REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 575

2020
ANNUAL REPORT

CONTENTS

PERFORMANCE OVERVIEW

A summary of the financial performance and other notable events for the financial year ended 31 December 2020 include:

- A loss attributable to shareholders of the Company of approximately US$24.40 million, which was mainly attributable to: (i) an amortisation charge of approximately US$19.41 million on the intangible assets, a non-cash item; (ii) an impairment loss on goodwill arising from the acquisition of Deep Longevity, Inc ("**Deep Longevity**" or "**DLI**"), an intangible asset, of approximately US$5.70 million, a non-cash item; and (iii) the Group's operating expenses of approximately US$7.62 million; while being offset somewhat by: (iv) a reversal of impairment loss of Fortacin™, the intangible asset, of approximately US$6.13 million; and (v) the unrealised marked-to-market gain in respect of the Company's equity portfolio of financial assets at fair value through profit or loss of approximately US$0.46 million.

- Shareholders' equity of approximately US$50.31 million, a decrease of approximately 19.52% as compared with that at 31 December 2019, with the decrease being mainly attributable to the loss attributable to shareholders of the Company, while being somewhat offset against the benefit of the issuance of 422,687,680 shares on the closing of the acquisition of DLI and the issuance of 139,482,353 shares pursuant to the conversion of certain convertible notes.

- Recordati S.p.A. ("**Recordati**") obtained approval from the European Commission on 27 August 2020 that the marketing authorisation for Fortacin™ be changed to "Over-the-Counter" ("**OTC**") status from prescription ("**Rx**"), a move designed to significantly increase sales and consequently uplift the royalty payments to the Group. Recordati has commenced the OTC launch in Germany before the end of 2020 and confirmed that it would look to continue the roll out in its reference markets in 2021 provided that; (i) it has received any national approvals that are required (if any); (ii) Pharmaserve (North West) Limited ("**PSNW**"), the manufacturer of Fortacin™, can meet the anticipated increased demand; and (iii) the COVID-19 pandemic does not further complicate or impede the planned launch. Recordati, PSNW and the Group are looking into options at scaling up the manufacturing process to meet the anticipated demand in OTC with the aim of manufacturing approximately 50,000 units per batch order and reducing the risk of supply chain shortage and unreliability.

- The Group received US$0.72 million (net of 10% PRC withholding tax) from Wanbang Biopharmaceutical Group Co., Ltd. ("**Wanbang Biopharmaceutical**"), the Company's commercial strategic partner for China on 29 December 2020. As previously announced and post year end, the National Medical Products Administration ("**NMPA**") has approved Senstend™ (the marketing name for Fortacin™ in China), and a payment of US$3.20 million before deduction of PRC withholding tax (or US$2.88 million net of PRC withholding tax) has been triggered and was paid at the end of Q1 2021.

- The Group has continued to make steady progression with the approval process with The Food and Drug Administration of the United States (the "**US**") (the "**FDA**") with regards to its Phase II validation study of Fortacin™. In this respect, the Group completed the Phase II validation study with a total of 87 subjects being randomised, close to the target of 100. The Group remains on target to submit the study to the FDA during the first half of 2021. On the assumption that the trial is sufficient to convince the FDA that the Premature Ejaculation Bothersome Evaluation Questionnaire serves as an appropriate measure for support of a label claim, the pivotal Phase III study could commence in the latter half of 2021, with the New Drug Application submission possible in late 2022, giving a Prescription Drug User Fee Act date at the end of 2023. Despite the difficulties presented by the COVID-19 pandemic, particularly as it relates to securing face-to-face meetings, the Group's strategy remains to continue negotiations with potential commercial strategic partners for the US market, while we complete the submission of the study to the FDA, with the aim of securing a partner just ahead of or while we conduct the Phase III trial.

PERFORMANCE OVERVIEW

- Orient EuroPharma Co., Ltd. ("**Orient EuroPharma**"), the Group's commercial strategic partner for Taiwan, Hong Kong Special Administrative Region ("**Hong Kong**"), Macau Special Administrative Region ("**Macau**") and certain other countries in South East Asia, has informed the Group on 11 December 2020 that it has received marketing authorisation approval for Taiwan from The Taiwan Food and Drug Administration (the "**TFDA**"). This is the final regulatory approval process required for the marketing, distribution and sale of Fortacin™ in Taiwan. The regulatory approval from the TFDA has triggered a payment of US$270,000 to the Group (net of 10% withholding tax). The Group understands that Orient EuroPharma expects to launch Fortacin™ in Macau and Taiwan in March 2021 and April 2021 respectively, after already launching Fortacin™ in Hong Kong in January 2021.

- From a business development standpoint, during the 2020 financial year, the Group continued to look closely at a number of acquisition and investment opportunities in the healthcare, life sciences and wellness sectors, including opportunities to enter into the longevity sector, with a particular focus on patented technology to help identify individual biological aging markers. This culminated in the acquisition of DLI in December 2020, which will serve as a key platform for the Group's expansion into the health and wellness sector, namely the emerging field of longevity medicine. DLI is developing explainable and user-friendly artificial intelligence ("**AI**") systems to track the rate of aging at the molecular, cellular, tissue, organ, system, physiological and psychological levels. It is also developing systems for the emerging field of longevity medicine enabling physicians to make better decisions on the interventions that may slow down or reverse the aging processes. DLI has also developed Longevity as a Service (LaaS)© solution to integrate multiple deep biomarkers of aging dubbed "deep aging clocks" to provide a universal multifactorial measure of human biological age. Through the all-share acquisition of DLI, the Group has welcomed some of the most credible venture capitalists specialising in biotechnology, longevity, and AI onto its register of members. Among these strategic investors are such well known funds as ETP Ventures, Human Longevity and Performance Impact Venture Fund, BOLD Capital Partners, Longevity Vision Fund, LongeVC, Michael Antonov (co-founder of Facebook-owned Oculus VR), and other expert AI and biotechnology investors that have invested in the company. DLI has also established a key research partnership with one of the world's leading longevity organisations, Human Longevity, Inc. ("**HLI**"). Under this arrangement, HLI will provide a range of aging clocks to a global network of advanced physicians and longevity research specialists.

- Actively monitoring its existing and strategic investment in Venturex Resources Limited ("**Venturex**"), representing approximately 6.17% of the share capital of the company as at 31 December 2020, which since year end, has significantly improved from mid February 2021 and, accordingly as at 15 March 2021, the Group had an unrealised gain of approximately US$7.04 million and a marked-to-market value of approximately US$9.43 million on this investment, representing a 295% increase from 31 December 2020.

- Actively monitoring its existing and strategic investment in West China Coking & Gas Company Limited ("**West China**"), representing approximately 25% of the registered capital of the company as at 31 December 2020.

PERFORMANCE OVERVIEW

The outbreak of COVID-19 has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. The outbreak has caused disruption across our business lines. A number of countries in which we operate have implemented severe restrictions on the movement of populations, with a resultant significant impact on economic activity. These restrictions are being determined by the governments of individual jurisdictions, including through the implementation of emergency powers. The impacts of these restrictions, including the subsequent lifting of restrictions, may vary from jurisdiction to jurisdiction. However, during 2020 COVID-19 has negatively impacted the potential royalty income from Recordati, as the royalty income for the year ended 31 December 2020 dropped by approximately 32.27% as compared to the financial year ended 31 December 2019, which is due to the cessation of activities by Recordati's sales representatives during this time and the fact that patients stopped visiting their physicians while "lock down" was in place. Management is closely monitoring what impact, if any, COVID-19 has to its liquidity and capital sufficiency with reference to our operations and capital commitments. Given the complex and constantly evolving situation of COVID-19, it is not possible to predict or quantify the financial or operational impact of COVID-19 on the Group's operations (for further information, please see note 40 to the Financial Statements).

We have invoked certain plans at our offices in Hong Kong and the United Kingdom to help ensure the safety and wellbeing of our staff, as well as our ability to support our customers and maintain our business operations. Many of our staff have continued to provide continuity of work while working remotely. It remains unclear how this will evolve into 2021 and we continue to monitor the situation closely while at all times following local government guidelines and policies.

With a streamlined focus and sensible capital structure, the Company remains excited about the future prospects for the Group and its shareholders and will: (i) continue to pursue the successful commercialisation of Fortacin™/Senstend™ as quickly as possible, with the OTC roll out just commencing, as well as in the remaining key markets of the US, China, Asia, Latin America and the Middle East; (ii) commercialise DLI's Young.AI mobile App and the Young.AI website, together with partnering with clinics, laboratories and insurance companies by offering its AgeMetric™ reports and access to its online platform; (iii) continue monitoring its investments in Venturex and West China; and (iv) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

CHAIRMAN'S STATEMENT

Dear Shareholders

2020 was a challenging year for the Group, together with the global economy, being dominated by the devastating global impact of the COVID-19 pandemic.

The outbreak of COVID-19 has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. The outbreak has caused disruption across our business lines. A number of countries in which we operate have implemented severe restrictions on the movement of populations, with a resultant significant impact on economic activity. The impacts of these restrictions may vary from jurisdiction to jurisdiction. It remains unclear how this will evolve into 2021 and we continue to monitor the situation closely. But we are ever hopeful that with the roll-out of the vaccines that we are now seeing across many countries, it will lead to the lifting of the restrictions from as early as Q2 2021.

Unfortunately, these issues, among others, caused the Group to implement from April 2020 certain cost cutting measures, including an across-the-board 30% reduction in fees and salaries of its Directors, employees and consultants, which some reductions are continuing, furloughing staff where appropriate and implementing general and administrative expenses and research and development expenses cost cuts, on an aggregated basis, of approximately US$2.13 million when comparing with the corresponding period in 2019.

However, I am very proud to report that the Group was able to perform very strongly in the second half of 2020, achieving a number of significant milestones, including the acquisition of Deep Longevity, Inc ("**DLI**"), a new and complementary business line that I am particularly excited about given its cutting edge approach to longevity medicine, a US$4.20 trillion dollar (and growing) industry in 2017. I will report further on these achievements below. It goes without saying that the Group will continue to pay close attention to the development and evaluate the impact of COVID-19 on the financial position and operating results of the Group, but all things being equal, we remain very optimistic about the direction the business is taking and in our ability to generate value for shareholders going forward.

HEALTHCARE AND LIFE SCIENCES FOCUS

The Group's healthcare and life sciences investments remain our core focus, and the Group believes that investments in this sector will create substantial returns for our shareholders in the medium to longer term. As part of this focus, we have worked diligently to further strengthen our relationships with key commercial partners and stakeholders in this sector, and in the second half of 2020 I am pleased to report that our team, together with our commercial partners, made significant progress in this respect per the following achievements:

- Recordati S.p.A. ("**Recordati**") obtained approval from the European Commission on 27 August 2020 that the marketing authorisation for Fortacin™ be changed to "Over-the-Counter" ("**OTC**") status from prescription ("**Rx**"), a move designed to significantly increase sales and consequently uplift the royalty payments to the Group. Recordati commenced the OTC launch in Germany before the end of 2020 and confirmed that it would take to continue the roll out in its reference markets in 2021, with the possibility of scaling up the manufacturing process to meet the anticipated demand in OTC while reducing the risk of supply chain shortage and unreliability.

- The Group received US$0.72 million (net of 10% PRC withholding tax) from Wanbang Biopharmaceutical Group Co., Ltd. ("**Wanbang Biophamraceutical**") on 29 December 2020 and a further payment of US$3.20 million before deduction of PRC withholding tax (or US$2.88 million net of PRC withholding tax) was paid at the end of Q1 2021.

CHAIRMAN'S STATEMENT

HEALTHCARE AND LIFE SCIENCES FOCUS (Continued)

- With respect to United States (the "**US**") Food and Drug Administration (the "**FDA**") approval process, the Group has continued to make steady progression with regards to its Phase II validation study of Fortacin™, having now completed the study rendering the Group on target to submit the study to the FDA during the first half of 2021. On the assumption that the trial is sufficient to convince the FDA that the Premature Ejaculation Bothersome Evaluation Questionnaire serves as an appropriate measure for support of a label claim, the pivotal Phase III study could commence in the latter half of 2021, with the New Drug Application submission possible in late 2022, giving a Prescription Drug User Fee Act date at the end of 2023. Despite the difficulties presented by the COVID-19 pandemic, particularly as it relates to securing face-to-face meetings, the Group's strategy remains to continue negotiations with potential commercial strategic partners for the US market, while we complete the submission of the study to the FDA, with the aim of securing a partner just ahead of or while we conduct the Phase III trial. Further, external consultants have advised that the list price for Fortacin™ to wholesalers or direct purchasers in the US market is likely to be more than US$144 per 12 dose can/unit, exceeding the Group's expectation on price (which is approximately 4 times the current price for a 12 dose can in Europe and the United Kingdom, as well as being approximately 1.5 times the expected and currently modelled price by Wanbang Biopharmaceutical that it expects to receive in China).

- Orient EuroPharma Co., Ltd. ("**Orient Europharma**") has informed the Group that it has received marketing authorisation approval for Taiwan from the Taiwan Food and Drug Administration, the final regulatory approval process required for the marketing, distribution and sale of Fortacin™ in Taiwan. This regulatory approval triggered a payment of US$300,000 to the Group before deduction of withholding tax (or US$270,000 net of withholding tax). I am also happy to report that post year end, Orient EuroPharma has already launched Fortacin™ in Hong Kong in January 2021 and expects to launch Fortacin™ in Macau and Taiwan in March 2021 and April 2021 respectively.

BUSINESS DEVELOPMENT

From a business development standpoint, during the 2020 financial year, the Group continued to look closely at a number of acquisition and investment opportunities in the healthcare, life sciences and wellness sectors, including opportunities to enter into the longevity sector, with a particular focus on patented technology to help identify individual biological aging markers. This culminated in the acquisition of DLI in December 2020, which will serve as a key platform for the Group's expansion into the health and wellness sector, namely the emerging field of longevity medicine.

DLI is developing explainable and user-friendly artificial intelligence ("**AI**") systems to track the rate of aging at the molecular, cellular, tissue, organ, system, physiological and psychological levels. It is also developing systems for the emerging field of longevity medicine enabling physicians to make better decisions on the interventions that may slow down or reverse the aging processes. DLI has also developed a Longevity as a Service (LaaS)© solution to integrate multiple deep biomarkers of aging dubbed "deep aging clocks" to provide a universal multifactorial measure of human biological age.

CHAIRMAN'S STATEMENT

BUSINESS DEVELOPMENT (Continued)

Originally incubated by InSilico Medicine, DLI started its independent journey in 2020 after closing a Series A financing on 29 June 2020 that included some of the most credible venture capitalists specialising in biotechnology, longevity and AI. Among these strategic investors are such well-known funds as BOLD Capital Partners, ETP Ventures, Human Longevity and Performance Impact Venture Fund, Longevity Vision Fund, LongeVC, Michael Antonov (co-founder of Facebook-owned Oculus VR) and other expert AI and biotechnology investors. DLI has also established a key research partnership with one of the world's leading longevity organisations, Human Longevity Inc ("**HLI**"). Under this arrangement, HLI will provide DLI's developed haematological aging clocks to a global network of advanced physicians and longevity research specialists and HLI will share the revenue generated from the patients' test reports with DLI. DLI's products, including the aging clocks and AgeMetric™ reports, do not require any licensing or regulatory approvals. The Apple App Store approved the launch of the Young.AI mobile App on 29 September 2020, thereby validating its technology and affording DLI with a huge scaling-up market opportunity. Like any other application or website, this is DLI's first version of its App and website, and DLI, like other App providers, will provide further updated versions of its App and website by ironing out any bugs and improving and adding products over time. Future investment will mainly come in developing new product launches (more aging clocks), improving existing products, social media/marketing and adding personnel. Utilising advanced deep learning algorithms, DLI develops novel tools for aging research that can be applied in many industries to make people live better, longer and healthier lives.

DLI is operated by Alex Zhavoronkov, as Chief Longevity Officer, and Polina Mamoshina, as Chief Operating Officer and Chief Scientific Officer. In addition, DLI has an experienced team of scientists, engineers, and designers involved in the development of the web application, new aging clocks, and automation of AgeMetric™ reports. We welcome the DLI team into the Group and look forward to achieving milestones and enjoying commercial success in the near future.

OTHER EXISTING INVESTMENTS

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), precious and base metals investments have performed very strongly and the Group's not insignificant exposure to base metals (copper and zinc in particular) continues to enjoy a recovery of note. While commodity markets remain volatile, there has been a noticeable shift of investment activity towards exploration and not just producers. We remain confident that on a fundamental basis, demand will be underpinned by urbanisation of emerging and recovery of developed economies globally. Since year end, we are delighted to see the significant increase in our investment in Venturex Resources Limited, which has significantly improved from mid February 2021 and, accordingly the Group as at 15 March 2021 had an unrealised gain of approximately US$7.04 million and a marked-to-market value of approximately US$9.43 million on this investment, representing a 295% increase from 31 December 2020.

CHAIRMAN'S STATEMENT

OUTLOOK

Rising COVID-19 case numbers in the US and Europe make it difficult right now to envision a return to normal. Yet, even as the pandemic drags on, the global economy has proven remarkably resilient. Following a steep decline in early 2020, the world economy rode a rebound that began in May and remains on track to surpass pre-pandemic GDP levels by the end of 2020, setting the stage for strong post-recovery growth in 2021. The V-shaped recovery that many forecast during 2020 is now seemingly entering a new self-sustaining phase and is on track to deliver 6.4% GDP growth in the coming year. This projection is in contrast to the predictions of others, who forecast 5.4% global growth on a consensus basis and who are concerned that the pandemic will have a bigger impact on private-sector risk appetite and, hence, global growth. I maintain a more positive view in that consumers have driven the recovery, and investment growth, which reflects a healthy tolerance for risk in the private corporate sector, which is a critical feature to any self-sustaining recovery.

Moreover, unlike the Group's legacy investments in natural resources, the Group's healthcare, wellness and life sciences investments are far less sensitive to macroeconomic fundamentals and fluctuations and remain its core focus.

Our strategy remains the same and our balance sheet has us well positioned to deliver on this. The Company has every intention of continuing with its existing business of investing in companies engaged in the health care, wellness and life sciences sectors. With the commercialisation of DLI's Young.AI mobile App and the Young.AI website, together with partnering with clinics, laboratories, and insurance companies by offering its AgeMetric™ reports and access to its online platform, as well as the ongoing commercialisation of Fortacin™ across targeted markets, our progress with the National Medical Products Administration and the FDA and ongoing discussions with other possible commercial partners, we remain tremendously excited about the future prospects for the Group.

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, but rewarding year.

James Mellon
Chairman

30 March 2021

CEO'S REPORT

REVIEW AND PROSPECT

Main Activities

The financial year ended 31 December 2020 was an obviously challenging one for the Group, together with the global economy, being dominated by the devastating global impact of the COVID-19 pandemic. Like most organisations, the COVID-19 pandemic has impacted the Group in a variety of ways, including:

1. Since the Group's European marketing and distribution partner for its lead product, Fortacin™, is based in Italy, the Group has been in dialogue with Recordati S.p.A. ("**Recordati**") to assess the situation resulting from the COVID-19 pandemic and its impact on the continued roll-out of Fortacin™ in its reference markets. In this respect, Recordati has informed the Group that during 2020, its reference markets continued to be affected by the COVID-19 pandemic due both to the restrictions imposed to limit contagion in all its territories, as well as from a cautious management of stocks by wholesalers. As we all know, restrictions were imposed on the movement of people, transport, production and commerce, some of which are still in place in certain of its countries in which it operates. While Recordati's pharmaceutical operations were allowed to continue in order to ensure the availability of drugs for patients, all its affiliates had to cease activities engaged by their sales representatives during the "lock down", with such sales activities now going back to normality. While complying with all the measures necessary to ensure the health and safety of its employees, Recordati did not interrupt its production and distribution activities and adopted all necessary measures to guarantee the continued availability on the market of its products. Given the dynamic circumstances and uncertainties surrounding the pandemic, the Group is unable to predict the possible future impacts it may have on the Group's operations. However, the Group is hopeful that with the global roll out of the vaccine effort, Recordati may see a gradual recovery in its reference markets from the second half of this year.

2. While the Group has now completed its Phase II validation study in the United States ("**US**"), there had been a slower patient recruitment process in certain sites in Florida and other Southern and South Western US States when COVID-19 first flared up in these areas.

3. While now filed, COVID-19 had caused just over a month delay in arranging the filing of the Drug Master File for prilocaine by Siegfried Evionnaz SA, the manufacturer of prilocaine (which is one of the active ingredients of Fortacin™) in respect of the Group's investigational new drug ("**IND**") submission with National Medical Products Administration ("**NMPA**") in The People's Republic of China.

The outbreak of COVID-19 has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. The outbreak has caused disruption across our business lines as highlighted above. A number of countries in which we operate have implemented severe restrictions on the movement of populations, with a resultant significant impact on economic activity. These restrictions are being determined by the governments of individual jurisdictions, including through the implementation of emergency powers. The impacts of these restrictions, including the subsequent lifting of restrictions, may vary from jurisdiction to jurisdiction. Given, the complex and constantly evolving situation of COVID-19, it is not possible to predict or quantify the financial or operational impact of COVID-19. Management is also closing monitoring what impact, if any, COVID-19 has to its liquidity and capital sufficiency with reference to our operations and capital commitments (for further information, please see note 40 to the Financial Statements).

CEO'S REPORT

REVIEW AND PROSPECT (Continued)

Main Activities (Continued)

We have invoked certain plans at our offices in Hong Kong Special Administrative Region ("**Hong Kong**") and the United Kingdom (the "**UK**") to help ensure the safety and wellbeing of our staff, as well as our ability to support our customers and maintain our business operations. Many of our staff have continued to provide continuity of work while working remotely. It remains unclear how this will evolve into 2021 and we continue to monitor the situation closely while at all times following local government guidelines and policies.

These issues, among others, caused the Group to review and manage its costs and, in this regard, the Group implemented from April 2020 certain cost cutting measures, including an across–the–board 30% reduction in fees and salaries of its Directors, employees and consultants, which some reductions are continuing, furloughing staff where appropriate and implementing general and administrative expenses ("**G&A**") (excluding the amortisation costs, a non cash item) and research and development expenses ("**R&D**") cost cuts, on an aggregated basis, of approximately US$2.13 million when comparing with the corresponding period in 2019.

The Group will continue to pay close attention to the development and evaluate the impact of the COVID-19 on the financial position and operating results of the Group.

During the year, the Group recorded a loss attributable to shareholders of the Company of approximately US$24.40 million, which was mainly attributable to: (i) an amortisation charge of approximately US$19.41 million on the intangible assets, a non-cash item; (ii) an impairment loss on goodwill arising from the acquisition of Deep Longevity, Inc ("**Deep Longevity**" or "**DLI**"), an intangible asset, of approximately US$5.70 million, a non-cash item; and (iii) the Group's operating expenses of approximately US$7.62 million; while being offset somewhat by; (iv) a reversal of impairment loss of Fortacin™, an intangible asset of approximately US$6.13 million; and (v) the unrealised marked-to-market gain in respect of the Company's equity portfolio of financial assets at fair value through profit or loss of approximately US$0.46 million.

Shareholders' equity was approximately US$50.31 million, a decrease of approximately 19.52% as compared at 31 December 2019, with the decrease being mainly attributable to the loss attributable to shareholders of the Company.

REVIEW AND PROSPECT (Continued)

Main Activities (Continued)

US Approval and Commercialisation Progress

The Group has continued to make steady progression with the approval process with the US Food and Drug Administration (the "**FDA**") with regards to its Phase II validation study of Fortacin™. In this respect, the Group completed the Phase II validation study with a total of 87 subjects being randomised, close to the target of 100. The Group remains on target to submit the study to the FDA during the first half of 2021. On the assumption that the trial is sufficient to convince the FDA that the Premature Ejaculation Bothersome Evaluation Questionnaire serves as an appropriate measure for support of a label claim, the pivotal Phase III study could commence in the latter half of 2021, with the New Drug Application ("**NDA**") submission possible in late 2022, giving a Prescription Drug User Fee Act date at the end of 2023. Despite the difficulties presented by the COVID-19 pandemic, particularly as it relates to securing face-to-face meetings, the Group's strategy remains to continue negotiations with potential commercial strategic partners for the US market, while we complete the submission of the study to the FDA, with the aim of securing a partner just ahead of or while we conduct the Phase III trial.

Formal registration of the Phase II validation study of Fortacin™ in the US is a critical and positive step towards making the NDA submission and ultimately achieving all necessary FDA and other US regulatory approvals needed to commercialise Fortacin™ in the US, its most significant potential market.

The Group is also pleased to report key findings from a leading global third-party marketing consultant that the Group engaged to assess the US payer's willingness to cover Fortacin™ and the level of price sensitivity for coverage. Further, the marketing consultant was engaged to explore similarities and differences in approaches by insurance plan types (i.e., commercial insurance, Medicare Part D, which are administered by private US insurance companies) so that by understanding the possible approaches and the execution risks the Group will be able to make informed decisions on its approach to "out licensing" the rights to Fortacin™ to potential US commercial strategic partners. The marketing consultant conducted in-depth telephone interviews with payers who cover erectile dysfunction ("**ED**") drugs on formulary and payers who cover ED drugs through a rider (a rider is an insurance policy provision that adds benefits to or amends the terms of a basic insurance policy such as additional coverage. Riders come at an extra cost, on top of the premiums an insured party pays). The summary of the key findings of the third-party's marketing research was as follows: -

- Payers see Fortacin™ as a novel product, with good efficacy and expect there will be employer-based group demand for coverage.

- It would appear that an acceptable entry price level (being the list price for Fortacin™ to wholesalers or direct purchasers in the US not including prompt pay, or other discounts, rebates or reductions in price) for the US market is more than US$144 per 12 dose can/unit, exceeding the Group's expectation on price (which is approximately 4 times the current price for a 12 dose can in Europe and the UK, as well as being approximately 1.5 times the expected and currently modelled price by Wanbang Biopharmaceutical Group Co., Ltd. ("**Wanbang Biopharmaceutical**"), the Company's commercial strategic partner for the People's Republic of China, that it expects to receive in China). Payers unprompted wholesale acquisition prices of Fortacin™ were US$144 to US$500 per month (US$144 to US$500 for a 12-dose unit/can of Fortacin™).

- 52.4% of lives (83% of plans) would cover Fortacin™ with or without a rider at all price points. Payers kept their type of coverage consistent, such that plans covering ED drugs on formulary said Fortacin™ would be covered the same as the current drugs on formulary versus ED drugs through rider (i.e., Fortacin™ through a rider).

CEO'S REPORT

REVIEW AND PROSPECT (Continued)

Main Activities (Continued)

US Approval and Commercialisation Progress (Continued)

The Group has engaged the third-party marketing consultant to further its recent payer research by building out the US market landscape, price sensitivity and reimbursement expectations for both payer coverage and adding patients' out-of-pocket expenses (or copay) sensitivity. Based on the marketing consultant's findings, it will provide further recommendations on pricing, reimbursement and market access expectations. It is expected that the recommendations will be available to the Group by May 2021 and assist with our negotiations with potential US commercial strategic partners.

These initial key findings show the willingness of US payers to cover Fortacin™ and the higher-than-expected wholesale acquisition prices they are prepared to pay for this product represent an encouraging step forward in the commercialisation of Fortacin™ in the US. We are confident that this potential high level of market acceptance in the US will not only facilitate our negotiations with potential commercial strategic partners in the region, but also bodes well for the Group's plans to expand into its other key remaining markets such as Latin America and the Middle East.

Chinese Approval and Commercialisation Progress

Despite the aforementioned delays caused by COVID-19, Wanbang Biopharmaceutical submitted the IND application for clinical trial approval during Q3 2020 in respect of Fortacin™ and, as such, the Group received US$0.72 million (net of 10% PRC withholding tax) from Wanbang Biopharmaceutical on 29 December 2020. As previously announced and post year end, the NMPA has approved Senstend™, (the marketing name of Fortacin™ in China) and a payment of US$3.20 million before deduction of PRC withholding tax, (or US$2.88 million net of PRC withholding tax), has been triggered and was paid at the end of Q1 2021.

We are delighted by this step toward full commercial approval of Senstend™ in China. Achieving this is a significant milestone which lays a solid foundation for marketing Senstend™ there in the near future. We are confident that this successful China initiative not only secures the world's largest market for Senstend™ but will also help us and our strategic partners to expand into other major markets such as the Middle East, India, North America and the Latin America (LATAM) region. Using the income generated by Senstend™ in China, we aim to further grow Senstend™'s market share in other markets to maintain a stable income for the Group and generate better returns for our shareholders.

The Company has been advised by Wanbang Biopharmaceutical of the indicative summary details of the clinical study for seeking approval of an import licence for Senstend™ from the NMPA:

Start date:	April/May 2021 (subject to approval from NMPA)
Study type:	Clinical trial, multi-center, randomised, double-blinded placebo-controlled study
Estimated enrolment:	150
Primary endpoint:	To determine the effects of Senstend™ on the Index of Premature Ejaculation (IPE) and the Intra-vaginal Ejaculation Latency Time (IELT)
Secondary endpoint:	To evaluate the safety and tolerability of Senstend™ in Premature Ejaculation subjects and their sexual partners
Estimated study completion date:	12 months

REVIEW AND PROSPECT (Continued)

Main Activities (Continued)

Chinese Approval and Commercialisation Progress (Continued)

If the clinical study meets its endpoints and NMPA has granted an import licence for Senstend™, then US$5 million (before deduction of PRC withholding tax) will be payable to the Group from Wanbang Biopharmaceutical. In addition, upon first commercial sale of Senstend™ in China, US$2 million (before deduction of PRC withholding tax) shall be payable to the Group from Wanbang Biopharmaceutical. The Group has been informed by Wanbang Biopharmaceutical that it has ordered clinical supplies (both active and placebo) from Pharmaserve (North West) Limited ("**PSNW**"), the manufacturer of Senstend™/Fortacin™, with the aim of supplies being ready for the commencement of the clinical trial. In addition, the Group has contracted PSNW to commence development on the commercial scale up to increase the current batch size per each manufacturing run to 50,000 units from 15,000 units. This is designed, if successful, to meet Wanbang Biopharmaceutical's requirements for China and Recordati's over-the-counter's requirements in the European Union and the UK.

*Progress Relating to Change of Status of Fortacin™ to Over-the-Counter ("**OTC**") from Prescription ("**Rx**")*

Recordati received approval from the European Commission on 27 August 2020 that the marketing authorisation for Fortacin™ be changed to OTC status from Rx. As previously stated, the OTC switch is a move designed to significantly increase sales and consequently uplift the royalty payments to the Group. Recordati has mentioned that it has commenced the OTC launch in Germany before the end of 2020 and further mentioned that it would look to continue the roll out in its reference markets in 2021 provided that: (i) it has received any national approvals that are required (if any); and (ii) PSNW, the manufacturer of Fortacin™, can meet the anticipated increased demand and that the COVID-19 pandemic does not further complicate or impede the planned launch. Recordati, PSNW and the Group are looking into options at scaling up the manufacturing process to meet the anticipated demand in OTC with the aim of manufacturing approximately 50,000 units per batch order and reducing the risk of supply chain shortage and unreliability.

Taiwanese, Hong Kong and Macau Approval and Commercialisation Progress

Orient EuroPharma Co., Ltd. ("**Orient EuroPharma**") has informed the Group on 11 December 2020 that it has received marketing authorisation approval for Taiwan from The Taiwan Food and Drug Administration (the "**TFDA**"). This is the final regulatory approval process required for the marketing, distribution and sale of Fortacin™ in Taiwan. The regulatory approval from the TFDA triggered a payment of US$270,000 to the Group (net of 10% withholding tax). And, I am happy to report post year end that Orient EuroPharma already launched Fortacin™ in Hong Kong in January 2021 and expects to launch Fortacin™ in Macau and Taiwan in March 2021 and April 2021 respectively.

Other Out Licensing Opportunities

The Company remains in discussions with our commercial strategic partners for the Middle East, India, North America and Latin America (LATAM) region. However, 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 licencing agreement(s) in the aforementioned jurisdictions or at all.

CEO'S REPORT

REVIEW AND PROSPECT (Continued)

Business Development

From a business development standpoint, during the 2020 financial year, the Group continued to look closely at a number of acquisition and investment opportunities in the healthcare, life sciences and wellness sectors, including opportunities to enter into the longevity sector, with a particular focus on patented technology to help identify individual biological aging markers. This culminated in the acquisition of DLI in December 2020, which will serve as a key platform for the Group's expansion into the health and wellness sector, namely the emerging field of longevity medicine.

DLI is developing explainable and user-friendly artificial intelligence ("**AI**") systems to track the rate of aging at the molecular, cellular, tissue, organ, system, physiological and psychological levels. It is also developing systems for the emerging field of longevity medicine enabling physicians to make better decisions on the interventions that may slow down or reverse the aging processes. DLI has also developed a Longevity as a Service (LaaS)© solution to integrate multiple deep biomarkers of aging dubbed "deep aging clocks" to provide a universal multifactorial measure of human biological age.

Originally incubated by InSilico Medicine, DLI started its independent journey in 2020 after closing a Series A financing on 29 June 2020 that included some of the most credible venture capitalists specialising in biotechnology, longevity, and AI. Among these strategic investors are such well-known funds as BOLD Capital Partners, ETP Ventures, Human Longevity and Performance Impact Venture Fund, Longevity Vision Fund, LongeVC, Michael Antonov (co-founder of Facebook-owned Oculus VR) and other expert AI and biotechnology investors. DLI has also established a key research partnership with one of the world's leading longevity organisations, Human Longevity, Inc. ("**HLI**"). Under this arrangement, HLI will provide DLI's developed hematological aging clocks to a global network of advanced physicians and longevity research specialists and HLI will share the revenue generated from the patients' test reports with DLI. It is expected that the collaboration between HLI and DLI will expand to other data types. Importantly, HLI will remain invested in DLI through its consideration shares in the Company, which the Company believes will only further strengthen the relationship between DLI and HLI. DLI's products, including the aging clocks and AgeMetric™ reports, do not require any licensing or regulatory approvals. The Apple App Store approved the launch of the Young.AI mobile App on 29 September 2020, thereby validating its technology and affording DLI with a huge scaling-up market opportunity. Like any other application or website, this is DLI's first version of its App and website, and DLI, like other App providers, will provide further updated versions of its App and website by ironing out any bugs and improving and adding products over time. Future investment will mainly come in developing new product launches (more aging clocks), improving existing products, social media/marketing and adding personnel. The mission of DLI is to become the main developer and provider of a broad range of deep aging clocks, predictors of biological age and health status, aging clock interpretation systems, and recommendation engines for modulation of biological age. DLI aspires to be a leader in the field of machine learning for personalised preventative healthcare and longevity interventions. Utilising advanced deep learning algorithms, DLI develops novel tools for aging research that can be applied in many industries to make people live better, longer, and healthier lives.

CEO'S REPORT

REVIEW AND PROSPECT (Continued)

Business Development (Continued)

DLI has developed a broad set of universal and application-specific aging clocks, which define a set of criteria and standards for measuring biological age at the molecular, cellular, tissue, organ, system, and organismal levels using a variety of data types. DLI has developed Young.AI, a system for tracking predicted age at multiple levels over time, and the AgeMetric™ system for representing the current set of aging clocks for an individual. DLI has been granted two patents: one on its Deep Transcriptome Aging clock and the other on its Deep Hematological Aging clocks. DLI has other patents pending on other aging clocks. DLI is planning to generate income from two main revenue streams, being: (i) business-to-consumer ("**B2C**") through the Young.AI mobile App, which is now available on the Apple App Store and the Young.AI website (being a website-based product) that is an innovative platform that uses AI to keep track of the aging process from the inside out; and (ii) through business-to-business ("**B2B**") to B2C by partnering with clinics, laboratories, and insurance companies by offering its AgeMetric™ reports and access to its online platform. DLI launched the first version of the Young.AI website and its Young.AI mobile App, an application for App Store by Apple Inc., on 29 September 2020 and like any other App providers, DLI will be rolling out future versions as it improves its products. DLI will be looking to generate income based on a monthly subscription fee from its Young.AI mobile App and website-based products. The Young.AI mobile App has a freemium user acquisition model, offering some functionality for free as the main driver of users and additional paid features (being a monthly subscription fee). The Young.AI mobile App allows tracking performance on a daily basis. By tracking physical activity, sleep, heart health, and predicted age over time, the application offers personalised recommendations and well-being trajectories. DLI's innovative health scoring system called AgeMetric™ incorporates real-time feedback from the body. The Young.AI mobile App complements the Young.AI website and seeks to ensure daily interactions with users.

No licencing or regulatory approvals are required to commercialise these products. In addition to the Young.AI B2C App, DLI is actively working on establishing partnerships with health clinics by providing them access to its AgeMetric™ reports for a fixed fee per report provided, i.e., DLI will provide doctors with its aging clocks and with tools to follow the progress of their patients. By analysing biological age, the health clinicians can track the aging process of their patients and compliment other health tests to access overall health status. Additionally, DLI offers access to recommendation engines to suggest personalised potential therapies, treatment plans and other types of interventions.

DLI is operated by Alex Zhavoronkov, as Chief Longevity Officer position, and Polina Mamoshina, as Chief Operating Officer and Chief Scientific Officer. In addition, DLI has a team of seven scientists, engineers, and designers involved in the development of the web application, new aging clocks, and automation of AgeMetric™ reports. In addition, two managers are responsible for product deployment and marketing. The entire DLI team will remain at DLI after the acquisition with the purpose of executing its business plan. Currently, DLI outsources the App Store application implementation to a third-party supplier, which is a leading mobile application development company. Recently, DLI hired a Business Development Director, who is tasked with seeking partnerships with health clinics and laboratories. DLI employees and consultants will remain employed by DLI under their existing employment and/or consultancy agreements (that seek to reward and retain their services through salaries and bonuses tied to key performance indicators at the DLI level, where appropriate).

As at 31 December 2020, DLI's main assets were cash of approximately US$1.74 million and two patents at book value of approximately US$0.43 million with no material liabilities.

Further information on DLI can be accessed via its website https://deeplongevity.com, or post completion of the Acquisition at http://www.regentpac.com. In addition, there is a corporate presentation on the DLI website which provides an overview of the company.

CEO'S REPORT

REVIEW AND PROSPECT (Continued)

Business Development (Continued)

Other Matters

During the year, the financial needs of the Group were also assisted by the generous support of Galloway Limited (an associate of James Mellon who is the Group's Chairman and substantial shareholder), by way of shareholder loans in the amount of approximately US$7.25 million, which were provided on better than market terms.

The Company has also continued to closely monitor developments in respect of its existing investment in Venturex Resources Limited ("**Venturex**"), representing approximately 6.17% of the share capital of the company as at 31 December 2020. In this respect, we are pleased to see the marked-to-market performance in the respect of the Company's investment in Venturex has significantly improved from mid February 2021 and, accordingly as at 15 March 2021, the Group had an unrealised gain of approximately US$7.04 million and a marked-to-market value of approximately US$9.43 million on this investment, representing a 295% increase from 31 December 2020.

The Company remains a significant shareholder of Venturex and will continue to assess opportunities to extract further value from its investment at opportune times.

Apart from the balance of unlisted convertible notes, due 2022 issued by the Company on 23 August 2019, in the principal amount of US$2.65 million (US$3.8 million out of US$6.45 million were converted into equity in December 2020) and certain shareholders' loans, the Company continues to be debt free with approximately US$5.21 million in cash and listed securities as at 31 December 2020.

With a streamlined focus and sensible capital structure, the Company remains excited about the future prospects for the Group and its shareholders and will: (i) continue to pursue the successful commercialisation of Fortacin™ as quickly as possible, with the OTC roll out occurring in Recordati's reference markets where national approvals have been obtained, as well as in the remaining key markets of the US, China, Asia, Latin America and the Middle East; (ii) commercialising DLI's Young.AI mobile App and the Young.AI website, together with partnering with clinics, laboratories, and insurance companies by offering its AgeMetric™ reports and access to its online platform; (iii) continue monitoring its investments in Venturex and West China Coking & Gas Company Limited, and (iv) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

With all that said, as is widely known the world is grappling with an enormous scale and human impact as the COVID-19 crisis spreads to all corners of the globe. Stock markets across the world are experiencing significant volatility and we expect that shares will continue to be subject to extraordinary swings. There is thus a risk that the price of the Company's shares might follow general market volatility, regardless of results and performance of the Group.

The Group is unsure how this pandemic will further evolve into 2021 and what impact it may have on our operations.

A review of the Group's associated investments, together with the results of its main listed investments, are set out below.

REVIEW AND PROSPECT (Continued)

Plethora – Financial Results

Plethora recorded an operating loss of approximately GBP 0.83 million (or approximately US$1.03 million) for the financial year ended 31 December 2020 (2019: approximately GBP 2.86 million (or approximately US$3.65 million)).

The operating loss of approximately GBP 0.83 million (or approximately US$1.03 million) for the financial year ended 31 December 2020 (2019: approximately GBP 2.86 million (or approximately US$3.65 million), mainly included royalty and milestone income of approximately GBP 0.91 million (or approximately US$1.21 million) (2019: approximately GBP 0.13 million (or approximately US$0.16 million)) which being offset somewhat by: (i) R&D costs related to the regulatory and Phase II validation study in respect of the FDA approval process of Fortacin™ in the US of approximately GBP 1.86 million (or approximately US$2.38 million) (2019: approximately GBP 2.59 million (or approximately US$3.31 million)), and (ii) G&A expenses of approximately GBP 0.42 million (or approximately US$0.54 million) (2019: approximately GBP 0.40 million (or approximately US$0.51 million)).

During 2020, COVID-19 has negatively impacted the potential royalty income from Recordati, as the royalty income for the year ended 31 December 2020 dropped by approximately 32.27% as compared to the financial year ended 31 December 2019, which was due to the cessation of activities by Recordati's sales representatives during this time and the fact that patients stopped visiting their physicians while "lock down" was in place.

Outlook

Our strategy remains the same, in that we are devoting our efforts with Recordati to continue to push for successful commercialisation of Fortacin™ in Europe and the UK, assisting Wanbang Biopharmaceutical with its randomised clinical trial in China, completing our clinical trial work and submitting our NDA with the FDA and bringing Fortacin™ to market through other new strategic commercial partners in the remaining key markets of China, the Asia Pacific region, the US, the Middle East and Latin America.

CEO'S REPORT

VENTUREX

We are pleased to see the marked-to-market performance in the respect of the Company's investment in Venturex, which has significantly improved from mid February 2021 and, accordingly as at 15 March 2021, the Group had an unrealised gain of approximately US$7.04 million and a marked-to-market value of approximately US$9.43 million of its investment, representing a 295% increase from 31 December 2020.

Post year end, Venturex (VXR ASX) released an announcement to the ASX market on 24 February 2021, where Bill Beament is to cornerstone a strategic funding package for Venturex. This will entail an extensive re-capitalisation plan, which is designed to position Venturex as a rapidly growing supplier of new-generation energy and technology materials. Venturex has binding commitments to raise A$14 million in a placement and existing Venturex shareholders will receive a one-for-seven entitlement offer raising a further A$4.4 million. The placement and entitlement offer shares come with a one-for-two attaching option, exercisable at 13.5c Australian. Venturex stands to receive a further A$15.5 million from conversion of these options.

Venturex will also implement a board restructure which will see highly successful mining executives Bill Beament and Mick McMullen join the board.

The capital raising and board restructure will position Venturex to become a near term producer. Venturex's strategy is become a high-growth supplier of new generation energy and technology materials based in tier-one locations building on its Sulphur Springs copper-zinc project as its foundation asset.

It is the Company's intention to take up its rights and participate in the placement, and taken together with the exercise of the options, will cost approximately US$0.80 million, which will not constitute a discloseable transaction for the Company.

REVENUE AND PROFIT

The Company recorded a loss attributable to the shareholders of the Company of approximately US$24.40 million in 2020 (2019: approximately US$66.05 million).

An analysis of the loss compared to the previous financial year are set out in the Management's Discussion and Analysis of the Group's Performance in this annual report.

FINANCIAL POSITION

Shareholders' equity decreased by approximately 19.52% to approximately US$50.31 million as at 31 December 2020 from approximately US$62.50 million as at 31 December 2019. The decrease was mainly due to the loss attributable to shareholders of the Company of approximately US$24.40 million for the year ended 31 December 2020, while being somewhat offset against the benefit of the issuance of 422,687,680 shares on the closing of the acquisition of DLI and the issuance of 139,482,353 shares pursuant to the conversion of certain convertible notes.

The Group's assets also comprised: (i) intangible assets of approximately US$72.42 million, being Fortacin™ and the Intellectual Properties (Longevity); (ii) listed and unlisted investments of approximately US$2.51 million; (iii) cash and bank balances of approximately US$2.70 million; (iv) trade receivables of approximately US$0.43 million; and (v) property, plant and equipment and other receivables of approximately US$2.25 million.

The Group's liabilities comprised: (i) deferred tax liabilities of approximately US$7.35 million; (ii) payables and accruals of approximately US$4.85 million; (iii) convertible notes (liability portion) of approximately US$1.95 million; (iv) tax payable of approximately US$3.80 million; (v) shareholder's loans of approximately US$10.81 million; (vi) long-term and short-term lease liabilities of approximately US$1.21 million; and (vii) long-term and short-term bank borrowings of approximately US$44,000.

CEO'S REPORT

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 an agreed approach for the Company to generate and preserve its long-term value was determined, 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:

- the divestment of non-core assets and investments to enable the Company to pursue growth and opportunistic investments in the life sciences sector;
- utilising international and local expertise to tackle difficult markets, deliver results and achieve global recognition; and
- employing 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.

FUNDING

As at 31 December 2020, the Group had approximately US$2.70 million in cash that represented 5.37% of its total shareholders' equity, which does not take into account the Group's holding of securities of financial assets at fair value through profit or loss that amounted to approximately US$2.51 million.

GEARING RATIO

As at 31 December 2020, the gearing ratio (being long-term debts over total equity and long-term debts) was approximately 21.23% (31 December 2019: 10.72%).

Jamie Gibson
Chief Executive Officer

30 March 2021

DIRECTORS' REPORT

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 2020 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding, and the Group's principal activities consist of investments in biopharma companies and other corporate investments.

Principal activities of the respective subsidiaries of the Company during the year are set out in note 38 to the Financial Statements.

RESULTS AND DIVIDENDS

(1) Results and dividends

The Group's results for the year ended 31 December 2020 are set out in the Consolidated Statement of Comprehensive Income on pages 114 to 115.

No interim dividends were paid for the years ended 31 December 2020 and 2019.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

(2) Policy on payment of dividends

The Company intends to pursue a dividend policy, pursuant to which it will make semi-annual distributions in an aggregate amount per year not to exceed 35% of the anticipated consolidated annual profits of the Company, taking into consideration the criteria described below and the directors' fiduciary duties. The Company may also declare special distributions from time to time in addition to the semi-annual distributions.

It is anticipated that these distributions will be declared semi-annually following the announcement of the half-year results and following the announcement of the full year results. Dividends will be declared and paid in Hong Kong dollars, with an election offered to the shareholders to receive the dividends in United States dollars.

The Company will evaluate its distribution policy and distributions made in any particular year in light of its financial position, the prevailing economic climate and expectations about the future macro-economic environment and business performance. The determination to make distributions will be made at the discretion of the Board and will be based upon the Company's operations and earnings, investment requirements, cash flow, financial condition, future prospects, capital and other reserve requirements and surplus, general financial conditions, contractual restrictions and any other conditions or factors which the Board deems relevant and having regard to the directors' fiduciary duties. The payment of distributions may also be limited by legal restrictions and any financing agreements that the Company may enter into in the future. The Company's ability to pay dividends will also depend upon dividends received from the Company's subsidiaries and associates, which in turn will depend on the ability of those subsidiaries and associates to pay a dividend.

DIRECTORS' REPORT

RESULTS AND DIVIDENDS (Continued)

(2) Policy on payment of dividends (Continued)

The Company's ability to make distributions is also subject to the requirements of Cayman Islands law and the Company's Memorandum and Articles of Association. In this respect, the Company's Articles of Association provide that dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with The Companies Law (Revised) of the Cayman Islands and every modification thereof.

The Board has complete discretion on whether to pay a dividend, subject to shareholders' approval, where applicable. This policy reflects the Company's views on the financial and cash-flow position of the Group prevailing at the time of its adoption. The Board will review this policy from time to time and may adopt changes as appropriate at the relevant time.

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:

	2020 US$'000	2019 US'000	2018 US$'000	2017 US$'000	2016 US$'000
Total income and fair value gain/(loss) on financial instruments	**2,149**	(313)	2,843	9,493	3,436
Income less expenses before reversal/ (impairment losses) and provision	**(24,880)**	(38,114)	(33,971)	(27,403)	(31,902)
Reversal of impairment	**6,126**	—	—	—	364
Impairment losses	**(5,700)**	(26,000)	—	(1,875)	(97)
Operating loss after reversal/ (impairment losses) and provision	**(24,454)**	(64,114)	(33,971)	(29,278)	(31,635)
Finance costs	**(1,706)**	(620)	—	—	—
Gain on disposal of an associate	**—**	—	209	—	—
Loss on deemed disposal of associates	**—**	—	—	—	(5,805)
Gain from bargain purchase of an associate	**—**	—	—	—	1,356
Gain from bargain purchase of a subsidiary	**—**	—	—	—	31,686
Share of results of associates	**—**	—	—	(1,067)	(831)
Loss before taxation	**(26,160)**	(64,734)	(33,762)	(30,345)	(5,229)
Tax credit/(Taxation)	**1,764**	(1,265)	2,669	2,982	2,765
Loss for the year	**(24,396)**	(65,999)	(31,093)	(27,363)	(2,464)
Non-controlling interests	**1**	(49)	6	4	4
Loss attributable to shareholders of the Company	**(24,395)**	(66,048)	(31,087)	(27,359)	(2,460)

DIRECTORS' REPORT

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and liabilities:

	2020 US$'000	2019 US$'000	2018 US$'000	2017 US$'000	2016 US$'000
Property, plant and equipment	**1,208**	397	77	63	84
Intangible assets	**72,418**	83,037	137,084	165,131	193,178
Interests in associates	**1**	1	1	2	3,055
Financial assets at fair value through other comprehensive income	**—**	—	282	—	—
Available-for-sale financial assets	**—**	—	—	1,925	1,726
Current assets	**6,683**	2,846	7,318	11,710	8,477
Total assets	**80,310**	86,281	144,762	178,831	206,520
Current liabilities	**(9,105)**	(7,967)	(4,487)	(3,543)	(5,874)
Non-current liabilities	**(20,900)**	(15,810)	(13,708)	(16,513)	(19,318)
Total liabilities	**(30,005)**	(23,777)	(18,195)	(20,056)	(25,192)
Net assets	**50,305**	62,504	126,567	158,775	181,328

BUSINESS REVIEW

(1) 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 Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") and are also traded on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange, is a diversified investment group currently holding various corporate and strategic investments across the healthcare, wellness and life sciences sectors, which has become its core focus, as well as legacy investments in the natural resources sector. The Company's headquarters is in Hong Kong and the Group (including subsidiaries, but excluding associate) employed 34 employees as at 31 December 2020.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

(1) Fair review of the Company's business (Continued)

(a) COVID-19 impact

The financial year ended 31 December 2020 was an obviously challenging one for the Group, together with the global economy, being dominated by the devastating global impact of the novel coronavirus disease, which was first found in 2019, ("**COVID-19**") pandemic. Like most organisations, the COVID-19 pandemic has impacted the Group in a variety of ways.

Recordati S.p.A ("**Recordati**"), the Group's European marketing and distribution partner for its lead product, Fortacin™, is based in Italy, and, as such, the Group has been in dialogue with Recordati to assess the situation resulting from the COVID-19 pandemic and its impact on the continued roll-out of Fortacin™. In this respect, Recordati has informed the Group that during 2020, its reference markets continued to be affected by the COVID-19 pandemic due both to the restrictions imposed to limit contagion in all territories, as well as from a cautious management of stocks by wholesalers. Restrictions were imposed on the movement of people, transport, production and commerce, some of which may be in place in certain of its countries in which it operates. While Recordati's pharmaceutical operations were allowed to continue in order to ensure the availability of drugs for patients, all its affiliates had to cease activities engaged by their sales representatives during the "lock down", with such sales activities still being hampered going into 2021. While complying with all the measures necessary to ensure the health and safety of its employees, Recordati did not interrupt its production and distribution activities and adopted all necessary measures to guarantee the continued availability on the market of its products. Given the dynamic circumstances and uncertainties surrounding the pandemic, the Group is unable to predict the possible future impacts it may have on the Group's operations.

The Group is hopeful that with the global roll-out of the vaccine effort, Recordati may see a gradual recovery in its reference markets after the COVID-19 pandemic in the second half of this year.

While the Group has now completed its Phase II validation study in the United States (the "**US**"), there had been a slower patient recruitment process in certain sites in Florida and other Southern and South Western US states when COVID-19 first flared up in these areas.

While now filed, COVID-19 had caused just over a month delay in arranging the filing of the drug master file for prilocaine by Siegfried Evionnaz SA, the manufacturer of prilocaine (which is one of the active ingredients of Fortacin™) in respect of the Group's investigational new drug ("**IND**") submission with the National Medical Product Administration ("**NMPA**") in The People's Republic of China ("**PRC**" or "**China**").

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

(1) Fair review of the Company's business (Continued)

(a) COVID-19 impact (Continued)

The outbreak of COVID-19 has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. The outbreak has caused disruption across our business lines as highlighted above. A number of countries in which we operate have implemented severe restrictions on the movement of populations, with a resultant significant impact on economic activity. These restrictions are being determined by the governments of individual jurisdictions, including through the implementation of emergency powers. The impacts of these restrictions, including the subsequent lifting of restrictions, may vary from jurisdiction to jurisdiction. We have invoked certain plans at our offices in Hong Kong and the United Kingdom (the "**UK**") to help ensure the safety and wellbeing of our staff, as well as our ability to support our customers and maintain our business operations. Many of our staff have continued to provide continuity of work while working remotely. It remains unclear how this will evolve into 2021 and we continue to monitor the situation closely, while following government regulations and policies in the countries that we operate in.

These issues, among others, caused the Group to review and manage its costs and, in this regard, the Group implemented from April 2020 certain cost cutting measures, including an across-the-board 30% reduction in fees and salaries of its Directors, employees and consultants, which some reductions are continuing, furloughing staff where appropriate and implementing general and administrative and research and development cost cuts, on an aggregated basis, of approximately US$2.13 million when comparing with the corresponding period in 2019.

The Group will continue to pay close attention to the development and evaluate the impact of COVID-19 on the financial position and operating results of the Group.

(b) US approval and commercialisation progress

The Group has continued to make steady progression with the approval process with the US Food and Drug Administration ("**FDA**") with regards to its Phase II validation study of Fortacin™. In this respect, the Group completed the Phase II validation study with a total of 87 subjects being randomised, close to the target of 100. The Group remains on target to submit the study to the FDA during the first half of 2021. On the assumption that the trial is sufficient to convince the FDA that the Premature Ejaculation Bothersome Evaluation Questionnaire serves as an appropriate measure for support of a label claim, the pivotal Phase III study could commence in the latter half of 2021, with the New Drug Application ("**NDA**") submission possible in late 2022, giving a Prescription Drug User Fee Act date at the end of 2023. Despite the difficulties presented by the COVID-19 pandemic, particularly as it relates to securing face-to-face meetings, the Group's strategy remains to continue negotiations with potential commercial strategic partners for the US market, while we complete the submission of the study to the FDA, with the aim of securing a partner just ahead of or while we conduct the Phase III trial.

Formal registration of the Phase II validation study of Fortacin™ in the US is a critical and positive step towards making the NDA submission and ultimately achieving all necessary FDA and other US regulatory approvals needed to commercialise Fortacin™ in the US, its most significant potential market.

BUSINESS REVIEW (Continued)

(1) Fair review of the Company's business (Continued)

(b) US approval and commercialisation progress (Continued)

The Group is also pleased to report key findings from a leading global third-party marketing consultant that the Group engaged to assess the US payer's willingness to cover Fortacin™ and the level of price sensitivity for coverage. Further, the marketing consultant was engaged to explore similarities and differences in approaches by insurance plan types (i.e. commercial insurance, Medicare Part D, which are administered by private US insurance companies) so that by understanding the possible approaches and the execution risks the Group will be able to make informed decisions on its approach to "out licensing" the rights to Fortacin™ to potential US commercial strategic partners. The marketing consultant conducted in-depth telephone interviews with payers who cover erectile dysfunction ("**ED**") drugs on formulary and payers who cover ED drugs through a rider (A rider is an insurance policy provision that adds benefits to or amends the terms of a basic insurance policy such as additional coverage. Riders come at an extra cost, on top of the premiums an insured party pays). The summary of the key findings of the third-party's marketing research was as follows:

- Payers see Fortacin™ as a novel product, with good efficacy and expect there will be employer-based group demand for coverage.

- It would appear that an acceptable entry price level (being the list price for Fortacin™ to wholesalers or direct purchasers in the US not including prompt pay, or other discounts, rebates or reductions in price) for the US market is more than US$144 per 12 dose can/unit, exceeding the Group's expectation on price (which is approximately 4 times the current price for a 12 dose can in Europe and the UK, as well as being approximately 1.5 times the expected and currently modelled price by Wanbang Biopharmaceutical Group Co., Ltd. ("**Wanbang Biopharmaceutical**"), the Company's commercial strategic partner for the PRC, that it expects to receive in China). Payers unprompted wholesale acquisition prices of Fortacin™ were US$144 to US$500 per month (US$144 to US$500 for a 12 dose unit/can of Fortacin™).

- 52.4% of lives (83% of plans) would cover Fortacin™ with or without a rider at all price points.

- Payers kept their type of coverage consistent, such that plans covering ED drugs on formulary said Fortacin™ would be covered the same as the current drugs on formulary versus ED drugs through rider (i.e. Fortacin™ through a rider).

The Group has engaged the third-party marketing consultant to further its recent payer research by building out the US market landscape, price sensitivity and reimbursement expectations for both payer coverage and adding patients' out-of-pocket expenses (or copay) sensitivity. Based on the marketing consultant's findings, it will provide further recommendations on pricing, reimbursement and market access expectations. It is expected that the recommendations will be available to the Group by May 2021 and assist with our negotiations with potential US commercial strategic partners.

These initial key findings show the willingness of US payers to cover Fortacin™ and the higher than expected wholesale acquisition prices they are prepared to pay for this product represent an encouraging step forward in the commercialization of Fortacin™ in the US. We are confident that this potential high level of market acceptance in the US will not only facilitate our negotiations with potential commercial strategic partners in the region, but also bodes well for the Group's plans to expand into its other key remaining markets such as Latin America and the Middle East.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

(1) Fair review of the Company's business (Continued)

(c) Chinese approval and commercialisation progress

Despite the aforementioned delays caused by COVID-19, Wanbang Biopharmaceutical submitted the IND application for the clinical trial approval ("**CTA**") during Q3 2020 in respect of Fortacin™ and, as such, the Group received US$0.72 million (net of 10% PRC withholding tax) from Wanbang Biopharmaceutical on 29 December 2020. Post year-end, the NMPA approved Senstend™ (the marketing name of Fortacin™ in China) for clinical trial triggering a payment of US$3.20 million before deduction of PRC withholding tax (or US$2.88 million net of PRC withholding tax), which was paid at the end of Q1 2021.

We are delighted by this step towards full commercial approval of Senstend™ in China. Achieving this is a significant milestone which lays a solid foundation for marketing Senstend™ there in the near future. We are confident that this successful China initiative not only secures the world's largest market for Senstend™, but will also help us and our strategic partners to expand into other major markets such as the Middle East, India, North America and the Latin America region. Using the income generated by Senstend™ in China, we aim to further grow Senstend™'s market share in other markets to maintain a stable income for the Group and generate better returns for our shareholders.

(d) Progress relating to change of status of Fortacin™ to OTC from Rx

Recordati received approval from the European Commission on 27 August 2020 that the marketing authorisation for Fortacin™ be changed to "over the counter" ("**OTC**") status from prescription ("**Rx**"). As previously stated, the OTC switch is a move designed to significantly increase sales and consequently uplift the royalty payments to the Group. Recordati started the OTC launch in Germany at the end of 2020 and will continue the launch of Fortacin™ in its other reference markets in 2021 provided that: (i) Recordati has received any national approvals that are required (if any); (ii) Pharmaserve (North West) Limited ("**PSNW**"), the manufacturer of Fortacin™, can meet the anticipated increased demand; and (iii) the COVID-19 pandemic does not further complicate or impede the planned launch. Recordati, PSNW and the Group are looking into options at scaling up the manufacturing process to meet the anticipated demand in OTC with the aim of manufacturing approximately 50,000 units per batch order and reducing the risk of supply chain shortage and unreliability.

(e) Taiwanese, Hong Kong and Macau approval and commercialisation progress

Orient EuroPharma Co., Ltd. ("**Orient EuroPharma**") has informed the Group on 11 December 2020 that it has received marketing authorisation approval for Taiwan from The Taiwan Food and Drug Administration (the "**TFDA**"). This is the final regulatory approval process required for the marketing, distribution and sale of Fortacin™ in Taiwan. The regulatory approval from the TFDA triggered a payment of US$300,000 to the Group before deduction of withholding tax (or US$270,000 net of 10% withholding tax). Post year end, Orient EuroPharma already launched Fortacin™ in Hong Kong Special Administrative Region ("**Hong Kong**") in January 2021 and expects to launch Fortacin™ in Macau Special Administrative Region ("**Macau**") and Taiwan in March 2021 and April 2021 respectively.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

(1) Fair review of the Company's business (Continued)

(f) Other out-licensing opportunities

The Company remains in discussions with our commercial strategic partners for the Middle East, India, North America and Latin America region. However, 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 licencing agreement(s) in the aforementioned jurisdictions or at all.

(g) Business development

From a business development standpoint, during the 2020 financial year, the Group continued to look closely at a number of acquisition and investment opportunities in the healthcare, life sciences and wellness sectors, including opportunities to enter into the longevity sector, with a particular focus on patented technology to help identify individual biological aging markers. This culminated in the acquisition of Deep Longevity, Inc ("**DLI**") in December 2020, which will serve as a key platform for the Group's expansion into the health and wellness sector, namely the emerging field of longevity medicine.

DLI is developing explainable and user-friendly artificial intelligence ("**AI**") systems to track the rate of aging at the molecular, cellular, tissue, organ, system, physiological and psychological levels. It is also developing systems for the emerging field of longevity medicine enabling physicians to make better decisions on the interventions that may slow down or reverse the aging processes. DLI has also developed a Longevity as a Service (LaaS)© solution to integrate multiple deep biomarkers of aging dubbed "deep aging clocks" to provide a universal multifactorial measure of human biological age. Originally incubated by InSilico Medicine, DLI started its independent journey in 2020 after closing a Series A financing on 29 June 2020 that included some of the most credible venture capitalists specialising in biotechnology, longevity, and AI. Among these strategic investors are such well-known funds as BOLD Capital Partners, ETP Ventures, Human Longevity and Performance Impact Venture Fund, Longevity Vision Fund, LongeVC, Michael Antonov (co-founder of Facebook-owned Oculus VR) and other expert AI and biotechnology investors. DLI has also established a key research partnership with one of the world's leading longevity organisations, Human Longevity, Inc. ("**HLI**"). Under this arrangement, HLI will provide DLI's developed haematological aging clocks to a global network of advanced physicians and longevity research specialists, and HLI will share the revenue generated from the patients' test reports with DLI. It is expected that the collaboration between HLI and DLI will expand to other data types. Importantly, HLI will remain invested in DLI through its consideration shares in the Company, which the Company believes will only further strengthen the relationship between DLI and HLI. DLI's products, including the aging clocks and AgeMetric™ reports, do not require any licensing or regulatory approvals. The Apple App Store approved the launch of the Young.AI mobile App on 29 September 2020, thereby validating its technology and affording DLI with a huge scaling-up market opportunity. Like any other application or website, this is DLI's first version of its App and website, and DLI, like other App providers, will provide further updated versions of its App and website by ironing out any bugs and improving and adding products over time. Future investment will mainly come in developing new product launches (more aging clocks), improving existing products, social media/marketing and adding personnel. The mission of DLI is to become the main developer and provider of a broad range of deep aging clocks, predictors of biological age and health status, aging clock interpretation systems, and recommendation engines for modulation of biological age. DLI aspires to be a leader in the field of machine learning for personalised preventative healthcare and longevity interventions. Utilising advanced deep learning algorithms, DLI develops novel tools for aging research that can be applied in many industries to make people live better, longer, and healthier lives.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

(1) Fair review of the Company's business (Continued)

(g) Business development (Continued)

DLI is operated by Alex Zhavoronkov, as Chief Longevity Officer, and Polina Mamoshina, as Chief Operating Officer and Chief Scientific Officer. In addition, DLI has an experienced team of scientists, engineers, and designers involved in the development of the web application, new aging clocks, and automation of AgeMetric™ reports. In addition, two managers are responsible for product deployment and marketing. The entire DLI team remains at DLI after the acquisition with the purpose of executing its business plan. Currently, DLI outsources the App Store application implementation to a third-party supplier, which is a leading mobile application development company. Recently, DLI hired a Business Development Director, who is tasked with seeking partnerships with health clinics and laboratories. DLI employees and consultants remain employed by DLI under their existing employment and/or consultancy agreements (that seek to reward and retain their services through salaries and bonuses tied to key performance indicators at the DLI level, where appropriate).

As at 31 December 2020, DLI's main assets were cash of approximately US$1.74 million and two patents of approximately US$0.43 million with no material liabilities.

Further information on DLI can be accessed via its website https://deeplongevity.com, or post completion of the acquisition at http://www.regentpac.com. In addition, there is a corporate presentation on the DLI website which provides an overview of the company.

(h) Financial matters

During the year, the financial needs of the Group were also assisted by the generous support of Galloway Limited (an associate of James Mellon who is the Group's Chairman and substantial shareholder), by way of shareholder loans in the amount of approximately US$7.25 million, which were provided on better than market terms.

Apart from the balance of unlisted convertible notes, due 2022 issued by the Company on 23 August 2019, in the principal amount of US$2.65 million (US$3.80 million out of US$6.45 million were converted into equity in December 2020) and certain shareholders' loans, the Company continues to be debt free with approximately US$5.21 million in cash and listed securities as at 31 December 2020.

During the year, the Group recorded a loss attributable to shareholders of the Company of approximately US$24.40 million, which was mainly attributable to: (i) an amortisation charge of approximately US$19.41 million on the intangible assets, a non-cash item; (ii) an impairment loss on goodwill arising from the acquisition of DLI, an intangible asset, of approximately US$5.70 million, a non-cash item; and (iii) the Group's operating expenses of approximately US$7.62 million; while being offset somewhat by: (iv) a reversal of impairment loss of Fortacin™, the intangible asset, of approximately US$6.13 million; and (v) the unrealised marked-to-market gain in respect of the Company's equity portfolio of financial assets at fair value through profit or loss of approximately US$0.46 million.

An analysis of the loss compared to the previous financial year are set out in the Management's Discussion and Analysis of the Group's Performance in this annual report.

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

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

(2) Significant post balance sheet events

Please refer to note 41 to the Financial Statements.

(3) Likely future development of the Company's business

In this report last year, we indicated that, going froward, much of the Group's attention would continue to be directed towards, among other things: (i) completing the phase II validation study in the US; (ii) helping Recordati continue with the successful roll-out across Europe and the potential OTC switch to help maximise the potential payments the Group is eligible to receive under its licence agreement with it; (iii) working closely with Wanbang Biopharmaceutical and Orient EuroPharma to help procure the necessary regulatory approvals required for the roll-out of Fortacin™ in the key Asian jurisdictions for which they are responsible; and (iv) negotiating and signing new licence agreements with key commercial partners for other territories including the US, Middle East and Latin America.

As previously stated in this report, we are proud to be able to report that during the 2020 financial year, we were able to successfully achieve these objectives with: (i) the phase II validation study in the US now having completed, with a formal submission of the same currently being prepared for submission to the FDA; (ii) the OTC switch of Fortacin™ in Europe now having completed, with revised manufacturing and commercialisation strategies around this development currently being implemented; (iii) Wanbang Biopharmaceutical now having submitted the IND application for CTA during Q3 2020 in respect of Fortacin™, with the NMPA and the Center of Drug Evaluation having now approved Senstend™ for clinical trial post financial year end; (iv) Orient EuroPharma having procured the necessary regulatory approvals for the roll-out of Fortacin™ required for Hong Kong, Macau and Taiwan; and (v) discussions being had in respect of possible commercial partnerships for the Middle East, India, North America and Latin America (LATAM) region.

(a) New business line – DLI

As would be appreciated, following the acquisition of DLI in December 2020, much of the Group's attention and resources have been allocated towards pursuing the successful integration of the DLI team, together with putting in place the requisite planning and resources around commercialisation of its deep aging clocks technology as quickly as possible with strategic commercial partners in Europe, Asia and the US.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

(a) New business line – DLI (Continued)

DLI has developed a broad set of universal and application-specific aging clocks, which define a set of criteria and standards for measuring biological age at the molecular, cellular, tissue, organ, system, and organismal levels using a variety of data types. DLI has developed Young.AI, a system for tracking predicted age at multiple levels over time, and the AgeMetric™ system for representing the current set of aging clocks for an individual. DLI has been granted two patents: one on its Deep Transcriptome Aging clock and the other on its Deep Haematological Aging clocks. DLI has other patents pending on other aging clocks. DLI is planning to generate income from two main revenue streams, being: (i) Business-to-Customer ("**B2C**") through the Young.AI mobile App, which is now available on the Apple App Store and the Young.AI website (being a website-based product) that is an innovative platform that uses AI to keep track of the aging process from the inside out; and (ii) through Business-to-Business ("**B2B**") to B2C by partnering with clinics, laboratories, and insurance companies by offering its AgeMetric™ reports and access to its online platform. DLI launched the first version of the Young.AI website and its Young.AI mobile App, an application for App Store by Apple Inc., on 29 September 2020 and like any other App providers, DLI will be rolling out future versions as it improves its products. DLI will be looking to generate income based on a monthly subscription fee from its Young.AI mobile App and website-based products. The Young.AI mobile App has a freemium user acquisition model, offering some functionality for free as the main driver of users and additional paid features (being a monthly subscription fee). The Young.AI mobile App allows tracking performance on a daily basis. By tracking physical activity, sleep, heart health, and predicted age over time, the application offers personalised recommendations and well-being trajectories. DLI's innovative health scoring system called AgeMetric™ incorporates real-time feedback from the body. The Young.AI mobile App complements the Young.AI website and seeks to ensure daily interactions with user.

No licencing or regulatory approvals are required to commercialise these products. In addition to the Young.AI B2C App, DLI is actively working on establishing partnerships with health clinics by providing them access to its AgeMetric™ reports for a fixed fee per report provided, i.e. DLI will provide doctors with its aging clocks and with tools to follow the progress of their patients. By analysing biological age, the health clinicians can track the aging process of their patients and compliment other health tests to access overall health status. Additionally, DLI offers access to recommendation engines to suggest personalised potential therapies, treatment plans and other types of interventions.

(b) US approval and commercialisation progress

In respect of the now completed Phase II validation study, the Group remains on target to submit the study to the FDA during the first half of 2021. On the assumption that the trial is sufficient to convince the FDA that the Premature Ejaculation Bothersome Evaluation Questionnaire serves as an appropriate measure for support of a label claim, the pivotal Phase III study could commence in the latter half of 2021, with the NDA submission possible in late 2022, giving a Prescription Drug User Fee Act date at the end of 2023. Despite the difficulties presented by the COVID-19 pandemic, particularly as it relates to securing face-to-face meetings, the Group's strategy remains to continue negotiations with potential commercial strategic partners for the US market, while we complete the submission of the study to the FDA, with the aim of securing a partner just ahead of or while we conduct the Phase III trial.

BUSINESS REVIEW (Continued)

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

(c) Chinese approval and commercialisation progress

Following Wanbang Biopharmaceutical's submission of the IND application for CTA during Q3 2020 in respect of Fortacin™ and post financial year end, the NMPA has now approved Senstend™ for commencing its clinical trial, which has triggered a payment of US$3.20 million before deduction of PRC withholding tax (or US$2.88 million net of PRC withholding tax) which has now become due.

We are delighted by this step toward full commercial approval of Senstend™ in China. Achieving this is a significant milestone which lays a solid foundation for marketing Senstend™ there in the near future. We are confident that this successful China initiative not only secures the world's largest market for Senstend™, but will also help us and our strategic partners to expand into other major markets such as the Middle East, India, North America and the Latin America region. Using the income generated by Senstend™ in China, we aim to further grow Senstend™'s market share in other markets to maintain a stable income for the Group and generate better returns for our shareholders.

The Company has been advised by Wanbang Biopharmaceutical of the indicative summary details of the clinical study for seeking approval of an import licence for Senstend™ from the NMPA:

Start date	:	April/May 2021 (subject to approval from NMPA)
Study type	:	Clinical trial, multi-center, randomised, double-blinded placebo controlled study
Estimated enrolment	:	150
Primary endpoint	:	To determine the effects of Senstend™ on the Index of Premature Ejaculation (IPE) and the Intra-vaginal Ejaculation Latency Time (IELT)
Secondary endpoint	:	To evaluate the safety and tolerability of Senstend™ in Premature Ejaculation subjects and their sexual partners
Estimated study completion date	:	12 months

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

(d) Progress relating to change of status of Fortacin™ to OTC from Rx

Recordati received approval from the European Commission on 27 August 2020 that the marketing authorisation for Fortacin™ be changed to OTC status from Rx. As previously stated, the OTC switch is a move designed to significantly increase sales and consequently uplift the royalty payments to the Group. Recordati has received national approval to launch Fortacin™ as OTC in Germany in late 2020 and is looking to continue the OTC launch in its reference markets in 2021 provided that: (i) Recordati has received any national approvals that are required (if any); (ii) PSNW, the manufacturer, can meet the anticipated increased demand; and (iii) the COVID-19 pandemic does not further complicate or impede the planned launch. Recordati, PSNW and the Group are looking into options at scaling up the manufacturing process to meet the anticipated demand in OTC with the aim of manufacturing approximately 50,000 units per batch order and reducing the risk of supply chain shortage and unreliability.

(e) Taiwanese, Hong Kong and Macau approval and commercialisation progress

Following Orient EuroPharma securing marketing authorisation approval for Taiwan from the TFDA, the key Asian jurisdictions of Hong Kong, Macau and now Taiwan are fully approved for commercialisation. The Group understands that Orient EuroPharma expects to launch Fortacin™ in Macau and Taiwan in March 2021 and April 2021 respectively, after already launching Fortacin™ in Hong Kong in January 2021.

(f) Other out-licensing opportunities

The Company remains in discussions with our commercial strategic partners for the Middle East, India, North America and Latin America region. However, 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 licencing agreement(s) in the aforementioned jurisdictions or at all.

The Company remains focussed on achieving key business development milestones in key Asian markets in respect of its licence agreements with: (i) Wanbang Biopharmaceutical in respect of the rights to commercialise Senstend™ in China, excluding Taiwan, Hong Kong and Macau; and (ii) Orient EuroPharma in respect of the rights to commercialise Fortacin™ in select territories in Asia, being Taiwan, Hong Kong, Macau, Malaysia, Brunei, Singapore, Philippines, Thailand and Vietnam, but excluding China. Pursuant to these licence agreements, the Group will be eligible to receive the remaining payments of up to: (i) US$36.20 million; and (ii) US$1.15 million as at 31 December 2020, respectively and in each case excluding royalties after achieving certain milestones related to the respective roll outs.

The Group's longer-term vision is to significantly and aggressively expand its existing business by acquiring other revenue producing assets in the health care, wellness and life sciences sector, such that the Company has a steady and recurrent income stream, which will in turn strengthen its balance sheet and diversify its business from Plethora Solutions Holdings plc ("**Plethora**"). In addition, the Group will continue, through its subsidiary, Plethora, to managing economic rights and entitlements flowing from the sales of Fortacin™ by strategic commercial partners (through licensing agreements). The Group does not plan to make any fundamental changes to the existing business of the Group, being that of an investment company having its core focus on the healthcare, wellness and life sciences sectors.

BUSINESS REVIEW (Continued)

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

With a streamlined focus and sensible capital structure, the Company remains excited about the future prospects for the Group and its shareholders and will: (i) continue to pursue the successful commercialisation of Fortacin™ as quickly as possible, with the OTC roll-out just starting, as well as in the remaining key markets of the US, China, Asia, Latin America and the Middle East; (ii) commercialise DLI's Young.AI mobile App and the Young.AI website, together with partnering with clinics, laboratories, and insurance companies by offering its AgeMetric™ reports and access to its online platform; and (iii) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

With all that said, as is widely known the world is grappling with an enormous scale and human impact as the COVID-19 crisis spreads to all corners of the globe. Stock markets across the world are experiencing significant volatility and we expect that shares will continue to be subject to extraordinary swings. There is thus a risk that the price of the Company's shares might follow general market volatility, regardless of results and performance of the Group.

The Group is unsure how this pandemic will further evolve into 2021 and what impact it may have on our operations. The outbreak of COVID-19 has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. The outbreak has caused disruption across our business lines as highlighted above and in the CEO's Report. A number of countries in which we operate have implemented severe restrictions on the movement of populations, with a resultant significant impact on economic activity. The impacts of these restrictions may vary from jurisdiction to jurisdiction. It remains unclear how this will evolve into 2021 and we continue to monitor the situation closely.

However, looking forward, we are optimistic that, much like in the second half of 2020, the Group's resilience and fortitude will enable us to keep outperforming and achieving a number of significant milestones. However, it goes without saying that the Group will continue to pay close attention to the development and evaluate the impact of COVID-19 on the financial position and operating results of the Group, but, all things being equal, we remain very optimistic about the direction the business is taking and in our ability to generate value for shareholders going forward.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

A summary analysis of the performance and position of the Company's business for the year ended 31 December 2020 is set out below:

Fair value gain/(loss) on financial instruments	For the year ended 31 December 2020 US$'000	For the year ended 31 December 2019 US$'000	Increase/ (Decrease) in absolute value %
Unrealised gain/(loss) financial assets at fair value through profit or loss ("**FAFVPL**")	**458**	(1,274)	N/A
Realised gain on disposal of FAFVPL	**—**	239	(100.00)
	458	(1,035)	N/A

	For the year ended 31 December 2020 US$'000	For the year ended 31 December 2019 US$'000	Increase/ (Decrease) in absolute value %
FAFVPL			
As at 1 January	**2,051**	5,501	(62.72)
Additions	**—**	—	—
Disposals	**—**	(2,176)	—
Change in fair value	**458**	(1,274)	N/A
As at 31 December	**2,509**	2,051	22.33

The investment in FAFVPL increased by approximately 22.33% to approximately US$2.51 million as at 31 December 2020 from approximately US$2.05 million as at 31 December 2019. It was mainly due to the unrealised gain of approximately US$0.46 million.

(a) Funding

As at 31 December 2020, the Group had approximately US$2.70 million in cash that represented approximately 5.37% of its total shareholders' equity, which did not take into account the Group's holding of securities of the FAFVPL that amounted to approximately US$2.51 million.

(b) Gearing ratio

As at 31 December 2020, the gearing ratio (being long-term debts over total equity and long-term debts) was approximately 21.23% (2019: 10.72%).

BUSINESS REVIEW (Continued)

(4) The Group's environmental policies and performance and compliance with relevant laws and regulations

The Group operates two offices, its headquarters in Hong Kong and an office in the UK, and the Group (including subsidiaries but excluding associate) employed 34 employees as at 31 December 2020. 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.

(5) 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.

(6) Principal risks and uncertainties facing the Company

Below are the principal risks and uncertainties in respect of the Group. 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 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) include the business or products (and risks in connection with such business or products) of investee companies (including Plethora, in particular Fortacin™ and DLI) in which the Company or the Group has invested in the healthcare, life sciences and wellness sectors.

(a) Contingent liability in respect of Australian Capital Gains Tax

As announced on 18 March 2019, the Company entered into a settlement agreement with the Australian Taxation Office ("**ATO**") in respect of the dispute disclosed therein for an amount of A$9.50 million (or approximately US$6.67 million), payable by 31 August 2019. The settlement amount was well below the total potential amount payable to the ATO and facilitated the discontinuance of the litigation.

The security over the Australian securities held by the Company, previously granted to the ATO, referred to in the paragraph titled "Charge on Assets" in note 34 to the Financial Statements, has been lifted so as to allow the sale of such securities to discharge the settlement amount, which does not preclude other funding measures being utilised to discharge the settlement amount in full.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

(a) *Contingent liability in respect of Australian Capital Gains Tax (Continued)*

In the event that the Company is unable to sell such securities at the prices and/or volumes required to discharge the settlement amount, due to such factors as are explained under the risk factor titled "The disposal of legacy investments may face liquidity constraints and/or may decline in value" immediately below, or the Company is otherwise unable to source the necessary funding, such liability could have a material and adverse impact on the Group's financial condition, results of operations and prospects.

As at the date of this report, the Company has repaid approximately A$4.56 million to the ATO, and the remaining balance of approximately A$4.94 million (or approximately US$3.80 million) remained unsettled and interest expenses on overdue tax of approximately A$396,000 (or approximately US$274,000) has been provided for during the year ended 31 December 2020. The Company anticipates paying the remaining portion of approximately A$4.94 million (or approximately US$3.80 million) and any accrued interests during 2021. The Company's management is currently under negotiation with the ATO on the payment schedule of the outstanding amount.

(b) *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, wellness 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, non-wellness and non-life sciences assets ("**Non-Core Assets**") in the near future and focus all its attentions on its new healthcare, wellness 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.

(c) *The Company is exposed to fluctuating prices of gold, copper and zinc*

The Company is exposed to fluctuating prices of gold, copper and zinc in relation to its Non-Core Assets. The prices of gold, copper and zinc 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.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

*(d) Plethora depends to a material extent on the success of its lead product candidate, Fortacin™, which it has developed for the European Union (the "**EU**") and the UK and is developing in respect of other markets for the treatment of premature ejaculation. If Plethora is unable to obtain regulatory approval beyond the EU, the UK, Hong Kong, Macau and Taiwan, or to commercialise Fortacin™ beyond these markets, 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 Fortacin™ 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 Fortacin™ is successfully developed and commercialised. The success of Fortacin™ will depend on a number of factors, including those generally affecting biopharmaceutical products, and more specifically: the successful manufacturing of Fortacin™ by its manufacturing partner, being PSNW; the receipt of the NDA from the FDA and the IND from the NMPA for the importation of Senstend™; the successful negotiation of "out licensing" agreements for territories outside of Europe, the UK, Hong Kong, Macau and Taiwan; and the successful launching of commercial sales of Fortacin™ by Plethora's commercial partners at expected prices.

(e) 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.

Specifically in respect of DLI, there are risks associated with the success or otherwise of the commercialisation of DLI's products, being the ability to successfully convert on the B2C and B2B to B2C business models referred to in the description of DLI in this report. As part of the due diligence exercise leading up to the acquisition of DLI, this risk was considered and, after considering DLI's financial model and business plan, this was identified as a key commercial risk. However, the Directors believe that with DLI's experienced management team, its explainable AI systems to track the rate of aging at the molecular, cellular, tissue, organ, system, physiological, and psychological levels and the launch of its mobile App on the Apple App Store and website, DLI has, on balance, a reasonable chance of being successful. Moreover, management believe that DLI's launch of both the Young.AI mobile App on the Apple App Store and the website Young.AI have helped to mitigate this risk somewhat, while not eliminating it.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

(f) Development risk

The Group currently has or will have 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.

(g) 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.

BUSINESS REVIEW (Continued)

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

(h) 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.

(i) 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.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

(j) 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 and its partners 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.

(k) 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.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

(l) 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.

(m) 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.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

(n) 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 license, 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.

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 license, 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 knowhow represent the practical knowledge base which the Group has acquired in developing its products. Trade secrets and knowhow 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.

BUSINESS REVIEW (Continued)

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

(n) Protection of patents and proprietary rights (Continued)

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.

Specifically, in acquiring DLI, the Directors considered it good and prudent planning to ensure that there were adequate provisions in its agreements with employees and consultants for dealing with such items as non-competition, non-solicitation, and the protection of confidential information and intellectual property, know-how, trade secrets and other proprietary information important to the Group to protect the Group and its shareholders' interests. As part of the Company's due diligence on DLI, it was revealed that in addition to their employment and consultancy agreements, DLI employees and consultants have also executed proprietary information and invention assignment agreements, which provide strict protection in respect of DLI's confidential information, company property, use (or non-use) of sensitive information obtained from former employers or third parties, ownership of inventions and the assignment (to DLI) thereof, conflicting employment and non-competition and non-solicitation. These arrangements with employees and consultants of DLI strictly prohibit the use of any confidential information, trade secrets, know-how, inventions or other propriety information that he or she may have obtained from DLI during their term of employment/consultancy. Therefore, the Directors are satisfied that such employees and consultants are sufficiently and appropriately constrained in what they can and cannot do in respect of non-competition, non-solicitation and the protection of confidential information, trade secrets, know-how and other proprietary information, both during the term of their engagement and for a reasonable (12-month) period following its cessation.

(o) 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.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

(p) 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 PRC, 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 cash flows 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)

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

(q) 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.

(r) 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 preclinical 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.

(s) 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.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

(t) 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.

(u) 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 accounts receivable payment cycles and difficulties in collecting accounts receivable in certain countries;
- limited legal protection of intellectual property rights in certain countries;
- impact of the novel coronavirus and any other outbreak of infectious disease;
- 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.

(v) 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.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

(w) 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.

(x) 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.

(y) The Group is subject to risks related to the outbreak of the novel coronavirus disease of 2019

In late December 2019, an outbreak of a novel coronavirus disease of 2019 (later named as "COVID-19") was detected in Wuhan City in the Hubei Province, China. The coronavirus outbreak in China has led to governmental shutdowns of cities and various business operations all over the world. As disclosed, despite the best efforts of the Group and its commercial partners, it has negatively impacted the Group's efforts to achieve regulatory approval for Senstend™ in China and elsewhere. In late February 2020, the coronavirus spread rapidly outside of China. Since the Group's European marketing and distribution partner for its lead product Fortacin™ is based in Italy, there has been significant interruptions to its operations, including the manufacturing and distribution capacity of its manufacturing partner. Coronavirus outbreaks have proven to be highly likely to occur in most parts of the world. While vaccines are currently being rolled out, given the complex and constantly evolving situation around COVID-19, it is not possible to predict the possible future impacts that a further spread of the virus could have. A protracted uncertainty and a lack of containment of the virus could have several negative consequences for the Group, including negatively impacting the Group's efforts to achieve a timely and successful commercialisation of Fortacin™ in China and elsewhere, as well as subsequent impact on the Group's cash flow, net sales, profitability and prospects. Depending on the spread of the coronavirus, it is also reasonable to assume that stock exchanges over the world will be very volatile and shares may be subject to extraordinary swings. There is thus a risk that the price of the Company's shares might follow general market volatility, regardless of results and performance of the Group and decline significantly in value.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

(z) Brexit could harm the Group's business and financial results

Following Brexit, the UK and the EU are separate legal jurisdictions. For British manufacturers and distributors of medicinal products and medical devices, this means that the UK is a third country for the EU. This third-country status applies, because Britain passed a law that terminated the UK's membership in the European Economic Area (EEA) at the end of 2020. As a consequence, all batch release activities for release into the EU that are performed by PSNW have now been moved from the UK to the EU from 1 January 2021, so that products may still be released and marketed in the EU. There are inherent risks around the ability of PSNW to achieve this migration of batch release activities, both in terms of quality assurance and timing.

It is difficult to assess the extent to which the UK's pharmaceutical industry will continue to be regulated by EU laws. A large part of this depends on whether the UK will continue to be part of the European single market and support free movement of medicinal products, a decision for both the UK and remaining EU member states to reach. In this respect, the Group does not know at this stage what regulatory requirements will be imposed and what financial implications will be on the Company.

The consequence for the economies of the EU members and of the UK exiting the EU are unknown and unpredictable. The Group could well face new regulatory costs and challenges and greater volatility in the related currencies. Any adjustments the Group makes to its business and operations as of Brexit could result in significant time and expense to complete. Any of the foregoing factors could have a material adverse effect on the Group's business, results of operations or financial condition.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 38 to the Financial Statements.

GOODWILL

Goodwill of the Group was fully impaired in prior years as set out in note 12 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the Financial Statements.

SHARE CAPITAL, OPTIONS AND CONVERTIBLE NOTES

Details of the Company's share capital, outstanding share options under the Share Option Scheme (2016) and convertible notes are set out below and in notes 21 and 25 to the Financial Statements.

(1) Share capital

(a) During the year ended 31 December 2020 and prior to the date of this report, there were no changes in the authorised share capital of the Company.

(b) As at 1 January 2020, the total issued ordinary share capital of the Company consisted of 1,837,251,182 shares.

During the year ended 31 December 2020, the Company issued and allotted an aggregate of 562,170,033 new shares, being:

(i) an aggregate of 422,687,680 shares issued and allotted on 14 December 2020 as consideration upon completion of two conditional share purchase agreements in relation to the acquisition of DLI by the Company, which constituted a discloseable transaction of the Company under Chapter 14 of The Rules Governing the Listing of Securities on the HK Stock Exchange (the "**HK Listing Rules**"), the details of which were set out in the announcement and shareholders' circular issued by the Company on 2 September 2020 and 18 November 2020 respectively, the announcements issued on 9 and 14 December 2020 on the updates and in note 35 to the Financial Statements; and

(ii) an aggregate of 139,482,353 shares issued and allotted on 28 December 2020 upon conversion of 4% coupon unlisted convertible notes due 2022 (issued and allotted by the Company on 23 August 2019 in the principal amount, in aggregate, of US$6.45 million, being the "**Convertible Note(s)**" referred to in note 21(3) to the Financial Statements) in the principal amount, in aggregate, of US$3.80 million.

During the year, no shares were repurchased by the Company.

Accordingly, as at 31 December 2020, the total issued ordinary share capital of the Company consisted of 2,399,421,215 shares.

(c) Subsequent to the year end date and prior to the date of this report, no new shares were issued and allotted by the Company, and no shares were repurchased by the Company.

DIRECTORS' REPORT

SHARE CAPITAL, OPTIONS AND CONVERTIBLE NOTES (Continued)

(2) Share Option Scheme (2016)

A new share option scheme, named "Share Option Scheme (2016)" (the "**Share Option Scheme (2016)**"), was adopted on 10 June 2016, with shareholders' approval at the Company's extraordinary general meeting held on 8 June 2016, which was followed by the grant by the Listing Committee of the HK Stock Exchange on 10 June 2016 of the listing of, and permission to deal in, the shares to be issued pursuant to the exercise of the options to be granted under the scheme.

Details of the Share Option Scheme (2016) and particulars of the options held under the scheme by various eligible participants are set out in note 21(2) to the Financial Statements.

(a) Since the commencement of the Share Option Scheme (2016) (being 10 June 2016) and prior to 1 January 2020, no options were granted under the scheme.

(b) During the year ended 31 December 2020, the Company granted options in respect of an aggregate of 80,718,000 shares under the Share Option Scheme (2016), being:

(i) options, which were granted on 14 October 2020, entitling the holders (including the Company's Directors) to subscribe, in stages, for an aggregate of 62,718,000 ordinary shares at the exercise price of HK$0.149 per share (as detailed in the announcements issued by the Company on 15 and 20 October 2020); and

(ii) an option, which was granted on 17 December 2020, entitling the holder (being a director of certain subsidiaries of the Group) to subscribe, in stages but subject to fulfilment of the various targets, for 18,000,000 ordinary shares at the exercise price of HK$0.183 per share (as detailed in the announcements issued by the Company on 18 and 30 December 2020).

None of the outstanding options were vested; and no outstanding options lapsed or were cancelled.

Accordingly, as at 31 December 2020, under the Share Option Scheme (2016), there were outstanding options entitling the holders to subscribe for an aggregate of 80,718,000 ordinary shares at exercise prices ranging from HK$0.149 to HK$0.183 per share, representing approximately 3.36% of the then issued share capital of the Company and approximately 3.25% of the issued share capital of the Company as to be enlarged by the issue and allotment of the said number of new shares upon full exercise of the outstanding options. As noted above, none of these outstanding options were vested.

(c) Subsequent to the year end date and prior to the date of this report, an option in respect of 4,000,000 shares at the exercise price of HK$0.149 per share lapsed on 8 January 2021 upon resignation of a full-time employee. None of the outstanding options were vested; no new options were granted; and no outstanding options lapsed or were cancelled.

Accordingly, as at the date of this report, under the Share Option Scheme (2016), there are outstanding options entitling the holders to subscribe for an aggregate of 76,718,000 ordinary shares at exercise prices ranging from HK$0.149 to HK$0.183 per share, representing approximately 3.20% of the then issued share capital of the Company and approximately 3.10% of the issued share capital of the Company as to be enlarged by the issue and allotment of the said number of new shares upon full exercise of the outstanding options. None of these outstanding options were vested.

SHARE CAPITAL, OPTIONS AND CONVERTIBLE NOTES (Continued)

(3) Convertible Notes

(a) As detailed in the announcement and shareholders' circular issued by the Company on 29 May 2019 and 11 July 2019 respectively, the announcement issued on 23 August 2019 on the updates and note 21(3) to the Financial Statements, on 23 August 2019, the Company issued and allotted 4% coupon unlisted convertible notes due 2022 in the principal amount, in aggregate, of US$6.45 million, as reduced (being the "**Convertible Note(s)**" referred on in note 21(3) to the Financial Statements), pursuant to two conditional subscription agreements entered into by the Company on 29 May 2019 with various subscribers (including the Company's Directors) (being the "**Subscription Agreement(s)**" referred to in note 21(3) to the Financial Statements).

The Convertible Notes were convertible into a maximum of 265,163,294 new shares (assuming that all Convertible Notes were converted on the maturity date (being 23 August 2022) and that any and all interest that would accrue was capitalised) at the conversion price of HK$0.2125 per share, representing approximately 14.43% of the then issued share capital of the Company and approximately 12.61% of the issued share capital of the Company as to be enlarged by the issue and allotment of the said maximum number of new shares.

(b) Since 23 August 2019 and prior to 31 December 2019, none of the noteholders converted their Convertible Notes and subscribed for the shares in the Company. However, on 31 December 2019, all noteholders elected to receive cash in respect of the accrued interest on the Convertible Notes for the period from 23 August 2019 to 31 December 2019, and accordingly, as at 1 January 2020, the maximum number of new shares to be issued and allotted upon full conversion of the Convertible Notes (assuming that all Convertible Notes were converted on the maturity date and that any and all interest that would accrue was capitalised for the remaining period from 1 January 2020 to 23 August 2022) reduced to 261,816,342 shares, representing approximately 14.25% of the then issued share capital of the Company and approximately 12.47% of the issued share capital of the Company as to be enlarged by the issue and allotment of the said maximum number of new shares.

(c) During the year ended 31 December 2020, the maximum number of new shares to be issued and allotted upon full conversion of the Convertible Notes in the principal amount, in aggregate, of US$6.45 million (assuming that all Convertible Notes were converted on the maturity date and that any and all interest that would accrue was capitalised on the maturity date) reduced due to the following changes:

(i) Convertible Notes in the principal amount, in aggregate, of US$3.80 million were converted into an aggregate of 139,482,353 ordinary shares on 28 December 2020;

(ii) there was unearned interest in respect of Convertible Notes that were converted (as referred to in Item (i) above), which, if it was capitalised on the maturity date, would be convertible into an aggregate of 9,354,862 ordinary shares; and

(iii) all noteholders elected to receive cash in respect of the interest accrued on the Convertible Notes for the period from 1 January 2020 to 31 December 2020, which, if it was capitalised on the maturity date, would be convertible into an aggregate of 9,301,968 ordinary shares.

Accordingly, as at 31 December 2020, the maximum number of new shares to be issued and allotted upon full conversion of the Convertible Notes in the principal amount, in aggregate, of US$2.65 million (assuming that all Convertible Notes were converted on the maturity date and that any and all interest that would accrue was capitalised on the maturity date) reduced to 103,677,159 shares, representing approximately 4.32% of the then issued share capital of the Company and approximately 4.14% of the issued share capital of the Company as to be enlarged by the issue and allotment of the said maximum number of new shares.

DIRECTORS' REPORT

SHARE CAPITAL, OPTIONS AND CONVERTIBLE NOTES (Continued)

(3) Convertible Notes (Continued)

(d) Subsequent to the year end date and prior to the date of this report, none of the noteholders converted their Convertible Notes and subscribed for the shares in the Company.

Details of the Subscription Agreements and the principal terms of the Convertible Notes were set out in the shareholders' circular issued on 11 July 2019, a summary of which is set out in note 21(3) to the Financial Statements.

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

(1) A general mandate was granted to the Directors at the Company's annual general meeting held on 6 June 2019 to repurchase, on the HK Stock Exchange, shares up to a maximum of 183,725,118 shares (the "**2019 Repurchase Mandate**"). Since 6 June 2019, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2019 Repurchase Mandate.

(2) The 2019 Repurchase Mandate expired upon close of the Company's annual general meeting held on 17 June 2020, at which a new general mandate was granted to the Directors to repurchase, on the HK Stock Exchange, shares up to a maximum of 183,725,118 shares (the "**2020 Repurchase Mandate**"). Since 17 June 2020 and prior to the date of this report, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2020 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 2020 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 2020 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' REPORT

DIRECTORS

The Directors of the Company who held office during the year ended 31 December 2020 and up to the date of this report were:

James Mellon *(Chairman)* *
Jamie Alexander Gibson *(Chief Executive Officer)*
Charles David Andrew Comba#
Julie Oates#
Stawell Mark Searle#
Jayne Allison Sutcliffe*

* *Non-Executive Directors*
\# *Independent Non-Executive Directors*

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

1. ***James Mellon (alias: Jim Mellon)***, aged 64, 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 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 entire 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) the non-executive director of Agronomics Limited (having stepped down as the chairman of its board on 31 May 2019 and remaining as a non-executive director), a non-executive director of Condor Gold plc and the executive chairman of the board of Manx Financial Group plc, all of which are listed on the London Stock Exchange AIM ("**AIM**") ; (ii) a non-executive director of Bradda Head Holdings Limited (which was de-listed from AIM on 6 October 2017); (iii) 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 Securities Exchange); and (iv) the non-executive chairman of the board of Speymill Deutsche Immobilien Company plc (which was de-listed from AIM on 31 May 2011). He was formerly: (1) the non-executive chairman of the board of FastForward Innovations Limited (an AIM-listed company), having stepped down and ceased to be a director on 22 August 2019; (2) the non-executive chairman of the board of Rivington Street Holdings Limited (which was de-listed from ICAP Securities and Derivatives Exchange (ISDX) in the United Kingdom on 3 April 2014 and was dissolved on 20 October 2017); (3) the non-executive chairman of the board of SalvaRx Group Plc (which was de-listed from AIM on 9 January 2020), which, following a group re-structuring in March 2017, disposed of all its investments and business interests to its subsidiary, namely SalvaRx Limited; (4) the executive chairman of the board of Speymill plc (which was de-listed from AIM on 2 February 2015 and was dissolved on 20 October 2017); and (5) a non-executive director of West African Minerals Corporation (then an AIM-listed company, and now listed on the London Stock Exchange Standard as Okyo Pharma Limited), having resigned on 13 November 2017.

DIRECTORS' REPORT

DIRECTORS (Continued)

2. ***Jamie Alexander Gibson***, aged 55, 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: (i) Amerinvest Coal Industry Holding Company Limited, which in turn holds a 25% equity interest in West China Coking & Gas Company Limited; (ii) 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; and (iii) Deep Longevity, Inc, having been appointed on 14 December 2020 upon completion of the Company's acquisition of it.

3. ***Charles David Andrew Comba***, aged 77, Canadian, has been an Independent Non-Executive Director of the Company since October 2005. 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 obtained two geological degrees from Queen's University, Kingston, Ontario, Canada, an MSc (1975) and a Hon BSc (1972). 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. He resigned as a director of CR Capital Corp, a Canadian company listed on the NEX board of Toronto Venture Exchange, on 31 January 2018.

4. ***Julie Oates (former name: Julie Nixon; and maiden name: Julie Wild)***, aged 59, 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 regulated financial services companies.

5. ***Stawell Mark Searle (alias: Sam Searle)***, aged 77, 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.

6. ***Jayne Allison Sutcliffe (maiden name: Jayne Allison Wigley)***, aged 57, 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 was formerly the Group Chief Executive of Charlemagne Capital Limited ("**CCL**", which was de-listed from AIM on 15 December 2016 upon completion of the 100% acquisition of CCL by Fiera Capital Corporation (which is listed on the Toronto Stock Exchange) by a scheme of arrangement on 14 December 2016), having retired on 29 June 2018.

DIRECTORS' REPORT

DIRECTORS (Continued)

It is the opinion of the Directors that each of them has the character, skill, experience and integrity and is able to demonstrate a standard of competence commensurate with his/her position as a director of the Company for discharging his/her duties as a director 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 Rules 3.08, 3.09 and 3.09A of the HK Listing Rules, so that he/she must, in performance of his/her duties as a director:

(a) act honestly and in good faith in the interests of the Company as a whole;

(b) act for proper purpose;

(c) be answerable to the Company for the application or misapplication of its assets;

(d) avoid actual and potential conflicts of interest and duty;

(e) disclose fully and fairly his interests in contracts with the Company; and

(f) apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the Company.

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 any authorisation as may be required by the Members 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 Corporate Governance Code (the "**CG Code**")). A retiring Director shall be eligible for re-election.

No Directors will retire pursuant to Article 86(3) at the annual general meeting to be held by the Company for Year 2021 (the "**2021 Annual General Meeting**"), and Julie Oates and Mark Searle will retire by rotation pursuant to Article 87 at the 2021 Annual General Meeting. Both 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 2021 Annual General Meeting.

None of the Directors (including those proposed for re-election at the 2021 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: (i) the advisory agreement of James Mellon specifies that his appointment as an adviser of the Company may be terminated by either party giving one year's notice (as detailed in the paragraph headed "Non-Executive Directors" in the Corporate Governance Report); and (ii) the service agreement of Jamie Gibson may be terminated by either party giving one year's notice.

DIRECTORS' REPORT

DIRECTORS (Continued)

In compliance with Rules 3.10(1) and (2) 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.

Pursuant to Rule 3.13 and Paragraph 12B of Appendix 16 to the HK Listing Rules, each of the Independent Non-Executive Directors has confirmed by a semi-annual confirmation:

(i) that he/she (including his/her "immediate family members", as defined under Rule 14A.12(1)(a)) 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 was defined in the HK Listing Rules) of the Company;

(iii) that he/she does not hold any cross-directorships (which exist when two (or more) Directors sit on each other's boards) or have any significant links with other Directors through involvement in other companies or bodies;

(iv) that he/she does not hold more than six listed company directorships; and

(v) 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.

They have undertaken to inform the Company and the HK Stock Exchange as soon as practicable if there are any changes of circumstances which may affect his/her independence.

Each of the non-independent Directors has confirmed by a semi-annual confirmation that he/she considers that each of the Independent Non-Executive Directors continues to be independent under the independence criteria referred to in Rule 3.13(1) to (8) and has proved to be 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 Chapter 18 technical committee.

Code Provision A.4.3 of the CG Code provides that serving for more than nine years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves for more than nine years, his/her 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/she is still independent and should be elected.

Save for disclosed in this annual report, none of the Directors (including those proposed for re-election at the 2021 Annual General Meeting):

(1) holds any directorships in any listed company; or

(2) 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; or

(3) 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 (Chapter 571) of Hong Kong (the "**SFO**"); or

(4) has to disclose any issues under Rule 13.51(2)(h) to (2)(v) of the HK Listing Rules.

DIRECTORS' REPORT

DIRECTORS (Continued)

There are no other matters, to the best knowledge of the Directors, that need to be brought to the attention of the holders of securities of the Company.

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			
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							

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 SFO, 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.

DIRECTORS' REPORT

DIRECTORS (Continued)

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 46, Australian, joined Regent Pacific Group in 2008. He is also director of a number of subsidiaries of Regent Pacific Group. Mr Church has more than 20 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 15 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, 56, Canadian, has 30 years of experience in the energy industry and corporate finance. This has included various professional disciplines encompassing fund management, 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 debt financing and providing advisory services to oil and gas producers. Previous to his banking career, Mr Jones was a financial analyst with TC Energy Corp. (a Canadian power generation and energy transmission company), where he was responsible for initiatives related 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.

SENIOR MANAGEMENT (Continued)

3. ***Professor Michael Grant Wyllie (alias: Mike Wyllie)***, Chief Scientific Officer, aged 70, 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. 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.

DIRECTORS' INTERESTS IN SECURITIES, OPTIONS AND CONVERTIBLE NOTES

As at 31 December 2020, 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 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 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:

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES, OPTIONS AND CONVERTIBLE NOTES (Continued)

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	403,806,071	16.83%
	A	Interests held by controlled corporations	Long position	102,874,258	4.29%
Jamie Gibson		Beneficial owner	Long position	89,396,748	3.73%
David Comba		—	—	—	—
Julie Oates	B	Interests held jointly with another person	Long position	1,000,000	0.04%
Mark Searle		Beneficial owner	Long position	471,228	0.02%
	C	Family interest	Long position	628,304	0.03%
	C	Beneficiary of a trust	Long position	2,070,760	0.09%
Jayne Sutcliffe		Beneficial owner	Long position	1,716,046	0.07%

* These numbers do not include the numbers of shares to be issued upon: (i) exercise of the outstanding options (as referred to in sub-paragraph (b) below); and (ii) conversion of the Convertible Notes (as defined in sub-paragraph (c) below) held by the Directors.

** The total issued ordinary share capital of the Company as at 31 December 2020 consisted of 2,399,421,215 shares. There were no changes in the Company's issued share capital subsequent to the year end date and prior to the date of this report.

b. Options under Share Option Scheme (2016)

Please refer to note 21(2) to the Financial Statements as to the details of the Share Option Scheme (2016).

Since the commencement of the Share Option Scheme (2016) on 10 June 2016 and before 14 October 2020, no options were granted under the scheme.

DIRECTORS' INTERESTS IN SECURITIES, OPTIONS AND CONVERTIBLE NOTES (Continued)

b. Options under Share Option Scheme (2016) (Continued)

During the year ended 31 December 2020 and on 14 October 2020, options in respect of an aggregate of 62,718,000 shares were granted to various eligible participants under the Share Option Scheme (2016), of which options in respect of an aggregate of 25,718,000 shares were granted to the Directors of the Company. Accordingly, as at 31 December 2020, the following Directors of the Company had personal interests in options granted under the Share Option Scheme (2016), 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#	Subscription price per share (HK$)	Exercise period#	Number of shares subject to vested options#	Consideration for grant of option (HK$)
James Mellon	14 October 2020	1,837,000	0.149	14 October 2021 – 13 October 2030	—	10.00
Jamie Gibson	14 October 2020	18,370,000	0.149	14 October 2021 – 13 October 2030	—	10.00
Julie Oates	14 October 2020	1,837,000	0.149	14 October 2021 – 13 October 2030	—	10.00
Mark Searle	14 October 2020	1,837,000	0.149	14 October 2021 – 13 October 2030	—	10.00
Jayne Sutcliffe	14 October 2020	1,837,000	0.149	14 October 2021 – 13 October 2030	—	10.00

\# 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.

Subsequent to the year end date and prior to the date of this report, no new options were granted to the Directors of the Company under the Share Option Scheme (2016), and none of the outstanding options lapsed or were cancelled.

Save for the above, during the year ended 31 December 2020 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 (2016) and subscribed for shares in the Company; and no options were granted or lapsed or were cancelled.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES, OPTIONS AND CONVERTIBLE NOTES (Continued)

c. Convertible Notes

On 23 August 2019, the Company issued and allotted 4% coupon unlisted convertible notes due 2022 in the principal amount, in aggregate, of US$6.45 million, as reduced (being the "**Convertible Note(s)**" referred to in note 21(3) to the Financial Statements), which were convertible into new shares in the capital of the Company at the conversion price of HK$0.2125 per share, pursuant to two subscription agreements dated 29 May 2019 (being the "**Subscription Agreement(s)**" referred to in note 21(3) to the Financial Statements), which were duly approved by the independent shareholders by ordinary resolutions at the Company's extraordinary general meeting held on 30 July 2019.

Please refer to note 21(3) to the Financial Statements as to the details of the Convertible Notes.

During the year ended 31 December 2020:

(1) on 18 December 2020, certain noteholders (all being the Directors of the Company) served notices of conversion to the Company to convert their Convertible Notes of the principal amount, in aggregate, of US$3.80 million and subscribed for, in aggregate, 139,482,353 shares in the Company, being:

(i) James Mellon and his associate converted their Convertible Notes of the principal amount, in aggregate, of US$1.15 million and US$2.10 million and subscribed for 42,211,765 shares and 77,082,353 shares in the Company respectively; and

(ii) Jamie Gibson converted his Convertible Note of the principal amount of US$550,000 and subscribed for 20,188,235 shares in the Company,

with the relevant shares issued and allotted on 28 December 2020;

(2) there was unearned interest in respect of the Convertible Notes that were converted (as referred to in sub-paragraph (1) above), which, if it was capitalised on the maturity date, would be convertible into an aggregate of 9,354,862 shares, being:

(i) 2,831,052 shares for James Mellon and 5,169,803 shares for his associate; and

(ii) 1,354,007 shares for Jamie Gibson; and

(3) James Mellon (and his associate) and Jamie Gibson, among all the other noteholders, elected to receive cash in respect of the accrued interest on the Convertible Notes for the period from 1 January 2020 to 31 December 2020, which, if it was capitalised on the maturity date, would be convertible into an aggregate of 7,907,145 shares, being:

(i) 2,371,714 shares for James Mellon and 4,311,767 shares for his associate; and

(ii) 1,223,664 shares (for Jamie Gibson).

DIRECTORS' INTERESTS IN SECURITIES, OPTIONS AND CONVERTIBLE NOTES (Continued)

c. Convertible Notes (Continued)

Accordingly, the total numbers of shares to subscribe for upon full conversion of the Convertible Notes held by James Mellon (and his associate) and Jamie Gibson have reduced by an aggregate of 156,744,360 shares, being:

(i) 47,414,531 shares for James Mellon and 86,563,923 shares for his associate; and

(ii) 22,765,906 shares for Jamie Gibson.

As at 31 December 2020, pursuant to the relevant subscription agreement, the following Directors of the Company had the following beneficial interests in the shares to be issued and allotted upon full conversion of the Convertible Notes in the principal amount, in aggregate, of US$1.70 million:

Name of Director	Note	Capacity in which the Convertible Notes are held	Principal amount of Convertible Notes held (US$)	Number of shares to subscribe for upon full conversion of the Convertible Notes held#	Subscription price per share (HK$)	Conversion period
James Mellon		Beneficial owner	500,000	19,561,739	0.2125	23 August 2019 – 23 August 2022
	D	Interests held by controlled corporation	900,000	35,211,109	0.2125	23 August 2019 – 23 August 2022
Jamie Gibson		Beneficial owner	300,000	11,737,036	0.2125	23 August 2019 – 23 August 2022

\# These numbers assumed that all Convertible Notes were converted on the maturity date (being 23 August 2022) and that any and all interest that would accrue was capitalised for the remaining period from 1 January 2021 to 23 August 2022.

Subsequent to the year end date and prior to the date of this report, none of the above Directors converted their Convertible Notes and subscribed for the shares in the Company.

Notes:

A. An aggregate of 102,874,258 ordinary shares in the Company are held by two private limited liability companies indirectly wholly-owned by James Mellon, being: (i) 25,791,905 shares by one of the companies; and (ii) 77,082,353 shares by another company.

B. The 1,000,000 ordinary shares in the Company are held by Julie Oates for the beneficial interests jointly with Alan Clucas Oates (her spouse).

C. The 628,304 ordinary shares in the Company are held by Juliet Mary Druce Searle (the spouse of Mark Searle).

The 2,070,760 ordinary shares in the Company are held to the order of a pension fund, of which Mark Searle is the sole beneficiary.

D. The Convertible Notes in the principal amount of US$900,000, which entitles the holder to subscribe for an aggregate of 35,211,109 new shares upon full conversion, are held by one of the private limited liability companies indirectly wholly-owned by James Mellon referred to in Note A above.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES, OPTIONS AND CONVERTIBLE NOTES (Continued)

Save as disclosed herein, as at 31 December 2020 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 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 year and 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 DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

During the year ended 31 December 2020 and prior to the date of this report, 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 2020 or as at the date of this report or at any time during the year and 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 two Independent Non-Executive Directors, namely Julie Oates (the Chairlady) and Mark Searle and the Executive Director and Chief Executive Officer (Jamie Gibson).

However, wherever applicable, an independent board committee, comprising the Independent Non-Executive Directors who do not have interests in a contemplated connected transaction which is subject to independent shareholders' approval at a general meeting, will be established in compliance with Chapter 14A of the HK Listing Rules.

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 2020 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.

DIRECTORS' REPORT

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 2020 or as at the date of this report or at any time during the year and 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 (and their respective close associates) are not interested in any business (either being its director or its substantial shareholder) apart from the Company's business, which competes or is likely to complete, 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) Agronomics Limited

Agronomics Limited ("**Agronomics**", AIM: ANIC) is an AIM-listed company, which has just changed its investing policy, so that the company will invest in opportunities within the life science section, concentrating on, but not limited to, environmentally friendly alternatives to the traditional production of meat and plant-based nutrition sources (clean food).

James Mellon is a non-executive director of Agronomics, 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 22.60 per cent of its total issued share capital.

As at the date of this report, Agronomics holds:

- approximately 1.17 per cent of the total issued share capital of The Diabetic Boot Company Limited (as referred to below); and
- approximately 0.28 per cent of the total issued share capital of Portage Biotech Inc (as referred to below).

(2) Bradda Head Holdings Limited

Bradda Head Holdings Limited ("**Bradda Head Holdings**") is a private company making investments and/or acquisitions in the natural resources sector.

James Mellon is a non-executive director of Bradda Head Holdings, 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 18.70 per cent of its total issued share capital.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(3) Condor Gold plc

Condor Gold plc ("**Condor Gold**", AIM: CNR; TSX: COG; and FSX: W5XA) is a UK-based exploration company listed on the AIM, the Toronto Stock Exchange and the Frankfurt Stock Exchange, focused on developing and further 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 Gold, 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 19.19 per cent of its total issued share capital.

(4) The Diabetic Boot Company Limited ("Diabetic Boot")

Diabetic Boot is a private single product medical device company based near Oxford, in the UK, focusing on the treatment of diabetic foot ulcers, which are a comorbidity of diabetic mellitus.

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 37.71 per cent of its total issued share capital and loan notes in an aggregate amount of £7,760,851 which are being converted into the shares of Diabetic Boot.

And, as at the date of this report, Agronomics (as referred to above) holds approximately 1.17 per cent of the total issued share capital of Diabetic Boot.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(5) Juvenescence Limited

Juvenescence Limited ("**Juvenescence**") is a private and multinational healthcare science company based in Hong Kong that focuses in human ageing and longevity, aiming to build a platform and pipeline of affordable quality products targeting ageing, age-related issues and cell regeneration.

James Mellon is a director and chairman of the board of Juvenescence, 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 18.49 per cent of its total issued share capital.

As at the date of this report:

(i) James Mellon is a non-executive director (one of four directors sitting on the board) of InSilico Medicine Cayman TopCo, holding (himself and through his associates) approximately 1.50 per cent of its total issued share capital, while Juvenescence holds approximately 11.63 per cent in its total issued share capital.

(ii) InSilico Medicine Cayman TopCo is the parent company of InSilico Medicine Cayman SubCo and Insilico Medicine IP Limited, both of which are shareholders of the Company, holding approximately 2.32 per cent and 2.03 per cent of the Company's total issued share capital respectively.

(6) 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 US 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; and
- James Mellon (himself and through his associates) holds approximately 26.46 per cent of its total issued share capital.

As at the date of this report, Agronomics (as referred to above) holds approximately 0.28 per cent of the total issued share capital of Portage Biotech.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(7) Venturex Resources Limited

Venturex Resources Limited (ASX: VXR) is a base metals exploration and development company listed on the Australian Securities Exchange, focused on progressing its two promising zinc/copper projects in the Pilbara region of Western Australia.

As at the date of this report:

- The Company holds approximately 5.73 per cent of its total issued share capital; and
- James Mellon (himself and through his associate) holds less than 5 per cent of its total issued share capital, which is not disclosable under the rules of the relevant regulator(s).

Currently, the existing businesses of the 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.

Note:

FastForward Innovations Limited ("**FastForward Innovations**", AIM: FFWD), which was disclosed under the "Directors' Interests in Competing Businesses" in the Company's annual report for the year ended 31 December 2019, is an AIM-listed company, aiming to bring investment opportunities often reserved for the private market of venture capital firms to the public market. FastForward Innovations invests in visionary entrepreneurs developing innovative technologies that solve problems in their industries.

James Mellon stepped down as the non-executive chairman of the board and ceased to be a director of FastForward Innovations on 22 August 2019, and he is not a substantial shareholder of that company.

SUBSTANTIAL SHAREHOLDERS

The Directors are not aware of any persons (other than James Mellon, whose interests are set out in details under the paragraph headed "Directors' Interests in Securities, Options and Convertible Notes"), who, as at 31 December 2020 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 he was/is deemed or taken to have under such provisions of the SFO).

MAJOR CUSTOMERS AND SUPPLIERS

The major customers and suppliers of the Group contributed more than 70% of the total revenue (note 5 to the Financial Statements) and provided less than 30% of the purchase expenditure of the Group respectively.

AUDITOR

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 2021 Annual General Meeting and, being eligible, offers itself for re-appointment. An ordinary resolution has been proposed for the 2021 Annual General Meeting for the re-appointment of BDO Limited as the Auditor of the Company.

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.

PROPOSED CHANGE OF COMPANY NAME

Subject to certain conditions as set out in sub-paragraph (a) below, the Directors proposed:

(1) to change the name of the Company from "Regent Pacific Group Limited" to "Endurance RP Limited"; and

(2) to adopt the Chinese name of "壽康集團有限公司", for identification purposes only, to replace the existing Chinese name of the Company, which was currently used for identification purposes only, of "勵晶太平洋集團有限公司"

(collectively, the "**Change of Company Name**").

(a) Conditions of the Change of Company Name

The Change of Company Name is subject to the fulfilment of the following conditions:

(i) the passing of a special resolution by the shareholders approving the Change of Company Name at the 2021 Annual General Meeting; and

(ii) the approval of the Registrar of Companies in the Cayman Islands having been obtained for the Change of Company Name.

Subject to the satisfaction of the conditions set out above, the Change of Company Name will take effect upon the date of the issue of a certificate of incorporation on change of name by the Registrar of Companies in the Cayman Islands confirming that the new name has been registered. The Company will then carry out the necessary filing and registration procedures with the Companies Registry in Hong Kong pursuant to Part 16 of the Companies Ordinance.

DIRECTORS' REPORT

PROPOSED CHANGE OF COMPANY NAME (Continued)

(b) Reasons for the Change of Company Name

The Board considers that the change of name from Regent Pacific Group Limited to Endurance RP Limited reflects the evolution of the Group's business from the Company's initial public offering in 1997 through to the present day. Since 2015, the Group has become increasingly focused on healthcare, life sciences and wellness, punctuated by the acquisitions of Plethora on 9 March 2016 and, more recently, DLI on 14 December 2020. Endurance RP Limited is, in the Board's opinion, reflective of the Group's current and anticipated investment focus and business, and the Board considers that it more accurately conveys the current and future direction of the Group's business, being in the healthcare, life sciences and wellness sectors. The new name will provide the Company with a more appropriate corporate image and identity which, the Board believes, will benefit the Company's business development and it is envisaged, subject to shareholders' approval, that the Group's brand name will be Endurance Longevity.

(c) Effects of the Change of Company Name

The Change of Company Name will not affect the rights of any shareholder or the Company's daily business operation and its financial position. Once the Change of Company Name becomes effective, all new certificates to be issued for the Company's shares will bear the new name of the Company and the Company's shares will be traded on the HK Stock Exchange under the new name. However, all existing certificates for the Company's shares in issue bearing the existing name of the Company will, upon the Change of Company Name becoming effective, continue to be valid evidence of legal title to the Company's shares and will continue to be valid for trading, settlement, registration and delivery purposes.

Accordingly, there will not be any arrangement for the free exchange of the existing certificates for the Company's shares for new certificates bearing the new name of the Company.

In addition, subject to the confirmation of the HK Stock Exchange, the English and Chinese stock short names of the Company for trading in the Company's shares will also be changed after the Change of Company Name becomes effective.

Details of the Change of Company Name, together with the notice of the 2021 Annual General Meeting, are set out in the accompanying circular to the shareholders.

On Behalf of the Board

James Mellon
Chairman

30 March 2021

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 approximately US$24.40 million in 2020 (2019: approximately US$66.05 million).

The main elements of the loss are analysed as follows:

	Notes	For the year ended 31 December 2020 US$ million	For the year ended 31 December 2019 US$ million	Increase/ (decrease) in absolute value %
Milestone and royalty income	i	**1.21**	0.16	656.25
Corporate and other income		**0.48**	0.56	(14.29)
Fair value gain/(loss) on financial assets at fair value through profit or loss		**0.46**	(1.04)	NA
Amortisation of an intangible assets	ii	**(19.41)**	(28.05)	(30.80)
Research and Development ("**R&D**") expenditure	iii	**(2.46)**	(3.31)	(25.68)
General and Administrative ("**G&A**") expenditure	iv	**(5.16)**	(6.48)	(20.37)
Reversal of impairment loss/(Impairment loss) on an intangible asset	v	**6.13**	(26.00)	NA
Impairment loss on goodwill	vi	**(5.70)**	—	NA
Finance costs	vii	**(1.71)**	(0.62)	175.81
Income tax credit/(Taxation)	viii	**1.76**	(1.27)	NA
Total loss attributable to shareholders of the Company		**(24.40)**	(66.05)	(63.06)

(i) The milestone and royalty income increased by 656.25% to approximately US$1.21 million for the year ended 31 December 2020 from approximately US$0.16 million for the year ended 31 December 2019. The main reason is that, other than the royalty income, the Company recorded milestone income of US$0.80 million from Wanbang Biopharmaceutical Group Co., Ltd. and US$0.30 million from Orient EuroPharma Co., Ltd. for the year ended 31 December 2020 (2019: nil).

(ii) The amortisation of intangible assets decreased by 30.80% to approximately US$19.41 million for the year ended 31 December 2020 from approximately US$28.05 million for the year ended 31 December 2019. This is because the Company recorded an impairment loss of US$26 million on the intangible asset, Fortacin™ in 2019, thereby reducing the net carrying amount to be amortised over its remaining useful life. For details of the impairment loss, please refer to note 14 of the Financial Statements.

(iii) The R&D expenditure decreased by 25.68% to approximately US$2.46 million for the year ended 31 December 2020 from approximately US$3.31 million for the year ended 31 December 2019. This is mainly because the Phase II study of Fortacin™ in respect of the FDA approval was delayed by a slower take up in patient recruitment during COVID-19. The remaining R&D expenditure for the study will be incurred in 2021.

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

REVENUE AND PROFIT (Continued)

(iv) The G&A expenditure decreased by 20.37% to approximately US$5.16 million for the year ended 31 December 2020 from approximately US$6.48 million for the year ended 31 December 2019. The reduction is due in part to an across-the-board reduction in fees and salaries of Directors, employees and consultants, furloughing staff where appropriate and implementing certain G&A cost cuts from April 2020.

(v) During the year ended 31 December 2020, the Group determined that there was a reversal of impairment loss of approximately US$6.13 million on the intangible asset, Fortacin™, in respect of the cash generating unit ("**CGU**"), Plethora. The recoverable amount of this CGU has been determined based on a value in use calculation with reference to a professional valuation performed by Grant Sherman Appraisal Limited, an independent expert valuation firm (2019: impairment loss of US$26 million). The increase in fair value is mainly due to: (i) the launch date of Fortacin™ in the PRC market changed from June 2025 to January 2024, which results in the increase in the fair value of patent as a result of milestone income and royalty income received in advance, shortened discount period and thus, lower present value discounts applied to the cash flow; and (ii) the unit price changed from RMB 600 to RMB 700, which increases profit per unit.

(vi) During the year ended 31 December 2020, the Group determined that there was an impairment loss of approximately US$5.70 million on the goodwill arising from the acquisition in respect of the CGU, DLI. The impairment amount of this CGU has been determined based on a value in use calculation with reference to a professional valuation performed by Armanino LLP, an independent expert valuation firm.

(vii) The finance costs increased by 175.81% to approximately US$1.71 million for the year ended 31 December 2020 from approximately US$0.62 million for the year ended 31 December 2019. This is mainly because (i) the principal amount of shareholder's loan increased to approximately US$10.88 million as at 31 December 2020 from approximately US$3.63 million as at 31 December 2019; and (ii) the Company has incurred loan interest for 365 days from 1 January 2020 to 31 December 2020 (2019: 113 days from 10 September 2019 to 31 December 2019).

(viii) The Group recorded a tax credit of approximately US$1.76 million for the year ended 31 December 2020 (2019: taxation charge of approximately US$1.27 million). This is mainly arose from the amortisation of deferred tax liabilities of approximately US$1.94 million, which was net off against the deferred tax charge of approximately US$0.61 million from the reversal of impairment loss for the year ended 31 December 2020. In 2019, the Group booked a tax charge of approximately US$6.67 million for the year ended 31 December 2019, which represented the capital gains tax due to the settlement with the Australian Taxation Office in respect of the dispute arising from the disposal in 2013 of an investment in BC Iron Limited by the Group, which was net off against the deferred tax credit of approximately US$5.40 million.

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

FINANCIAL POSITION

Shareholders' equity decreased by approximately 19.52% to approximately US$50.31 million as at 31 December 2020 from approximately US$62.50 million as at 31 December 2019. The decrease was mainly due to the loss attributable to shareholders of the Company of approximately US$24.40 million for the year ended 31 December 2020, while being somewhat offset against the benefit of the issuance of 422,687,680 shares on the closing of the acquisition of DLI and the issuance of 139,482,353 shares pursuant to the conversion of certain convertible notes.

The Group's assets also comprised: (i) intangible assets of approximately US$72.42 million, being Fortacin™ and the Intellectual Properties (Longevity); (ii) listed and unlisted investments of approximately US$2.51 million; (iii) cash and bank balances of approximately US$2.70 million; (iv) trade receivables of approximately US$0.43 million; and (v) property, plant and equipment and other receivables of approximately US$2.25 million.

The Group's liabilities comprised: (i) deferred tax liabilities of approximately US$7.35 million; (ii) payables and accruals of approximately US$4.85 million; (iii) convertible notes (liability portion) of approximately US$1.95 million; (iv) tax payable of approximately US$3.80 million; (v) shareholder's loans of approximately US$10.81 million; (vi) long-term and short-term lease liabilities of approximately US$1.21 million; and (vii) long-term and short-term bank borrowings of approximately US$44,000.

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 an agreed approach for the Company to generate and preserve its long-term value was determined, 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:

- the divestment of non-core assets and investments to enable the Company to pursue growth and opportunistic investments in the life sciences sector;
- utilising international and local expertise to tackle difficult markets, deliver results and achieve global recognition; and
- employing 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 HK Stock Exchange 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.

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

FUNDING

As at 31 December 2020, the Group had approximately US$2.70 million in cash that represented 5.37% of its total shareholders' equity, which does not take into account the Group's holding of securities of financial assets at fair value through profit or loss that amounted to approximately US$2.51 million.

GEARING RATIO

As at 31 December 2020, the gearing ratio (being long-term debts over total equity and long-term debts) was approximately 21.23% (31 December 2019: 10.72%).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2020.

CHARGE ON ASSETS

Save as those disclosed in note 34 to the Financial Statements, the Group had no other material contingent liabilities as at 31 December 2020.

None of the Group's assets was pledged as at 31 December 2020 (2019: nil).

MANAGEMENT OF RISK

In 2020, the most significant risk affecting the profitability and viability in respect of the Group is in respect of the Group's interest in Plethora and the continued success and revenue derived from its listed equity portfolio. Risks relating to the Group's interests include:

Equity Markets

Global financial markets are continuing to experience significant levels of volatility, driven largely by the COVID-19 pandemic, the collapse of the oil price and other macro-economic imbalances stemming from the sovereign debt problems in 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 associate. 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 associate 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.

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

MANAGEMENT OF RISK (Continued)

Interest Rate Risk

Other than the bank borrowings, shareholder's loans and convertible notes with fixed interest rates, the Group does not have any other 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 the commercial launch of Fortacin™;

2. The management of Plethora's cost base and maintaining adequate working capital and ensuring sufficient funds are made available to complete the ongoing clinical work and regulatory approval processes in the US and bringing Fortacin™ 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 Fortacin™ 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 term 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

Same as those disclosed in note 35 to the Financial Statements, there were no material acquisitions or disposals for the year ended 31 December 2020.

SEGMENTAL INFORMATION

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

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

EMPLOYEES

The Group, including subsidiaries but excluding associate, employed 34 employees at 31 December 2020 (2019: 19 employees), with the increase coming from the acquisition of DLI. The remuneration policy is to reward key employees by a combination of salaries, profit related discretionary bonuses and share options, 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 (the "**Remuneration Committee**"). In all cases, profit related discretionary bonuses and grants of share options will be agreed by the Remuneration Committee of the Board.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

IMPACT ON COVID-19

Please refer to paragraph (1)(a) "COVID-19 impact" under the section of "Business Review" in the Directors' Report and note 40 to the Financial Statements.

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 "**Director(s)**" or 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 2020 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, on 31 March 2004, 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**").

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 (Chapter 571) of Hong Kong (the "**SFO**").

Having made specific enquiries, all Directors of the Company confirmed that they have complied with the Group's Code and its code of conduct regarding directors' securities transactions during the year ended 31 December 2020 and prior to the date of this report.

Directors' interests in securities, options and convertible notes of the Company are set out in details under the paragraph headed "Directors' Interests in Securities, Options and Convertible Notes" in the Directors' Report.

The Group's Code is available on the Company's website: www.regentpac.com.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

(1) Composition

During the year ended 31 December 2020 and prior to the date of this report, there were no changes in the directorate.

The Board currently consists of six Directors, namely:

- James Mellon *(Non-Executive 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 2020 and up to the date of this report, accompanied by their respective biographical details, are listed under the paragraph headed "Directors" in the Directors' Report.

It is the opinion of the Directors that each of them has the character, skill, experience and integrity and is able to demonstrate a standard of competence commensurate with his/her position as a director of the Company for discharging his/her duties as a director 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 Rules 3.08, 3.09 and 3.09A of the HK Listing Rules, so that he/she must, in performance of his/her duties as a director:

(a) act honestly and in good faith in the interests of the Company as a whole;

(b) act for proper purpose;

(c) be answerable to the Company for the application or misapplication of its assets;

(d) avoid actual and potential conflicts of interest and duty;

(e) disclose fully and fairly his/her interests in contracts with the Company; and

(f) apply such degree of skill, care and diligence as may reasonably be expected of a person of his/her knowledge and experience and holding his/her office within the Company.

In compliance with Code Provision A.3.2 of the CG Code, an updated list of the Company's Directors identifying their roles and functions is available from the "List of Directors" on the websites of the Company (www.regentpac.com) and the HK Stock Exchange (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 any authorisation as may be required by the members 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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

(1) Composition (Continued)

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 annual general meeting to be held by the Company for Year 2021 (the "**2021 Annual General Meeting**"), and Julie Oates and Mark Searle will retire by rotation pursuant to Article 87 at the 2021 Annual General Meeting. Both 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. In accordance with Code Provision E.1.1 of the CG Code, 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 2021 Annual General Meeting.

None of the Directors (including those proposed for re-election at the 2021 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: (i) the advisory agreement of James Mellon specifies that his appointment as an adviser of the Company may be terminated by either party giving one year's notice (as detailed in the paragraph headed "Non-Executive Directors" below); and (ii) the service agreement of Jamie Gibson may be terminated by either party giving one year's notice.

Save for disclosed in this annual report, none of the Directors (including those proposed for re-election at the 2021 Annual General Meeting):

(i) holds any directorships in any listed company; or

(ii) 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; or

(iii) 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; or

(iv) has to disclose any issues under Rule 13.51(2)(h) to 2(v) of the HK Listing Rules.

There are no other matters, to the best knowledge of the Directors, that need to be brought to the attention of the holders of securities of the Company.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

(2) Board meetings and attendance and written resolutions

During the year ended 31 December 2020, the Directors held meetings at least at a quarterly interval, and in total five 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	5	3	2	60%
Jamie Gibson	5	5	0	100%
David Comba	5	5	0	100%
Julie Oates	5	5	0	100%
Mark Searle	5	5	0	100%
Jayne Sutcliffe	5	5	0	100%

Subsequent to the year end date and prior to the date of this report, the Directors held one Board meeting, which was attended by all 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 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 and express their views. 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 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 in the paragraph headed "Connected Transactions Committee" below).

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

(3) General meetings and attendance

(a) The Company held its annual general meeting for Year 2020 (the "**2020 Annual General Meeting**") on 17 June 2020. Due to the travelling restrictions and isolation policies then implemented by the various jurisdictions, including the United Kingdom and Hong Kong, to prevent the spread of the novel coronavirus disease which was first found in 2019 (the "**COVID-19**") pandemic, the Directors of the Company (including the Chairman of the Board and the Chairman/Chairlady of the various committees) were unable to come to Hong Kong to attend and chair the 2020 Annual General Meeting, with apologies duly noted.

In the absence of the Directors, pursuant to Article 63 of the Company's Articles of Association, the members present in person or by proxy and entitled to vote should elect one of their number to be the chairman of the meeting. Stella Fung, being the Secretary of the Company and a duly appointed proxy of a registered shareholder, was elected as the chairlady of the 2020 Annual General Meeting.

In accordance with Code Provision E.1.2 of the CG Code, the Company invited representatives of its external Auditor, BDO Limited, to attend the 2020 Annual General Meeting.

(b) In addition, during the year ended 31 December 2020, the Company held on 9 December 2020 an extraordinary general meeting to approve the grant of a specific mandate for the issue and allotment of consideration shares in respect of the acquisition of Deep Longevity, Inc. As the COVID-19 pandemic persisted and due to the travelling restrictions and isolation policies then implemented by the various jurisdictions, including the United Kingdom and Hong Kong, to prevent the spread of the COVID-19 pandemic, again, the Directors of the Company were unable to come to Hong Kong to attend and chair such extraordinary general meeting, with apologies duly noted.

In the absence of the Directors, pursuant to Article 63 of the Company's Articles of Association, the members present in person or by proxy and entitled to vote should elect one of their number to be the chairman of the meeting. Stella Fung, being the Secretary of the Company and a duly appointed proxy of a registered shareholder, was elected as the chairlady of such extraordinary general meeting.

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%
Jamie Gibson	2	0	2	0%
David Comba	2	0	2	0%
Julie Oates	2	0	2	0%
Mark Searle	2	0	2	0%
Jayne Sutcliffe	2	0	2	0%

Subsequent to the year end date and prior to the date of this report, the Company did not hold any extraordinary general meeting.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

(4) Time commitment

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

(a) Executive Directors are full-time employees of the Company and thus must contribute all their working time to managing the Company's affairs; and

(b) 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 2020, 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.

In addition, the Directors noted The Consultation Conclusions on "Review of The Corporate Governance Code and Related Listing Rules" issued by the HK Stock Exchange on 27 July 2018 and the newly-introduced sub-paragraph 2 of Code Provision A.5.5 of the CG Code, which took effect on 1 January 2019 and provides that where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting if the proposed independent non-executive director will be holding his/her seventh (or more) listed company directorship, the reason(s) as to why the board believes the individual would still be able to devote sufficient time to the board. In this regard, pursuant to Rule 3.13 and Paragraph 12B of Appendix 16 to the HK Listing Rules, each of the Independent Non-Executive Directors has confirmed by a semi-annual confirmation, among other things, that he/she does not hold more than six listed company directorships (as referred to in the paragraph headed "Independent Non-Executive Directors" below).

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

Subsequent to the year end date, the Board conducted a review of the Directors' contribution to the Company in March 2021, again 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 identities of the public companies or organisations and an indication of the time involved.

BOARD OF DIRECTORS (Continued)

(5) 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:

(a) the daily operations of the Company, including the management of all aspects of the Company's principal activities;

(b) 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;

(c) the company secretarial activities, including the preparation and timely despatch of minutes of Board meetings; and

(d) 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:

  (i) material capital commitment (material being defined as representing more than five per cent of the Company's net assets based on the most recent financial information on hand);

  (ii) issuance, purchase or redemption of securities (including options);

  (iii) significant contracts with any Director (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules) and connected transactions;

  (iv) 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

  (v) management contracts of service with any Director (as referred to in The Companies Ordinance (Chapter 622) of Hong Kong) and bank borrowings.

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

(6) 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 2020 included:

- The letter (31 January 2020) issued by the HK Stock Exchange in relation to the "Exchange Publishes Results of Latest Review of Issuers' Annual Report Disclosure";
- The letter (6 March 2020) issued by the HK Stock Exchange in relation to the "Launch of E-Training and Publication of Guidance Materials of ESG Reporting";
- The "Joint Consultation Conclusion on the Model for an Uncertificated Securities Market" (8 April 2020) issued by the HK Stock Exchange and the Securities and Futures Commission;
- The press release (29 April 2020) issued by the HK Stock Exchange in relation to the "Exchange Updates Guidance Materials for Biotech Companies";
- The press release (18 May 2020) issued by the HK Stock Exchange in relation to the "HKEX to Introduce New Initiatives to Enhance Liquidity of ETPs";
- The "Updates to Rules and Guidance on Listing Matters" (26 June 2020) issued by the HK Stock Exchange;
- The press release (2 July 2020) issued by the Securities and Futures Commission in relation to the "Report on the Securities and Futures Commission's Review of the Exchange's Performance in its Regulation of Listing Matters";
- The "Stock Exchange Publishes an E-Learning on Connected Transaction Rules" (17 July 2020) issued by the HK Stock Exchange;
- The letter (21 August 2020) issued by the HK Stock Exchange in relation to the "Publication of Consultation Conclusions on Review of Chapter 37 – Debt Issues to Professional Investors Only and Guidance on Disclosures in Listing Documents and Continuing Obligations – Debt Issues to Professional Investors Only";
- The letter (28 August 2020) issued by the HK Stock Exchange in relation to the Consultation Conclusions on "Codification of General Waivers and Principles Relating to IPOs and Listed Issuers and Minor Rule Amendments";
- The press release (5 October 2020) issued by the HK Stock Exchange in relation to the "HKEX to Launch Enhanced Pre-Opening Session for its Securities Market, and New ETP Listing-day POS Price Limit";
- The "Stock Exchange Publishes an E-Learning on Notifiable Transaction Rules" (11 October 2020) issued by the HK Stock Exchange;

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

(6) Directors' training (Continued)

- The letter (30 October 2020) issued by the HK Stock Exchange in relation to the "Exchange Publishes Consultation Conclusions on Corporate WVR Beneficiaries";
- The Frequently Asked Questions (6 November 2020) issued by the HK Stock Exchange in relation to the "Adjustments of the Exercise Price of Share Options under Rule 17.03(13)";
- The letter (11 December 2020) issued by the HK Stock Exchange in relation to the "Publication of Latest Review of Listed Issuers' Corporate Governance Practices and Practitioners' Insights on Corporate Governance and ESG";
- The press release (17 December 2020) issued by the HK Stock Exchange in relation to the "HKSCC Launches New Service to Facilitate Lodging of Shareholders' Written Requisitions"; and
- The letter (18 December 2020) issued by the HK Stock Exchange in relation to the "Consultation Conclusions on Paperless Listing and Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display".

Directors have reported to the Company in an annual training review that they have attended various training programmes and seminars (including the series of directors' e-training programmes provided on the website of the HK Stock Exchange) during the year ended 31 December 2020 (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 "Stock Exchange Publishes an E-Learning on Equity Fundraising Rules" (13 January 2021) issued by the HK Stock Exchange;
- The letter (29 January 2021) issued by the HK Stock Exchange in relation to the "Publication of Review of Issuers' Annual Report Disclosure Report 2020"; and
- The "Guide on Practices and Procedures for Post-vetting Announcements of Listed Issuers and Handling Matters Involving Trading Arrangements Prior to Publication of Announcements" (9 February 2021) issued by the HK Stock Exchange.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

(7) Board evaluation

In compliance with Recommended Best Practice 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 2020, with no exceptions being reported.

Subsequent to the year end date, the Board conducted an evaluation of the Board's performance in March 2021, again with no exceptions being reported.

In addition, the Directors noted The Consultation Conclusions on "Backdoor Listing, Continuing Listing Criteria and Other Rule Amendments" issued by the HK Stock Exchange on 26 July 2019 and the amendments referred to therein regarding the continuing listing criteria, which took effect on 1 October 2019.

(8) 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 Rules 3.10(1) and (2) 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.

(1) Confirmation of independence

Pursuant to Rule 3.13 and Paragraph 12B of Appendix 16 to the HK Listing Rules, each of the Independent Non-Executive Directors has confirmed by a semi-annual confirmation:

(a) that he/she (including his/her "immediate family members", as defined under Rule 14A.12(1)(a)) complies with each of the independence criteria referred to in Rule 3.13(1) to (8);

(b) 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;

(c) that he/she does not hold any cross-directorships (which exist when two (or more) Directors sit on each other's boards) or has any significant links with other Directors through involvement in other companies or bodies;

(d) that he/she does not hold more than six listed company directorships; and

(e) 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.

They have undertaken to inform the Company and the HK Stock Exchange as soon as practicable if there are any changes of circumstances which may affect his/her independence.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

(1) Confirmation of independence (Continued)

Each of the non-independent Directors has confirmed by a semi-annual confirmation that he/she considers that each of the Independent Non-Executive Directors continues to be independent under the independence criteria referred to in Rule 3.13(1) to (8) and has proved to be 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 "**Audit Committee**"), the connected transactions committee (the "**Connected Transactions Committee**"), the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company, 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 Chapter 18 technical committee.

(2) Code Provision A.4.3

Code Provision A.4.3 of the CG Code provides that serving for more than nine years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves for more than nine years, his/her 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/she is still independent and should be elected.

(a) In accordance with Article 87 of the Company's Articles of Association, James Mellon and David Comba retired by rotation at the 2020 Annual General Meeting. Both of them, being eligible, offered themselves for re-election. In particular regard to Code Provision A.4.3, it was noted that David Comba, who was appointed as an Independent Non-Executive Director on 27 October 2005, was last re-elected as a Director of the Company at the Company's annual general meeting held for Year 2017.

As noted from sub-paragraph (1) headed "Confirmation of independence" above, each of the non-independent Directors had confirmed by a semi-annual confirmation that he/she considered that each of the Independent Non-Executive Directors continued to be independent under the independence criteria referred to 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 required under Rule 3.10(2). Each of the independent Directors continued to serve on the respective committees (as noted above). Accordingly, at its meeting held in March 2020, the Nomination Committee had resolved that subject to shareholders' approval, David Comba should be re-elected as an Independent Non-Executive Director at the 2020 Annual General Meeting. Such view was noted at a Board meeting held in March 2020.

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, was duly set out in the shareholders' circular issued by the Company on 29 April 2020.

In accordance with Code Provision E.1.1 of the CG Code, each of the retiring Directors (including David Comba) was duly re-elected as a Director of the Company by a separate resolution at the 2020 Annual General Meeting.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

(2) Code Provision A.4.3 (Continued)

(b) In accordance with Article 87 of the Company's Articles of Association, Julie Oates and Mark Searle will retire by rotation at the 2021 Annual General Meeting. Both of them, being eligible, offer themselves for re-election. In particular regard to Code Provision A.4.3, it is 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 2018; 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 2018.

As noted from sub-paragraph (1) headed "Confirmation of independence" above, each of the non-independent Directors has confirmed by a semi-annual confirmation that he/she considers that each of the Independent Non-Executive Directors continues to be independent under the independence criteria referred to in Rule 3.13(1) to (8) of the HK Listing Rules and has proved to be 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). Each of the independent Directors continues to serve on the respective committees (as noted above). Accordingly, at its meeting held in March 2021, the Nomination Committee has resolved that subject to shareholders' approval, Julie Oates and Mark Searle should be re-elected as Independent Non-Executive Directors at the 2021 Annual General Meeting. Such view was noted at a Board meeting held in March 2021.

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, is duly set out in the shareholders' circular issued by the Company on 26 April 2021.

In accordance with Code Provision E.1.1 of the CG Code, 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 2021 Annual General Meeting.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

James Mellon has been the Non-Executive Chairman of the Board since October 2005. The Chairman provides leadership for the Board. He also ensures 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 Chairman 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 Chairman, however, has delegated the following duties to the Chief Executive Officer or the Company Secretary so that:

(a) 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

(b) the Company Secretary is empowered to, with the guidance from the Chief Executive Officer, despatch the notice, agenda and accompanying Board papers to all Directors in a timely manner.

Pursuant to Code Provision A.2.7 of the CG Code, the Non-Executive Chairman of the Board held a private meeting in March 2020 with the Independent Non-Executive Directors, without the presence of the other Directors, which was attended by all Independent Non-Executive Directors.

Subsequent to the year end date and prior to the date of this report, the Non-Executive Chairman of the Board, pursuant to Code Provision A.2.7 of the CG Code, held a private meeting in March 2021 with the Independent Non-Executive Directors, without the presence of other Directors, which was attended by all Independent Non-Executive Directors.

NON-EXECUTIVE DIRECTORS

The letter of appointment of James Mellon (for the position as Non-Executive 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 four 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.

CORPORATE GOVERNANCE REPORT

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 revised on 12 December 2018 in order to incorporate the amendments brought about by The Consultation Conclusions on "Review of the Corporate Governance Code and Related Listing Rules" (the "**CG Code Consultation Conclusions**"), which were designated to take effect on 1 January 2019.

In compliance with Rule 3.25 of the HK Listing Rules, the committee currently comprises the Non-Executive 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.

During the year ended 31 December 2020, the Remuneration Committee held one meeting, which was attended by all members of the committee, with respect to the compensation of the Directors and the employees.

The attendance of the respective Directors at the Remuneration Committee's meetings are set out below:

Name of Director	Number of meetings held	Number of meetings attended	Number of meetings absent	Attendance rate (%)
Mark Searle	1	1	0	100%
James Mellon	1	1	0	100%
Julie Oates	1	1	0	100%

Further, during the year ended 31 December 2020, the Remuneration Committee passed one set of written resolutions, which was signed by all members of the committee, with respect to the offer to grant an option under the Company's Share Option Scheme (2016) to a director of certain subsidiaries of the Group.

Subsequent to the year end date and prior to the date of this report, the Remuneration Committee held one meeting, which was attended by all members of the committee except James Mellon, with respect to the remuneration of the employees.

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.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE (Continued)

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.

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) and the HK Stock Exchange (www.hkexnews.hk).

NOMINATION COMMITTEE

(1) 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. Its terms of reference were recently revised on 11 December 2018 in order to incorporate the amendments brought about by the CG Code Consultation Conclusions, which were designated to take effect on 1 January 2019.

In compliance with Code Provision A.5.1 of the CG Code, the committee currently comprises the Non-Executive 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.

During the year ended 31 December 2020, the Nomination Committee held one meeting with respect to:

(a) an annual review of the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board;

(b) an annual review of the "Board Diversity Policy" (as set out in details in sub-paragraph (2) below), including an assessment of its effectiveness;

(c) an annual review of the independence of the Independent Non-Executive Directors; and

(d) the re-appointment of David Comba (being an Independent Non-Executive Director serving for more than nine years) as a Director of the Company at the 2020 Annual General Meeting.

The Nomination Committee was of the view that there were no issues requiring any changes to the current size and composition of the Board.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE (Continued)

(1) Nomination Committee (Continued)

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%
Julie Oates	1	1	0	100%
Mark Searle	1	1	0	100%

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 except James Mellon, with respect to:

(i) an annual review of the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board;

(ii) an annual review of the "Board Diversity Policy" (as set out in details in sub-paragraph (2) below), including an assessment of its effectiveness;

(iii) an annual review of the independence of the Independent Non-Executive Directors; and

(iv) the re-appointments of Julie Oates and Mark Searle (being the Independent Non-Executive Directors serving for more than nine years) as Directors of the Company at the 2021 Annual General Meeting.

The Nomination Committee was again of the view that there were no issues requiring any changes to the current size and composition of the Board.

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.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE (Continued)

(1) Nomination Committee (Continued)

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 2020 and prior to the date of this report, there were no changes in the directorate.

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) and the HK Stock Exchange (www.hkexnews.hk).

(2) 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.

(a) 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.

(b) 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.

(c) 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 discusses and agrees annually all measurable objectives for achieving diversity on the Board and recommends 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.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE (Continued)

(2) Board Diversity Policy (Continued)

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

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:

(i) procedural and structural objectives: for example, implementing internal review and reporting procedures or ensuring that candidates are interviewed by a diverse selection/interview panel;

(ii) 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

(iii) 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.

In compliance with Code Provision A.5.2 of the CG Code, the Nomination Committee reviews the policy on Board diversity annually, which includes an assessment of the effectiveness of the policy. The Nomination Committee discusses any revisions that may be required and recommends any such revisions to the Board for approval.

As noted in sub-paragraph (1) above, an annual review of the Board Diversity Policy was conducted in March 2020. 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 2021, which again concluded with the view that the Company's Board Diversity Policy was suitable for the size of the Company.

CORPORATE GOVERNANCE FUNCTIONS

As noted in the paragraph headed "The Corporate Governance Code" above, 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 2020 and prior to the date of this report, among other things, the Board performed the general corporate governance functions for the Company, including those referred to in the terms of reference set out in Code Provision D.3.1 of the CG Code.

In addition, the Directors noted The Consultation Conclusions on "Backdoor Listing, Continuing Listing Criteria and Other Rule Amendments" issued by the HK Stock Exchange on 26 July 2019 and the amendments referred to therein regarding the continuing listing criteria, which took effect on 1 October 2019.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2020 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 recently revised on 12 December 2018 in order to incorporate the amendments brought about by the CG Code Consultation Conclusions, which were designated to take effect on 1 January 2019. The committee's purpose is to assist the Board in:

(a) providing an independent review of the effectiveness of the Company's financial reporting process;

(b) 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

(c) 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 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 2020, the Audit Committee held two meetings:

(i) in March, with respect to:

- the review and approval of the Company's audited financial statements for the year ended 31 December 2019;
- a semi-annual review of the Group's risk management and internal control systems;
- an annual evaluation of the external and internal Auditors of the Company;
- an annual evaluation of the performance of the committee; and
- an annual review of adequacy of resources, staff qualifications and training for the accounting and financial reporting function; and

(ii) in August, with respect to:

- the review and approval of the Company's interim financial statements for the six months ended 30 June 2020; and
- a semi-annual review of the Group's risk management and internal control systems,

with the presence of the external and internal Auditors for the relevant resolutions.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (Continued)

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%
James Mellon	2	2	0	100%
Mark Searle	2	2	0	100%

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 except James Mellon, with the presence of the external and internal Auditors for the relevant resolutions, with respect to:

- the review and approval of the Company's audited financial statements for the year ended 31 December 2020;
- a semi-annual review of the Group's risk management and internal control systems;
- an annual evaluation of the external and internal Auditors of the Company;
- an annual evaluation of the performance of the committee; and
- an annual review of adequacy of resources, staff qualifications and training for the accounting and financial reporting function.

No separate risk committee has been established by the Company.

A separate paragraph headed "Risk Management and Internal Control" is set out below in this report.

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 its duties in accordance with its 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) and the HK Stock Exchange (www.hkexnews.hk).

CORPORATE GOVERNANCE REPORT

CONNECTED TRANSACTIONS COMMITTEE

As referred to in sub-paragraph (2) of the paragraph headed "Board of Directors" above, 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).

During the year ended 31 December 2020 and prior to the date of this report, the Connected Transactions Committee did not hold any meetings.

However, wherever applicable, independent board committee, comprising the Independent Non-Executive Directors who do not have interests in a contemplated connected transaction which is subject to independent shareholders' approval at a general meeting, will be established in compliance with Chapter 14A of the HK Listing Rules.

The terms of reference of the Connected Transactions Committee are available on the Company's website: www.regentpac.com.

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 Chief Executive Officer), the Company Secretary, the Chief Financial Officer and the General Counsel.

AUDITOR

The financial statements of the Company for the year ended 31 December 2020 have been audited by BDO Limited.

Please also note the paragraph headed "Financial Reporting" below in this report.

BDO Limited will retire at the 2021 Annual General Meeting and, being eligible, offers itself for re-appointment. An ordinary resolution has been proposed for the 2021 Annual General Meeting for the re-appointment of BDO Limited as the Auditor of the Company.

(1) 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, BDO Tax Limited provided non-audit services in respect of tax services, for which BDO Tax Limited received a fee of approximately US$2,000 during the year ended 31 December 2020.

CORPORATE GOVERNANCE REPORT

AUDITOR (Continued)

(2) Attendance at general meetings

As noted in sub-paragraph (3) of the paragraph headed "Board of Directors" above, 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 2020 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 Chartered Governance Institute in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

She has confirmed to the Company in an annual training review 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 2020.

SHAREHOLDERS' RIGHTS AND COMMUNICATION

(1) Shareholders' communication policy

The Company adopted on 13 March 2012 a set of 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).

Upon the formal adoption of a new set of amended and re-stated Articles of Association of the Company at the 2019 Annual General Meeting (the "**Amended and Re-stated Articles of Association**", as detailed in the shareholders' circular issued by the Company on 18 April 2019), the Company's shareholders' communication policy, which is available from the "Corporate Documents" on the website of the Company (www.regentpac.com), was updated accordingly, as below:

(1) Article 58 of the Company's Articles of Association provides that the Board may whenever thinks fit call extraordinary general meetings, and:

- a Member or Members (acting together) holding at the date of deposit of the requisition not less than ten per cent 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.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND COMMUNICATION (Continued)

(1) Shareholders' communication policy (Continued)

(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.

The Company Secretary of the Company is currently Stella Fung, whose email address is: stella.fung@regentpac.com.

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

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

The Company adopted on 13 March 2012 a set of procedures for shareholders to propose a person for election as a Director of the Company.

Upon the formal adoption of the Amended and Re-stated Articles of Association (as referred to in sub-paragraph (1) above), the Company's "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), were updated accordingly, as below:

(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 any authorisation as may be required 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.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND COMMUNICATION (Continued)

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

(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.

(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.

The Company Secretary of the Company is currently Stella Fung, whose email address is: stella.fung@regentpac.com.

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

(3) 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 2020, 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 2021, which again concluded that the Company had in place a compliant (under the CG Code) and effective means of communication with its shareholders.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND COMMUNICATION (Continued)

(4) Policy on payment of dividends

Pursuant to Code Provision E.1.5 of the CG Code, which took effect on 1 January 2019, the Company adopted, on 17 December 2018, a policy on the payment of dividends, which is set out in details under the paragraph headed "Results and Dividends" in the Directors' Report.

INVESTOR RELATIONS

Subsequent to the adoption of the Amended and Re-stated Articles of Association of the Company at the 2019 Annual General Meeting (as referred to in the paragraph headed "Shareholders' Rights and Communication" above), during the year ended 31 December 2020 and prior to the date of this report, there were no changes made to the Company's Memorandum and Articles of Association.

In compliance with Rule 13.90 of the HK Listing Rules, an updated set of the Company's Amended and Re-stated Memorandum and Articles of Association is available on the websites of the Company (www.regentpac.com) and the HK Stock Exchange (www.hkexnews.hk).

RISK MANAGEMENT AND INTERNAL CONTROL

No separate risk committee has been established by the Company.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining sound and effective risk management and internal control systems (including reviewing their effectiveness) to safeguard shareholders' investment and the Group's assets, on an ongoing basis. To this end, management continues to allocate resources for an internal control and risk management systems to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

The Board, through the Audit Committee, has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems. During the year ended 31 December 2020, the Audit Committee engaged an internal audit and business consulting firm to undertake a review of the effectiveness of the Group's risk management and internal control systems for the year, including financial, operational and compliance functions.

As noted under the paragraph headed "Audit Committee" above, it was confirmed that the Audit Committee conducted a semi-annual review on the Company's risk management and internal control systems, which, in particular, considered the following as set out in Code Provision C.2.3 of the CG Code:

(a) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;

(b) the scope and quality of Management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;

(c) the extent and frequency of communication of monitoring results to the Board (or board committee(s)) which enable it to assess control of the Company and the effectiveness of risk management;

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

(d) significant control failings or weaknesses that had been identified during the period and also the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and

(e) the effectiveness of the Company's processes for financial reporting and the compliance with the HK Listing Rules.

Based on the results of the review, the Group's risk management and internal control systems are considered effective and adequate.

(1) Risk management

Risk management is a standing process of the Group which assists management and the Board in enhancing the transparency and accountability of the major business risks encountered. During the year ended 31 December 2020, the Group conducted formal risk assessment by the management on a semi-annual basis to identify and assess enterprise risks (including environmental, social and governance risks) with reference to the Group's business objectives and strategies. A risk assessment questionnaire prepared, based on the Group's risk model, was circulated to senior management of the Group, together with reviews of existing risk mitigation measures and follow-up interviews as necessary, to facilitate the assessment. Management then developed action plans to further enhance the risk management capabilities of particular key risks as appropriate.

(2) Internal control

The Group ensures internal controls are designed and implemented in all major aspects of the Group's operations and details of internal control activities are included in the operating policies and procedures of the Group. Management regularly revisits the policies and procedures and furnishes updates as necessary. During the year ended 31 December 2020, the Group also conducted an internal control review.

(3) Internal audit function

The Group maintains an internal audit function assisting the Board in maintaining an effective risk management and internal control systems 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 business 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 activities.

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 2020 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. The Directors draw shareholders' attention to note 3.1 to the consolidated financial statements, which indicates that the Group has incurred a loss of approximately US$24,396,000 for the year ended 31 December 2020, and as at that date, the Group had net current liabilities of approximately US$2,422,000. As stated in the said note 3.1, these conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. However, the Directors note that the independent Auditor's opinion is not modified in respect of this matter. Apart from this item, the Directors 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 in the paragraph headed "Strategic Plan" in the Management's Discussion and Analysis of the Group's Performance.

In addition, the Directors noted The Consultation Conclusions on "Proposed Changes to Documentary Requirements relating to Listed Issuers and Other Minor Rule Amendments" issued by the HK Stock Exchange on 1 February 2019 and the amended paragraphs 45 and 46 of Appendix 16 to the HK Listing Rules, which took effect on 1 March 2019, require that a listed issuer shall include in its preliminary results announcements:

(i) as for the final audited results, which have been agreed with its Auditor, the details of the modification where the Auditor is likely to issue a modified report on the Company's annual financial statements; and

(ii) as for the interim results, the details of the modification where the accounting information contained in the announcement has been audited by the Auditor and the Auditor is likely to issue a modified report on the Company's interim financial statements.

A report of the independent Auditor with respect to the Company's financial statements for the year ended 31 December 2020 is included in this annual report. Shareholders please note that the Company's interim reports are reviewed by the Auditor of the Company on an "agreed upon procedures" basis.

On Behalf of the Board

James Mellon
Chairman

30 March 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW AND SCOPE

The Group prepares the Environmental, Social and Governance (the "**ESG**") Report in accordance with Appendix 27 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group has assessed the materiality of the key ESG issues associated with its business and operations, and accordingly determined the scope and content of disclosure in this ESG Report.

The scope of this ESG Report covers the operations of the head office in Hong Kong and Plethora Solutions Holdings plc ("**Plethora**") in the United Kingdom (collectively the "**Group**"), unless specifically stated otherwise, for the year ended 31 December 2020 (the "**reporting period**").

STRATEGY, OBJECTIVES AND MANAGEMENT APPROACH

It is of the Group's significant priority in promoting sustainable practices in daily business operations with the aim to minimize unfavourable impact on the environment and society in which it operates. The Board has been aware of its overall responsibility for the Group's ESG strategy and reporting and has ensured management has implemented relevant measures during the reporting period. Management regularly evaluates the Group's ESG-related exposure with the consideration of changes in internal and external business environment, and has ensured that all relevant ESG principles are being adhered to when conducting business. In addition, the Group maintains the ESG policies to govern the respective processes.

ENVIRONMENTAL

We are committed to conducting our business in an environmentally responsible manner. In particular, all employees are required to comply with all applicable environmental laws and regulations and to conduct business in a manner that protects the environment, conserves resources and promotes sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL (Continued)

As of 31 December 2020, the Group's headquarters in Hong Kong occupied 5,479 square feet with 10 employees, while Plethora's office in the United Kingdom occupied 344 square feet with 3 employees. Given our relatively small operational size, our current business operations do not have any significant impact on the environment. We are not involved in producing air, water, land pollutants or hazardous wastes, and have limited emission of greenhouse gas ("**GHG**"), which is generated indirectly from the electricity consumption and paper usage for daily office administration purpose. Relevant Environmental Key Performance Indicators ("**KPIs**") in connection to our business are disclosed below:

	KPIs	2019	2020
A1.1	**Air Pollutants Emission**	*N/A (Note 1)*	
A1.2	**GHG Emission**		
	Direct emission of GHG	*N/A (Note 1)*	
	Indirect emission of Carbon Dioxide ("**CO_2**") resulting from:		
	➢ Electricity purchased *(Note 2)*	36.58 tonnes	34.12 tonnes
	➢ Paper waste disposed at landfills	0.70 tonnes	0.32 tonnes
	➢ Business air travel by employees	44.63 tonnes	8.13 tonnes
		81.91 tonnes	42.57 tonnes
	CO_2 emission per employee	6.30 tonnes per employee	3.27 tonnes per employee
	CO_2 emission per square feet of office premises	0.01 tonnes per sq. ft.	0.01 tonnes per sq. ft.
A1.3	**Hazardous waste produced**	*N/A (Note 1)*	
A1.4	**Non-hazardous waste produced**		
	Paper waste disposed at landfills *(Note 3)*	0.15 tonnes	0.07 tonnes
	Paper waste produced per employee	0.01 tonnes per employee	0.01 tonnes per employee
A2.1	**Energy consumption**		
	Direct energy consumption	*N/A (Note 1)*	
	Indirect energy consumption from electricity purchased *(Note 2)*	45,724 kWh	42,126 kWh
	Energy consumption per employee	3,517 kWh per employee	3,240 kWh per employee
	Energy consumption per square feet of office premises	8 kWh per sq. ft.	7 kWh per sq. ft
A2.2	**Water consumption**	*N/A (Note 4)*	
A2.5	**Packaging material used for finished products**	*N/A (Note 5)*	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL (Continued)

Notes:

1. The Group does not have production or involve in activities that:
   - Emit air pollutants;
   - Directly generate GHG;
   - Generate hazardous wastes; or
   - Directly consume energy.
2. The figures only include Head Office in Hong Kong. Relevant data in Plethora's office is not available since electricity consumed is covered by the Landlord.
3. With consideration of limited paper waste volume, the Group disposes of the waste to landfills through the waste disposal channel managed by the building's management service provider.
4. Water usage for the head office and Plethora's office is minimal and relevant expense is covered by the landlord, hence no data is available. The Group has not encountered any issues in water sourcing.
5. Commercialization partners of the Group are responsible for the marketing, distribution and manufacturing of all products. The Group is not directly involved in the use/purchase of packaging materials.

The Group has been persistent in conducting business in an environmentally responsible manner by efficient use of resources, including energy, water and other raw materials, and minimisation of the Group's impact on the environment and natural resources. We continuously improve our environmental management practices through enhancing operational efficiencies and implementing eco-friendly measures including energy conservation, paper saving, reuse and recycling, etc. The efforts we put were reflected in the reduction of electricity consumed during the reporting period.

We have been adhering to the ESG principles in the way we conduct our business. With the endeavour to minimise the electricity consumption and paper usage in operations, there was a decrease in CO_2 emission from these two sources.

In light of the COVID-19 pandemic, there was also a significant reduction in business travel and its associated CO_2 emission.

Throughout the reporting period, there was no reported case of non-compliance with the Air Pollution Control Ordinance of Hong Kong, Climate Change Act 2008 of the United Kingdom and other applicable environmental laws and regulations that have a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL

Employment and Labour Practices

Employment

The Group strictly complies with applicable labour standards, health and safety and employment laws and regulations of its respective major operating locations. The Group is committed to providing equal opportunities throughout recruitment and employment and combating all forms of discrimination in the workplace.

The Group has developed internal policies and guidelines on employment, dismissal, working hours and leave entitlement, working conduct, safety, welfare and benefits as well as training and development. Employee handbook is distributed to all employees as a vital communication medium between the company and the employees. During the reporting period, there was no reported case of non-compliance with the Employment Ordinance, Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance, and Race Discrimination Ordinance of Hong Kong, the Equality Act 2010 of the United Kingdom, as well as other relevant employment regulations or violation of employees' rights during the reporting period.

Labour Standards

The Group prohibits child and forced labour in any workplace in accordance with the Employment of Children Regulations of Hong Kong and Modern Slavery Act 2015 of the United Kingdom.

Health and Safety

The Group places the highest priority on securing health and safety of all employees. Guidelines on health and safety procedures are developed to maintain a healthy and safe working environment for employees. It has provided health and accidental insurance coverage to eligible employees. During the reporting period, there was no material accident or labour dispute with employees, and no reported case of non-compliance with Occupational Safety and Health Ordinance of Hong Kong, Health and Safety at Work Act 1974 of United Kingdom, as well as other relevant laws and regulations relating to employees' health and safety.

Development and Training

Staff training and enhancement guidelines are in place to ensure appropriate support to enhance their knowledge, skills and competencies needed for their work duties. Education allowances and leaves are offered to the employees for attending training courses, conferences and examinations organized by recognized professional institutions.

Operating Practices

Supply Chain Management

The Group engages with its suppliers and business partners on a fair and ethical basis and expects that they adhere to high social, ethical and environmental standards.

Our management takes reasonable efforts to understand and ensure the Group's business partners comply with environmental protection regulations and advocate good manufacturing practices and quality standards. In addition, the Group has established internal policies governing vendor selection and ongoing management, as well as sales and marketing.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL (Continued)

Operating Practices (Continued)

Product Responsibility

As an investment company focusing on bio-pharmaceutical, the Group's core value is to prioritize and assure quality and safety of the Group's products. The Group has regularly and closely monitored the safety of all its medicine products, including reviewing safety data from clinical studies and reviewing reports on probable adverse drug reactions. The Group has taken active steps in ensuring the group and the commercialisation partners' strict compliance with good manufacturing practice, good distribution practice, good pharmacovigilance practices and other relevant regulations. Should there be any misconduct, investigation will be conducted, and results will be reported to management. During the reporting period, there was no product recall, quality issue or adverse event reported.

The Group has entered into agreements with business partners to set out indemnity clauses for product liability and to ensure operational and quality assurance activities as well as regulatory compliance objectives are implemented and coordinated.

Anti-Corruption

Honesty, integrity and fairness are our core values which have been communicated to all directors and employees through staff handbook and internal policies. The Group is committed to conducting all businesses in the absence of any undue influence and prohibits any form of corruption or malpractice including bribery, money laundering, extortion and fraud. During the reporting period, there was no reported case of non-compliance with the Prevention of Bribery Ordinance of Hong Kong and Bribery Act 2010 of the United Kingdom, as well as other relevant regulations.

Community

The Group is committed to fulfilling its obligations and duties as a responsible corporate citizen, ensuring that our behavior reflect a genuine concern for our stakeholders, including shareholders, employees, their families and the communities in which we live and work. The Group's community investment strategy focuses on healthcare in the community and science education by making donations or sponsorship. We also encourage and support employees' volunteering for the benefit of the community.

On Behalf of the Board

James Mellon
Chairman

30 March 2021

INDEPENDENT AUDITOR'S REPORT

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF REGENT PACIFIC GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

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 114 to 208, which comprise the consolidated statement of financial position as at 31 December 2020, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3.1 to the consolidated financial statements, which indicates that the Group incurred a loss of approximately US$24,396,000 for the year ended 31 December 2020, and as at that date, the Group had net current liabilities of approximately US$2,422,000. As stated in note 3.1 to the consolidated financial statements, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSET (PATENT PSD502®)

Refer to notes 3.12, 4.1 and 14 to the consolidated financial statements.

At 31 December 2020, the net carrying amount of PSD502® (also known as Fortacin™) was approximately US$69,758,000 (net of reversal of impairment loss), and accounted for over 86% of the Group's total assets. Further details of this intangible asset are set out in note 14.

Management has carried out an impairment assessment in accordance with the Group's accounting policies and concluded that there was a reversal of impairment loss of approximately US$6,126,000 in respect of the cash generating unit to which this intangible asset was allocated. This conclusion was based on a value in use calculation that required significant management judgment with respect to the discount rates, exchange rates, growth rates, royalty rates and launch dates in each of six major regions identified in management's valuation model as well as the premature ejaculation prevalence rate.

We consider this as a key audit matter because the estimation of the recoverable amount of the cash generating unit to which intangible asset allocated involves significant judgments and assumptions.

Our procedures in relation to management's impairment assessment of PSD502®/Fortacin™ at 31 December 2020 included:

– assessing the valuation methodology used and ensuring this was consistent with the methodology used in prior periods including when the intangible asset was initially valued on acquisition;

– challenging the reasonableness of key assumptions adopted by management including discount rates, launch dates in key markets, exchange rates, expected life of the patent and growth rates based on our knowledge of the business and industry;

– reconciling input data to supporting evidence, such as correspondence with key licensee to support key developments in major markets, management's budgets and considering the reasonableness of these budgets;

– comparing the market capitalisation of the Group to the net assets of the Group at 31 December 2020 to assess whether there were any external impairment triggers as regards the carrying value of the intangible asset (patent PSD502®); and

– considering the sensitivity of the valuation model to changes in key assumptions.

INDEPENDENT AUDITOR'S REPORT

IMPAIRMENT OF GOODWILL ON ACQUISITION OF A BUSINESS

Refer to notes 3.7, 4.1, 12 and 35 to the consolidated financial statements.

On 14 December 2020, the Group acquired the entire issued share capital of Deep Longevity, Inc. ("**DLI**") by way of the issuance of 422,687,680 new shares of the Company. The fair value of the consideration shares issued of US$9,806,000 was determined by reference to the Company's share price of HK$0.18 per share at 14 December 2020. DLI and its subsidiary ("**DLI Group**") are principally engaged in the development of artificial intelligence systems to track the rate of aging at the molecular, cellular, tissue, organ, system, physiological and psychological levels. At the acquisition date, the aggregate fair value of the identifiable net assets of DLI Group amounted to approximately US$4,106,000, giving rise to goodwill of approximately US$5,700,000. Management determined all of the goodwill was attributable to one CGU (cash generating unit), being the DLI Group.

Management performed an impairment review on goodwill in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" at 31 December 2020. The recoverable amount was determined based on a value in use calculation by applying the Income Approach. This approach required management to prepare a five-year cash flow forecast and involved significant assumptions and judgments, in particular the pre-tax discount rate and the growth rate (for cash flows beyond the fifth year) to be applied to these cash flows. Based on this value in use calculation, management assessed all of the goodwill related to the DLI Group acquisition of approximately US$5,700,000 had been impaired.

Our procedures in relation to the management's impairment assessment of goodwill on acquisition included:

– discussing with management about the technological, market and economic environment of the CGU to assess management's identification of impairment indicators;

– assessing the valuation methodology used for the purpose of determining the recoverable amount of the CGU to which the goodwill was allocated;

– challenging the reasonableness of key assumptions adopted by management including the growth rate and the discount rate used in the calculation based on our knowledge of the business and industry;

– performing a reasonableness check on the value in use amount determined under the Income Approach by reviewing and assessing an alternative valuation of the CGU using the Market Approach; and

– assessing the adequacy of disclosures in connection with the impairment assessment of goodwill.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Jonathan Russell Leong
Practising Certificate no. P03246

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 US$'000	2019 US$'000
Revenue:	5		
Milestone and royalty income		**1,212**	164
Corporate investment income		**108**	464
Other income		**371**	94
		1,691	722
Fair value gain/(loss) on financial instruments	6	**458**	(1,035)
Total income and fair value gain/(loss) on financial instruments		**2,149**	(313)
Expenses:			
Employee benefit expenses	7	**(3,258)**	(3,924)
Rental and office expenses		**(663)**	(718)
Information and technology expenses		**(159)**	(180)
Marketing costs and commissions		**(61)**	(111)
Professional and consulting fees		**(674)**	(1,161)
Research and development expenses		**(2,458)**	(3,306)
Amortisation of intangible assets	14	**(19,407)**	(28,047)
Other operating expenses		**(349)**	(354)
Operating loss	6	**(24,880)**	(38,114)
Impairment loss on goodwill	12	**(5,700)**	—
Reversal of impairment loss/(Impairment loss) on intangible asset (Fortacin™)	14	**6,126**	(26,000)
Finance costs	8	**(1,706)**	(620)
Loss before taxation		**(26,160)**	(64,734)
Tax credit/(Taxation)	9	**1,764**	(1,265)
Loss for the year		**(24,396)**	(65,999)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 US$'000	2019 US$'000
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(482)**	(478)
Item that will not be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		**–**	(282)
Other comprehensive income for the year, before and net of tax		**(482)**	(760)
Total comprehensive income for the year		**(24,878)**	(66,759)
(Loss)/Profit for the year attributable to:			
Shareholders of the Company		**(24,395)**	(66,048)
Non-controlling interests		**(1)**	49
		(24,396)	(65,999)
Total comprehensive income attributable to:			
Shareholders of the Company		**(24,877)**	(66,808)
Non-controlling interests		**(1)**	49
		(24,878)	(66,759)
Losses per share attributable to shareholders of the Company during the year	11	**US cents**	US cents
– Basic		**(1.31)**	(3.59)
– Diluted		**(1.31)**	(3.59)
		HK cents	HK cents
– Basic		**(10.18)**	(28.13)
– Diluted		**(10.18)**	(28.13)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 US$'000	2019 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill	12	**—**	—
Property, plant and equipment	13	**1,208**	397
Intangible assets	14	**72,418**	83,037
Interest in an associate		**1**	1
Financial assets at fair value through other comprehensive income	15	**—**	—
		73,627	83,435
Current assets			
Financial assets at fair value through profit or loss	16	**2,509**	2,051
Trade receivables	18	**434**	15
Prepayments, deposits and other receivables	19	**1,041**	574
Cash and bank balances	17	**2,699**	206
		6,683	2,846
Current liabilities			
Trade payables, deposits received, accruals and other payables	20	**(4,848)**	(4,137)
Bank borrowings	23	**(5)**	—
Lease liabilities	24	**(448)**	(359)
Tax payable		**(3,804)**	(3,471)
		(9,105)	(7,967)
Net current liabilities		**(2,422)**	(5,121)
Total assets less current liabilities		**71,205**	78,314
Non-current liabilities			
Bank borrowings	23	**(39)**	—
Lease liabilities	24	**(762)**	(11)
Convertible notes	25	**(1,947)**	(3,981)
Shareholder's loans	26	**(10,807)**	(3,514)
Deferred tax liabilities	27	**(7,345)**	(8,304)
		(20,900)	(15,810)
NET ASSETS		**50,305**	62,504

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 US$'000	2019 US$'000
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	21	**23,994**	18,372
Reserves	22	**26,311**	44,131
Equity attributable to shareholders of the Company		**50,305**	62,503
Non-controlling interests		**—**	1
TOTAL EQUITY		**50,305**	62,504

The consolidated financial statements on pages 114 to 208 were approved and authorised for issue by the Board of Directors on 30 March 2021.

James Mellon
Chairman

Jamie Gibson
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Equity attributable to shareholders of the Company											
2020	Share capital US$'000	Accumulated losses* US$'000	Share premium* US$'000	Convertible notes equity reserve* US$'000	Investment revaluation reserve* US$'000	Share-based payment reserve* US$'000	Capital redemption reserve* US$'000	Statutory and other reserves* US$'000	Foreign currency exchange reserve* US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2020	18,372	(252,423)	283,534	2,657	(1,707)	—	8,228	215	3,627	62,503	1	62,504
Loss for the year	—	(24,395)	—	—	—	—	—	—	—	(24,395)	(1)	(24,396)
Other comprehensive income												
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(482)	(482)	—	(482)
Total comprehensive income for the year	—	(24,395)	—	—	—	—	—	—	(482)	(24,877)	(1)	(24,878)
Equity-settled share-based payment transactions (note 37)	—	—	—	—	—	95	—	—	—	95	—	95
Shares issued for conversion of convertible notes (notes 21(1) and 25)	1,395	—	2,948	(1,565)	—	—	—	—	—	2,778	—	2,778
Shares issued for acquisition of subsidiaries (notes 21(1) and 35)	4,227	—	5,579	—	—	—	—	—	—	9,806	—	9,806
	5,622	—	8,527	(1,565)	—	95	—	—	—	12,679	—	12,679
At 31 December 2020	23,994	(276,818)	292,061	1,092	(1,707)	95	8,228	215	3,145	50,305	—	50,305

* As at 31 December 2020, the total of these reserves amount to a surplus of approximately US$26,311,000 (2019: approximately US$44,131,000).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Equity attributable to shareholders of the Company										
2019	Share capital US$'000	Accumulated losses* US$'000	Share premium* US$'000	Convertible notes equity reserve* US$'000	Investment revaluation reserve* US$'000	Capital redemption reserve* US$'000	Statutory and other reserves* US$'000	Foreign currency exchange reserve* US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2019	18,372	(186,375)	283,534	–	(1,425)	8,228	176	4,105	126,615	(48)	126,567
Loss for the year	–	(66,048)	–	–	–	–	–	–	(66,048)	49	(65,999)
Other comprehensive income											
Foreign currency translation adjustment	–	–	–	–	–	–	–	(478)	(478)	–	(478)
Change in fair value of financial assets at fair value through other comprehensive income (note 15)	–	–	–	–	(282)	–	–	–	(282)	–	(282)
Total comprehensive income for the year	–	(66,048)	–	–	(282)	–	–	(478)	(66,808)	49	(66,759)
Issue of convertible notes (note 25)	–	–	–	2,657	–	–	–	–	2,657	–	2,657
Deemed capital contribution arising from interest-free shareholder's loan (note 26)	–	–	–	–	–	–	39	–	39	–	39
	–	–	–	2,657	–	–	39	–	2,696	–	2,696
At 31 December 2019	18,372	(252,423)	283,534	2,657	(1,707)	8,228	215	3,627	62,503	1	62,504

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 US$'000	2019 US$'000
Cash flows from operating activities:			
Loss before taxation		**(26,160)**	(64,734)
Adjustments for:			
Depreciation of property, plant and equipment	13	**28**	47
Depreciation of right-of-use assets	13	**541**	573
Amortisation of intangible assets	14	**19,407**	28,047
(Reversal of impairment loss)/impairment loss on an intangible asset	14	**(6,126)**	26,000
Impairment loss on goodwill	12	**5,700**	—
Finance costs	8	**1,706**	620
Equity-settled share-based payment expenses	37	**95**	—
Gain arising from extinguishment of interest-free shareholder's loan	5	**—**	(90)
Unrealised (gain)/loss on financial assets at fair value through profit or loss	6, 16	**(458)**	1,274
		(5,267)	(8,263)
Change in working capital			
(Increase)/decrease in trade receivables		**(419)**	282
Decrease/(increase) in prepayments, deposits and other receivables		**79**	(76)
Decrease in financial assets at fair value through profit or loss		**—**	2,176
(Decrease)/increase in trade payables, deposits received, accruals and other payables		**(4)**	41
Cash used in operations		**(5,611)**	(5,840)
Income tax paid		**(110)**	(3,198)
Net cash used in operating activities		**(5,721)**	(9,038)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 US$'000	2019 US$'000
Cash flows from investing activities:			
Purchase of property, plant and equipment	13	**(7)**	(8)
Acquisition of subsidiaries, net of cash acquired	35	**1,834**	—
Net cash generated from/(used in) investing activities		**1,827**	(8)
Cash flow from financing activities:			
Proceeds from shareholders' loans	26	**7,253**	8,520
Repayment of shareholders' loans	26	**—**	(91)
Proceeds from bank borrowings	23	**44**	—
Proceeds from issue of convertible notes	25	**—**	950
Transaction costs on issue of convertible notes	25	**—**	(68)
Interest paid on convertible notes		**(91)**	—
Interest paid on shareholder's loans		**(89)**	(5)
Principal element of lease payments	24	**(533)**	(565)
Interest element of lease payments	24	**(46)**	(36)
Net cash generated from financing activities		**6,538**	8,705
Net increase/(decrease) in cash and cash equivalents		**2,644**	(341)
Cash and cash equivalents at the beginning of the year		**206**	1,022
Effects of foreign currency fluctuations		**(151)**	(475)
Cash and cash equivalents at the end of the year		**2,699**	206
Represented by:			
Cash and bank balances	17	**2,699**	206

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. Its registered office is at P.O. Box 309, Ugland 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(s)**") and Interpretations (hereinafter collectively referred to as the "**HKFRS(s)**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") 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 defined as the "**Group**") consist of investments in biopharma companies and other corporate investments. The principal place of business of the Group is 8th Floor, Henley Building, 5 Queen's Road Central, Hong Kong.

The consolidated financial statements for the year ended 31 December 2020 were approved and authorised for issue by the Board of Directors on 30 March 2021.

2. ADOPTION OF NEW OR REVISED HKFRSS

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2020

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("**new HKFRSs**") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting 2018	Conceptual Framework for Financial Reporting (Revised)

The adoption of these new standards, interpretations, amendments and improvements to existing standards does not have any significant effect on the results and financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

2. ADOPTION OF NEW OR REVISED HKFRSS (Continued)

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2020 (Continued)

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Conceptual Framework for Financial Reporting 2018 – Conceptual Framework for Financial Reporting (Revised)

The revised Framework is not a Standard nor an Accounting Guideline. It does not override any Standard, any requirement in a Standard or Accounting Guideline. The revised Framework includes: new chapters on measurement and reporting financial performance; new guidance on derecognition of assets and liabilities; updated definitions of asset and liability; and clarifications in the roles of stewardship, prudence and measurement uncertainty in financial reporting.

NOTES TO THE FINANCIAL STATEMENTS

2. ADOPTION OF NEW OR REVISED 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 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for annual periods beginning on or after 1 January 2022.

3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

4 Effective for annual periods beginning on or after 1 January 2023.

5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 - Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The Directors of the Company do not anticipate that the application of the amendments will have an impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2. ADOPTION OF NEW OR REVISED HKFRSS (Continued)

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

Amendments to HKAS 16 - Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 37 - Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amend a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permits a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarifies the fees included in the "10 per cent" test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- HKFRS 16, Leases, which amends Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which removes the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors of the Company do not anticipate that the application of the amendments will have an impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2. ADOPTION OF NEW OR REVISED HKFRSS (Continued)

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

Amendments to HKFRS 3 - Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Directors of the Company do not anticipate that the application of the amendments will have an impact on the Group's financial statements.

Amendments to HKAS 1 - Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The Directors of the Company do not anticipate that the application of the amendments will have an impact on the Group's financial statements.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors of the Company do not anticipate that the application of these amendments will have an impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION

3.1 Basis of preparation and going concern assumption

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 fair value through other comprehensive income ("**FVTOCI**") and at fair value through profit or loss ("**FVTPL**"), both of which are stated at fair values. The measurement bases are fully described in the accounting policies below.

The Group has incurred a loss of approximately US$24,396,000 for the year ended 31 December 2020 (2019: approximately US$65,999,000), and as at 31 December 2020, the Group had net current liabilities of approximately US$2,422,000 (2019: approximately US$5,121,000). These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The Directors of the Company have prepared the consolidated financial statements based on the assumption that the Group can continue as a going concern. This assumption was made after the Directors made a detailed cash flow projection for the next twelve months from the reporting date. Key elements of this cash flow projection include the following:

- Milestone income to be received from a commercial strategic partner in The People's Republic of China (the "**PRC**") was paid at the end of Q1 2021 of approximately US$2.88 million (after deduction of the PRC withholding tax of 10%);
- Partial sale of the Group's interest in Venturex Resources Limited ("**Venturex**"), a mining company listed in Australia for an amount of approximately US$9 million based on the target disposal price; and
- Payment of the remaining Australian tax obligation arising from settlement agreement reached with the Australian Tax Office (the "**ATO**") in March 2019 in the amount of approximately US$4.50 million by the end of 2021.

Having regard to the cash flow projection referred to above, the Directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to reclassify all non-current assets and non-current liabilities as current assets and current liabilities respectively, to reduce the carrying amounts of assets to their estimated net realisable amounts, and to provide for any further liabilities which may arise. The effect of these potential adjustments has not been reflected in the consolidated financial statements.

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 judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment 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. BASIS OF PREPARATION (Continued)

3.2 Business combination and 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.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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 such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that the deferred tax assets or liabilities are recognised and measured in accordance with HKAS 12 "Income Taxes".

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.2 Business combination and basis of consolidation (Continued)

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.

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.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.4 Associate

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 an associate 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.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.4 Associate (Continued)

The Group's share of post-acquisition profit or loss is recognised in profit or loss, 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 results of an associate" in profit or loss.

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 interest in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investment in an associate are recognised in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.5 Foreign currency (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.6 Property, plant and equipment (Continued)

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.

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 interests 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 ("**CGUs**") that are expected to benefit from the synergies of the acquisition. A CGU 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 CGU 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 CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU 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.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.8 Leases

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying the cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. The right-of-use asset is depreciated over the shorter of the asset's estimated useful life and the lease term on a straight-line basis.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.9 Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The measurement categories into which the Group classifies its debt instruments are as follows:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.9 Financial instruments (Continued)

(i) Financial assets (Continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for the expected credit loss ("**ECL**") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 "Financial Instruments" ("**HKFRS 9**") simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.9 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the debtor;

– a breach of contract such as a default or past due event; or

– It is probable that the debtor will enter bankruptcy or other financial reorganisation.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is more than 90 days past due.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, bank borrowings, deposits received, accruals and other payables, debt element of convertible notes issued by the Company and shareholder's loans 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.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.9 Financial instruments (Continued)

(iv) Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible notes into equity, is included in equity.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve and the relevant portion of the liability component will be transferred to share capital and share premium). Where the option remains unexercised at the expiry dates, the balance stated in convertible notes equity reserve will be released to the retained profits/accumulated losses. No gain or loss is recognised upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

(v) 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.

(vi) Equity instruments

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

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.9 Financial instruments (Continued)

(vii) 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 HKFRS 9.

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.

3.10 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 (including right-of-use assets); and
- interests in subsidiaries and an associate

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 banks 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.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.12 Intangible assets (other than goodwill)

(i) Acquired intangible assets

Intangible assets 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:

Patent (Fortacin™)	8 years
Intellectual properties	7 years

(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset 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.

3.13 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 the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.13 Income taxes (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, 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) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(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 Hong Kong employees who are eligible to participate in the Mandatory Provident Fund Scheme. Contributions are made based on a percentage of the employees' basic salaries.

In the United Kingdom ("**UK**"), pensions to certain employees are provided through contributions to individual personal pension plans. A defined contribution plan is a pension plan under which the subsidiaries operating in the UK pays fixed contributions into an independent entity. The subsidiaries operating in the UK have no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

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).

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.14 Employee benefits (Continued)

(iii) Share-based employee compensation (Continued)

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 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 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 share-based payment reserve will be transferred to retained profits/accumulated losses.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.17 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for goods or services transferred to the licencing partners. The Group recognises revenue when it transfers control over a product or service to the counterparty (licencing partner).

The Group enters into licence agreements for development, supply and commercialisation services. The terms of these arrangements typically include payments to the Group of one or more of the following: signature payment, milestone payments for development and regulatory application and royalty on net sales of licensed products. A milestone payment is a variable consideration which is constrained until it is probable that the revenue is not at a significant risk of reversal in a future period when the uncertainty is resolved. The contracts into which the Group enters do not include significant financing components.

As part of the accounting for these arrangements, the Group must use significant judgment to determine: (a) the performance obligations; (b) the transaction price; and (c) the timing of revenue recognition, including the appropriate measure of progress.

At contract inception, the Group assesses the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct.

The Group uses judgment to determine whether milestones or other variable consideration, (except for royalty), should be included in the transaction price. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognises revenue as or when the performance obligations under the contract are satisfied. If a milestone or other variable consideration relates specifically to the Group's efforts to satisfy a single performance obligation or to a specific outcome from satisfying the performance obligation, the Group generally allocates that milestone amount entirely to that performance obligation once it is probable that a significant revenue reversal would not occur.

The Group recognises revenue only when it satisfies a performance obligation by transferring control of the promised goods or services. The transfer of control can occur over time or at a point in time. A performance obligation is satisfied over time if it meets one of the following criteria:

- The counterparty simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- The Group's performance creates or enhances an asset that the counterparty controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The portion of the transaction price that is allocated to performance obligations satisfied at a point in time is recognised as revenue when control of the goods or services transfers to the counterparty. If the performance obligation is satisfied over time, the portion of the transaction price allocated to that performance obligation is recognised as revenue as the performance obligation is satisfied. The Group adopts an appropriate method of measuring progress for purposes of recognising revenue. The Group evaluates the measure of progress at the end of the reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.17 Revenue recognition (Continued)

Signature payment

The Group provides licence of its patented intellectual property ("**IP**") to customers and revenue is recognised when the customers obtain rights to use the underlying IP. The consideration for licence comprises a fixed element (the signature payment) and variable elements (including but not limited to development milestones and royalties). The signature payment is recognised as revenue when customers have ability to use the underlying IP of the licence. The Group recognises signature payment at a point in time, upon the transfer of rights to use of licence to customers.

Milestone payments

At the inception of each arrangement that includes milestone payments, the Group evaluates whether the milestones are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant reversal of cumulative revenue would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Group, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. The Group evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment. There is considerable judgment involved in determining whether it is probable that a significant reversal of cumulative revenue would not occur. At the end of the subsequent reporting period, the Group re-evaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

Royalty income

A sales-based royalty promised in exchange for a licence of IP is recognised as revenue only when (or as) the later of the following events occurs: (a) the subsequent sale occurs; and (b) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

Any unconditional rights to consideration are presented separately as trade receivables.

Interest income

Interest income is accrued on a time-proportion basis on the principal outstanding at the applicable interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.18 Research and development expenses

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3.19 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.20 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.21 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.

NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (Continued)

3.21 Related parties (Continued)

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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgments, 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:

Critical accounting estimates and assumptions

4.1 Impairment of intangible assets (including goodwill)

Determining whether intangible assets (including goodwill) are impaired requires an estimation of the value in use of the related CGU to which the intangible assets have been allocated. Value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing the intangible assets using suitable discount rates. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise. The carrying amount of intangible assets and goodwill before any impairment provision as at 31 December 2020 was approximately US$66,292,000 (2019: approximately US$109,037,000) and US$5,700,000 (2019: nil) respectively. The Group recognised a reversal of impairment loss on an intangible asset amounting to approximately US$6,126,000 (2019: impairment loss on an intangible asset of US$26,000,000) and an impairment loss on goodwill amounting to approximately US$5,700,000 (2019: nil) respectively in profit or loss during the year ended 31 December 2020. Further details are set out in notes 12 and 14 respectively.

NOTES TO THE FINANCIAL STATEMENTS

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

Critical accounting estimates and assumptions (Continued)

4.2 Business combination

The Group accounts for its business combination using the acquisition method of accounting. This method requires that the acquisition cost to be allocated to the assets acquired, including separately identifiable intangible assets, and liabilities the Company assumed based on their estimated fair values. The Company makes estimates and judgments in determining the fair value of the acquired assets and liabilities based on independent valuation report as well as its experience with similar assets and liabilities in similar industries. If different judgments or assumptions were used, the amounts assigned to the individual acquired assets or liabilities could be materially different. Further details relating to the business acquisition made during the year are set out in note 35.

4.3 Provision for income taxes

The Group is subject to income tax in different jurisdictions and significant judgment 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.

4.4 Valuation of share options granted

During the current year, the Group awarded share options to certain directors and employees. The fair value of share options granted was calculated using the Binomial Model which requires the input of highly subjective assumptions, including the volatility of the share price. Continuous estimation is required for the calculation of cumulative share-based payment cost at each reporting date until vesting, including estimate of the number that will vest. Details of the inputs are set out in note 37.

Critical judgments in applying the Group's accounting policies

Going concern

The financial statements have been prepared on going concern basis, further details of which are set out in note 3.1 to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION

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

	2020 US$'000	2019 US$'000
Milestone and royalty income	**1,212**	164
Corporate investment income		
Foreign exchange gains, net	**108**	464
Other income		
Government grants (note)	**86**	—
Reimbursement income	**218**	—
Sundry income	**67**	94*
	371	94
	1,691	722

*- *It included US$90,000 gain arising from the extinguishment of an interest-free shareholder's loan (note 26).*

Note:

During the year ended 31 December 2020, a Hong Kong government grant of approximately US$57,000 (2019: nil) was received by the Group under the "Employment Support Scheme" (ESS) launched from second round of the "Anti-epidemic Fund". In the UK, Plethora Solutions Holdings Plc ("**Plethora**") received the Coronavirus Job Retention Scheme ("**CJRS**") grant for an employee. Under the scheme, all businesses, charities and community amateur sports clubs eligible for the Employment Allowance of the range from GBP 1,000 to GBP 4,000 from April 2020. Plethora has received a grant of GBP 12,000 (or approximately US$16,000) (2019: nil) under CJRS and received a small business grant of GBP 10,000 (or approximately US$13,000) (2019: nil). There are no unfulfilled conditions relating to the grants.

Reimbursement income is the reimbursement of costs from the Group's commercial strategic partner in accordance with the underlying licence agreement.

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)

For management's purpose, the Group's two product and service lines are identified as operating segments as follows:

Biopharma	:	Research, development, manufacturing, marketing and sale of pharmaceutical products and the development of artificial intelligence ("**AI**") systems for the field of biological aging clocks
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:

- impairment loss on goodwill;
- reversal of impairment loss/(impairment loss) on intangible asset;
- tax credit/taxation; and
- corporate income and expenses which are not directly attributable to the business activities of any operating segment

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

Segment assets include all assets except for interest in an associate and financial assets at fair value through other comprehensive income ("**FAFVOCI**").

Segment liabilities exclude tax payable, deferred tax liabilities and corporate liabilities which are not directly attributable to the business activities of any operating 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 2020

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Revenue from external customers	1,437	254	1,691
Segment results	(20,986)	(5,600)	(26,586)
Impairment loss on goodwill (note 12)	(5,700)	—	(5,700)
Reversal of impairment loss on an intangible asset (note 14)	6,126	—	6,126
Consolidated loss before tax credit	(20,560)	(5,600)	(26,160)

As at 31 December 2020

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Segment assets	76,104	4,205	80,309
Interest in an associate			1
Total assets			80,310
Segment liabilities	710	18,146	18,856
Tax payable			3,804
Deferred tax liabilities			7,345
Total liabilities			30,005

For the year ended 31 December 2020

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Depreciation	(2)	(567)	(569)
Amortisation	(19,407)	—	(19,407)
Net gain on financial assets at fair value through profit or loss ("**FAFVPL**")	—	458	458
Capital expenditure	—	(7)	(7)

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 December 2019

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Revenue from external customers	164	558	722
Segment results	(31,669)	(7,065)	(38,734)
Impairment loss on an intangible asset (note 14)	(26,000)	—	(26,000)
Consolidated loss before taxation	(57,669)	(7,065)	(64,734)

As at 31 December 2019

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Segment assets	83,290	2,990	86,280
Interest in an associate			1
Total assets			86,281
Segment liabilities	566	11,436	12,002
Tax payable			3,471
Deferred tax liabilities			8,304
Total liabilities			23,777

For the year ended 31 December 2019

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Depreciation	(17)	(603)	(620)
Amortisation	(28,047)	—	(28,047)
Net loss on FAFVPL	—	(1,035)	(1,035)
Capital expenditure	—	(8)	(8)

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) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
China	**1,018**	—	**1**	1
Europe	**142**	254	**69,758**	83,039
Hong Kong (domicile)	**231**	468	**3,868**	395
Taiwan	**300**	—	**—**	—
	1,691	722	**73,627**	83,435

The geographical location of revenue from external customers is based on the location of customers of the Group's Biopharma segment or 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.

Disaggregation of revenue

Disaggregation of revenue from the Group's Biopharma segment and timing of revenue recognition are as follows:

	2020 US$'000	2019 US$'000
Timing of revenue recognition		
At a point in time		
Milestone and royalty income	**1,212**	164

Information about major customers

Revenue from customers of the Group's Biopharma segment contributing 10% or more of the Group's revenue is as follows:

	2020 US$'000	2019 US$'000
Customer A	**800**	—
Customer B	**300**	—
Customer C	**112**	164
	1,212	164

NOTES TO THE FINANCIAL STATEMENTS

6. OPERATING LOSS

	2020 US$'000	2019 US$'000
Operating loss is arrived at after charging:		
Auditors' remuneration		
– audit services	**220**	212
– review services	**46**	51
Depreciation of (note 13):		
– property, plant and equipment	**28**	47
– right-of-use assets	**541**	573
Amortisation of intangible assets (note 14)	**19,407**	28,047
Short-term lease expenses	**26**	24
Low-value assets lease expenses	**3**	3
Unrealised loss on FAFVPL@ (note 16)	**—**	1,274
and crediting:		
Unrealised gain on FAFVPL@ (note 16)	**458**	—
Realised gain on FAFVPL@	**—**	239
Foreign exchange gains, net*	**108**	464

@ These amounts constitute the marked-to-market fair value gain on FAFVPL of approximately US$458,000 (2019: loss of approximately US$1,035,000) in the consolidated statement of comprehensive income.

* These amounts are included in revenue.

NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS)

	2020 US$'000	2019 US$'000
Salaries, discretionary bonuses and benefits in kind (note)	3,129	3,883
Pension costs - defined contribution plans (note 28)	34	41
Share-based payment expenses (note 37)	95	—
	3,258	3,924

Note: No bonuses were paid in the financial years ended 31 December 2020 and 2019.

(a) Directors' and Chief Executive's emoluments

The remuneration of every Director and Chief Executive for the year ended 31 December 2020 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	Share-based payment expenses US$'000	Total US$'000
Executive Director						
Jamie Gibson	—	1,163	—	—	28	1,191
Non-Executive Directors						
James Mellon	19	122	—	—	3	144
Jayne Sutcliffe	16	—	—	—	3	19
Independent Non-Executive Directors						
David Comba	31	—	—	—	—	31
Julie Oates	31	—	—	—	3	34
Mark Searle	31	—	—	—	3	34
Total	128	1,285	—	—	40	1,453

NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS) (Continued)

(a) Directors' and Chief Executive's emoluments (Continued)

The remuneration of every Director and Chief Executive for the year ended 31 December 2019 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
Executive Director					
Jamie Gibson	—	1,500	—	—	1,500
Non-Executive Directors					
James Mellon	25	158	—	—	183
Jayne Sutcliffe	20	—	—	—	20
Independent Non-Executive Directors					
David Comba	40	—	—	—	40
Julie Oates	40	—	—	—	40
Mark Searle	40	—	—	—	40
Total	165	1,658	—	—	1,823

No Directors waived or agreed to waive any emoluments in respect of the years ended 31 December 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS) (Continued)

(b) Five highest paid individuals

Of the five highest paid individuals, one (2019: one) was Director of the Company and the remuneration has been included in the Directors' remuneration. The total emoluments payable to the five highest paid individuals for the year are as follows:

	2020 US$'000	2019 US$'000
Fees	—	—
Salaries and other emoluments	**2,439**	3,120
Pension costs - defined contribution plans	**5**	5
Share-based payment expenses	**47**	—
	2,491	3,125

The above remuneration of the top five individuals fell within the following bands:

		Number of individuals 2020	 2019
HK$1,500,001- HK$2,000,000	(US$193,396-US$257,862)	**2**	1
HK$2,000,001- HK$2,500,000	(US$257,862-US$322,327)	**1**	1
HK$3,000,001- HK$3,500,000	(US$386,792-US$451,258)	—	1
HK$4,000,001- HK$4,500,000	(US$515,723-US$580,188)	**1**	—
HK$5,500,001- HK$6,000,000	(US$709,119-US$773,585)	—	1
HK$9,000,001- HK$9,500,000	(US$1,160,377-US$1,224,842)	**1#**	—
HK$11,500,001- HK$12,000,000	(US$1,482,704-US$1,547,169)	—	1#
		5	5

Emoluments relate to a Director

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 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS) (Continued)

(c) Senior management

The emoluments paid or payable to members of senior management were within the following bands:

		Number of individuals 2020	2019
HK$1,500,001- HK$2,000,000	(US$193,396-US$257,862)	**1**	—
HK$2,000,001- HK$2,500,000	(US$257,862-US$322,327)	**1**	1
HK$3,000,001- HK$3,500,000	(US$386,792-US$451,258)	**—**	1
HK$4,000,001- HK$4,500,000	(US$515,723-US$580,188)	**1**	—
HK$5,500,001- HK$6,000,000	(US$709,119-US$773,585)	**—**	1
HK$9,000,001- HK$9,500,000	(US$1,160,377-US$1,224,842)	**1#**	—
HK$11,500,001- HK$12,000,000	(US$1,482,704-US$1,547,169)	**—**	1#
		4	4

Emoluments relate to a Director

8. FINANCE COSTS

	2020 US$'000	2019 US$'000
Imputed interest expense on interest-free shareholder's loan (note 26)	**40**	14
Interest expense on shareholders' loans (note 26)	**348**	94
Interest expense on lease liabilities (note 24)	**46**	36
Interest expense on overdue tax payable (note 34)	**274**	129
Implicit interest expense on convertible notes (note 25)	**998**	347
	1,706	620

9. TAX CREDIT/(TAXATION)

The amount of tax credit/(taxation) in the consolidated statement of comprehensive income represents:

	2020 US$'000	2019 US$'000
Outside Hong Kong		
– Current year credit/(charge)	**436**	(6,669)
Deferred tax credit (note 27)	**1,328**	5,404
Tax credit/(Taxation)	**1,764**	(1,265)

No provision for Hong Kong profits tax has been made in these financial statements as all the Group's companies which are subject to such tax have sustained losses for taxation purposes for the years ended 31 December 2020 and 2019. Overseas taxes are calculated at the rates applicable in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

9. TAX CREDIT/(TAXATION) (Continued)

The current tax charge of US$6,669,000 for the year ended 31 December 2019 represented the capital gains tax ("**CGT**") due to the settlement with the ATO in respect of the dispute arising from CGT payable on the disposal in 2013 of an investment in BC Iron Limited by the Group as announced on 18 March 2019 and 27 May 2019. Further details of the settlement with the ATO are set out in note 34.

A tax credit of approximately US$1,328,000 (2019: approximately US$5,404,000) represents the deferred tax credit of approximately US$1,941,000 (2019: approximately US$2,804,000) arising on the amortisation charge of approximately US$19,405,000 (2019: approximately US$28,047,000) for the year relating to the intangible asset of the patent Fortacin^{TM}, which was partially offset by the deferred tax charge of approximately US$613,000 on the reversal of impairment loss of approximately US$6,126,000 (2019: release of deferred tax of US$2,600,000 on the impairment loss of US$26,000,000) (referred to note 14) on the intangible asset made for the year.

Reconciliation between the Group's tax credit/(taxation) and accounting loss at applicable tax rates are as follows:

	2020 US$'000	2019 US$'000
Loss before taxation	**(26,160)**	(64,734)
Nominal tax on loss before taxation, calculated at the rate applicable to profits in the tax jurisdictions concerned	**2,759**	6,275
Income not subject to taxation	**9**	41
Expenses not deductible for taxation purposes	**(1,113)**	(223)
Tax effect of tax loss not recognised	**(327)**	(689)
Australian capital gains tax (note 34)	**—**	(6,669)
Tax credit on 2019 research and development expenses	**546**	—
Withholding tax on milestone income	**(110)**	—
Tax credit/(Taxation)	**1,764**	(1,265)

10. DIVIDENDS

No dividend was paid or proposed during the year of 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

11. LOSSES PER SHARE

The calculation of basic losses per share is based on the loss attributable to the shareholders for the year of approximately US$24,395,000 (2019: approximately US$66,048,000) and on the weighted average number of ordinary shares of 1,859,563,498 (2019: 1,837,251,182) in issue during the year.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes and the outstanding share options (2019: outstanding convertible notes) as they are anti-dilutive. Accordingly, diluted loss per share is the same as the basic loss per share for the years ended 31 December 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

12. GOODWILL

	2020 US$'000	2019 US$'000
At 1 January		
Gross carrying amount	**15,271**	15,271
Accumulated impairment	**(15,271)**	(15,271)
Net carrying amount	**—**	—
Carrying amount at 1 January	**—**	—
Acquisition of subsidiaries (note 35)	**5,700**	—
Impairment loss for the year	**(5,700)**	—
Net carrying amount at 31 December	**—**	—
At 31 December		
Gross carrying amount	**20,971**	15,271
Accumulated impairment	**(20,971)**	(15,271)
Net carrying amount	**—**	—

Goodwill of approximately US$15,271,000 as at 31 December 2019 arose from the acquisition of subsidiary and business in the coking coal industry in 2007 and was fully impaired in 2011.

On 14 December 2020, the Company acquired the entire issued ordinary share capital of Deep Longevity, Inc ("**DLI**") for a consideration of US$9,806,000. The purchase consideration was determined based on 422,687,680 new shares in the Company at the market price of the Company's shares at that date of HK$0.18 per share. The acquisition of DLI gave rise to a goodwill of approximately US$5,700,000. Further details of the acquisition are set out in note 35.

Under HKFRS, the Company is required to assess goodwill for impairment at each reporting date. For the purposes of goodwill impairment, DLI was considered to be the CGU for assessment purposes. The recoverable amount of the CGU was determined with reference to a value in use calculation using the Income Approach. Management of DLI prepared a five-year cash flow forecast for this purpose. Key assumptions underlying the valuation was a pre-tax discount rate of 62% and a growth rate for cash flows beyond the fifth year of 3%. The Company engaged an independent professional valuer to assist in this valuation exercise.

Based on these cash flow projections, the Company determined the recoverable amount of the CGU/DLI to be approximately US$4.30 million as at 31 December 2020. Accordingly, the Company considered all of the goodwill on acquisition of DLI to be fully impaired.

NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets US$'000	Furniture and fixtures US$'000	Computer and other equipment US$'000	Total US$'000
At 31 December 2018				
Cost	—	345	281	626
Accumulated depreciation	—	(345)	(204)	(549)
Net book amount	—	—	77	77
Year ended 31 December 2019				
Opening net book amount as at 1 January 2019	—	—	77	77
Initial application of HKFRS 16	903	—	—	903
Restated balance as at 1 January 2019	903	—	77	980
Additions	28	—	8	36
Disposals	—	—	(9)	(9)
Depreciation charge for the year	(573)	—	(47)	(620)
Depreciation written back on disposals	—	—	9	9
Foreign currency translation adjustment	2	—	(1)	1
Closing net book amount	360	—	37	397
At 31 December 2019				
Cost	937	345	285	1,567
Accumulated depreciation	(577)	(345)	(248)	(1,170)
Net book amount	360	—	37	397
Year ended 31 December 2020				
Opening net book amount	**360**	**—**	**37**	**397**
Additions	**1,372**	**—**	**7**	**1,379**
Disposals	**(912)**	**(13)**	**(29)**	**(954)**
Depreciation charge for the year	**(541)**	**—**	**(28)**	**(569)**
Depreciation written back on disposals	**912**	**13**	**29**	**954**
Foreign currency translation adjustment	**1**	**—**	**—**	**1**
Closing net book amount	**1,192**	**—**	**16**	**1,208**
At 31 December 2020				
Cost	**1,398**	**332**	**263**	**1,993**
Accumulated depreciation	**(206)**	**(332)**	**(247)**	**(785)**
Net book amount	**1,192**	**—**	**16**	**1,208**

NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Right-of-use assets

The Group entered into a number of lease agreements for the use of office premise and warehouse in Hong Kong with lease terms ranging from two to three years (2019: two to three years). The right-of-use assets comprise:

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Buildings	**1,192**	360

14. INTANGIBLE ASSETS

	Patent (Fortacin™)	Intellectual properties (Longevity)	Total US$'000
At 1 January 2019			
Cost	216,000	—	216,000
Accumulated amortisation	(78,916)	—	(78,916)
Net carrying amount	137,084	—	137,084
Year ended 31 December 2019			
Opening net carrying amount	137,084	—	137,084
Amortisation charge for the year	(28,047)	—	(28,047)
Impairment loss for the year	(26,000)	—	(26,000)
Closing net carrying amount	83,037	—	83,037
At 31 December 2019			
Cost	216,000	—	216,000
Accumulated amortisation and impairment	(132,963)	—	(132,963)
Net carrying amount	83,037	—	83,037
Year ended 31 December 2020			
Opening net carrying amount	**83,037**	**—**	**83,037**
Acquisition of subsidiaries (note 35)	**—**	**2,660**	**2,660**
Amortisation charge for the year	**(19,405)**	**(2)**	**(19,407)**
Reversal of impairment loss for the year	**6,126**	**—**	**6,126**
Foreign currency adjustment	**—**	**2**	**2**
Closing net carrying amount	**69,758**	**2,660**	**72,418**
At 31 December 2020			
Cost	**216,000**	**2,660**	**218,660**
Accumulated amortisation and impairment	**(146,242)**	**—**	**(146,242)**
Net carrying amount	**69,758**	**2,660**	**72,418**

NOTES TO THE FINANCIAL STATEMENTS

14. INTANGIBLE ASSETS (Continued)

As at 31 December 2020, intangible assets of approximately US$69,758,000 (2019: approximately US$83,037,000) represents patent Fortacin™, the principal asset of Plethora, which was acquired by the Group in 2016.

During the year ended 31 December 2020, the Group determined that there was a reversal of impairment loss of approximately US$6,126,000 on the intangible asset, Fortacin™, in respect of the CGU, Plethora, as the value in use figure determined as at 31 December 2020 was higher than the net carrying amount of the CGU. The recoverable amount of this CGU has been determined based on a value in use calculation with reference to a professional valuation performed by Grant Sherman Appraisal Limited ("**Grant Sherman**"), an independent expert valuation firm. The calculation was essentially the same basis/model as used to determine the fair value of the identifiable assets and liabilities of the CGU on its initial recognition at 9 March 2016 and covered a period either up to 2023 representing the remaining estimated useful life of the patent Fortacin™ or the licensing period estimated by management. The rates used to discount the cash flows forecast were in the range of 22% to 24% (2019: 21% to 24%).

The key assumptions for the value in use calculations were those regarding the discount rates, exchange rates, growth rates, royalty rates and launch dates in respect of the six (2019: five) major regions identified in management's business model and the premature ejaculation prevalence rates from 20% to 30% (2019: 20% to 30%).

The reversal of impairment loss was primarily due to the expected early launch date and the expected increase in selling price in the PRC market.

During the year ended 31 December 2019, impairment loss amounting to US$26,000,000 was primarily due to unexpected manufacturing issues, were resolved after the reporting date, which caused the delay on delivery of Fortacin™ product in certain European countries in a timely manner and resulted in the low level of royalty income received, and the further postponement for submitting the regulatory new drug applications in the PRC, the selected territories in Asia and the US respectively.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 US$'000	2019 US$'000
Unlisted equity securities	**—**	—

Movements in FAFVOCI are summarised as follows:

	2020 US$'000	2019 US$'000
As at 1 January	**282**	282
Fair value change recognised in other comprehensive income	**(282)**	(282)
As at 31 December	**—**	—

During the year ended 31 December 2019, there was a significant decline in the fair value of the Company's FAFVOCI such that the Directors considered that the investment was impaired. Accordingly, the fair value loss of approximately US$282,000 was recognised in the investment revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 US$'000	2019 US$'000
Held for trading – overseas		
Listed equities, at fair value	**2,490**	2,032
Unlisted club debenture, at fair value	**19**	19
	2,509	2,051

Movements in financial assets at fair value through profit or loss are as follows:

	2020 US$'000	2019 US$'000
As at 1 January	**2,051**	5,501
Disposals	**—**	(2,176)
Change in fair value (note 6)	**458**	(1,274)
As at 31 December	**2,509**	2,051

The fair value of listed equity investments was based on last quoted market prices at the reporting date. The fair value of unlisted club debenture was determined by reference to the recent market price at the reporting date.

Particulars of the Group's principal investment in listed equities as at 31 December 2020 and 2019 are as follows:

Name of company	Country of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company 2020	Percentage of equity interest attributable to the Company 2019	Carrying value at 31 December 2020	Carrying value at 31 December 2019
Venturex	Australia	386,846,516 ordinary shares	**6.17%**	8.44%	**US$2,385,000**	US$1,926,000

17. CASH AND BANK BALANCES

	2020 US$'000	2019 US$'000
Cash and balances with banks	**2,685**	205
Money at call and short notice	**14**	1
	2,699	206

NOTES TO THE FINANCIAL STATEMENTS

18. TRADE RECEIVABLES

	2020 US$'000	2019 US$'000
Trade receivables	**434**	15
Less: Impairment loss allowance	**—**	—
	434	15

The Group applies credit policies appropriate to the particular business circumstances concerned generally requires outstanding amounts to be paid within 20 to 30 days (2019: 20 to 30 days) of invoice.

As at 31 December 2020 and 2019, the ageing analysis of trade receivables, based on invoice dates, was as follows:

	2020 US$'000	2019 US$'000
Within 1 month	**434**	15

As at 31 December 2020 and 2019, the ageing analysis of trade receivables which are past due but not impaired is as follows:

	2020 US$'000	2019 US$'000
Current	**434**	15

The Group recognises impairment loss based on the accounting policy as set in note 3.9(ii).

The Group does not hold any collateral over trade receivables.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 US$'000	2019 US$'000
Prepayments, deposits and other receivables	**1,041**	574

The fair value of deposits and other receivables were the same as illustrated above.

The balance outstanding as at 31 December 2020 and 2019 were neither past due nor impaired.

NOTES TO THE FINANCIAL STATEMENTS

20. TRADE PAYABLES, DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	2020 US$'000	2019 US$'000
Trade payables	**427**	426
Deposits received, accruals and other payables	**4,421**	3,711
	4,848	4,137

At 31 December 2020 and 2019, the ageing analysis of the trade payables, based on their invoice dates, was as follows:

	2020 US$'000	2019 US$'000
Within 1 month or on demand	**322**	241
After 1 month but within 3 months	**100**	40
After 3 months but within 6 months	**5**	145
	427	426

The fair value of trade payables, deposits received, accruals and other payables approximates their respective carrying amounts at the reporting date.

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 2019 and 31 December 2020	**14,300,000,000**	**143,000**	**55,000,000**	**550**	**14,355,000,000**	**143,550**

Issued and fully paid:	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 2019	1,837,251,182	18,372	–	–	1,837,251,182	18,372
Issue and allotment of consideration shares upon completion of the acquisition of DLI (as defined in note 12 above)	422,687,680	4,227	–	–	422,687,680	4,227
Issue and allotment of new shares upon conversion of Convertible Notes (as defined in note 21(1) below)	139,482,353	1,395	–	–	139,482,353	1,395
At 31 December 2020	**2,399,421,215**	**23,994**	**–**	**–**	**2,399,421,215**	**23,994**

* These are 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.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(1) Share capital

(a) During the year ended 31 December 2020 and prior to the date of this report, there were no changes in the authorised share capital of the Company.

(b) As at 1 January 2020, the total issued ordinary share capital of the Company consisted of 1,837,251,182 shares.

During the year ended 31 December 2020, the Company issued and allotted an aggregate of 562,170,033 new shares, being:

(i) an aggregate of 422,687,680 shares issued and allotted on 14 December 2020 as consideration upon completion of two conditional share purchase agreements in relation to the acquisition of DLI by the Company, which constituted a discloseable transaction of the Company under Chapter 14 of the HK Listing Rules, the details of which were set out in the announcement and shareholders' circular issued by the Company on 2 September 2020 and 18 November 2020 respectively, the announcements issued on 9 and 14 December 2020 on the updates and in note 35 below; and

(ii) an aggregate of 139,482,353 shares issued and allotted on 28 December 2020 upon conversion of 4% coupon unlisted convertible notes due 2022 (the "**Convertible Note(s)**", having been issued and allotted by the Company on 23 August 2019 in the principal amount, in aggregate, of US$6.45 million) in the principal amount, in aggregate, of US$3.80 million.

During the year, no shares were repurchased by the Company.

Accordingly, as at 31 December 2020, the total issued ordinary share capital of the Company consisted of 2,399,421,215 shares.

(c) Subsequent to the year end date and prior to the date of this report, no new shares were issued and allotted by the Company, and no shares were repurchased by the Company.

(2) Share Option Scheme (2016)

A new share option scheme, named "Share Option Scheme (2016)" (the "**Share Option Scheme (2016)**"), was adopted on 10 June 2016, with shareholders' approval at the Company's extraordinary general meeting held on 8 June 2016, which was followed by the grant by the Listing Committee of the HK Stock Exchange on 10 June 2016 of the listing of, and permission to deal in, the shares to be issued pursuant to the exercise of the options to be granted under the scheme.

The Share Option Scheme (2016) 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.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(2) Share Option Scheme (2016) (Continued)

The total number of shares which may be issued upon exercise of all options to be granted under the scheme, 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 10% of the total issued ordinary share capital of the Company as at the commencement date of the scheme (or such proportion of the issued share capital of the Company as from time to time specified in the HK Listing Rules). Accordingly, the maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme (2016) shall not exceed 173,725,118 shares, being:

(i) 10% of the total issued ordinary share capital of the Company as at the commencement of the scheme (being 10 June 2016);

(ii) 7.24% of the Company's issued ordinary share capital as at 31 December 2020 and the date of this report; and

(iii) 6.75% of the enlarged ordinary share capital.

The Company may seek shareholders' approval at a general meeting for "refreshing" the 10% limit under the scheme so that the total number of shares which may be issued upon exercise of all options to be granted under the scheme, 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 10% of the total issued ordinary share capital of the Company as at the date of the 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 scheme 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.

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(s) who is/are the grantee(s) of the option(s)). 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.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(2) Share Option Scheme (2016) (Continued)

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 scheme 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, whether or not subject to fulfilment of the various targets as specified in the offer letters in relation to the grant of the individual options, 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 highest 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.

(a) Since the commencement of the Share Option Scheme (2016) (being 10 June 2016) and prior to 1 January 2020, no options were granted under the scheme.

(b) During the year ended 31 December 2020, the Company granted options in respect of an aggregate of 80,718,000 shares (2019: nil) under the Share Option Scheme (2016), being:

  (i) options, which were granted on 14 October 2020, entitling the holders (including the Company's Directors) to subscribe, in stages, for an aggregate of 62,718,000 ordinary shares at the exercise price of HK$0.149 per share (as detailed in the announcements issued by the Company on 15 and 20 October 2020); and

  (ii) an option, which was granted on 17 December 2020, entitling the holder (being a director of certain subsidiaries of the Group) to subscribe, in stages but subject to fulfilment of the various targets, for 18,000,000 ordinary shares at the exercise price of HK$0.183 per share (as detailed in the announcements issued by the Company on 18 and 30 December 2020).

Total fair value of options granted during the year, at the date of grant, was approximately US$930,000, of which approximately US$95,000 was charged to profit and loss. Further details as to how the fair value was determined and what portion was charged to profit and loss for the year are set out in note 37 below. During the current year, none of the outstanding options were vested; and no outstanding options lapsed (2019: nil) or were cancelled (2019: nil).

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(2) Share Option Scheme (2016) (Continued)

(b) (Continued)

Accordingly, as at 31 December 2020, under the Share Option Scheme (2016), there were outstanding options entitling the holders to subscribe for an aggregate of 80,718,000 ordinary shares at exercise prices ranging from HK$0.149 to HK$0.183 per share (31 December 2019: nil), representing approximately 3.36% (31 December 2019: nil) of the then issued share capital of the Company and approximately 3.25% (31 December 2019: nil) of the issued share capital of the Company as to be enlarged by the issue and allotment of the said number of new shares upon full exercise of the outstanding options. As noted above, none of these outstanding options were vested (31 December 2019: nil). Exercise in full of the outstanding options would result in the issue of 80,718,000 additional ordinary shares for aggregate proceeds, before expenses, of HK$12,638,982 (or approximately US$1,620,382).

(c) Subsequent to the year end date and prior to the date of this report, an option in respect of 4,000,000 shares at the exercise price of HK$0.149 per share lapsed on 8 January 2021 upon resignation of a full-time employee. None of the outstanding options were vested; no new options were granted; and no outstanding options were cancelled.

Accordingly, as at the date of this report, under the Share Option Scheme (2016), there are outstanding options entitling the holders to subscribe for an aggregate of 76,718,000 ordinary shares at exercise prices ranging from HK$0.149 to HK$0.183 per share, representing approximately 3.20% of the then issued share capital of the Company and approximately 3.10% of the issued share capital of the Company as to be enlarged by the issue and allotment of the said number of new shares upon full exercise of the outstanding options. None of these outstanding options were vested. Exercise in full of the outstanding options would result in the issue of 76,718,000 additional ordinary shares for aggregate proceeds, before expenses, of HK$12,042,982 (or approximately US$1,543,972).

Particulars of the options held under the Share Option Scheme (2016) by various eligible participants are as follows:

(i) Directors, Chief Executive and substantial shareholders

As at 1 January 2020, none of the Directors, the Chief Executive Officer (also the Executive Director) and substantial shareholders of the Company held any outstanding options under the scheme.

During the year ended 31 December 2020:

- Options were granted on 14 October 2020, entitling various Directors of the Company (including the Non-Executive Chairman, the Chief Executive Officer (also the Executive Director), a Non-Executive Director and two Independent Non-Executive Directors) to subscribe, in stages, for an aggregate of 25,718,000 ordinary shares at the exercise price of HK$0.149 per share (as detailed in the announcements issued by the Company on 15 and 20 October 2020), none of which were vested; and
- No outstanding options lapsed or were cancelled.

Accordingly, as at 31 December 2020, there were outstanding but unvested options entitling various Directors of the Company (as referred to above) to subscribe, in stages, for an aggregate of 25,718,000 ordinary shares at the exercise price of HK$0.149 per share.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(2) Share Option Scheme (2016) (Continued)

(i) Directors, Chief Executive and substantial shareholders (Continued)

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

Particulars of the options granted to and held by the Directors and the Chief Executive Officer of the Company are set out in details under the paragraph headed "Directors' Interests in Securities, Options and Convertible Notes" 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 shareholders of the Company (other than James Mellon who is also the Non-Executive Chairman of the Company), as referred to in the paragraph 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.

(ii) Full-time employees

As at 1 January 2020, none of the full-time employees of the Group (excluding the Directors of the Company) held any outstanding options under the scheme.

During the year ended 31 December 2020:

- Options were granted on 14 October 2020, entitling various full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for an aggregate of 37,000,000 ordinary shares at the exercise price of HK$0.149 per share (as detailed in the announcements issued by the Company on 15 and 20 October 2020), none of which were vested;
- An option was granted on 17 December 2020, entitling a full-time employee (being a director of certain subsidiaries of the Group) to subscribe, in stages but subject to fulfilment of the various targets, for 18,000,000 ordinary shares at the exercise price of HK$0.183 per share (as detailed in the announcements issued by the Company on 18 and 30 December 2020), which was unvested;
- No outstanding options lapsed or were cancelled.

Accordingly, as at 31 December 2020, there were outstanding but unvested options entitling various full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages (and, if appropriate, subject to fulfilment of the various targets), for an aggregate of 55,000,000 ordinary shares at exercise prices ranging from HK$0.149 to HK$0.183 per share.

Subsequent to the year end date and prior to the date of this report, no new options were granted and no outstanding options were cancelled. An option in respect of 4,000,000 shares at the exercise price of HK$0.149 per share lapsed on 8 January 2021 upon resignation of a full-time employee.

Accordingly, as at the date of this report, there are outstanding but unvested options entitling various full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages (and, if appropriate, subject to fulfilment of the various targets), for an aggregate of 51,000,000 ordinary shares at exercise prices ranging from HK$0.149 to HK$0.183 per share.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(2) Share Option Scheme (2016) (Continued)

(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 2020 or prior to the date of this report.

(iv) Suppliers of goods and services

No options were granted to or held by any suppliers of goods and services of the Company at any time during the year ended 31 December 2020 or prior to the date of this report.

(v) Other participants

No options were granted to or held by any participants other than those referred to in sub-paragraphs (i), (ii) and (iv) above at any time during the year ended 31 December 2020 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:

	2020	
	Number	Weighted average exercise price HK$
Outstanding at 1 January	—	—
Granted during the year	80,718,000	0.1566
Outstanding at 31 December	80,718,000	0.1566

No option has been exercised during the year ended 31 December 2020. All remaining share options as at 31 December 2020 have been accounted for under HKFRS 2. The numbers of options exercisable at the reporting dates are as follows:

	2020	
	Number	Weighted average exercise price HK$
– 31 December 2021	26,905,997	0.1566
– 31 December 2022	26,905,997	0.1566
– 31 December 2023	26,906,006	0.1566
Outstanding at 31 December	80,718,000	0.1566

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(2) Share Option Scheme (2016) (Continued)

The weighted average remaining contractual life of the outstanding options as of 31 December 2020 is 9.83 years.

In total, approximately US$95,000 of employee share-based payment expenses have been included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2020. No liabilities were recognised due to share-based payment transactions.

(3) Convertible Notes

(a) As detailed in the announcement and shareholders' circular issued by the Company on 29 May 2019 and 11 July 2019 respectively, the announcement issued on 23 August 2019 on the updates and this note 21(3), on 23 August 2019, the Company issued and allotted 4% coupon unlisted convertible notes due 2022 in the principal amount, in aggregate, of US$6.45 million, as reduced (the "**Convertible Note(s)**"), pursuant to two conditional subscription agreements entered into by the Company on 29 May 2019 with various subscribers (including the Company's Directors) (the "**Subscription Agreement(s)**").

The Convertible Notes were convertible into a maximum of 265,163,294 new shares (assuming that all Convertible Notes were converted on the maturity date (being 23 August 2022) and that any and all interest that would accrue was capitalised) at the conversion price of HK$0.2125 per share, representing approximately 14.43% of the then issued share capital of the Company and approximately 12.61% of the issued share capital of the Company as to be enlarged by the issue and allotment of the said maximum number of new shares.

(b) Since 23 August 2019 and prior to 31 December 2019, none of the noteholders converted their Convertible Notes and subscribed for the shares in the Company. However, on 31 December 2019, all noteholders elected to receive cash in respect of the accrued interest on the Convertible Notes for the period from 23 August 2019 to 31 December 2019, and accordingly, as at 1 January 2020, the maximum number of new shares to be issued and allotted upon full conversion of the Convertible Notes (assuming that all Convertible Notes were converted on the maturity date and that any and all interest that would accrue was capitalised for the remaining period from 1 January 2020 to 23 August 2022) reduced to 261,816,342 shares, representing approximately 14.25% of the then issued share capital of the Company and approximately 12.47% of the issued share capital of the Company as to be enlarged by the issue and allotment of the said maximum number of new shares.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(3) Convertible Notes (Continued)

(c) During the year ended 31 December 2020, the maximum number of new shares to be issued and allotted upon full conversion of the Convertible Notes in the principal amount, in aggregate, of US$6.45 million (assuming that all Convertible Notes were converted on the maturity date and that any and all interest that would accrue was capitalised on the maturity date) reduced due to the following changes:

(i) Convertible Notes in the principal amount, in aggregate, of US$3.80 million were converted into an aggregate of 139,482,353 ordinary shares on 28 December 2020;

(ii) there was unearned interest in respect of Convertible Notes that were converted (as referred to in Item (i) above), which, if it was capitalised on the maturity date, would be convertible into an aggregate of 9,354,862 ordinary shares; and

(iii) all noteholders elected to receive cash in respect of the interest accrued on the Convertible Notes for the period from 1 January 2020 to 31 December 2020, which, if it was capitalised on the maturity date, would be convertible into an aggregate of 9,301,968 ordinary shares.

Accordingly, as at 31 December 2020, the maximum number of new shares to be issued and allotted upon full conversion of the Convertible Notes in the principal amount, in aggregate, of US$2.65 million (assuming that all Convertible Notes were converted on the maturity date and that any and all interest that would accrue was capitalised on the maturity date) reduced to 103,677,159 shares, representing approximately 4.32% of the then issued share capital of the Company and approximately 4.14% of the issued share capital of the Company as to be enlarged by the issue and allotment of the said maximum number of new shares.

(d) Subsequent to the year end date and prior to the date of this report, none of the noteholders converted their Convertible Notes and subscribed for the shares in the Company.

(e) Principal terms of the Convertible Notes are as follows:

(1) Issuer:

The Company.

(2) Principal amount:

US$6,450,000, in one tranche (which includes the Convertible Notes to be issued against relinquishment of the Previously Advanced Funds (as defined and detailed in the announcement and the shareholders' circular issued on 29 May 2019 and 11 July 2019 respectively)).

(3) Denomination:

The Convertible Notes are in registered form in the denomination of US$50,000 each.

(4) Issue price:

100% of the principal amount of the Convertible Notes.

(5) Maturity date (the "**Maturity Date**"):

The date falling on the third anniversary of the date of issue (being 23 August 2022).

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(3) Convertible Notes (Continued)

(e) (Continued)

(6) Status:

The Convertible Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by mandatory provisions of applicable laws or regulations, at all times rank at least equally with all of its other present and future unsubordinated and unsecured obligations.

(7) Redemption:

(i) Redemption on Maturity Date: The Company will redeem each Convertible Note at 100% of its principal amount, together with any accrued interest thereon on the Maturity Date, unless previously redeemed, converted or purchased and cancelled as provided by the terms and conditions of the Convertible Notes.

(ii) Early redemption at the option of the Company: On giving not less than seven business days' notice to the noteholders, the Convertible Notes may be redeemed by the Company in whole or in part (if in part, in authorised holdings only) at 100% of their principal amount, together with interest accrued to the date fixed for redemption.

(iii) Redemption for Relevant Event: Following the occurrence of any of the following events (the "**Relevant Event(s)**"), each noteholder will have the option to require the Company to redeem all or in part (if in part, in authorised holdings only) of its Convertible Notes at 100% of their principal amount, together with interest accrued to the date fixed for redemption, on giving not less than seven business days' notice to the Company:

(a) the trading of the shares is suspended, or has been suspended, on the HK Stock Exchange for at least 10 consecutive trading days at any time during the previous 60 days, unless such suspension is related to a positive event for the Company, as determined by the calculation agent (as appointed in the Subscription Agreements);

(b) the shares cease to be listed on the HK Stock Exchange;

(c) there has been a change of control of the Company; or

(d) the Company fails to deliver any of the shares converted in accordance with the terms and conditions of the Convertible Notes.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(3) Convertible Notes (Continued)

(e) (Continued)

(8) Conversion:

Subject to and upon compliance with the terms and conditions of the Convertible Notes and the Subscription Agreements made between the subscribers and the Company, each Convertible Note entitles the noteholder to convert the Convertible Note into Conversion Shares at any time during the conversion period at the conversion price of HK$0.2125 per share (as detailed in sub-paragraph (9) below).

Notwithstanding the above, if:

(i) the Convertible Notes have become due and payable prior to the Maturity Date by reason of the occurrence of any Event of Default (as defined in sub-paragraph (10) below); or

(ii) any Convertible Note is not redeemed on the Maturity Date in accordance with the terms and conditions of the Convertible Notes,

the conversion rights attached to the Convertible Notes will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the certificate(s) evidencing the Convertible Notes are deposited for conversion) on the date upon which the full amount of the moneys payable in respect of the Convertible Notes have been duly received by the noteholders, in each case and at all times subject to the conditions set out in the Subscription Agreements made between the noteholders and the Company.

A noteholder may not request a conversion if:

(i) the number of Conversion Shares to be issued pursuant to a conversion notice results in a noteholder (and/or persons with whom that noteholder might then be acting in concert, presumed or otherwise, under The Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong (the "**HK Takeovers Code**")) having to make a mandatory general offer for the shares pursuant to the HK Takeovers Code; or

(ii) the shares of the Company held by the public, after Conversion Shares are issued on the intended conversion of Convertible Notes, would be less than the minimum public shareholding requirement under the HK Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(3) Convertible Notes (Continued)

(e) (Continued)

(9) Conversion price:

The conversion price is HK$0.2125 per share, which is subject to adjustments in the following conditions (with the formulae of the respective adjustments detailed in the shareholders' circular issued on 11 July 2019):

(i) consolidation, sub-division or re-classification;

(ii) capitalisation of profits or reserves;

(iii) distributions;

(iv) rights issues of shares or options over shares;

(v) rights issues of other securities;

(vi) issues at less than current market price;

(vii) other issues at less than current market price;

(viii) modification of rights of conversion etc.; and

(ix) other offers to shareholders.

The Company undertakes and agrees not to do any corporate actions other than those listed in (i) to (ix) above.

If a conversion date falls on the date on which an adjustment becomes effective, but the relevant adjustment has not been reflected in the then conversion price, the conversion price in respect of the conversion date shall be adjusted by using the same formulae and methods as set out in (i) to (ix) above. References to conversion price in adjustment related provisions in these conditions shall be deemed to include such conversion price as appropriate. In such case, for the avoidance of doubt, the conversion price in respect of such conversion and conversion date shall be the resultant conversion price after adjustment.

The Company shall, in consultation with the calculation agent (as appointed in the Subscription Agreements), adjust the maximum number of shares accordingly in a similar manner as it adjusts the conversion price, with a view to maintaining the economics of the Convertible Notes.

Note: Subsequent to the date of the Subscription Agreements, a supplemental letter was executed in March 2020 by the Company with each of the subscribers of the Convertible Notes, pursuant to which both parties acknowledged and confirmed that the applicable exchange rate of United States dollars to Hong Kong dollars to be used when calculating the number of shares to be issued and allotted upon valid exercise of any rights under the Convertible Notes should be US$1.00 = HK$7.80.

On the basis of this agreed exchange rate the conversion price of the Convertible Notes (being HK$0.2125) per share is equivalent to US$0.02724 per share.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(3) Convertible Notes (Continued)

(e) (Continued)

(10) Events of default ("**Event(s) of Default**"):

If, among others, any of the following events occurs and is continuing, the noteholders at their discretion may give notice to the Company that the Convertible Notes are, and they shall accordingly thereby become, immediately due and payable at their principal amount (with the details of the respective Events of Default set out in the shareholders' circular issued on 11 July 2019):

(i) non-payment; or

(ii) failure to deliver shares; or

(iii) breach of other obligations; or

(iv) cross-default; or

(v) enforcement proceedings; or

(vi) security enforced; or

(vii) winding-up; or

(viii) insolvency; or

(ix) authorisation and consents; or

(x) illegality; or

(xi) anti-money laundering; or

(xii) sanctions; or

(xiii) environmental and social risk; or

(xiv) analogous events.

NOTES TO THE FINANCIAL STATEMENTS

22. RESERVES

Group	Accumulated losses US$'000	Share premium US$'000	Convertible notes equity reserve US$'000	Investment revaluation reserve US$'000	Share-based payment reserve US$'000	Capital redemption reserve US$'000	Statutory and other reserves US$'000	Foreign currency exchange reserve US$'000	Total US$'000
At 1 January 2019	(186,375)	283,534	–	(1,425)	–	8,228	176	4,105	108,243
Foreign currency translation adjustment	–	–	–	–	–	–	–	(478)	(478)
Change in fair value of FAFVOCI (note 15)	–	–	–	(282)	–	–	–	–	(282)
Issue of convertible notes (note 25)	–	–	2,657	–	–	–	–	–	2,657
Deemed capital contribution arising from interest-free shareholder's loan (note 26)	–	–	–	–	–	–	39	–	39
Loss for the year	(66,048)	–	–	–	–	–	–	–	(66,048)
At 31 December 2019	(252,423)	283,534	2,657	(1,707)	–	8,228	215	3,627	44,131
Foreign currency translation adjustment	–	–	–	–	–	–	–	(482)	(482)
Shares issued for conversion of convertible notes (notes 21(1) and 25)	–	2,948	(1,565)	–	–	–	–	–	1,383
Shares issued for acquisition of subsidiaries (notes 21(1) and 35)	–	5,579	–	–	–	–	–	–	5,579
Equity-settled share-based payment transactions (note 37)	–	–	–	–	95	–	–	–	95
Loss for the year	(24,395)	–	–	–	–	–	–	–	(24,395)
At 31 December 2020	**(276,818)**	**292,061**	**1,092**	**(1,707)**	**95**	**8,228**	**215**	**3,145**	**26,311**

NOTES TO THE FINANCIAL STATEMENTS

22. RESERVES (Continued)

Company (note 39)	Accumulated losses US$'000	Share premium US$'000	Convertible notes equity reserve US$'000	Investment revaluation reserve US$'000	Share-based payment reserve US$'000	Capital redemption reserve US$'000	Other reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000
At 1 January 2019	(182,348)	285,799	–	(1,425)	–	8,228	–	1	110,255
Change in fair value of FAFVOCI (note 15)	–	–	–	(282)	–	–	–	–	(282)
Issue of convertible notes (note 25)	–	–	2,657	–	–	–	–	–	2,657
Deemed capital contribution arising from interest-free shareholder's loan (note 26)	–	–	–	–	–	–	39	–	39
Loss for the year	(76,162)	–	–	–	–	–	–	–	(76,162)
At 31 December 2019	(258,510)	285,799	2,657	(1,707)	–	8,228	39	1	36,507
Shares issued for conversion of convertible notes (notes 21(1) and 25)	–	2,948	(1,565)	–	–	–	–	–	1,383
Shares issued for acquisition of subsidiaries (notes 21(1) and 35)	–	5,579	–	–	–	–	–	–	5,579
Equity-settled share-based payment transactions (note 37)	–	–	–	–	95	–	–	–	95
Loss for the year	(19,833)	–	–	–	–	–	–	–	(19,833)
At 31 December 2020	**(278,343)**	**294,326**	**1,092**	**(1,707)**	**95**	**8,228**	**39**	**1**	**23,731**

NOTES TO THE FINANCIAL STATEMENTS

22. RESERVES (Continued)

The following describes the nature and purpose of each reserve within shareholders' 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.

(c) Convertible notes equity reserve

The convertible notes equity reserve comprises the carrying value of equity component of unconverted convertible notes issued by the Company which are recognised in accordance with the accounting policy adopted for convertible notes as disclosed in note 3.9(iv).

(d) Investment revaluation reserve

This represents accumulated gains and losses arising on the revaluation of FAFVOCI.

(e) Share-based payment reserve

Cumulative expenses recognised on the granting of share options over the vesting period.

(f) 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.

(g) Statutory and other reserves

This represents statutory reserve of approximately US$176,000 (2019: approximately US$176,000) and other reserve of approximately US$39,000 (2019: approximately US$39,000) as at 31 December 2020.

As stipulated by the relevant laws and regulations in the PRC, certain subsidiaries of the Company in the 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 the PRC.

During the year ended 31 December 2019, an interest-free one year US$800,000 loan from a shareholder was measured at fair value on inception resulting in a deemed capital contribution of US$39,000 which was credited to the other reserve (note 26).

(h) 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. BANK BORROWINGS

In May 2020, the Group's wholly-owned England based subsidiary borrowed a bank loan through the Bounce Back Loan Scheme launched by the Government of the UK, which was designed to support small and medium-sized businesses affected by COVID-19. The government guarantees 100% of the loan. There is no repayments and interest charges in the first twelve months of the loan. The bank loan, which is denominated in Great British Pound ("**GBP**"), is unsecured, interest bearing at 2.5% per annum for the following five years and repayable in May 2026.

The amounts payable based on the maturity terms of the bank loan is analysed as follows:

	2020 US$'000	2019 US$'000
Within one year	5	—
More than one year, but not exceeding two years	9	—
More than two years, but not exceeding five years	26	—
After five years	4	—
Balance at 31 December 2020	44	—
Less: Amount due within one year shown under current liabilities	(5)	—
Amount shown under non-current liabilities	39	—

24. LEASE LIABILITIES

	2020 US$'000	2019 US$'000
Current liabilities	448	359
Non-current liabilities	762	11
	1,210	370

	Present value US$'000	Interest US$'000	Minimum lease payments US$'000
At 31 December 2020			
Within one year	448	72	520
After one year but within two years	471	38	509
After two years but within five years	291	5	296
	1,210	115	1,325

NOTES TO THE FINANCIAL STATEMENTS

24. LEASE LIABILITIES (Continued)

	Present value US$'000	Interest US$'000	Minimum lease payments US$'000
At 31 December 2019			
Within one year	359	5	364
After one year but within two years	11	1	12
	370	6	376

During the year ended 31 December 2020, the total cash payments for the Group's lease arrangements amounted to approximately US$579,000, which comprised repayment of principal and interest elements of lease payments of approximately US$533,000 (2019: approximately US$565,000) and approximately US$46,000 (2019: approximately US$36,000) respectively.

Interest expenses on lease liabilities of approximately US$46,000 (2019: approximately US$36,000) has been recognised in finance costs during the year ended 31 December 2020 (note 8).

25. CONVERTIBLE NOTES

As explained in note 21(3), the Group issued a 4% coupon convertible notes with a principal amount of US$6,450,000 on 23 August 2019. The convertible notes are denominated in United States dollars and are unsecured. The convertible notes mature three years from the issue date at their principal amount or can be converted with accrued interests into ordinary shares of the Company at the note holder's option at a fixed price of HK$0.2125 per share on the outstanding principal. The Company may, having given not less than 7 business days' notice to the note holders, redeem the convertible notes in whole or in part in an authorised holding only, at 100% of the principal amount together with interest accrued to the date fixed for redemption. The gross proceeds of the convertible notes comprised: the release of total directors' and shareholders' loans of US$4,950,000 (note 26), the deferred salaries of the directors, Messrs. James Mellon and Jamie Gibson, of US$550,000 for the period from February to May 2019 and total proceeds from the unrelated third parties of US$950,000.

The fair values of the liability component and the equity conversion component were determined at the issuance of the convertible notes based on the valuation conducted by Grant Sherman on the convertible notes as at 23 August 2019. The fair value of the liability component, include in non-current financial liabilities, was calculated using a market interest rate for an equivalent non-convertible notes. The residual amount, representing the value of the equity conversion component, is included in equity as convertible notes equity reserve. The redemption option of the Company is not separated from the host debt because its economic characteristics and risks are closely related to those of the host debt and accordingly, is included in the liability component of the convertible notes.

NOTES TO THE FINANCIAL STATEMENTS

25. CONVERTIBLE NOTES (Continued)

The convertible notes recognised in the consolidated statement of financial position is calculated as follows:

	2020 US$'000	2019 US$'000
Equity conversion component:		
At 1 January	**2,657**	—
Equity component of convertible notes on initial recognition	**—**	2,685
Transaction costs incurred	**—**	(28)
Conversion of convertible notes	**(1,565)**	—
At 31 December	**1,092**	2,657
Liability component:		
At 1 January	**3,981**	—
Liability component of convertible notes on initial recognition	**—**	3,765
Transaction costs incurred	**—**	(40)
Conversion of convertible notes	**(2,778)**	—
Implicit interest expense recognised for the year (note 8)	**998**	347
Interest payable	**(254)**	(91)
At 31 December	**1,947**	3,981
Categories as:		
Current liabilities	**—**	—
Non-current liabilities	**1,947**	3,981
	1,947	3,981

On 28 December 2020, some note holders converted the convertible notes with a principal amount of US$3,800,000 into 139,482,353 ordinary shares of the Company at conversion price of HK$0.2125 per share (Note 21(3)(e)(9)) with the carrying amount of the liability and equity components of the convertible notes of US$2,778,000 and US$1,565,000 respectively at the date of conversion. The balance of convertible notes with a principal amount is US$2,650,000 as at 31 December 2020.

The interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 25.16% (2019: 25.16%) per annum to the liability component.

NOTES TO THE FINANCIAL STATEMENTS

26. SHAREHOLDER'S LOANS

The movements in shareholder's loans during the year are set out below:

	Notes	James Mellon US$'000	Jamie Gibson US$'000	Galloway US$'000	Total US$'000
Balance at 1 January 2019		—	—	—	—
Reclassification from trade payables, deposits received, accruals and other payables to loans from directors		100	50	—	150
Deferred directors' salaries included in trade payables, deposits received, accruals and other payables		50	500	—	550
Loans advanced during the year	(i)	1,520	300	5,900	7,720
Conversion of directors'/ shareholders' loans and deferred directors' salaries to convertible notes	(ii)	(1,650)	(850)	(3,000)	(5,500)
Interest-free loan advanced during the year	(iii)	—	—	800	800
Deemed capital contribution arising from interest-free shareholder's loan	(iii)	—	—	(39)	(39)
Repayment during the year		(20)	—	(71)	(91)
Gain arising from extinguishment of interest-free shareholder's loan (note 5)	(iii)	—	—	(90)	(90)
Imputed interest expense on interest-free shareholder's loan (note 8)		—	—	14	14
Interest expense (note 8)		30	5	59	94
Interest paid		—	(5)	—	(5)
Interest payable		(30)	—	(59)	(89)
Balance at 31 December 2019		—	—	3,514	3,514
Loans advanced during the year	(iv)	—	—	7,253	7,253
Imputed interest expense on interest-free shareholder's loan (note 8)		—	—	40	40
Interest expense (note 8)		—	—	348	348
Interest payable		—	—	(348)	(348)
Balance at 31 December 2020		—	—	10,807	10,807

NOTES TO THE FINANCIAL STATEMENTS

26. SHAREHOLDER'S LOANS (Continued)

Notes:

(i) These loans, which were borrowed in February to May 2019 and October 2019, were unsecured, interest bearing at 5% per annum and repayable on the date falling one year after the date of the respective loan agreement.

The loans from Galloway Limited ("**Galloway**") (a private limited liability company indirectly wholly-owned by Mr. James Mellon, a substantial shareholder who is also a director and chairman of the Company) as at 31 December 2019 included a US$2,900,000 loan borrowed in October 2019 was unsecured, interest bearing at 5% per annum and repayable on 7 October 2022.

(ii) In August 2019, the deferred directors' salaries of US$550,000 and the directors' and shareholders' loans of US$4,950,000 were converted into convertible notes (note 25).

(iii) In September 2019, a one-year unsecured interest-free loan with principal of US$800,000 was borrowed from Galloway. The loan was repayable on 5 September 2020.

The loan was initially recognised at fair value and subsequently stated at amortised cost which was estimated by discounting the nominal value of the loan at an effective interest rate of 5.116% per annum and accordingly, a deemed capital contribution arising from interest-free shareholder's loan of US$39,000 was credited to other reserve for the year ended 31 December 2019.

During the year ended 31 December 2019, the Company made partial repayment of US$71,000 and extended the repayment term to 5 September 2022. The Directors of the Company considered that such early repayment and extension of repayment term represented a substantial modification of the original loan and accordingly, extinguishment accounting was adopted to derecognise the existing loan and new loan was recognised at its fair value. As a result, the Group recognised a gain arising from extinguishment of interest-free shareholder's loan of US$90,000 as sundry income in profit or loss for the year (note 5).

(iv) The loans borrowed from Galloway from January 2020 to December 2020 included a series of loans amounting to US$7,253,000 are unsecured, interest bearing at 5% per annum and repayable from 24 January 2023 to 20 December 2023.

During the year ended 31 December 2020, the effective interest rates of the loans were in the range of 5.000% to 6.457% (2019: 5.000% to 5.123%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

27. DEFERRED TAX LIABILITIES

Deferred taxation is calculated on temporary differences under liability method using the rates of taxation prevailing in the countries in which the Group's subsidiaries operate.

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Fair value adjustments on recognition of intangible asset arising from the acquisition of subsidiaries	
	2020	**2019**
	US$'000	**US$'000**
At 1 January	**8,304**	13,708
Acquisition of subsidiaries (note 35)	**369**	—
Credited to profit or loss (note 9)	**(1,328)**	(5,404)
At 31 December	**7,345**	8,304

The amount credited to profit or loss relates to the amortisation of intangible asset of Fortacin™ and the reversal of impairment loss of US$6,126,000 (2019: impairment loss of US$26,000,000) on the intangible asset of Fortacin™ made during the year ended 31 December 2020.

As at 31 December 2020, certain subsidiaries incorporated in the UK of the Group have unused tax losses of approximately US$80 million (2019: approximately US$77 million). No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The unused tax losses arising from the subsidiaries incorporated in the UK will not expire under current tax legislation and can be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

28. RETIREMENT BENEFIT OBLIGATIONS

The Group (excluding Plethora and its subsidiaries) 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 expended 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 2020, the Group's contributions (excluding Plethora) were approximately US$23,000 (2019: approximately US$23,000) (note 7). There were no forfeited contributions during the year (2019: nil).

For the Group's subsidiaries operating in the UK, pensions to certain employees are provided through contributions to individual personal pension plans. A defined contribution plan is a pension plan under which the UK subsidiaries pay fixed contributions into an independent entity. The UK subsidiaries have no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of personal pension plans are expended as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature. During the year ended 31 December 2020, Plethora's contributions were approximately US$11,000 (2019: approximately US$18,000) (note 7).

29. CAPITAL COMMITMENTS

The Group has no material capital commitments as at 31 December 2020 and 2019.

30. CONTINGENT LIABILITIES

Save as those disclosed in note 34, the Group has no other material contingent liabilities as at 31 December 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

31. 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 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:

At 31 December 2020	US$'000 GBP	US$'000 AUD	US$'000 CAD
Cash and bank balances	5	—	—
FAFVPL	—	2,488	2
Prepayments, deposits and other receivables	1	—	—
Accruals and other payables	(3)	(439)	—
Bank borrowings	(44)	—	—
Current net exposures	(41)	2,049	2

At 31 December 2019	US$'000 GBP	US$'000 AUD	US$'000 CAD
Cash and bank balances	1	—	—
FAFVPL	—	2,027	5
Prepayments, deposits and other receivables	1	—	—
Accruals and other payables	(8)	(129)	—
Current net exposures	(6)	1,898	5

NOTES TO THE FINANCIAL STATEMENTS

31. 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).

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in net profit US$'000
At 31 December 2020		
If US$ weaken against GBP	**5**	**2**
If US$ strengthen against GBP	**(5)**	**(2)**
If US$ weaken against AUD	**5**	**102**
If US$ strengthen against AUD	**(5)**	**(102)**
If US$ weaken against CAD	**5**	**—**
If US$ strengthen against CAD	**(5)**	**—**
At 31 December 2019		
If US$ weaken against GBP	5	—
If US$ strengthen against GBP	(5)	—
If US$ weaken against AUD	5	95
If US$ strengthen against AUD	(5)	(95)
If US$ weaken against CAD	5	—
If US$ strengthen against CAD	(5)	—

Credit risk

The Group's credit risk is primarily attributable to its trade receivables, deposits and other receivables, balances with banks and investments in listed and unlisted securities. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

(i) Balances with banks

The Group expects that there is no significant credit risk associated with cash deposits at banks as they are substantially deposited at reputable banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward-looking information.

(iii) Deposits and other receivables

The Group makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group's outstanding balances of deposits and other receivables.

(iv) Investments in listed and unlisted securities

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 has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. The Group considers available reasonable and supportive forwarding-looking information and especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on the debtor; and
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

(iv) Investments in listed and unlisted securities (Continued)

For the year ended 31 December 2020, there was no loss allowance provision recognised in profit or loss (2019: nil). As at 31 December 2020, the loss allowance provision is nil (2019: nil).

As at 31 December 2020, the Group has a concentration of credit risk on trade receivables from the Group's top trade receivable of US$240,000 and the top two trade receivables of US$434,000 representing 55% and 100% of the total trade receivables respectively (2019: the top trade receivable of US$15,000 and representing 100% of the total trade receivables). The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group's other receivables are actively monitored to avoid significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance, if any.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 18.

Liquidity risk

The following table details the remaining contractual maturities at the reporting date of the Group's non-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:

At 31 December 2020	Carrying amount US$'000	Total contractual undiscounted cash flows US$'000	Within 1 year or on demand US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	After 5 years US$'000
Trade payables	427	427	427	—	—	—
Accruals and other payables	4,421	4,421	4,421	—	—	—
Bank borrowings	44	47	6	10	27	4
Lease liabilities	1,210	1,325	520	509	296	—
Convertible notes	1,947	2,825	—	2,825	—	—
Shareholder's loans	10,807	12,380	—	3,310	9,070	—
	18,856	21,425	5,374	6,654	9,393	4

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

At 31 December 2019	Carrying amount US$'000	Total contractual undiscounted cash flows US$'000	Within 1 year or on demand US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000
Trade payables	426	426	426	—	—
Accruals and other payables	3,711	3,711	3,711	—	—
Lease liabilities	370	376	364	12	—
Convertible notes	3,981	7,133	—	—	7,133
Shareholder's loans	3,514	4,110	—	—	4,110
	12,002	15,756	4,501	12	11,243

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. As disclosed in note 3.1 to the consolidated financial statements, the Company's Directors have taken steps to ensure the Group has sufficient liquidity to meet its obligations. Based on these actions, the Group believes it will have sufficient working capital and financial resources to satisfy its future working capital for the foreseeable future to continue as a going concern.

Interest rate risk

The Group has no long-term external borrowings which bear floating interest rates. The Group's exposure to interest rate risk relates primarily to its bank loan, convertible notes and shareholder's loans which are denominated in GBP and US$ respectively. The interest rate and terms of repayments of bank loan, convertible notes and shareholder's loans are disclosed in notes 23, 25 and 26, respectively. The Group did not use any financial instruments to hedge potential fluctuations in interest rate.

Sensitivity analysis

At 31 December 2020, 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 loss after tax and accumulated losses by approximately US$151,000 (2019: approximately US$38,000). The general increase/decrease in interest rate would have no significant impact on other components of the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 measurement of the Group's financial assets and liabilities utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurement are categorised into different levels based on how observable the inputs used in the fair value hierarchy are:

– 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 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 financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

As at 31 December 2020

	Notes	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets measured at fair value					
Unlisted club debenture	(a)	**—**	**19**	**—**	**19**
Listed equity investments	(b)	**2,490**	**—**	**—**	**2,490**
		2,490	**19**	**—**	**2,509**

As at 31 December 2019

	Notes	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets measured at fair value					
Unlisted club debenture	(a)	—	19	—	19
Listed equity investments	(b)	2,032	—	—	2,032
		2,032	19	—	2,051

There were no significant transfers among levels of the fair value hierarchy during the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value were unchanged compared to the previous reporting periods.

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation (Continued)

(a) Unlisted club debenture

The unlisted club debenture is denominated in Hong Kong dollars. The fair value was determined by reference to the recent market price at the reporting date and was translated using the spot foreign currency rate at the end of the reporting period where appropriate.

(b) Listed equity investments

The listed equity securities are denominated in Canadian and Australian dollars. Fair values were determined by reference to the last quoted market prices at the reporting date and were translated using the spot foreign currency rates at the end of the reporting period where appropriate.

The movements in fair value measurement within Level 3 during the year are as follows:

FAFVOCI (unlisted equity investments)

	2020 US$'000	2019 US$'000
At 1 January	—	282
Fair value change recognised in other comprehensive income	—	(282)
At 31 December	—	—

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 approximately US$2,490,000 classified as FAFVPL (2019: approximately US$2,032,000).

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 and Canada. 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 2020, if equity prices had increased/decreased by 20% and all other variables were held constant, loss for the year would decrease/increase by approximately US$498,000 (2019: approximately US$406,000). 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

31. 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 may also be categorised as follows.

	2020 US$'000	2019 US$'000
(i) Financial assets		
Non-current assets		
FAFVOCI	—	—
Current assets		
FAFVPL	2,509	2,051
Financial assets measured at amortised cost:		
– Cash and bank balances	2,699	206
– Trade receivables	434	15
– Deposits and other receivables*	920	425
	6,562	2,697
	6,562	2,697
(ii) Financial liabilities		
Current liabilities		
Financial liabilities measured at amortised cost:		
– Trade payables, accruals and other payables	4,848	4,137
– Lease liabilities	448	359
– Bank borrowings	5	—
	5,301	4,496
Non-current liabilities		
– Lease liabilities	762	11
– Convertible notes	1,947	3,981
– Shareholder's loans	10,807	3,514
– Bank borrowings	39	—
	13,555	7,506
	18,856	12,002

* Excluded from prepayments, deposits and other receivables as disclosed in the consolidated statement of financial position of approximately US$1,041,000 (2019: approximately US$574,000) is an amount of approximately US$121,000 (2019: approximately US$149,000) representing prepayments.

NOTES TO THE FINANCIAL STATEMENTS

32. 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 shareholders as capital, for capital management purpose. The amount of capital as at 31 December 2020 amounted to approximately US$50,305,000 (2019: approximately US$62,503,000), which management considers as satisfactory having considered the projected capital expenditures and the projected strategic investment opportunities.

33. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties:

	2020 US'000	2019 US$'000
Gain arising from extinguishment of interest-free shareholder's loan	—	90
Implicit interest expenses on convertible notes to Galloway^	**462**	42
Implicit interest expenses on convertible notes to James Mellon	**254**	23
Implicit interest expenses on convertible notes to Jamie Gibson	**131**	12
Interest expenses on shareholders' loan to Galloway^	**348**	59
Interest expenses on shareholders' loan to James Mellon	—	30
Interest expenses on shareholders' loan to Jamie Gibson	—	5
Imputed interest expense on interest-free shareholder's loan from Galloway^	**40**	14
Management service fee charge by a related company, Burnbrae Limited#	**17**	28

The above transactions were conducted on mutually agreed terms.

Mr. James Mellon, a Non-executive Director and Chairman of the Company, has beneficial interest in Burnbrae Limited.

^ Galloway, being a company indirectly wholly-owned by the trustee of a settlement, of which Mr. James Mellon is a substantial shareholder who is also a director and Chairman of the Company, is the sole beneficiary.

NOTES TO THE FINANCIAL STATEMENTS

33. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

In April 2019, the Company disposed of certain FAFVPL, representing 1,217,685 shares of Venturex to Mr. Jamie Gibson for an amount of cash consideration of approximately A$0.27 million (or approximately US$0.19 million), resulting in a gain on disposal of approximately US$40,000 for the year ended 31 December 2019.

In April, July and December 2019, the Company disposed of certain FAFVPL, representing an aggregate of 9,408,501 shares of Venturex to Mr. James Mellon and Galloway for an aggregate amount of cash consideration of approximately A$1.80 million (or approximately US$1.24 million), resulting in a gain on disposal of approximately US$1,000 for the year ended 31 December 2019.

Save as disclosed above, the Group has no other material related party transactions for the year.

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 consolidated financial statements.

34. CHARGE ON ASSETS

As announced on 18 March 2019, the Company entered into a settlement agreement with the ATO in respect of the dispute as set out in note 9 for an amount of A$9.50 million (or approximately US$6.67 million), payable within 90 days of the date of the settlement agreement.

As announced on 27 May 2019, the Company entered into the deed of instruction and release with the ATO, pursuant to which the previously charged securities have been released from security to permit their sale and apply the funds realised towards the settlement amount of A$9.50 million (or approximately US$6.67 million).

In addition, the Company entered into an amendment agreement with the ATO amending the settlement agreement to extend the due date for the payment of the settlement amount from 17 June 2019 to 1 August 2019. Such extension is necessary due to the length of time required to agree the above-mentioned deed of instruction and release.

On 12 August 2019, the ATO further agreed to extend the settlement date to 31 August 2019, after which penalty interest will apply to any unpaid portion of the settlement amount.

Up to 31 December 2020, the Company has repaid approximately A$4.56 million (or approximately US$3.20 million) (2019: approximately A$4.56 million or US$3.20 million) to the ATO, and the remaining balance of approximately A$4.94 million (or approximately US$3.80 million) (2019: approximately A$4.94 million or US$3.47 million) remained unsettled and interest expenses on overdue tax of approximately A$396,000 (or approximately US$274,000) has been provided for during the year ended 31 December 2020 (2019: approximately A$183,000 (or approximately US$129,000)) (note 8). The Company anticipates paying the remaining portion of approximately A$4.94 million (or approximately US$3.80 million) and any accrued interests during 2021.

None of the Group's assets was pledged as at 31 December 2020 (2019: nil).

NOTES TO THE FINANCIAL STATEMENTS

35. BUSINESS COMBINATION

On 14 December 2020, the Company acquired the entire issued share capital of DLI by way of the issuance of 422,687,680 new shares in the Company. DLI is developing explainable and user-friendly AI systems to track the rate of aging at the molecular, cellular, tissue, organ, system, physiological and psychological levels. It is also developing systems for the emerging field of longevity medicine enabling physicians to make better decisions on the interventions that may slow down or reverse the aging processes. DLI has also developed Longevity as a Service (LaaS)© solution to integrate multiple deep biomarkers of aging dubbed "deep aging clocks" to provide a universal multifactorial measure of human biological age. The acquisition was made to expand the Group's business into the global wellness market. The Group obtained control over DLI on the date of completion of the acquisition.

Further details of the acquisition of DLI can be found in the Company's announcements dated 2 September 2020 and 14 December 2020 and circular dated 18 November 2020.

The fair value of identifiable assets and liabilities of DLI as at the date of acquisition were as follows:

	US$'000	US$'000
Net assets acquired:		
Intangible asset (note 14)	2,660	
Cash and bank balances	1,834	
Accounts payable, accruals and other payables	(19)	
Deferred tax liability (note 27)	(369)	4,106
Satisfied by:		
Fair value of consideration shares issued		9,806
Goodwill arising on acquisition (note 12)		5,700
Net cash inflow arising on acquisition:		
Cash and bank balances acquired		1,834

The Group has measured the fair value of DLI's intangible asset, IP at US$2,660,000, at the acquisition date, with reference to a professional valuation report prepared by Armanino LLP, an independent expert valuation firm. In DLI's books, this IP had a carrying value of US$438,000. The difference between the fair value and book value of IP gave rise to deferred tax liability on acquisition of DLI of US$369,000. The fair value was determined by applying the income approach, specifically the multi-period excess earnings method with a discount rate of 40%. Other key assumptions underlying the valuation were tax rate and contributory asset charge rate.

The fair value of the consideration shares issued of US$9,806,000 was determined by reference to the Company's share price of HK$0.18 per share at 14 December 2020 multiplied by 422,687,680 new shares (note 21(1)), rendering DLI a wholly-owned subsidiary of the Group.

Goodwill of approximately US$5,700,000 arose on this acquisition is not deductible for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

35. BUSINESS COMBINATION (Continued)

The acquisition-related costs of approximately US$75,000, which comprise primarily professional and consulting fees, have been charged to profit or loss for the year ended 31 December 2020.

The acquired business did not contribute any revenue for 2020 and generated a loss after tax of approximately US$117,000 to the Group for the period from 14 December 2020 to 31 December 2020. The Directors of the Company considered that based on the impairment testing, an impairment loss of approximately US$5,700,000 has been recognised in profit or loss for the goodwill attributable to the CGU. Further details are set out in note 12.

Had the acquisition occurred on 1 January 2020, the Group's revenue and loss after tax would have been approximately US$1.69 million and approximately US$25.95 million respectively for the year ended 31 December 2020. The proforma information is for illustrative purposes and is not necessarily an indication of revenue and the results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	Shareholder's loans US$'000 (note 26)	Convertible notes US$'000 (note 25)	Lease liabilities US$'000 (note 24)	Bank borrowings US$'000 (note 23)	Total US$'000
At 1 January 2020	3,514	3,981	370	—	7,865
Changes from cash flows:					
Proceeds from shareholders' loans	7,253	—	—	—	7,253
Proceeds from bank borrowings	—	—	—	44	44
Interest paid on convertible notes	—	(91)	—	—	(91)
Interest paid on shareholders' loans^	(89)	—	—	—	(89)
Payment of principal element of lease payments	—	—	(533)	—	(533)
Payment of interest element of lease payments	—	—	(46)	—	(46)
Total changes from financing cash flows	7,164	(91)	(579)	44	6,538
Exchange differences	—	—	1	—	1

NOTES TO THE FINANCIAL STATEMENTS

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Reconciliation of liabilities arising from financing activities (Continued)

	Shareholder's loans US$'000 (note 26)	Convertible notes US$'000 (note 25)	Lease liabilities US$'000 (note 24)	Bank borrowings US$'000 (note 23)	Total US$'000
Other changes:					
Conversion of convertible notes	—	(2,778)	—	—	(2,778)
Imputed interest expense on interest-free shareholder's loan	40	—	—	—	40
Interest expenses on shareholders' loans^	348	—	—	—	348
Interest payable on shareholders' loans^ (net of interest paid of US$89,000)	(259)	—	—	—	(259)
Implicit Interest expenses of convertible notes	—	998	—	—	998
Interest payable on convertible notes^ (net of interest paid of US91,000)	—	(163)	—	—	(163)
Addition of new lease	—	—	1,372	—	1,372
Interest expenses of lease liabilities	—	—	46	—	46
Total other changes	129	(1,943)	1,418	—	(396)
At 31 December 2020	10,807	1,947	1,210	44	14,008

^ These items are included in trade payables, deposits received, accruals and other payables as presented in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Reconciliation of liabilities arising from financing activities (Continued)

	Shareholder's loans US$'000 (note 26)	Convertible notes US$'000 (note 25)	Lease liabilities US$'000 (note 24)	Total US$'000
At 31 December 2018	—	—	—	—
Adoption of HKFRS 16 Leases	—	—	903	903
At 1 January 2019	—	—	903	903
Changes from cash flows:				
Reclassification trade payables, deposits received, accruals and other payables to directors' loans	150	—	—	150
Proceeds from shareholders' loans	8,520	—	—	8,520
Repayment of shareholders' loans	(91)	—	—	(91)
Proceeds from issue of convertible notes	—	950	—	950
Transaction costs on issue of convertible notes	—	(68)	—	(68)
Interest paid on shareholders' loans	(5)	—	—	(5)
Payment of principal element of lease payments	—	—	(565)	(565)
Payment of interest element of lease payments	—	—	(36)	(36)
Total changes from financing cash flows	8,574	882	(601)	8,855
Exchange differences	—	—	4	4

NOTES TO THE FINANCIAL STATEMENTS

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Reconciliation of liabilities arising from financing activities (Continued)

	Shareholder's loans US$'000 (note 26)	Convertible notes US$'000 (note 25)	Lease liabilities US$'000 (note 24)	Total US$'000
Other changes:				
Release of shareholders' loans for the purchase of convertible notes	(4,950)	4,950	—	—
Release of accrued directors' salaries for the purchase of convertible notes (included in trade payables, deposits received, accruals and other payables)	—	550	—	550
Equity component of convertible notes	—	(2,657)	—	(2,657)
Deemed capital contribution arising from interest-free shareholder's loan	(39)	—	—	(39)
Gain arising from extinguishment of interest-free shareholder's loan	(90)	—	—	(90)
Imputed interest expense on interest-free shareholder's loan	14	—	—	14
Interest expenses on shareholders' loans	94	—	—	94
Interest payable on shareholders' loans	(89)	—	—	(89)
Implicit interest expenses of convertible notes	—	347	—	347
Interest payable on convertible notes^	—	(91)	—	(91)
Addition of new lease	—	—	28	28
Interest expenses of lease liabilities	—	—	36	36
Total other changes	(5,060)	3,099	64	(1,897)
At 31 December 2019	3,514	3,981	370	7,865

^ These items are included in trade payables, deposits received, accruals and other payables as presented in the consolidated statement of financial position.

Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of approximately US$1,372,000 (2019: approximately US$28,000) and approximately US$1,372,000 (2019: approximately US$28,000) respectively, in respect of lease arrangements for office premises.

During the year ended 31 December 2019, the Directors' and shareholders' loans of US$4,950,000 and the deferred salaries of the directors, Messrs. James Mellon and Jamie Gibson, of US$550,000 for the period from February to May 2019 were released for the purchase of convertible notes (note 25).

NOTES TO THE FINANCIAL STATEMENTS

37. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

As set out in note 21(2), the Company has a share option scheme for eligible participants of the Group, including directors, executives, employees, consultants and service providers of the Company and its subsidiaries.

On 14 October 2020, the Company granted 62,718,000 share options to Directors, employees and other eligible participants with an exercise price of HK$0.149 per share. The share options vest over a period of three years starting from the date of the grant by one-third each anniversary and are fully vested on 14 October 2023. The share options granted are exercisable after one year but not exceeding ten years from the date of the grant.

On 17 December 2020, the Company granted 18,000,000 share options to a director of certain subsidiaries of the Group with an exercise price of HK$0.183 per share. The share options granted are exercisable after one year but not exceeding ten years from the date of the grant. Within such exercise period, the option holder is entitled to exercise:

(i) as to one-third after the first anniversary date of the date of grant, provided that the Food and Drug Administration ("**FDA**") of the United States has approved the start of the Phase III clinical trial for Fortacin™;

(ii) as to one-third after an "out licencing deal" for the United States has been signed and announced; and

(iii) as to one-third on the successful completion of Study 008 (defined to mean it meets its primary and secondary end points) and the FDA of the United States has granted the new drug approval for Fortacin™.

The fair value of the options granted on 14 October 2020 and 17 December 2020 was calculated by an external valuer using the Binomial Model. The assumptions used were as follows:

	Granted on 14 October 2020	Granted on 17 December 2020
Grant date share price	HK$0.149	HK$0.179
Exercise price	HK$0.149	HK$0.183
Expected volatility	64%	64%
Contractual option life	10 years	10 years
Risk-free rate	0.598%	0.754%
Expected dividend yield	0%	0%

The expected volatility is based on historical price volatility of the Company in the past few years. The risk-free rate is the yields of Hong Kong interest rate swap curve as extracted from Bloomberg as at the grant dates. The dividend yield of the Company of 0% was adopted.

NOTES TO THE FINANCIAL STATEMENTS

37. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 14 October 2020 and 17 December 2020 was approximately HK$5,317,000 (or approximately US$686,000) and HK$1,890,000 (or approximately US$244,000) respectively. For the year ended 31 December 2020, the Company has recognised total share-based payment expenses of approximately US$95,000 (2019: nil) in profit or loss (note 7).

The assumptions used in computing the fair value of the share options are based on management's best estimate. The valuation of options is dependent upon a number of variables using subjective assumptions. Any changes in the variables may materially affect the estimation of the fair value of an option.

There was no market vesting condition associated with the options granted.

The movement in the number of share options under the share options scheme are as follows:

For the year ended 31 December 2020

Grantees	Date of grant	Exercise price HK$	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2020
Directors	14.10.2020	0.149	—	**25,718,000**	—	—	**25,718,000**
Other eligible participants	14.10.2020	0.149	—	**37,000,000**	—	—	**37,000,000**
Other eligible participants	17.12.2020	0.183	—	**18,000,000**	—	—	**18,000,000**
			—	**80,718,000**	—	—	**80,718,000**
			—	**HK$0.1566**	—	—	**HK$0.1566**

As at 31 December 2020, the total number of share options outstanding were 80,718,000 (2019: nil).

For the share options outstanding as at 31 December 2020, the weighted average remaining contractual life was 9.83 years.

NOTES TO THE FINANCIAL STATEMENTS

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2020 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 activities
			Direct	Indirect	
Directly held:					
Deep Longevity, Inc	Cayman Islands	Ordinary shares of US$0.0001	**100%**	N/A	Investment holding
Interman Holdings Limited	British Virgin Islands	Ordinary shares of US$41,500	**100%**	100%	Investment holding
MinMetallurgical Consultants Limited	British Virgin Islands	Ordinary share of US$1	**100%**	100%	Inactive
Regent (Australia) Limited	Cayman Islands	Ordinary share of US$1	**100%**	100%	Investment holding
Regent Coal (Holdings) Limited	Cayman Islands	Ordinary share of US$1	**100%**	100%	Investment holding
Regent Corporate Finance Limited	Cayman Islands	Ordinary shares of US$2	**100%**	100%	Corporate finance
Regent Financial Services Limited	Hong Kong	HK$5 million	**100%**	100%	Provision of management services
Regent Pacific Group (Hong Kong) Limited	Hong Kong	HK$5 million	**100%**	100%	Provision of management services
RPG (Bahamas) Limited	Bahamas	Ordinary shares of US$134,220	**100%**	100%	Investment holding
Plethora Solutions Holdings plc	United Kingdom	Ordinary shares of GBP 8,944,977	**100%**	100%	Development and marketing of products for the treatment and management of urological disorders

NOTES TO THE FINANCIAL STATEMENTS

38. 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 activities
			Direct	Indirect	
Indirectly held:					
Amerinvest Coal Industry Holding Company (BVI) Limited	British Virgin Islands	Ordinary share of US$1	**100%**	100%	Investment holding
Amerinvest Coal Industry Holding Company Limited	British Virgin Islands	Ordinary shares of US$10,000	**100%**	100%	Investment holding
Deep Longevity Limited	Hong Kong	Ordinary shares of US$100	**100%**	N/A	Developing AI systems to track the rate of aging at the molecular, cellular, tissue, organ, system, physiological and psychological levels
Plethora Solutions Limited	United Kingdom	Ordinary shares of GBP 152	**100%**	100%	Development and marketing of products for the treatment and management of urological disorders
Plethora Pharma Solutions Limited	Ireland	Ordinary shares of EUR 100	**100%**	100%	Development and marketing of products for the treatment and management of urological disorders

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.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 US$'000	2019 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		**64,450**	69,644
Financial assets at fair value through other comprehensive income		**—**	—
		64,450	69,644
Current assets			
Amounts due from subsidiaries		**6,775**	3,969
Financial assets at fair value through profit or loss		**2,509**	2,051
Prepayments, deposits and other receivables		**169**	139
Cash and bank balances		**85**	112
		9,538	6,271
Current liabilities			
Amounts due to subsidiaries		**(5,856)**	(6,822)
Trade payables, deposits received, accruals and other payables		**(3,849)**	(3,248)
Tax payable		**(3,804)**	(3,471)
		(13,509)	(13,541)
Net current liabilities		**(3,971)**	(7,270)
Non-current liabilities			
Convertible notes		**(1,947)**	(3,981)
Shareholder's loans		**(10,807)**	(3,514)
		(12,754)	(7,495)
Net assets		**47,725**	54,879
EQUITY			
Capital and reserves			
Share capital	21	**23,994**	18,372
Reserves	22	**23,731**	36,507
Total equity		**47,725**	54,879

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2021 and was signed on its behalf.

James Mellon
Chairman

Jamie Gibson
Executive Director

NOTES TO THE FINANCIAL STATEMENTS

40. IMPACT OF COVID-19 PANDEMIC

Recordati S.p.A. ("**Recordati**"), the Group's European marketing and distribution partner for its lead product, Fortacin™, is based in Italy, and, as such, the Group has been in dialogue with Recordati to assess the situation resulting from the COVID-19 pandemic and its impact on the continued roll-out of Fortacin™. In this respect, Recordati has informed the Group that during 2020, its reference markets continued to be affected by the COVID-19 pandemic due both to the restrictions imposed to limit contagion in all territories, as well as from a cautious management of stocks by wholesalers. Restrictions were imposed on the movement of people, transport, production and commerce, some of which may be in place in certain of its countries in which it operates. The cessation of these sales activities has consequently reduced sales of Fortacin™ and thereby negatively impacted royalty payments to the Group. While Recordati's pharmaceutical operations were allowed to continue in order to ensure the availability of drugs for patients, all its affiliates had to cease activities engaged by their sales representatives during the "lock down", with such sales activities still being hampered going into 2021. The impact of the cessation of these sales activities by Recordati during 2020 as a result of COVID-19 has negatively impacted the royalty income received from Recordati as the royalty income for the year ended 31 December 2020 dropped by approximately 32.27% as compared to the financial year ended 31 December 2019. While complying with all the measures necessary to ensure the health and safety of its employees, Recordati did not interrupt its production and distribution activities and adopted all necessary measures to guarantee the continued availability on the market of its products. Management is closely monitoring what impact, if any, COVID-19 has to its liquidity and capital sufficiency with reference to the Group's operations and capital commitments. Given the complex and constantly evolving situation of COVID-19, it is not possible to predict or quantify the financial or operational impact of COVID-19 on the Group's operations.

Given the dynamic circumstances and uncertainties surrounding the pandemic, the Group is unable to predict the possible future impacts it may have on the Group's operations.

41. EVENTS AFTER THE REPORTING PERIOD

On 13 January 2021, the Company announced that it disposed of 11,667,856 shares in Tigers Realm Coal Limited ("**TIG**") at the price of A$0.0121 (or approximately US$0.0094) per TIG share, for an aggregate consideration of approximately A$0.14 million (or approximately US$0.11 million) in cash which will be settled on a T+2 basis, by a series of on-market transactions via an independent broker(s) to independent parties.

The Company's Directors proposed to change the name of the Company from "Regent Pacific Group Limited" to "Endurance RP Limited" and to adopt the Chinese name "壽康集團有限公司", for identification purposes only, to replace the existing Chinese name of the Company, which was currently used for identification purposes only, of "勵晶太平洋集團有限公司", subject to certain conditions as disclosed in the Company's announcement dated 30 March 2021.

Save as disclosed above, there were no other material events requiring disclosure after the year end date.

REGENT PACIFIC GROUP LIMITED
8th Floor, Henley Building
5 Queen's Road Central
Hong Kong
Telephone: (852) 2514 6111
Facsimile: (852) 2810 4792 | (852) 2509 0827
Email: info@regentpac.com

Website: www.regentpac.com