheme

Where the trustee appointed by the Group purchases the Company's shares from the market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity.

Upon vesting, the related costs of the vested shares recognised are credited to shares held for share award scheme, with a corresponding decrease in share-based payment reserve.

### 3.15 Non employee share-based payments

Non employee share-based payments are accounted for in the same way as employee share-based payment except that the cost of equity-settled transactions with parties other than employees is measured by reference to the fair value of the goods or services provided.

### 3.16 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### 3.17 Revenue recognition

Revenue includes consultancy fee income, success fee income, dividend income and interest income.

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

- (i) consultancy fee income is recognised when the services are provided;
- (ii) success fee income is recognised in accordance with the terms of the related agreement;
- (iii) interest income is accrued on a time-proportion basis on the principal outstanding at the applicable interest rate; and
- (iv) dividend income is recognised when the right to receive payment is established.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.18 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### Impairment of interest in associates

The Group assesses whether there are any indicators of impairment for its associates at the end of each reporting period. An impairment exists when the carrying value of the associates exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

### Impairment of available-for-sale financial assets

The Group's management review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Potential capital gain tax on realised gain on disposal of the Company's investment in BC Iron Limited ("BCI")

As further explained in note 31 to the consolidated financial statements and further detailed under the section headed "Australian Tax on BCI Sale" in the CEO's Report, the Company has not made any provision for Australian Capital Gains Tax ("CGT") in connection with its gain on disposal of shares in BCI in January 2013. The Australian Taxation Office considers that the Company does have a CGT liability arising from this gain in the amount of approximately A\$12.78 million (approximately US\$11.68 million). The directors have made this judgement after careful consideration of the advice provided by its independent professional legal and tax advisers. The Company and its advisers are also closely monitoring any developments in Australian taxation law that may be relevant to its analysis and position and should any change or development take place the Company will, following advice, revisit its treatment of the potential Australian tax should the need arise. In this respect, should any change to Australian law or the interpretation thereof render the approach adopted by the Company and its advisers in relation to this matter as being no longer correct or consistent with the relevant change or development, whether in whole or part, the calculations supporting the Company's position (with respect to the value ascribed to BCI's real property (including mining tenements) and non-real property assets at the relevant time) may change and potentially have a material and adverse effect on the Company's accounts going forward.

### Provision for income taxes

The Group is subject to income tax in different jurisdictions and significant judgement is required in determining the tax liabilities to be recognised. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for tax based on estimates of the taxes that are likely to become due. The Group believes that its provision for tax is adequate for the reporting periods based on its assessment of many factors including past experience and interpretations of tax law. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Fair value of financial instruments

The directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. For investments in unlisted equity securities issued by private entities where the range of reasonable fair value estimates is so wide that the Directors of the Company are of the opinion that their fair values cannot be measured reliably, they are measured at cost less impairment at each reporting date. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted shares may include some assumptions not supported by observable market prices and rates.

### Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

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 in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures its financial instruments at fair value.

For more detailed information in relation to the fair value measurement of the items above, please refer to notes 15 and 28.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. REVENUE AND SEGMENT INFORMATION

Revenue of the Group consists of corporate investment income and other income. An analysis of the Group's revenue for the year is as follows:

	2015 US\$'000	2014 US\$'000
Corporate investment income		
Dividend income from listed and unlisted equity investments	169	28
Bank interest income	2	2
Other interest income	59	—
Foreign exchange losses, net	(18)	(40)
	212	(10)
Other income		
Consultancy fee income	75	58
Success fee income	116	—
Sundry income	116	158
	307	216
	519	206

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Chief Executive Officer (“CEO”) for his decision about resources allocation to the Group's business components and for his review of the performance of those components. The business components in the internal financial information reported to the CEO are determined following the Group's major product and service lines.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

The Directors have identified the Group's four product and service lines as operating segments as follows:

Biopharma	:	Research, development, manufacturing, marketing and sale of pharmaceutical products
Coking Coal	:	Production of coking coal
Metals Mining	:	Exploration and mining of metals resources
Corporate Investment	:	Investment in corporate entities, both listed and unlisted

These operating segments are monitored and strategic decisions are made on the basis of segment operating results. There are no sales between the reportable segments.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- finance costs;
- income tax;
- reversal of impairment on loan receivables;
- corporate income and expenses which are not directly attributable to the business activities of any operating segment; and
- share of results of associates accounted for using the equity method, gain from bargain purchase of an associate, gain on disposal of an associate and loss on deemed disposal of an associate

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but exclude intangible asset, available-for-sale financial assets and interests in associates.

Segment liabilities exclude deferred tax liabilities and corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

Information regarding the Group's reportable segments is set out below:

### For the year ended 31 December 2015

	Biopharma US\$'000	Coking Coal US\$'000	Metals Mining US\$'000	Corporate Investment US\$'000	Total US\$'000
Revenue from external customers	191	—	—	328	519
Segment results	—	(19)	(806)	(14,084)	(14,909)
Reversal of impairment on loan receivables	—	—	—	1,386	1,386
Gain on disposal of an associate	—	—	—	8,938	8,938
Loss on deemed disposal of an associate	(3,560)	—	—	—	(3,560)
Share of results of associates	(2,650)	—	—	1,457	(1,193)
Total results	(6,210)	(19)	(806)	(2,303)	(9,338)
Unallocated					—
Consolidated loss before income tax expense					(9,338)

### As at 31 December 2015

	Biopharma US\$'000	Coking Coal US\$'000	Metals Mining US\$'000	Corporate Investment US\$'000	Total US\$'000
Segment assets	—	46	6	16,680	16,732
Intangible assets	3,441	—	—	—	3,441
Available-for-sale financial assets	—	—	—	5,367	5,367
Interests in associates	17,294	1	—	—	17,295
Total assets	20,735	47	6	22,047	42,835
Segment liabilities	—	—	—	3,790	3,790
Total liabilities	—	—	—	3,790	3,790

# NOTES TO THE FINANCIAL STATEMENTS

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 December 2015

	Biopharma US\$'000	Coking Coal US\$'000	Metals Mining US\$'000	Corporate Investment US\$'000	Total US\$'000
Interest income on bank deposits	—	—	—	2	2
Reversal of impairment on loan receivables	—	—	—	1,386	1,386
Net losses on derivative financial instruments	—	—	—	(416)	(416)
Depreciation	—	—	—	(66)	(66)
Amortisation	(226)	—	—	—	(226)
Net losses on financial assets at fair value through profit or loss	—	—	—	(5,783)	(5,783)
Impairment on available-for-sale financial assets	—	—	—	(194)	(194)
Capital expenditure	(3,667)	—	—	(5)	(3,672)

For the year ended 31 December 2014

	Biopharma US\$'000	Coking Coal US\$'000	Metals Mining US\$'000	Corporate Investment US\$'000	Total US\$'000
Revenue from external customers	—	—	—	206	206
Segment results	—	(20)	(907)	(16,828)	(17,755)
Gain from bargain purchase of an associate	25,809	—	—	—	25,809
Loss on deemed disposal of an associate	(6,017)	—	—	—	(6,017)
Share of results of associates	(10,178)	(4,057)	—	3,631	(10,604)
Total results	9,614	(4,077)	(907)	(13,197)	(8,567)
Unallocated					—
Consolidated loss before income tax expense					(8,567)

# NOTES TO THE FINANCIAL STATEMENTS

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

As at 31 December 2014

	Biopharma US\$'000	Coking Coal US\$'000	Metals Mining US\$'000	Corporate Investment US\$'000	Total US\$'000
Segment assets	—	48	10	19,921	19,979
Available-for-sale financial assets	—	—	—	2,130	2,130
Interests in associates	24,499	1	—	5,706	30,206
<b>Total assets</b>	<b>24,499</b>	<b>49</b>	<b>10</b>	<b>27,757</b>	<b>52,315</b>
Segment liabilities	—	—	—	3,604	3,604
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,604</b>	<b>3,604</b>

For the year ended 31 December 2014

	Biopharma US\$'000	Coking Coal US\$'000	Metals Mining US\$'000	Corporate Investment US\$'000	Total US\$'000
Interest income on bank deposits	—	—	—	2	2
Reversal of impairment on loan receivables	—	—	—	250	250
Net gains on derivative financial instruments	—	—	—	440	440
Depreciation	—	—	—	(94)	(94)
Net losses on financial assets at fair value through profit or loss	—	—	—	(11,653)	(11,653)
Impairment on available-for-sale financial assets	—	—	—	(267)	(267)
Capital expenditure	—	—	—	(2)	(2)

# NOTES TO THE FINANCIAL STATEMENTS

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

The Group's revenues from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
China	—	—	1	1
Hong Kong (domicile)	7	54	48	108
Australia	4	30	—	—
United States	2	(35)	—	—
United Kingdom	481	157	20,735	30,205
South East Asia <sup>1</sup>	25	—	—	—
	519	206	20,784	30,314

<sup>1</sup> South East Asia includes Singapore and Indonesia

The geographical location of customers is based on the location of exchange on which the Group's investments are traded. The geographical location of the non-current assets is based on the physical location of the assets.

# NOTES TO THE FINANCIAL STATEMENTS

## 6. OPERATING LOSS

	2015 US\$'000	2014 US\$'000
Operating loss is arrived at after charging:		
Auditors' remuneration		
– charge for the year	230	232
– under provision in prior year	23	29
Depreciation of property, plant and equipment (note 12)	66	94
Amortisation on intangible asset (included in other operating expenses) (note 13)	226	—
Operating lease charges on property and equipment	625	718
Impairment loss on available-for-sale financial assets (note 15)	194	267
Realised loss on disposal of financial assets at fair value through profit or loss <sup>@ (1)</sup>	16	—
Realised loss on disposal of available-for-sale financial assets <sup>@</sup>	5	—
Unrealised loss on financial assets at fair value through profit or loss <sup>@ (1)</sup>	5,767	11,663
Unrealised loss on derivative financial instruments <sup>@ (2)</sup>	623	—
Foreign exchange losses, net <sup>*</sup>	18	40
and crediting:		
Interest income on bank deposits and loan receivables <sup>*</sup>	2	2
Other interest income <sup>*</sup>	59	—
Realised gain on disposal of financial assets at fair value through profit or loss <sup>@ (1)</sup>	—	10
Realised gain on derivative financial instruments <sup>@ (2)</sup>	207	325
Unrealised gain on derivative financial instruments <sup>@ (2)</sup>	—	115
Dividend income from listed equities <sup>*</sup>	22	28
Reversal of impairment on loan receivables (note 18)	1,386	250

@ These amounts constitute the fair value loss of US\$6,204,000 (2014: US\$11,213,000) in the consolidated statement of comprehensive income.

\* Included in revenue.

(1) During the year ended 31 December 2015, net losses on financial assets at fair value through profit or loss amounted to US\$5,783,000 (2014: US\$11,653,000).

(2) During the year ended 31 December 2015, net losses on derivative financial instruments amounted to US\$416,000 (2014: net gain of US\$440,000).

# NOTES TO THE FINANCIAL STATEMENTS

## 7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2015 US\$'000	2014 US\$'000
Salaries, discretionary bonuses and benefits in kind	5,920	4,191
Pension costs - defined contribution plans (note 24)	25	24
	5,945	4,215

### a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2015 is set out below:

Name of director	Fees US\$'000	Salaries and benefits in kind US\$'000	Discretionary bonus US\$'000	Contribution to defined contribution plans US\$'000	Total US\$'000
<b>Executive Director</b>					
Jamie Gibson*	—	1,500	1,250	—	2,750
<b>Non-Executive Directors</b>					
James Mellon	25	158	475	—	658
Stephen Dattels	50	—	—	—	50
Jayne Sutcliffe	20	—	—	—	20
<b>Independent Non-Executive Directors</b>					
David Comba	40	—	—	—	40
Julie Oates	40	—	—	—	40
Mark Searle	40	—	—	—	40
<b>Total</b>	215	1,658	1,725	—	3,598

\* During the year ended 31 December 2015, remuneration of GBP 2,052,000 (including cash of GBP 314,000 and share-based-payment of GBP 1,738,000) was received from an associate, Plethora, of the Group by Jamie Gibson.

# NOTES TO THE FINANCIAL STATEMENTS

## 7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

### a) Directors' emoluments (Continued)

The remuneration of every Director for the year ended 31 December 2014 is set out below:

Name of director	Fees US\$'000	Salaries and benefits in kind US\$'000	Contribution to defined contribution plans US\$'000	Total US\$'000
<b>Executive Director</b>				
Jamie Gibson*	—	1,500	—	1,500
<b>Non-Executive Directors</b>				
James Mellon	25	158	—	183
Stephen Dattels	50	—	—	50
Jayne Sutcliffe	20	—	—	20
<b>Independent Non-Executive Directors</b>				
David Comba	40	—	—	40
Julie Oates	40	—	—	40
Mark Searle	40	—	—	40
<b>Total</b>	<b>215</b>	<b>1,658</b>	<b>—</b>	<b>1,873</b>

\* During the year ended 31 December 2014, share-based-payment of GBP 55,000 was received from an associate, Plethora, of the Group by Jamie Gibson.

No Directors waived or agreed to waive any emoluments in respect of the years ended 31 December 2015 and 2014.

### b) Five highest paid individuals

Of the five highest paid individuals, two (2014: one) were Directors of the Company and their remunerations have been included in the Directors' remuneration. The total emoluments payable to the five highest paid individuals for the year are as follows:

	2015 US\$'000	2014 US\$'000
Fees	—	—
Salaries and other emoluments	4,889	3,174
Pension costs - defined contribution plans	6	6
<b>Total</b>	<b>4,895</b>	<b>3,180</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

### b) Five highest paid individuals (Continued)

The above remuneration of the top five individuals fell within the following bands:

		Number of individuals	
		2015	2014
HK\$1,500,001 - HK\$2,000,000	(US\$193,484-US\$257,978)	—	1
HK\$2,000,001 - HK\$2,500,000	(US\$257,978-US\$322,472)	1	—
HK\$2,500,001 - HK\$3,000,000	(US\$322,473-US\$386,967)	—	1
HK\$3,000,001 - HK\$3,500,000	(US\$386,967-US\$451,461)	1	1
HK\$5,000,001 - HK\$5,500,000	(US\$644,945-US\$709,439)	1#	1
HK\$6,000,001 - HK\$6,500,000	(US\$773,934-US\$838,428)	1	—
HK\$11,500,001 - HK\$12,000,000	(US\$1,483,373-US\$1,547,868)	—	1#
HK\$21,000,001 - HK\$21,500,000	(US\$2,708,769-US\$2,773,263)	1#	—
		5	5

# Emoluments relate to directors

No emolument was paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office in respect of the years ended 31 December 2015 and 2014.

### c) Senior management

The emoluments paid or payable to members of senior management were within the following bands:

		Number of individuals	
		2015	2014
HK\$3,000,001 - HK\$3,500,000	(US\$386,967-US\$451,461)	1	1
HK\$5,000,001 - HK\$5,500,000	(US\$644,945-US\$709,439)	—	1
HK\$6,000,001 - HK\$6,500,000	(US\$773,934-US\$838,428)	1	—
HK\$11,500,001 - HK\$12,000,000	(US\$1,483,373-US\$1,547,868)	—	1
HK\$21,000,001 - HK\$21,500,000	(US\$2,708,769-US\$2,773,263)	1	—
		3	3

# NOTES TO THE FINANCIAL STATEMENTS

## 8. TAXATION

The amount of taxation in the consolidated statement of comprehensive income represents:

	2015 US\$'000	2014 US\$'000
Income tax expense	—	—

No provision for Hong Kong profits tax has been made in these financial statements as all the Group companies which are subject to such tax have sustained losses for taxation purposes for the years ended 31 December 2015 and 2014. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

Share of associates' tax credit for the year ended 31 December 2015 of US\$238,000 (2014: US\$231,000) is included in the consolidated statement of comprehensive income as share of results of associates.

Reconciliation between the Group's income tax expense and accounting loss at applicable tax rates are as follows:

	2015 US\$'000	2014 US\$'000
Loss before taxation:	(9,338)	(8,567)
Less:		
Share of results of associates	1,193	10,604
(Loss)/Profit before share of results of associates and taxation	(8,145)	2,037
Nominal tax on loss before taxation, calculated at the rate applicable to profits in the tax jurisdictions concerned	(2,054)	(512)
Income not subject to taxation	(3)	—
Expenses not deductible for taxation purposes	2,057	512
Income tax expense	—	—

# NOTES TO THE FINANCIAL STATEMENTS

## 9. DIVIDENDS

No dividend was paid or proposed during the year of 2015, nor has any dividend been proposed since the end of reporting period (2014: Nil).

## 10. LOSSES PER SHARE

The calculation of basic losses per share is based on the loss attributable to the shareholders for the year of US\$9,333,000 (2014: US\$8,563,000) and on the weighted average of 3,485,730,523 (2014: 3,485,730,523) ordinary shares in issue during the year.

The share options outstanding have an anti-dilutive effect on the basic losses per share of the Group for the years ended 31 December 2015 and 2014. Accordingly, the effect of the share options was not included in the calculation of diluted losses per share for the years ended 31 December 2015 and 2014.

## 11. GOODWILL

	2015 US\$'000	2014 US\$'000
At 1 January and 31 December		
Gross carrying amount	15,271	15,271
Accumulated impairment	(15,271)	(15,271)
Net carrying amount	—	—

Goodwill arose from the acquisition of subsidiaries and businesses in the coking coal industry in 2007 and was fully impaired in 2011.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures US\$'000	Computer and other equipment US\$'000	Total US\$'000
At 1 January 2014			
Cost	345	213	558
Accumulated depreciation	(199)	(160)	(359)
Net book amount	146	53	199
Year ended 31 December 2014			
Opening net book amount	146	53	199
Additions	—	2	2
Disposals	—	(2)	(2)
Depreciation charge for the year	(55)	(39)	(94)
Depreciation written back on disposals	—	2	2
Foreign currency translation adjustment	1	—	1
Closing net book amount	92	16	108
At 31 December 2014			
Cost	345	213	558
Accumulated depreciation	(253)	(197)	(450)
Net book amount	92	16	108
Year ended 31 December 2014			
Opening net book amount	92	16	108
Additions	—	5	5
Disposals	—	(7)	(7)
Depreciation charge for the year	(51)	(15)	(66)
Depreciation written back on disposals	—	7	7
Foreign currency translation adjustment	—	1	1
Closing net book amount	41	7	48
At 31 December 2015			
Cost	345	211	556
Accumulated depreciation	(304)	(204)	(508)
Net book amount	41	7	48

# NOTES TO THE FINANCIAL STATEMENTS

## 13. INTANGIBLE ASSET

	2015 US\$'000	2014 US\$'000
Carrying amount as at 1 January	—	—
Addition	3,667	—
Amortisation	(226)	—
Carrying amount as at 31 December	3,441	—

Intangible asset represents the out-licensing rights to PSD502<sup>®</sup>, the principal product of an associate, Plethora, which were acquired by the Group from a third party during the year. Further background details of Plethora and PSD502<sup>®</sup> are set out in note 14 and the section headed "Management's Discussion and Analysis of the Group's Performance".

On 5 June 2015, Plethora agreed to terminate its arrangements with Sharwood which contracted with Plethora to provide assistance to Plethora in the out-licensing of PSD502<sup>®</sup>. These contractual obligations have been novated in favour of the Company in the form of a promissory note (the "Note"). Sharwood has novated the Note to the Company for a consideration of GBP 2.4 million (or approximately US\$3.67 million).

Under the terms of the Note, the Company is entitled to receive from Plethora

- amounts equal to 2.08% of the first EUR 18.75 million aggregate royalties received by Plethora;
- amounts equal to 3.12% of aggregate royalties received by Plethora between EUR 18.75 million and EUR 30 million; and
- amounts equal to 4.56% of aggregate royalties received by Plethora above EUR 30 million

provided that, the total amount payable by Plethora to the Company shall in no circumstance exceed GBP 4.58 million (US\$6.75 million).

In addition, the Company has the right to receive accelerated payments should Plethora or any of its licensed assets be subject to a change of control, which as detailed above, are capped at GBP 4.58 million (US\$6.75 million). These arrangements expire on the earlier of 15 September 2024 or when the cap of GBP 4.58 million (US\$6.75 million) has been paid to the Company. Further details of these arrangements and the acquisition of these economic rights are set out in the Company's announcement dated 5 June 2015.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. INTERESTS IN ASSOCIATES

(i) At 31 December 2015, the Group's associates and their carrying value comprised the following:

	2015 US\$'000	2014 US\$'000
Binary Holdings Limited ("Binary")	—	5,706
West China Coke	1	1
Plethora	17,294	24,499
	17,295	30,206

Share of associates' tax credit for the year ended 31 December 2015 of US\$238,000 (2014: US\$231,000) is included in the consolidated statement of comprehensive income as share of results of associates.

Particulars of the associates as at 31 December 2015 are as follows:

Name of associate	Country of Incorporation/ continuation	Type of legal entity	Issued and fully paid share capital held in associate	Percentage of equity interest attributable to the Company		Principal activity
				Direct	Indirect	
West China Coke	PRC	Sino-foreign Joint Venture Company	Injected capital of RMB 79,910,000	—	25%	Production, processing and sale of coal, coke, gas and coal chemicals
Plethora*	United Kingdom	UK Limited Liability Company	Ordinary shares of GBP 867,995	10.54%	—	Development and marketing of products for the treatment and management of urological disorders

\* The statutory audited financial statements of the associates were not audited by BDO Limited.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. INTERESTS IN ASSOCIATES (Continued)

(ii) Movement in interests in associates is summarised in the table below:

	2015 US\$'000	2014 US\$'000
As at 1 January	30,206	9,134
Reclassified Plethora from FAFVPL (iii) (note 16)	—	12,026
Addition	—	4,404
Disposal of 98% interest in Binary (iv)	(6,755)	—
Gain from bargain purchase of Plethora (iii)	—	25,809
Unrealised fair value gain on retained 2% interest in Binary (iv)	529	—
Loss on deemed disposal of Plethora(iii)	(3,560)	(6,017)
Dividend received	—	(2,795)
Share of results of associates	(1,193)	(10,604)
Reclassify remaining interest in Binary to available-for-sale financial assets (iv) and (note 15)	(943)	—
Exchange loss on translation of financial statements of associates	(989)	(1,751)
As at 31 December	17,295	30,206
	2015 US\$'000	2014 US\$'000
Share of net assets - unlisted (net of accumulated impairment losses)	1	5,707
Share of net assets - listed	17,294	24,499
	17,295	30,206
Market value of listed investment, overseas	5,915	10,015

# NOTES TO THE FINANCIAL STATEMENTS

## 14. INTERESTS IN ASSOCIATES (Continued)

- (iii) Plethora reclassified as an associate from FAFVPL on 1 January 2014

Plethora was incorporated in the United Kingdom and its shares are traded on the Alternative Investment Market ("AIM") on the London Stock Exchange. Its principal activities are the research, development, manufacturing, marketing and sale of pharmaceutical products for the treatment and management of premature ejaculation.

The Group started accumulating its interest in Plethora from 2011 and accounted for its interest as FAFVPL. As at 31 December 2013 the Group held a 13.85% interest in Plethora at a carrying value of US\$12,026,000, which was based on its last quoted market price on the AIM as at that date.

On 1 January 2014, the Group's CEO, Jamie Gibson, was appointed as the CEO and as an executive director of Plethora. This appointment was on behalf of the Group and consequently the Directors considered the Group had significant influence over the financial and operating decisions of Plethora. Accordingly, from 1 January 2014, the Group has reclassified its interest in Plethora as an associate from FAFVPL.

The fair values of identifiable assets and liabilities of Plethora on 1 January 2014 are set out below:

	Fair values recognised on 1 January 2014 US\$'000	Carrying values on 1 January 2014 US\$'000
Intangible asset	253,460	—
Trade and other receivables	822	822
Cash and cash equivalents	5,164	5,164
Trade and other payables	(1,918)	(1,918)
Convertible bonds	(5,677)	(5,677)
Warrants	(9,675)	(9,675)
Deferred tax liability	(25,346)	—
<b>Net assets/(liabilities) acquired</b>	<b>216,830</b>	<b>(11,284)</b>

The fair value of consideration transfer:

	US\$'000
Share of total identifiable net assets at fair value (13.85% interest)	30,031
Gain from bargain purchase of associate	(18,005)
<b>Deemed consideration on acquisition</b>	<b>12,026</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 14. INTERESTS IN ASSOCIATES (Continued)

### (iii) Plethora reclassified as an associate from FAFVPL on 1 January 2014 (Continued)

The significant difference between the carrying values of the assets and liabilities as reflected by Plethora in its books and the fair values of the same as determined by the Group as at 1 January 2014 is the fair value attributed to an intangible asset or patent referred to as PSD502<sup>®</sup>, a pharmaceutical product for the treatment of premature ejaculation ("PE"). Plethora has self-developed this product and has not capitalised any of the costs used to develop PSD502<sup>®</sup> nor any of the future value this product may derive. The Group, with the assistance of a professional independent valuation expert, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, determined the fair value of PSD502<sup>®</sup> based on the "relief from royalty method" to be in the region of GBP 153 million (or approximately US\$253,460,000 at the then exchange rate between GBP and US\$).

As a result of this fair value exercise, the Group determined there was a bargain purchase gain arising from the equity accounting of Plethora of US\$18,005,000. Subsequently, on 10 January 2014, the Group acquired further 4,000,000 ordinary shares of Plethora, which increased the Group's ownership to 14.81% for a consideration of US\$711,000. The Group made a further bargain purchase gain on this purchase of US\$1,370,000. On 15 September 2014, one of the convertible loan notes holders converted its convertible loan notes with principal amount of GBP 200,000 into 14,632,600 ordinary shares of Plethora, which diluted the Group's ownership from 14.81% to 14.31% and gave rise to a loss on deemed disposal of an associate of US\$923,000. On 18 September 2014, the Group subscribed for further 25,299,490 ordinary shares of Plethora at GBP 0.09 per share, together with 12,649,745 fundraising warrants exercisable at GBP 0.15 each for a period up to 19 September 2019, for a consideration of US\$3,693,000, which increased the Group's ownership to 19.07%. The Group made a bargain purchase gain of US\$6,434,000 on this purchase, giving rise to a total gain from bargain purchase for the year of US\$25,809,000. This was credited as income in the consolidated statement of comprehensive income for the year ended 31 December 2014.

By way of a placing and subscription on 19 September 2014, a total of 176,998,486 ordinary shares at GBP 0.09 per share and 88,499,236 fundraising warrants exercisable at GBP 0.15 each were issued by Plethora, which diluted the Group's ownership from 19.07% to 13.73% and gave rise to a loss on deemed disposal of an associate of US\$2,765,000. On 29 September 2014, Plethora announced that a notice has been received from a convertible loan notes holder to convert convertible loan notes with principal amount of GBP 800,000 into 48,806,575 ordinary shares of Plethora, which diluted the Group's ownership from 13.73% to 12.75% and gave rise to a loss on deemed disposal of an associate of US\$2,329,000. In total, the Group has recognised losses of US\$6,017,000 from deemed disposals of interests (dilution in interest) in Plethora arising from convertible notes holders converting to equity and placement of new shares which was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014.

On 8 April 2015, Plethora announced that a notice was received from the convertible loan notes holders to convert convertible loan notes with principal amount of GBP 1,629,595 with interest accrued and redemption premiums of GBP 1,216,124 into 142,285,957 ordinary shares of Plethora, which diluted the Group's ownership from 12.75% to 10.54% and gave rise to a loss on deemed disposal of an associate of US\$3,560,000 which has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2015.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. INTERESTS IN ASSOCIATES (Continued)

### (iv) Disposal

As at 31 December 2014, the Group held 49.90% equity interest in Binary which is principally engaged in the business of online options trading platform and accounted for the investment as an associate. On 8 April 2015, the Group disposed of 98% of its holding amounting to 938,978 ordinary shares in Binary for an aggregate consideration of US\$15,000,000. As part of this transaction, 165,197 Binary shares were sold to two related parties of the Group, the details of which are set out in note 30. The Group has accounted for the remaining approximately 2% equity interest as available-for-sale financial assets, whose fair value the Directors estimated to be approximately US\$943,000 at the date of disposal (fair value gain of US\$529,000). This transaction has resulted in the recognition of a gain on disposal of an associate of US\$8,938,000 calculated as follows.

	2015 US\$'000
Aggregate consideration	15,000
Carrying amount of the Company's interest in Binary disposed of (approximately 98% interest) (ii)	(6,755)
Reclassification adjustment resulting disposal 98% interest:	
– foreign currency exchange reserve	2
– share-based payment reserve	162
Unrealised fair value gain on retained 2% interest (ii)	529
<b>Gain on disposal of an associate</b>	<b>8,938</b>

Further details of Binary and the sale of Binary shares are set out in the Company's circular dated 16 March 2015 and announcement dated 8 April 2015.

## 14. INTERESTS IN ASSOCIATES (Continued)

### (v) Assessment for impairment of associates

During the year ended 31 December 2015, no impairment loss has been recognised in the profit or loss for the Group's interests in associates (2014: Nil). As part of this assessment, the Directors noted that the carrying value of the Group's interest in Plethora exceeded the market value of its equity interest in Plethora. The Directors accordingly carried out an impairment assessment to determine whether the recoverable amount of this associate was greater than its carrying value. To determine the recoverable amount, the Directors carried out a value in use calculation using essentially the same basis/model as used in the exercise to determine the fair value of the associate's net assets in January 2014 (as set out in (iii) above).

The recoverable amount of the interest in Plethora was calculated based on cash flow forecasts covering a period up to 2025 representing the remaining estimated useful life of the patent. The rate used to discount the forecast cash flows was in the range of 15% to 30% (2014: 16% to 19%). The key assumptions for the value-in-use calculations were those regarding the discount rates, growth rates and royalty rates in respect of five major regions and the premature ejaculation prevalence rate of 25% (2014: 25%). The value in use figure determined as at 31 December 2015 was higher than the carrying value of the interest in the associate and accordingly no impairment loss was considered necessary.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. INTERESTS IN ASSOCIATES (Continued)

### (vi) Summarised financial information of associates

The following table illustrates the summarised aggregate financial information of the Group's material associate, Plethora, prepared in accordance with International Financial Reporting Standards which are equivalent to HKFRSs and adjusted for the effect of the fair value adjustments at the date Plethora became an associate of the Group.

	2015 US\$'000	2014 US\$'000
<b>As at 31 December</b>		
Non-current assets	187,989*	198,897*
Current assets	1,348	8,736
Current liabilities	(5,961)	(1,739)
Non-current liabilities	(19,306)	(13,681)
Included in the above amounts are:		
Cash and cash equivalents	137	7,893
<b>For the year ended 31 December</b>		
Revenue	—	6,017
Loss for the year	(15,737)	(67,723)
Other comprehensive income for the year	(9,504)	(12,111)
Total comprehensive income for the year	(25,241)	(79,834)
Dividend received from an associate	—	—
Included in the above amounts are:		
Depreciation and amortisation	(18,809)	(19,866)
Interest income	3	5
Interest expense	(342)	(1,455)
Income tax credit	2,400	2,112

\* comprising primarily of intangible asset, PSD502®, as explained in note 14 (iii).

# NOTES TO THE FINANCIAL STATEMENTS

## 14. INTERESTS IN ASSOCIATES (Continued)

### (vi) Summarised financial information of associates (Continued)

The following table illustrates the summarised aggregate financial information of the remaining associates which are not material to the Group.

	2015 US\$'000	2014 US\$'000
<b>For the year ended 31 December</b>		
Loss for the year	—	(15,375)
Other comprehensive income	—	(853)
<b>Total comprehensive income</b>	<b>—</b>	<b>(16,228)</b>

On 23 December 2015, the Company and Plethora entered into a loan agreement, pursuant to which the Company made available to Plethora a sterling term loan facility of GBP 1 million at an interest rate of LIBOR plus 5% per annum. The maturity date of the loan is 25 April 2016. As at 31 December 2015, no amount was drawn by Plethora (2014: Nil). As of 24 February 2016, all of this facility was drawn down by Plethora.

# NOTES TO THE FINANCIAL STATEMENTS

## 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 US\$'000	2014 US\$'000
As at 1 January	2,130	2,334
Additions	1,842	—
Disposals	(185)	—
Reclassified from interest in associates (note 14 (iv))	943	—
Change in fair value (note 28 (c))	831	63
Impairment loss (note 6)	(194)	(267)
As at 31 December	5,367	2,130

Available-for-sale financial assets include the following:

	2015 US\$'000	2014 US\$'000
Unlisted securities		
Club debenture, at cost	19	19
Equity securities, at cost	3,548	1,706
	3,567	1,725
Unlisted securities		
Equity securities, at fair value (note 28 (c))	1,774	—
Listed securities		
Equity securities, at fair value	26	405
	5,367	2,130

Available-for-sale financial assets ("AFS") included investments in certain unlisted securities, which are measured at cost less impairment as there is no quoted market price in active markets for the investments and the variability in the range of reasonable fair value estimates of the investments is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group plans to hold these investments for the foreseeable future.

During the year ended 31 December 2015, there was a significant decline in the fair value of one of the Company's AFS investments such that the Directors considered that the investment was impaired. Accordingly, the fair value loss was charged to the income statement as an impairment loss in the amount of US\$194,000 (2014: US\$267,000).

# NOTES TO THE FINANCIAL STATEMENTS

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 US\$'000	2014 US\$'000
As at 1 January	13,876	37,814
Additions	281	262
Disposals	(244)	(511)
Reclassified to interest in associates (note 14)	—	(12,026)
Change in fair value	(5,767)	(11,663)
<b>As at 31 December</b>	<b>8,146</b>	<b>13,876</b>

Financial assets at fair value through profit or loss include the following:

	2015 US\$'000	2014 US\$'000
Held for trading – overseas		
– Listed equities, at fair value	8,146	13,876

The fair value of listed equity investments were based on quoted market prices.

Certain of the Group's financial assets that are accounted at fair value through profit or loss, namely its equity interests in Australian listed shares including holdings in Venturex Resources Limited ("**Venturex**"), Bannerman Resources Limited and Tigers Realm Coal Limited, whose market value as at 31 December 2015 was approximately A\$3.28 million (or equivalent to US\$2.39 million), were pledged as security to the Australian Commissioner of Taxation against an assessment in relation to a potential liability for Australian tax arising from the gain on disposal of an Australian listed security in 2013. Further details of this assessment and the security given by the Company are set out in note 31 and the section headed "Charge on Assets" in the "Management's Discussion and Analysis of the Group's Performance".

One of the Group's strategic investments is a 33.63% interest in Venturex. This company is not accounted for under the equity method as the Group does not have the power to participate in the company's operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level.

# NOTES TO THE FINANCIAL STATEMENTS

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Particulars of the Group's investment in listed equities as at 31 December 2015 are as follows:

Name of company	Country of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company	Carrying value at 31 December 2015
Venturex	Australia	587,184,484 ordinary shares	33.63%	US\$2,140,000
Condor Gold Plc	United Kingdom	3,977,274 ordinary shares	8.68%	US\$1,275,000
Endeavour Mining Corporation	Canada	449,179 ordinary shares	0.76%	US\$2,479,000

## 17. CASH AND BANK BALANCES

	2015 US\$'000	2014 US\$'000
Cash and balances with banks	1,124	746
Money at call and short notice	4,350	2,842
	5,474	3,588

One of the Group's subsidiaries maintains trust accounts with banks as part of its then normal business transactions in prior years. While such business was discontinued some years ago, as at 31 December 2015, included in the Group's cash at banks were trust account balances of US\$29,000 (2014: US\$29,000) (note 20).

# NOTES TO THE FINANCIAL STATEMENTS

## 18. LOAN RECEIVABLES

	2015 US\$'000	2014 US\$'000
Loan receivables	2,354	3,915
Interest receivables	430	430
Impairment	(2,709)	(4,095)
	75	250

Movements on the provision for impairment of loan and interest receivables are as follows:

	2015 US\$'000	2014 US\$'000
At 1 January	4,095	4,345
Reversal of impairment previously recognised	(1,386)	(250)
At 31 December	2,709	4,095

On 25 July 2008, a loan agreement was signed between RPG Investments I Limited ("RPI") and Blue Pacific Coal Pte. Ltd. ("Blue Pacific"), an independent third party, on which RPI has agreed to provide Blue Pacific with a loan totalling US\$11,250,000 for the purpose of financing Blue Pacific's working capital and on lending to its Indonesian subsidiary for a coal mining project, which was terminated in late 2009.

In 2011, the Group made full impairment provision in respect of the outstanding loan and interest receivable due from Blue Pacific amounting to US\$4,345,000. However, the Company continued in its action to pursue the amount due pursuant to previously disclosed litigation commenced by the Group against, among others, Blue Pacific and its controllers in the High Court of Singapore. In this respect, the Company can disclose that High Court Suit No. 666 of 2014 has been settled. The terms of the settlement are confidential. During the current year, the Company received US\$1,561,000 (2014: Nil) under the settlement agreement.

Subsequent to 31 December 2015 and prior to the date of this report, the Group received US\$75,000 (2014: US\$250,000) from Blue Pacific.

# NOTES TO THE FINANCIAL STATEMENTS

## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 US\$'000	2014 US\$'000
Prepayments, deposits and other receivables <sup>#</sup>	2,505	1,217

<sup>#</sup> Included in the balance of prepayments, deposits and other receivables was a margin deposit of US\$679,000 (2014: US\$410,000) placed with broker firms for the trading of derivatives.

The fair value of prepayments, deposits and other receivables were the same as illustrated above.

The balance outstanding as at 31 December 2015 and 2014 were neither past due nor impaired.

## 20. TRADE PAYABLES, DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	2015 US\$'000	2014 US\$'000
Trade payables	99	99
Deposits received, accruals and other payables	3,524	3,172
	3,623	3,271

At 31 December 2015 and 2014, the ageing analysis of the trade payables was as follows:

	2015 US\$'000	2014 US\$'000
Due within 1 month or on demand	—	—
More than 6 months	99	99
	99	99

Included in trade payables were those payables placed in trust accounts amounting to US\$29,000 as at 31 December 2015 (2014: US\$29,000) (refer to note 17 for further details).

The fair value of trade payables, deposit received, accruals and other payables approximates their respective carrying amounts at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## 21. SHARE CAPITAL

Authorised:	Number of ordinary shares of US\$0.01 each	US\$'000	Number of unclassified shares*	US\$'000	Total number of shares	Total US\$'000
At 31 December 2015 and 31 December 2014	10,000,000,000	100,000	550,000,000	5,500	10,550,000,000	105,500
Issued and fully paid:					Total number of shares	Total US\$'000
At 1 January 2014, 31 December 2014 and 2015					3,485,730,523	34,857

\* Unclassified shares of US\$0.01 each, which may be issued as ordinary shares or as non-voting convertible deferred shares of US\$0.01 each

As at 1 January 2015, the total issued ordinary share capital of the Company consisted of 3,485,730,523 shares. During the year ended 31 December 2015, no new shares were issued and allotted by the Company, and no shares were repurchased by the Company.

Pursuant to an ordinary resolution passed at the Company's Extraordinary General Meeting held on 2 March 2016, the authorised share capital of the Company was increased from US\$105,500,000 to US\$235,500,000 by the creation of 13,000,000,000 ordinary shares of US\$0.01 each to provide for the issue and allotment of the consideration shares upon completion of the conditional all share takeover offer for Plethora and to provide the Company with greater flexibility to raise future equity capital.

On 9 March 2016, an aggregate of 13,886,781,298 new ordinary shares were issued and allotted by the Company as consideration shares upon completion of the conditional all share takeover offer for Plethora (effected by way of a scheme of arrangement under Part 26 of the Companies Act 2006). Further details are set out in note 34.

No shares were repurchased by the Company subsequent to the year end date and prior to the date of this report.

Accordingly, as at the date of this report, the total issued ordinary share capital of the Company consists of 17,372,511,821 shares.

Details of the Company's Share Option Scheme (2002) are set out below.

## 21. SHARE CAPITAL (Continued)

### Share Option Scheme (2002)

The Company's share option scheme, named "Share Option Scheme (2002)" (the "**Share Option Scheme (2002)**"), which was adopted with shareholders' approval at the Company's annual general meeting held on 15 November 2002, expired on 15 November 2012, being the tenth anniversary of its commencement date. The provisions of the rules of the Share Option Scheme (2002) shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted and remaining outstanding prior to the date of the expiry.

The Share Option Scheme (2002) provides the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the eligible participants (including directors, executives, employees, consultants and service providers of the Company and its subsidiaries). The scheme may, at the discretion of the Directors, be used in conjunction with any cash based compensation, incentive compensation or bonus plan.

The Company sought shareholders' approval at the extraordinary general meeting held on 16 June 2006 for "refreshing" the 10% limit under the scheme. Accordingly, the maximum number of shares which may be issued upon exercise of all options to be granted after 16 June 2006 under the Share Option Scheme (2002), when aggregated with any shares which may be issued upon exercise of options to be granted under other schemes of the Company, shall not exceed 146,538,132 shares, being 10% of the total issued ordinary share capital of the Company as at the date of approval of the "refreshed" limit. Options previously granted under the scheme (including those outstanding, cancelled or lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as "refreshed". In any circumstances, the aggregate limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme (2002) and any other schemes of the Company must not exceed 30% of the ordinary shares of the Company in issue from time to time. The Company may also seek separate shareholders' approval at a general meeting for granting options beyond the 10% limit provided that the options in excess of the limit are granted only to participants specifically identified by the Company before such approval is sought.

The number of shares issued or issuable upon exercise of the options granted to any individual eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the ordinary shares of the Company in issue, subject to the restrictions on grants to the Directors, chief executive or substantial shareholders of the Company as set out in the HK Listing Rules.

## 21. SHARE CAPITAL (Continued)

### Share Option Scheme (2002) (Continued)

Each grant of options to any of the Directors, chief executive or substantial shareholders of the Company, or any of their respective associates, under the scheme must be approved by the Company's independent non-executive Directors (excluding the Independent Non-Executive Director who is the grantee of the options). Where any grant of options to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the proposed offer of such grant representing in aggregate over 0.1% of the ordinary shares of the Company in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million, such further grant of options must be subject to shareholders' approval.

An offer of the grant of an option shall remain open for acceptance by the eligible participant concerned for a period of 28 days inclusive of and from the date on which such offer is made to that eligible participant or such shorter period as the Directors may in their absolute discretion determine. An offer which remains capable of acceptance shall be deemed to have been accepted upon the date when the duly completed and signed form of acceptance together with a remittance for HK\$10, being the consideration for the grant thereof, are received by the Company. The option shall, following such acceptance, be deemed to have been granted and to have taken effect on the date of offer.

Options granted under the Share Option Scheme (2002) entitle the holders to exercise one-third of the option at each of the first, second and third anniversary dates after the date of grant, provided that the option holder remains as an eligible participant. Any entitlements unexercised in any prior period may be carried forward to the following periods but, in any event, must be exercised within 10 years from the date of offer of the relevant option. All entitlements of the option then remain unexercised will lapse.

The exercise price is to be determined by the Directors at their absolute discretion when the option is offered, provided that in no event shall such price be less than the higher of (i) the nominal value of the ordinary shares of the Company; (ii) the closing price of the ordinary shares as stated in the daily quotations sheet of the HK Stock Exchange on the date of offer, which must be a business day; and (iii) the average closing price of the ordinary shares as stated in the daily quotations sheets of the HK Stock Exchange for the five business days immediately preceding the date of offer.

As at 1 January 2015, under the Share Option Scheme (2002) there were outstanding and vested options entitling the holders to subscribe for an aggregate of 111,266,132 ordinary shares at exercise prices ranging from HK\$0.300 to HK\$1.152 per share (1 January 2014: 122,366,132 shares at exercise prices ranging from HK\$0.266 to HK\$1.152 per share), representing 3.19% (1 January 2014: 3.51%) of the Company's then issued ordinary share capital and 3.09% (1 January 2014: 3.39%) of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 111,266,132 shares or 100% were vested (1 January 2014: all the outstanding options in respect of an aggregate of 122,366,132 shares or 100%).

## 21. SHARE CAPITAL (Continued)

### Share Option Scheme (2002) (Continued)

During the year ended 31 December 2015:

- No new options were granted (2014: nil);
- No vested options were exercised (2014: nil);
- No outstanding options lapsed (2014: Outstanding options in respect of an aggregate of 11,100,000 shares lapsed on 8 September 2014 upon expiry of the exercise period (being two outstanding options granted 9 September 2004 in respect of an aggregate of 11,100,000 shares at the exercise price of HK\$0.266 per share)); and
- No options were cancelled (2014: nil).

Accordingly, as at 31 December 2015, under the Share Option Scheme (2002) there were outstanding options entitling the holders to subscribe for an aggregate of 111,266,132 ordinary shares (31 December 2014: 111,266,132 shares) at exercise prices ranging from HK\$0.300 to HK\$1.152 per share, representing 3.19% (31 December 2014: 3.19%) of the Company's then issued ordinary share capital and 3.09% (31 December 2014: 3.09%) of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 111,266,132 shares or 100% were vested (31 December 2014: all the outstanding options in respect of an aggregate of 111,266,132 shares or 100%). Exercise in full of the outstanding options would result in the issue of 111,266,132 additional ordinary shares for aggregate proceeds, before expenses, of HK\$77,614,928 (approximately US\$9,950,631).

Subsequent to the year end date and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options lapsed or were cancelled. Accordingly, as at the date of this report, under the Share Option Scheme (2002) there are outstanding options entitling the holders to subscribe for an aggregate of 111,266,132 ordinary shares at exercise prices ranging from HK\$0.300 to HK\$1.152 per share, representing 0.64% of the Company's existing issued ordinary share capital and the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 111,266,132 shares or 100% are vested. No new options will be granted under the Share Option Scheme (2002) as the scheme expired on 15 November 2012 (as noted above), with the provisions of its rules remaining in full force and effect to the extent necessary to give effect to the exercise of any options granted and remaining outstanding prior to the date of the expiry.

## 21. SHARE CAPITAL (Continued)

### Share Option Scheme (2002) (Continued)

Particulars of the options held under the Share Option Scheme (2002) by various participants are as follows:

*i. Directors, Chief Executive and substantial shareholders*

As at 1 January 2015, outstanding and vested options in respect of an aggregate of 76,600,000 shares were held by the Chief Executive Officer (also an Executive Director) and other Directors, details of which are set out below:

1. An option, which was granted on 4 April 2006, entitling the Chief Executive Officer to subscribe, in stages, for 45,600,000 ordinary shares at the exercise price of HK\$0.300 per share; and
2. Options, which were granted on 2 October 2007, entitling the Non-Executive Co-Chairman (James Mellon), the Chief Executive Officer and an Independent Non-Executive Director to subscribe, in stages, for an aggregate of 31,000,000 ordinary shares at the exercise price of HK\$1.152 per share.

During the year ended 31 December 2015 and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options lapsed or were cancelled.

Particulars of the options granted to and held by the Directors and the Chief Executive Officer are set out in detail under the section headed "Directors' Interests in Securities and Options" in the Directors' Report. No options were granted to or held by any associates of the Directors or the Chief Executive Officer of the Company at any time during the year or prior to the date of this report.

No options were granted to or held by any substantial shareholder of the Company (other than: (i) James Mellon who is also the Non-Executive Co-Chairman of the Company and (ii) Jamie Gibson who is also an Executive Director and the Chief Executive Officer of the Company), as referred to in the section headed "Substantial Shareholders" in the Directors' Report, or their respective associates, at any time during the year or prior to the date of this report.

## 21. SHARE CAPITAL (Continued)

### Share Option Scheme (2002) (Continued)

#### ii. Full-time employees

As at 1 January 2015, outstanding and vested options in respect of an aggregate of 20,666,132 shares were held by the full-time employees of the Group (excluding the Directors of the Company), details of which are set out below:

1. Options, which were granted on 4 April 2006, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 4,524,000 ordinary shares at the exercise price of HK\$0.300 per share;
2. Options, which were granted on 14 December 2006, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 4,104,000 ordinary shares at the exercise price of HK\$0.325 per share; and
3. Options, which were granted on 2 October 2007, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 12,038,132 ordinary shares at the exercise price of HK\$1.152 per share.

During the year ended 31 December 2015 and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options lapsed or were cancelled.

#### iii. Participants in excess of individual limit

No participants were granted with options in respect of an aggregate number of shares in the Company which was in excess of the individual limit referred to in the HK Listing Rules at any time during the year ended 31 December 2015 or prior to the date of this report.

#### iv. Suppliers of goods and services

As at 1 January 2015, outstanding and vested options in respect of an aggregate of 14,000,000 shares were held by the service providers, details of which are set out below:

1. An option, which was granted on 15 May 2007, entitling a consultant (a former Non-Executive Director who resigned on 12 February 2008 and was appointed as a consultant) to subscribe, in stages, for 12,000,000 ordinary shares at the exercise price of HK\$0.780 per share; and
2. An option, which was granted on 2 October 2007, entitling a consultant (a former Independent Non-Executive Director who resigned on 12 February 2008 and was appointed as a consultant) to subscribe, in stages, for 2,000,000 ordinary shares at the exercise price of HK\$1.152 per share.

During the year ended 31 December 2015 and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options lapsed or were cancelled.

# NOTES TO THE FINANCIAL STATEMENTS

## 21. SHARE CAPITAL (Continued)

### Share Option Scheme (2002) (Continued)

#### v. Other participants

No options were granted to or held by participants other than those referred to in sub-paragraphs (i) to (iv) above at any time during the year ended 31 December 2015 or prior to the date of this report.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the option in cash.

Share options and the weighted average exercise price are as follows for the reporting periods presented:

	2015		2014	
	Number	Weighted average exercise price HK\$	Number	Weighted average exercise price HK\$
Outstanding at 1 January	111,266,132	0.698	122,366,132	0.658
Forfeited	—	—	(11,100,000)	0.266
Outstanding at 31 December	111,266,132	0.698	111,266,132	0.698

No option has been exercised during the years ended 31 December 2015 and 2014. All remaining share options as at 31 December 2015 have been accounted for under HKFRS 2. The number of options exercisable at the reporting dates are as follows:

	2015		2014	
	Number	Weighted average exercise price HK\$	Number	Weighted average exercise price HK\$
Exercisable beginning in financial year				
– 31 December	111,266,132	0.698	111,266,132	0.698
Outstanding at 31 December	111,266,132	0.698	111,266,132	0.698

The weighted average remaining contractual life of the outstanding options as of 31 December 2015 is 1.01 years (2014: 2.01 years).

There were no charges to the consolidated statement of comprehensive income or liabilities recognised in respect of employee share-based payments or non-employee share-based payments in relation to share options granted under the Company's Share Option Schemes (2002) for the year ended 31 December 2015 or 2014.

# NOTES TO THE FINANCIAL STATEMENTS

## 22. RESERVES

	Accumulated losses US\$'000	Share premium US\$'000	Share-based payment reserve US\$'000	Capital redemption reserve US\$'000	Investment revaluation reserve US\$'000	Statutory reserve US\$'000	Foreign currency exchange reserve US\$'000	Total US\$'000
<i>Group</i>								
At 1 January 2014	(266,285)	275,389	2,531	8,228	338	176	3,693	24,070
Foreign currency translation adjustment	—	—	—	—	—	—	69	69
Share of reserves of associates	—	—	—	—	—	—	(1,751)	(1,751)
Change in fair value of available-for-sale financial assets (note 15)	—	—	—	—	63	—	—	63
Share options forfeited	149	—	(149)	—	—	—	—	—
Loss for the year	(8,563)	—	—	—	—	—	—	(8,563)
At 31 December 2014	(274,699)	275,389	2,382	8,228	401	176	2,011	13,888
Foreign currency translation adjustment	—	—	—	—	—	—	(6)	(6)
Share of translation reserve of associates (note 14 (ii))	—	—	—	—	—	—	(989)	(989)
Change in fair value of available-for-sale financial assets (note 15)	—	—	—	—	831	—	—	831
Reclassification to profit or loss on disposal of an associate (note 14 (iv))	—	—	(162)	—	—	—	(2)	(164)
Loss for the year	(9,333)	—	—	—	—	—	—	(9,333)
At 31 December 2015	(284,032)	275,389	2,220	8,228	1,232	176	1,014	4,227

# NOTES TO THE FINANCIAL STATEMENTS

## 22. RESERVES (Continued)

	Accumulated losses US\$'000	Share premium US\$'000	Share-based payment reserve US\$'000	Capital redemption reserve US\$'000	Investment revaluation reserve US\$'000	Foreign currency exchange reserve US\$'000	Total US\$'000
<b>Company (note 33)</b>							
At 1 January 2014	(270,349)	277,654	2,369	8,228	338	—	18,240
Foreign currency translation adjustment	—	—	—	—	—	1	1
Change in fair value of available-for-sale financial assets	—	—	—	—	63	—	63
Share options forfeited	149	—	(149)	—	—	—	—
Loss for the year	(25,868)	—	—	—	—	—	(25,868)
At 31 December 2014	(296,068)	277,654	2,220	8,228	401	1	(7,564)
Change in fair value of available-for-sale financial assets	—	—	—	—	831	—	831
Profit for the year	5,049	—	—	—	—	—	5,049
At 31 December 2015	(291,019)	277,654	2,220	8,228	1,232	1	(1,684)

The following describes the nature and purpose of each reserve within owners' equity:

### (a) Accumulated losses

This represents cumulative net gains and losses recognised in profit or loss.

### (b) Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

## 22. RESERVES (Continued)

### (c) Share-based payment reserve

The share-based payment reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 3.14 to the financial statements. The amount will be transferred to the share premium account when the related options are exercised, or transferred to accumulated losses should the related options expire or be forfeited.

### (d) Capital redemption reserve

This represents the repurchase of shares of the Company listed on the HK Stock Exchange. These repurchased shares were cancelled upon repurchase and, accordingly, the nominal value of the cancelled shares was credited to capital redemption reserve and the aggregate consideration paid was debited to the accumulated losses and share premium accounts.

### (e) Investment revaluation reserve

This represents accumulated gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those investments have been disposed of, are determined to be impaired.

### (f) Statutory reserve

As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), certain subsidiaries of the Company in PRC are required to maintain a statutory reserve which is non-distributable. Transfer to this reserve is made out of profit after taxation of the subsidiaries' PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in PRC.

### (g) Foreign currency exchange reserve

This represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. DERIVATIVE FINANCIAL INSTRUMENTS

### Group and Company

	2015		2014	
	Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
Total derivatives				
Foreign exchange traded futures and options	—	167	—	333
Equity and stock index futures and options	484	—	940	—
<b>Total derivatives</b>	<b>484</b>	<b>167</b>	<b>940</b>	<b>333</b>

At 31 December 2015, there were outstanding forwards, futures and contract-for-difference contracts amounting to approximately US\$584,000 (2014: US\$5,643,000) undertaken by the Group in the foreign exchange and equity markets. At 31 December 2015, there was an unrealised loss of US\$623,000 (2014: unrealised gain of US\$115,000) in respect of open derivative contracts.

In the course of the Group's normal trading in derivatives, margin deposits of varying currencies of cash are held by the Group's brokers. As at 31 December 2015, the amount of these margin deposits was US\$679,000 (2014: US\$410,000) (note 19).

## 24. RETIREMENT BENEFIT OBLIGATIONS

The Group has operated a defined contribution staff retirement scheme in Hong Kong which has complied with all the respective requirements of the Occupational Retirement Schemes Ordinance ("ORSO") since April 1991. On 1 December 2000, the above scheme was terminated and transferred to a new mandatory provident fund scheme (the "MPF Scheme") which complies with all the respective requirements under the Mandatory Provident Fund Ordinance (the "MPF Ordinance"). All assets under the schemes are held separately from the Group under independently administered funds. The MPF Scheme has two plans. Plan A is available to those employees who were transferred from the old ORSO scheme and contributions are based on a specific percentage of the basic salary of the eligible employees. Plan B is available to all other employees in Hong Kong and contributions follow the minimum requirements of the MPF Ordinance.

Contributions are expensed as incurred and may be reduced by contributions forfeited by those employees under Plan A who leave the scheme prior to vesting fully in the contributions. During the year ended 31 December 2015, the Group's contribution were US\$25,000 (2014: US\$24,000). There were no forfeited contributions during the year (2014: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 25. OPERATING LEASE COMMITMENTS

### Group

	2015 US\$'000	2014 US\$'000
At 31 December 2015 and 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
– within 1 year	622	566
– in the 2nd to 5th year, inclusive	365	964
	987	1,530
Equipment:		
– within 1 year	3	5
– in the 2nd to 5th year, inclusive	—	3
	3	8
	990	1,538

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

## 26. CAPITAL COMMITMENTS

The Group has no material capital commitments as at 31 December 2015 and 2014.

# NOTES TO THE FINANCIAL STATEMENTS

## 27. CONTINGENT LIABILITIES

Save as those disclosed in note 31, the Group has no other material contingent liabilities as at 31 December 2015 and 2014.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's management in closely monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The most significant financial risks to which the Group is exposed to are described below:

### Foreign currency risk

Currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group will monitor its foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

The Group has exposure to currency risk as some of its financial assets and liabilities are denominated in currencies other than the functional currencies of the group companies.

Foreign currency denominated financial assets and liabilities, translated into US\$ at the closing rate, are as follows:

### 31 December 2015

	Group		
	US\$'000 GBP	US\$'000 AUD	US\$'000 CAD
Cash and bank balances	—	5	—
Financial assets at fair value through profit or loss	2,433	2,723	2,668
Prepayments, deposits and other receivables	107	—	—
Accruals and other payables	(389)	(2)	—
<b>Current net exposures</b>	<b>2,151</b>	<b>2,726</b>	<b>2,668</b>

### 31 December 2014

	Group		
	US\$'000 GBP	US\$'000 AUD	US\$'000 CAD
Cash and bank balances	—	135	—
Financial assets at fair value through profit or loss	6,624	4,303	2,338
Prepayments, deposits and other receivables	89	20	—
Accruals and other payables	(5)	(8)	—
<b>Current net exposures</b>	<b>6,708</b>	<b>4,450</b>	<b>2,338</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the reporting date to a reasonably possible change in the GBP, AUD and CAD exchange rates, with all other variables held constant, of the Group's net loss (due to changes in the fair value of monetary assets and liabilities).

	Group	
	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in net profit US\$'000
As at 31 December 2015		
If US\$ weaken against GBP	5	108
If US\$ strengthen against GBP	(5)	(108)
If US\$ weaken against AUD	5	136
If US\$ strengthen against AUD	(5)	(136)
If US\$ weaken against CAD	5	133
If US\$ strengthen against CAD	(5)	(133)
As at 31 December 2014		
If US\$ weaken against GBP	5	1,826
If US\$ strengthen against GBP	(5)	(1,826)
If US\$ weaken against AUD	5	223
If US\$ strengthen against AUD	(5)	(223)
If US\$ weaken against CAD	5	117
If US\$ strengthen against CAD	(5)	(117)

# NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk

The Group's investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Transactions involving derivative financial instruments are with counterparties of sound credit standing. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

### Liquidity risk

The following table details the remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

	Group		
	Carrying amount US\$'000	Total contractual undiscounted cash flow US\$'000	Within 6 months or on demand US\$'000
2015			
Trade payables	99	99	99
Accruals and other payables	3,524	3,524	3,524
Amounts due to subsidiaries	—	—	—
	3,623	3,623	3,623
Derivative financial instruments	167	167	167

# NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk (Continued)

2014	Group		
	Carrying amount US\$'000	Total contractual undiscounted cash flow US\$'000	Within 6 months or on demand US\$'000
Trade payables	99	99	99
Accruals and other payables	3,172	3,172	3,172
Amounts due to subsidiaries	—	—	—
	3,271	3,271	3,271
Derivative financial instruments	333	333	333

The Group was in a positive financial position at the end of 2015, with cash and cash equivalents amounting to US\$5,474,000 (2014: US\$3,588,000).

The Group finances its operations and investment activities with internally generated cash flow, balanced with proceeds from the issue of new shares where necessary.

The Group's policy is to monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and long term.

### Interest rate risk

The Group has no long-term external borrowings which bear floating interest rates. The Group's exposure to market risk for changes in interest rate related primarily to cash balances with banks.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### *Sensitivity analysis*

At 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately US\$45,000 (2014: US\$63,000). The general increase/decrease in interest rate would have no significant impact on other components of consolidated equity.

### **Fair value estimation**

The fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

The fair value of non-current financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

### *Fair value measurements recognised in the consolidated statement of financial position*

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and 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).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

# NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Fair value estimation (Continued)

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

#### At 31 December 2015

	Note	The Group			Total US\$'000
		Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	
<b>Assets</b>					
Listed securities held for trading	(a)	8,146	—	—	8,146
Derivative financial instruments	(b)	—	484	—	484
Available-for-sale financial assets	(c)	26	—	1,774	1,800
		8,172	484	1,774	10,430
<b>Liabilities</b>					
Derivative financial instruments		—	167	—	167

#### At 31 December 2014

	Note	The Group			Total US\$'000
		Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	
<b>Assets</b>					
Listed securities held for trading	(a)	13,876	—	—	13,876
Derivative financial instruments	(b)	—	940	—	940
Available-for-sale financial assets	(c)	405	—	—	405
		14,281	940	—	15,221
<b>Liabilities</b>					
Derivative financial instruments		—	333	—	333

# NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Fair value estimation (Continued)

There have been no significant transfers among levels of the fair value hierarchy during the reporting periods.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

#### (a) Listed securities held for trading

The listed equity securities are denominated in US dollars, British pounds, Canadian and Australian dollars. Fair values have been determined by reference to the last quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

#### (b) Derivatives

Where derivatives are not traded either on exchanges or liquid over-the-counter markets, the fair value is determined with reference to the market price of equity shares to which the derivatives are linked to using pricing models.

#### (c) Available-for-sale financial assets

The available-for-sale financial assets, which comprise listed equity securities, are denominated in US dollars, British pounds and Australian dollars. Fair values have been determined by reference to the last quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

Information about level 3 fair value measurements

Unlisted available-for-sale equity securities	Fair value as at		Significant unobservable inputs
	31 December 2015	Valuation technique	
	US\$'000		
Binary	1,774	Earnings multiple of market comparable companies	Discount for lack of marketability: 29.3%

The fair value of investment in Binary is determined using price earnings ratio of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2015, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by US\$125,000.

# NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Fair value estimation (Continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

Binary	Unlisted available-for-sale equity securities 2015 US\$'000
At 1 January 2015	—
Reclassify of remaining interest in Binary from interests in associates (note 14 (iv))	943
Total gains or losses:	
in other comprehensive income (included in changes in fair value of available-for-sale financial assets) (note 15)	831
At 31 December 2015	1,774

### Price risk

The Group's price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities amounting to US\$8,146,000 classified as financial assets at fair value through profit or loss (2014: US\$13,876,000).

The above investments are exposed to price risk because of change in market price, whether changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's listed investments are primarily listed on the stock exchanges of Australia, Canada, United Kingdom, and the United States. Listed investments held in the portfolio have been chosen based on their growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution and in accordance with the limits set by the Group.

At 31 December 2015, if equity prices had increased/decreased by 20% and all other variables were held constant, profit for the year would increase/decrease by US\$1,629,000 (2014: US\$2,775,000). The above analysis has been determined assuming that the reasonably possible changes in the stock market price or other relevant risk variables had occurred at the reporting date and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting date of the reporting periods under review may also be categorised as follows.

	Group	
	2015 US\$'000	2014 US\$'000
<b>(i) Financial assets</b>		
<b>Non-current assets</b>		
Available-for-sale financial assets	5,367	2,130
<b>Current assets</b>		
Financial assets at fair value through profit or loss	8,146	13,876
Derivative financial instruments	484	940
Loans and receivables:		
– Loan receivables	75	250
– Cash and bank balances	5,474	3,588
– Deposits and other receivables*	2,307	1,037
	16,486	19,691
	21,853	21,821
<b>(ii) Financial liabilities</b>		
<b>Current liabilities</b>		
Derivative financial instruments	167	333
Financial liabilities measured at amortised cost:		
– Trade payables, accruals and other payables	3,623	3,271
– Amounts due to subsidiaries	—	—
	3,790	3,604

\* Excluded from prepayments, deposits and other receivables as disclosed in the consolidated statement of financial position of US\$2,505,000 (2014: US\$1,217,000) is an amount of US\$198,000 (2014: US\$180,000) representing prepayments.

# NOTES TO THE FINANCIAL STATEMENTS

## 29. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's management objectives are:

- To ensure the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

Management regards equity attributable to the Company's owners as capital, for capital management purpose. The amount of capital as at 31 December 2015 amounted to approximately US\$39,084,000 (2014: US\$48,745,000), which management considers as satisfactory having considered the projected capital expenditures and the projected strategic investment opportunities.

## 30. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties:

	2015 US\$'000	2014 US\$'000
Consultancy fee income from an associate, Plethora*	75	58
Success fee income from an associate, Plethora**	116	—

\* The charge to Plethora was in accordance with the terms of the underlying agreements and was in connection with services rendered by Regent's CEO to Plethora.

\*\* Success fee is derived from Plethora from its contractual obligations under the Note, as set out in note 13.

# NOTES TO THE FINANCIAL STATEMENTS

## 30. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

On 8 April 2015, Mr. James Mellon (Non-Executive Co-Chairman of the Company currently holding, by himself and his associates, 15.35% of the total issued share capital of the Company) and Mr. Anderson Whamond (a former Non-Executive Director of the Company during the period from 1999 to February 2008 and currently a director of Interman Limited, a wholly owned subsidiary of the Company, holding, by himself and his associates, 0.40% of the total issued share capital of the Company), purchased certain Binary shares from the Company as set out below. Details of the sale of Binary shares held by the Company are set out in note 14 (iv).

Name of purchasers	Number of Binary shares acquired	Consideration US\$'000
Mr. James Mellon	125,197	2,000
Mr. Anderson Whamond	40,000	639
	165,197	2,639

For the above-mentioned transactions, Mr. James Mellon settled 50% of the consideration in cash on 8 April 2015 and the remaining 50% of the deferred consideration of US\$1 million together with the accrued interest, which is calculated at daily interest at the rate of 8% per annum until maturity, will be payable in cash within 18 months from 8 April 2015. As at 31 December 2015, interest receivable of US\$59,000 and the deferred consideration of US\$1 million were included in other receivables under current assets in the consolidated statement of financial position and other interest income of US\$59,000 has been recognised in profit or loss for the year ended 31 December 2015 (2014: Nil).

Save as disclosed above, the Group has no other material related party transactions for the year ended 31 December 2015.

The Directors are of opinion that the key management personnel were the Directors of the Company, details of whose emoluments are set out in note 7 to the financial statements.

## 31. CHARGE ON ASSETS

- (i) On 16 January 2013, the Company sold the shares it held in BC Iron (“BCI”), a junior mining company listed on the Australian Stock Exchange for an amount of A\$81.61 million (equivalent to US\$84.73 million at the then exchange rate between A\$ and US\$), deriving a final realised profit on sale of A\$39.45 million (equivalent to US\$44.44 million at the then exchange rate between A\$ and US\$). The Australian Taxation Office (“ATO”) considered that Capital Gains Tax (“CGT”) was payable in the amount of A\$12.78 million on this realised profit. On 24 January 2013, the Company received orders from the Federal Court of Australia in relation to a notice of assessment issued by the ATO (the “Assessment”) for the amount referred to above. The amount of the potential tax was due and payable on 2 December 2013, and the orders provided that the Company could not remove from Australia or dispose of, deal with or diminish the value of its assets in Australia up to the unencumbered value of the amount assessed. After consultation with the Commissioner of Taxation (“COT”), the Company agreed to grant the Commonwealth of Australia a specific security deed in respect of the above orders, more details of which are set out in (ii) below. The Company sought external professional advice in relation to the orders and the Assessment and understood that the ultimate determination of the potential taxation liability would be subject to a valuation of BCI’s real property (including mining tenements) and non-real property assets. In light of the Assessment and orders, the Directors made a provision for CGT as per the Assessment in the Company’s financial statements for the year ended 31 December 2012 pending further investigation by the directors and advice from its professional advisers on this matter.

Since early 2013, the Company has engaged independent professional advisers in Australia to advise them on the merits of the Assessment and Orders issued by the ATO. The independent advice the Company received from its advisers was that based on a valuation of BCI’s real property (including mining tenements) and non-real property assets, the Company had strong and compelling grounds to challenge the Assessment in its entirety. Accordingly, in 2013 the Company reversed the provision it made for CGT in its books.

The Board noted that, during the year ended 31 December 2014, there were further legal developments regarding the Australian taxation rules applicable to the Company and its prior disposal of its investment in BCI. In light of these developments the Company took further external advice from its Australian advisers as to its position. In this respect, the Company proactively and voluntarily shared its independent, expert advice, together with supporting papers and calculations, with the COT and that advice was recently reviewed by an external consultant engaged by the COT.

On 28 January 2015, the Company and its Australian advisers received a copy of the report produced by the external consultant engaged by the COT and, from that report, understands that the external consultant does not agree with certain material findings in the independent, expert advice received by the Company. The Company and its Australian advisers have reviewed the report and have identified a number of matters of material disagreement or on which a materially different view is held. Consequently, the Directors remain of the view that the Company has strong and compelling grounds to challenge the Assessment in its entirety and will continue to do so.

# NOTES TO THE FINANCIAL STATEMENTS

## 31. CHARGE ON ASSETS (Continued)

(i) (Continued)

As of 31 December 2015 and up to date of this Annual Report, the Company and its Australian advisers were not aware of any changes in the facts of the aforementioned dispute, nor the regulatory landscape or any recent legal developments in Australia which may affect the prior advice received, including that shared with the COT. Therefore, as a next step, the Company anticipates entering into formal discussions with the COT, by way of a regulated alternative dispute resolution process, to further discuss the areas of disagreement pertinent to matter and will provide further updates to the market in due course.

In light of the above, no tax liability in respect of this matter has been recognised as at 31 December 2015 and 2014.

(ii) As announced by the Company on 28 January 2013, 18 April 2013 and 23 August 2013 and as explained above, the Company received orders from the Federal Court of Australia in relation to an assessment issued by the COT in the amount of A\$12.78 million following completion of the sale of its securities in BCI for gross proceeds of A\$81.61 million. The amount of potential CGT assessed was due and payable on 2 December 2013.

Following consultation with the COT and pursuant to the terms of the Settlement Deed (as defined in the announcement dated 18 April 2013), the Company agreed to grant The Commonwealth of Australia, represented by the COT, a specific security deed (as amended by way of a deed of amendment dated 27 November 2013) (together, the "**Specific Security Deed**") in respect of certain of the Company's holding of 518,103,930 shares in Venturex, 10,854,568 shares in Bannerman Resources Limited and 12,700,000 shares in Tigers Realm Coal Limited, of which the market value are A\$2.59 million (or approximately US\$1.89 million), A\$0.30 million (or approximately US\$0.22 million) and A\$0.38 million (or approximately US\$0.28 million) as at 31 December 2015 respectively, as security against the Assessment, in consideration of which the COT stayed recovery action in respect of the Assessment until the matter is resolved within the time provided for in any relevant law following the Final Determination of Objection (as defined in the announcement dated 18 April 2013).

None of the Group's other assets was pledged as at 31 December 2015 (2014: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 32. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2015 are as follows:

Name of subsidiary	Country/Place of incorporation/ continuation/operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activity
			Direct	Indirect	
Alphom Management Limited*	Continued in the Cayman Islands	Ordinary share of US\$1	—	100%	Investment holding
Amerinvest Coal Industry Holding Company (BVI) Limited*	British Virgin Islands	Ordinary share of US\$1	—	100%	Investment holding
Amerinvest Coal Industry Holding Company Limited *	British Virgin Islands	Ordinary shares of US\$10,000	—	100%	Investment holding
AstroEast.com Limited*	Cayman Islands	Ordinary shares of US\$280,222	—	51%	Investment holding
Interman Holdings Limited*	British Virgin Islands	Ordinary shares of US\$41,500	100%	—	Investment holding
Interman Limited*	Isle of Man	Ordinary shares of GBP 436,152	—	100%	Investment holding
MinMetallurgical Consultants Limited*	British Virgin Islands	Ordinary share of US\$1	100%	—	Provision of mill expansion services
Regent (Australia) Limited *	Cayman Islands	Ordinary share of US\$1	100%	—	Investment holding
Regent Coal (Holdings) Limited*	Cayman Islands	Ordinary share of US\$1	100%	—	Investment holding
Regent Corporate Finance Limited*	Cayman Islands	Ordinary shares of US\$2	100%	—	Corporate finance
Regent Financial Services Limited	Hong Kong	HK\$5 million	—	100%	Investment holding and provision of administrative and management services to related companies

# NOTES TO THE FINANCIAL STATEMENTS

## 32. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Country/Place of incorporation/ continuation/operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activity
			Direct	Indirect	
Regent Fund Management (Asia) Limited *	Continued in the Cayman Islands	Ordinary shares of US\$100	100%	—	Asset management
Regent Fund Management Limited*	Continued in the Cayman Islands	Ordinary shares of US\$150,000	—	100%	Asset management
Regent (Indonesia II) Limited *	Cayman Islands	Ordinary share of US\$1	100%	—	Provision of metallurgical services
Regent Metals Australia Pty Limited *	Australia	Ordinary share of A\$1	—	100%	Investment holding
Regent Metals Holdings Limited*	British Virgin Islands	Ordinary shares of US\$10,000	100%	—	Investment holding
Regent Pacific Group (Hong Kong) Limited	Hong Kong	HK\$5 million	100%	—	Provision of management services
Regent Pilbara II Pty Limited *	Australia	Ordinary share of A\$1	—	100%	Investment holding
Regent Pilbara Pty Limited *	Australia	Ordinary share of A\$1	—	100%	Investment holding
RPG (Bahamas) Limited*	Bahamas	Ordinary shares of US\$134,220	100%	—	Investment holding
RPG Investments I Limited*	Cayman Islands	Ordinary share of US\$1	100%	—	Investment holding

The above table lists out the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

\* The statutory financial statements of these subsidiaries for the year ended 31 December 2015 were not audited by BDO Limited.

# NOTES TO THE FINANCIAL STATEMENTS

## 33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2015 US\$'000	2014 US\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in subsidiaries		1,613	1,613
Interest in an associate		16,430	18,430
Intangible asset		3,441	—
Available-for-sale financial assets		5,367	2,130
		26,851	22,173
<b>Current assets</b>			
Cash and bank balances		4,815	3,137
Amounts due from subsidiaries (note (i))		8,750	4,206
Financial assets at fair value through profit or loss		8,146	13,876
Prepayments, deposits and other receivables		2,197	904
Derivative financial instruments		484	940
		24,392	23,063
<b>Current liabilities</b>			
Trade payables, deposits received, accruals and other payables		(3,256)	(2,922)
Amounts due to subsidiaries (note (i))		(14,647)	(14,688)
Derivative financial instruments		(167)	(333)
		(18,070)	(17,943)
<b>Net current assets</b>		6,322	5,120
<b>Net assets</b>		33,173	27,293
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	21	34,857	34,857
Reserves	22	(1,684)	(7,564)
<b>Total equity</b>		33,173	27,293

Note: (i) The amounts due are unsecured, interest-free and repayable on demand.

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2016 and were signed on its behalf.

James Mellon  
Co-Chairman

Jamie Gibson  
Executive Director

## 34. EVENTS AFTER THE REPORTING PERIOD

On 4 February 2016, Regent issued a very substantial and connected acquisition circular ("**VSA Circular**") to its shareholders in connection with the acquisition of the entire issued and to be issued ordinary shares of Plethora that Regent did not already own. In addition, on the same day, Plethora posted to its shareholders a scheme of arrangement document in connection with this proposed acquisition, which was to be achieved by way of a scheme of arrangement under Part 26 of the (UK) Companies Act 2006 ("**the Scheme**").

On 9 March 2016, the Company and Plethora announced to their respective shareholders that the Scheme was sanctioned by the (UK) Court on 9 March 2016 and accordingly, as all conditions precedent were fulfilled, that the Company had acquired the remaining equity interest if did not already own in Plethora at that date. Pursuant to the terms of the Scheme, Scheme shareholders will receive 15.7076 new shares of the Company for each Scheme share held, subject to rounding for fractional entitlements. The total number of 13,886,781,298 new shares of the Company issued represents approximately 79.94% of the issued share capital of the enlarged group and the Company's issued share capital has increased by 398%. Details of this acquisition of Plethora are set out in the Company's VSA Circular and the Company's announcements dated 24 February 2016 and 9 March 2016.

As at the date of this report, the necessary financial information relating to Plethora as at the completion date of 9 March 2016 was still being prepared. The Company was therefore unable to determine the fair value of the identifiable assets and liabilities of Plethora at the acquisition date. Accordingly, the directors of the Company consider that it is not practicable to disclose the financial information of Plethora as required under HKFRS 3 (Revised) "Business Combinations", including the fair value of its assets and liabilities and goodwill (if any) on acquisition of Plethora at this stage. The directors anticipate this information should be available when the Company announces its interim results and financial position for the six month period ended 30 June 2016 and will be disclosed therein accordingly.

From 14 January to 16 February 2016, the Company disposed of its entire equity interest in Endeavour for total gross proceeds of approximately US\$2.80 million. The directors estimate the realised gain on disposal is approximately US\$0.32 million.

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