



REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 575

ANNUAL
REPORT
2016

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PERFORMANCE OVERVIEW

PERFORMANCE OVERVIEW

Jamie Gibson, CEO of Regent said, "2016 was a milestone year for Regent Pacific. The acquisition of Plethora and the maiden launch of its landmark product Fortacin™ in the United Kingdom were remarkable successes and important steps in the shift of our investment focus to healthcare and life sciences. We are now targeting investments that genuinely enhance patient quality of life.

We are well positioned to forge ahead with our healthcare strategy this year, seeking to build a late stage value-led portfolio that taps into exciting growth markets and creates real value for shareholders. The global commercialisation of Fortacin™ will also continue, generating long-term recurring royalty revenues from our commercial sales partners and fuelling the Group's future growth."

A summary of the financial performance and other notable events for 2016 include:

- Shareholders' equity of US\$181.37 million, an increase of approximately 364.10% as compared at 31 December 2015, with the increase being mainly attributable to the acquisition of Plethora Solutions Holdings plc ("**Plethora**") by issuing approximately 13.89 billion new Regent shares as consideration with a market value of approximately US\$143.07 million.
- As at 31 December 2016, the Company had no debt, having cash, listed and unlisted securities of US\$9.40 million.
- A loss attributable to shareholders of the Company of US\$2.46 million, which was mainly attributable to: (i) an amortisation charge of US\$22.89 million on the intangible asset, mainly being Fortacin™, a non-cash item; (ii) the operating expenses of US\$12.45 million; and (iii) loss on deemed disposal of Plethora of US\$5.81 million; while being offset somewhat by: (iv) the gain from bargain purchase on the acquisition of Plethora of US\$31.69 million; and (v) a marked-to-market gain of US\$2.87 million in respect of the Company's equity portfolio of financial assets at fair value through profit or loss.
- As has been publicly announced, all requisite approvals for the acquisition of Plethora were duly obtained and the scheme of arrangement became effective on 9 March 2016, rendering Plethora now a wholly-owned subsidiary of the Company.
- Following the successful acquisition of Plethora, the European Medicines Agency approved the Company's Type IB variation for the reduced dose can (not less than 12 doses/can) on 17 May 2016, which approval also included the addition of Pharmaserve (North West) Limited ("**Pharmaserve**") as an alternative European Union located manufacturer of Fortacin™, further particulars of which were set out in the Company's announcement on 19 May 2016. This approval paved the way for the commercial launch of Fortacin™ in the United Kingdom, announced on 11 November 2016, and will further facilitate the roll-out of Fortacin™ in Italy, Spain, France, Germany, Portugal, Czech Republic, Slovakia, Poland, Ireland, Romania and Greece in late 2017 through the Group's commercial partner Recordati S.p.A. ("**Recordati**").
- In parallel with the European roll-out effort of Fortacin™, the Group has further progressed the preparation of the New Drug Application to the US Food and Drug Administration, and continued discussions with new potential commercial partners with regards to licensing Fortacin™ in other geographical regions.

PERFORMANCE OVERVIEW

- As part of the Group's pursuit of strategic and value-led investments in the healthcare and life sciences sectors, during the year, the Company made a commitment to increase its strategic position in The Diabetic Boot Company Limited ("**Diabetic Boot**") in three tranches. The first tranche (investment of GBP 1 million (or approximately US\$1.45 million) for 43,478 new ordinary shares and 21,739 fundraising warrants) closed in the year which increased the Company's interest to approximately 23.04% of the issued share capital that was then diluted to 22% following the subsequent issue of new ordinary shares by way of a further placement to third parties by Diabetic Boot. The second and third tranches were subject to and conditional upon the satisfaction by Diabetic Boot of various operational and commercial milestones as detailed in the Company's announcement on 20 April 2016, which were not satisfied within the stipulated timeframes and, consequently, the Company had no obligation to subscribe into these tranches, which it has not done. Since 11 May 2016, the Group has equity accounted for its investment in Diabetic Boot.
- The successful disposal of the Group's entire interest in Endeavour Mining Corporation on market for an aggregate consideration of approximately US\$2.80 million in cash, thereby realising a gain on disposal of approximately US\$0.32 million during the year concerned, which was a discloseable transaction of the Group.
- The successful disposal of the Group's remaining interest in Binary Limited, for a consideration of US\$1.15 million in cash. The disposal was a discloseable transaction of the Group, which successfully closed on 13 June 2016.
- Maintaining and actively monitoring its significant investment in Condor Gold plc ("**Condor**"), representing approximately 7.52% of the share capital of the company as at 31 December 2016.
- Maintaining and actively monitoring its existing and strategic investment in Venturex Resources Limited, representing approximately 22.48% of the share capital of the company as at 31 December 2016.
- Following the all-share acquisition of Plethora, during the year the Company also implemented sensible changes to its capital structure by way of a share consolidation conducted on a 10 for 1 basis, duly approved by shareholders at the extraordinary general meeting held on 8 June 2016 and taking effect on 10 June 2016, together with a capital reduction that, having been approved by shareholders at the extraordinary general meeting held on 19 August 2016 and taking effect on 12 October 2016 (in the Cayman Islands), which was 13 October 2016 in Hong Kong, following approval by the Grand Court of the Cayman Islands, resulted in the reduction of the par value of the issued and unissued shares of the Company from US\$0.10 each to US\$0.01 each and therefore the Company's authorised and issued share capital by 90%.

Subsequent to year end, as announced on 13 January 2017, the Group successfully disposed of its entire interest in Condor for an aggregate consideration of approximately US\$2.53 million in cash.

In addition and as announced by the Company on 28 February and March 2017: (i) following the UK launch, Fortacin™ can now be prescribed from a physician either in person or online via an online consultation, with prescriptions to be filled by Chemist 4 U (<https://www.chemist-4-u.com/>); (ii) three (3) good manufacturing practice batches of the Fortacin™ 12 dose product previously manufactured by Pharmaserve, together with a further variation application to widen the moisture levels permitted in the product during shelf life, received approval from the European Medicines Agency on 23 March 2017, enabling the manufacture and release of EU commercial supplies for launch of Fortacin™, planned by Recordati in late 2017; (iii) from April 2017, additional manufacturing process development at Pharmaserve will be undertaken with the goal of increasing the commercial batch size for Fortacin™ by approximately threefold, with a view to lowering the unit price and meet the anticipated increase in demand following the EU commercial launch in 2017 by Recordati; and (iv) the Company, on behalf of Plethora, has formally approached the Hong Kong Department of Health indicating its intention to apply for the registration of Fortacin™ for sale as a pharmaceutical product in Hong Kong.

Going forward, the Group will: (i) pursue the successful commercialisation of Fortacin™ as quickly as possible, not only in Europe with Recordati, but also in the remaining key markets of the North America, Latin America and Asia Pacific regions; and (ii) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

CHAIRMAN'S STATEMENT

Dear Shareholders

While 2016 was another challenging year for the global economy, it was an exciting one for the Group and our shareholders. I am pleased to report the Group's results for the year ended 31 December 2016.

FINANCIAL HIGHLIGHTS AND REVIEW

The Group's balance sheet remains strong with cash balances and securities of financial assets at fair value through profit or loss ("FAFVPL") standing at approximately US\$7.68 million, with no external debt. Our net asset value per share was US cents 10.44 (HK cents 81.01) at the end of 2016.

Shareholders' equity was US\$181.37 million as at 31 December 2016, an increase of 364.10% when compared to 31 December 2015, with the increase mainly attributable to the acquisition of Plethora Solutions Holdings plc ("Plethora") by issuing approximately 13.89 billion new Regent shares with a market value of approximately US\$143.07 million.

The Group recorded a loss attributable to our equity holders of US\$2.46 million for the year ended 31 December 2016. This was largely due to: (i) an amortisation charge of US\$22.89 million on the intangible asset, mainly being Fortacin™, a non-cash item; (ii) operating expenses of US\$12.45 million; and (iii) the loss on deemed disposal of Plethora of US\$5.81 million. The loss was offset in part by: (iv) the gain from bargain purchase on the acquisition of Plethora of US\$31.69 million; and (v) a marked-to-market gain of US\$2.87 million in respect of the Company's equity portfolio of FAFVPL.

Notwithstanding there was a profit attributable to our equity holders of US\$15.96 million for the first half of 2016, the Group ultimately recorded a loss attributable to shareholders of US\$2.46 million (significantly lower than the loss of approximately US\$9.33 million for the corresponding year in 2015), which was mainly attributable to: (i) the amortisation cost of US\$14.14 million of Fortacin™, a non-cash item; and (ii) the development and commercialisation expenses of US\$1.82 million relating to the launch of Fortacin™, incurred in the second half of 2016.

The Group's portfolio of FAFVPL incurred a realised and unrealised gain of approximately US\$3.05 million for the year ended 31 December 2016, which was a result of the continuing rebound of commodity prices. The total value of our portfolio of FAFVPL was approximately US\$7.39 million as at 31 December 2016, down from approximately US\$8.15 million in 2015.

CHAIRMAN'S STATEMENT

HEALTHCARE AND LIFE SCIENCE FOCUS

The Group's healthcare and life sciences investments remain its core focus and the Company is excited about the prospects of investments in this sector.

The successful acquisition of Plethora and its landmark premature ejaculation ("PE") product Fortacin™ in 2016 was transformational for Regent as it continues to shift its investment focus to healthcare and life sciences.

The Group's goal is to bring Fortacin™ to men across the world through our commercial strategic partners and, in doing so, create substantial returns for our shareholders. The Group celebrated its latest major milestone with the commercial launch of Fortacin™ in the United Kingdom in November 2016. Regent aims to roll-out additional commercialisation of Fortacin™ across Europe in late 2017 and thereafter in Asia Pacific, North America and Latin America. The Company has also formally approached the Hong Kong Department of Health and indicated its intention to apply to register Fortacin™ for sale as a pharmaceutical product in Hong Kong.

Regent's ongoing efforts to commercialise Fortacin™ incurred costs that inevitably weighed down profits last year, particularly in the second half. However, the Group's out-licencing agreement with commercial partner Recordati S.p.A., who will support the commercial roll-out of Fortacin™ in Europe, looks set to create a steady stream of income through royalty payments for Regent in the years to come. Looking ahead, we will continue to work diligently with our existing and future partners under a similar business model, with a view to optimising the Group's profits.

In the healthcare and life sciences sector, the Company also increased its strategic position in The Diabetic Boot Company Limited ("**Diabetic Boot**") by investing GBP 1 million (or approximately US\$1.45 million) for 43,478 new ordinary shares and 21,739 fundraising warrants in 2016, growing the Group's interest in Diabetic Boot to approximately 23.04%. Our shareholding was then diluted to 22% following the subsequent issue of new ordinary shares by way of a further placement to third parties by Diabetic Boot.

OTHER EXISTING INVESTMENTS

During the year ended 31 December 2016, the Group continued with its divestment programme and progressed the transformation of its investment focus by divesting non-core, legacy investments in natural resources. The Group's interests in Binary Limited and Endeavour Mining Corporation were completely disposed of. These divestments resulted in a net realised gain of US\$0.53 million. In addition, all of the Group's interests in Condor Gold plc were also disposed of in early 2017.

The Group's existing and legacy investments in natural resources (which are non-core and are the focus of its existing divestment programme) showed signs of stabilisation following a weaker commodity price environment. The Group's exposure to gold and other precious metals was buoyed by global economic conditions. The Company has a positive outlook for these investments in the coming year.

CHAIRMAN'S STATEMENT

OUTLOOK

Thanks to our strong balance sheet and core focus, we are well positioned to fully deliver on our strategy. The Group remains focused on pursuing strategic and value-led investments in the health care and life sciences sectors. With a targeted approach and a sensible capital structure, the Group is excited and optimistic about its future prospects. With this in mind, it will continue to progress the global commercialisation of Fortacin™ as swiftly as possible across Europe, North America, Latin America and Asia Pacific.

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

James Mellon

Chairman

28 March 2017

CEO'S REPORT

2016 was an exciting year for the Group, having completed the acquisition of Plethora Solutions Holdings plc (“**Plethora**”) and subsequently, in November 2016, launching Fortacin™ for commercial sale in the United Kingdom. During the year of 2016, the Group recorded a loss attributable to shareholders of the Company of US\$2.46 million, which was mainly attributable to: (i) loss on deemed disposal of Plethora of US\$5.81 million; (ii) an amortisation charge of US\$22.89 million on the intangible asset, mainly being Fortacin™, a non-cash item and (iii) the operating expenses of US\$12.45 million; while being offset somewhat by (iv) the gain from bargain purchase on the acquisition of Plethora of US\$31.69 million; and (v) a marked-to-market gain of US\$2.87 million in respect of the Company's equity portfolio of financial assets at fair value through profit or loss.

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

Following the successful acquisition of Plethora, the European Medicines Agency (“**EMA**”) of the Company's Type IB variation for the reduced dose can (not less than 12 doses) on 17 May 2016, which approval also included the addition of Pharmaserve (North West) Limited (“**Pharmaserve**”) as an alternative European Union (“**EU**”) located manufacturer of Fortacin™, further particulars of which were set out in the Company's announcement on 19 May 2016. This approval paved the way for the commercial launch of Fortacin™ in the United Kingdom, announced on 11 November 2016, and will further facilitate the roll-out of Fortacin™ in Italy, Spain, France, Germany, Portugal, Czech Republic, Slovakia, Poland, Ireland, Romania and Greece in late 2017 through the Group's commercial partner Recordati S.p.A. (“**Recordati**”).

In addition and as announced by the Company on 28 February and March 2017: (i) following the UK launch, Fortacin™ can now be prescribed from a physician either in person or online via an online consultation, with prescriptions to be filled by Chemist 4 U (<https://www.chemist-4-u.com/>); (ii) three (3) good manufacturing practice batches of the Fortacin™ 12 dose product previously manufactured by Pharmaserve, together with a further variation application to widen the moisture

CEO'S REPORT

levels permitted in the product during shelf life, received approval from the European Medicines Agency on 23 March 2017, enabling the manufacture and release of EU commercial supplies for launch of Fortacin™, planned by Recordati in late 2017; (iii) from April 2017, additional manufacturing process development at Pharmaserve will be undertaken with the goal of increasing the commercial batch size for Fortacin™ by approximately threefold, with a view to lowering the unit price and meet the anticipated increase in demand following the EU commercial launch in 2017 by Recordati; and (iv) the Company, on behalf of Plethora, has formally approached the Hong Kong Department of Health indicating its intention to apply for the registration of Fortacin™ for sale as a pharmaceutical product in Hong Kong.

As would be appreciated, following the acquisition of Plethora, much of the Group's attention will continue to be directed towards pursuing the successful commercialisation of Fortacin™ as quickly as possible, not only in Europe, but also in the remaining key markets of the US, Latin America and Asia Pacific regions, including Hong Kong and China.

The acquisition of Plethora has allowed the management team to focus on the successful commercialisation of Fortacin™ as quickly as possible, in particular in the remaining key markets of the US, Latin America and Asia Pacific regions. The Company believes that Asia Pacific is likely to become a key component to the eventual marketing and distribution strategy for Fortacin™ and the Company's Hong Kong office will provide an excellent base from which to manage the controlled launch of the product following receipt of relevant regulatory approvals. Following the commercial launch of Fortacin™ in the United Kingdom, announced on 11 November 2016, the next priority is the roll-out of Fortacin™ in Italy, Spain, France, Germany, Portugal, Czech Republic, Slovakia, Poland, Ireland, Romania and Greece in late 2017 through the Group's commercial partner Recordati, jurisdictions in which it already has secured approval from the EMA.

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

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

As stated above, Plethora has obtained the marketing approval from the EMA in November 2013 for marketing Fortacin™ within the EU. The Group will continue to dedicate the necessary resource, with the assistance of its US regulatory consultant, to pursue approval from the US Food and Drug Administration ("FDA") in the US as quickly as possible by diligently working through the various regulatory steps, next being the submission of a New Drug Application ("NDA") with the FDA. In this respect, it is expected that the NDA will be filed with the FDA in Q1 2019 and in accordance with mandates set forth by the Prescription Drug User Fee Act (PDUFA date), the FDA will be required to respond to the dossier within a 10 month timescale, which would facilitate approval in the US by Q4 2019 with a commercial launch shortly thereafter.

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

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

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

As part of the Group's strategic pursuit of strategic and value-led investments in the healthcare and life sciences sectors, during the year, the Company made a commitment to increase its strategic position in The Diabetic Boot Company Limited ("**Diabetic Boot**") in three tranches. The first tranche (investment of GBP 1 million (or approximately US\$1.45 million) for 43,478 new ordinary shares, 21,739 fundraising warrants) closed in the year which increased the Company's interest to approximately 23.04% of the issued share capital that was then diluted to 22% following subsequent issue of new ordinary shares by way of a further placement to third parties by Diabetic Boot. The second and third tranches were subject to and conditional upon the satisfaction by Diabetic Boot of various operational and commercial milestones as detailed in the Company's announcement on 20 April 2016, which were not satisfied within the stipulated timeframes and, consequently, the Company had no obligation to subscribe into these tranches, which it has not done. That said, the Company remains optimistic about this investment and will continue to closely monitor the efforts of Diabetic Boot to deliver value to its shareholders by commercialising its key product "PulseFlowDF" for the treatment of diabetic foot ulcers, particularly in the US, which the Company appreciates has taken longer than Diabetic Boot initially anticipated. Against demonstrable progress, the Company will continue to assess further investment opportunities into Diabetic Boot, particularly given the potential for value creation if Diabetic Boot is able to address a small percentage of diabetic foot ulcers patients for which there is a major unmet clinical need.

During the year the Company also continued to successfully execute its stated divestment programme of non-core legacy investments as and when acceptable opportunities arose. In this respect, the Company successfully disposed of its:

- entire interest in Endeavour Mining Corporation on market for an aggregate consideration of approximately US\$2.80 million in cash, thereby realising a gain on disposal of approximately US\$0.32 million during the year concerned, which was a discloseable transaction of the Group.
- remaining interest in Binary Limited, for a consideration of US\$1.15 million in cash. The disposal was a discloseable transaction of the Group, which successfully closed on 13 June 2016.

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Following the all-share acquisition of Plethora, during the year the Company also implemented sensible changes to its capital structure by way of a share consolidation conducted on a 10 for 1 basis, duly approved by shareholders at the extraordinary general meeting held on 8 June 2016 and taking effect on 10 June 2016, together with a capital reduction that, having been approved by shareholders at the extraordinary general meeting held on 19 August 2016 and taking effect on 12 October 2016 (in the Cayman Islands), which was 13 October 2016 in Hong Kong, following approval by the Grand Court of the Cayman Islands, resulted in the reduction of the par value of the issued and unissued shares of the Company from US\$0.10 each to US\$0.01 each and therefore the Company's authorised and issued share capital by 90%.

Shareholders' equity increased by 364.10% to US\$181.37 million as at 31 December 2016 from US\$39.08 million as at 31 December 2015.

As at 31 December 2016, the Company had no debt, having cash, listed and unlisted securities of US\$9.40 million.

With a streamlined focus and more sensible capital structure, the Company remains excited about the future prospects for the Group and its shareholders, and will continue to: (i) pursue the successful commercialisation of Fortacin™ as quickly as possible, not only in Europe with Recordati, but also in the remaining key markets of the US, Latin America and Asia Pacific regions; and (ii) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

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

PLETHORA

Highlights

- The completion of the acquisition of Plethora by way of a recommended share-for-share takeover offer;
- The completion of the development activities relating to the reduced dose can (not less than 12 doses), which paved the way for the approval of the variation application by EMA on 17 May 2016;
- The EMA approval enabled the Group to commence and complete full scale up commercial manufacturing activities with Pharmaserve allowing for the release of commercial supplies of Fortacin™ into the EU;
- First commercial launch of Fortacin™ by Plethora in the UK in November 2016 by way of prescription and from late 2017 Fortacin™ will be available in Europe through our commercial partner Recordati;
- Preparations for the filing of the NDA with the FDA;
- Discussions with new potential licensing partners for Fortacin™ in other geographical regions at an advanced stage; and
- For the financial year ended 31 December 2016, Plethora made a loss of GBP 6.63 million (2015: GBP 5.65 million), before amortisation charge of the intangible asset, Fortacin™.

CEO'S REPORT

PLETHORA (Continued)

Highlights (Continued)

Plethora continues to be focused on the development and commercialisation of its principal pharmaceutical product Fortacin™, which is believed to have significant potential value based on the prevalence of premature ejaculation and the lack of a widely available effective prescription treatment. In 2016 Plethora has made further progress in the following areas:

- The completion of the redesign and manufacture of the reduced fill can (not less than 12 doses), which paved the way for the approval of the variation application by EMA on 17 May 2016;
- First commercial launch of Fortacin™ by Plethora in the UK in November 2016 by way of prescription and from late 2017 Fortacin™, will be available in Europe through our commercial partner Recordati;
- Preparations for the filing of the NDA with the FDA; and
- Discussions with new potential commercial partners with regards to licensing Fortacin™ in other geographical regions.

Operations Update

Positive progress has been made in the redesign and manufacture of the Fortacin™ 12 dose product for the treatment of premature ejaculation against the key objectives outlined in the 2015 Annual Report, i.e.:

- Completed 3 Good Manufacturing Practice ("GMP") batches of the 12 dose product;
- Obtained the EU approval variation by 30 June 2016 for the 12 dose product; and
- Manufactured the 20 dose product under GMP conditions and in compliance with the existing EMA Marketing Authorisation ("MA") to avoid any risk of the Sunset Clause being invoked in the EU by November 2016.

In 2015, completion of feasibility work identified the optimum reduced fill product for further development as a 12 dose (6.0 g fill weight, 5.0 ml fill volume) pack size. 3 month stability data generated by Catalent Pharma Solutions, Ltd. ("Catalent (Swindon)") on the three GMP batches manufactured by Pharnaserve supported registration of the 12 dose product to the European Union Marketing Authorisation ("EU MA").

CEO'S REPORT

PLETHORA (Continued)

Operations Update (Continued)

Following generation of the required stability data, registration to the EU MA of the 12 dose product was undertaken by submission of a variation application to the EMA. Approval for the change was received from EMA in May 2016, in advance of the 30 June 2016 deadline specified in the licensing agreement with Recordati. The variation application also registered Pharmaserve as an alternative EU-located manufacturing site for Fortacin™, in addition to Catalent Pharma Solutions, LLC, USA ("Catalent (RTP)"). During 2016, in preparation for launch, process validation activities were undertaken at Pharmaserve's commercial facilities and 3 GMP batches of the 12 dose product were manufactured on the commercial manufacturing line. A further variation application to widen the moisture levels permitted in the 12 dose product during shelf life received approval from EMA in March 2017. The assessment concluded that widening this parameter has no significant impact on the overall quality of the product. Importantly these activities will enable manufacture and release of EU commercial supplies for launch of Fortacin™, planned by Recordati in late 2017.

In addition, submission of periodic safety update reports (PSURs) have been completed at six monthly interval. These evaluate reports of adverse events/reactions following use of either of the drug substances and are used by EMA to assess the overall benefit/risk profile of the product, which has remained positive.

To avoid any risk of the Sunset Clause being invoked, which would result in withdrawal of the EU MA, launch in an EU market was required prior to November 2016. To fulfil this obligation, one GMP batch of the 20 Dose pack size was manufactured by Catalent (RTP) in compliance with the existing EU MA. To support the launch, updates to the supply chain were registered via a variation application to the EU MA, for which EMA approval was received in April 2016. Manufacture of the GMP batch by Catalent (RTP) was successfully completed and release of commercial supplies resulted in the milestone of UK commercial launch of Fortacin™ in November 2016.

With the launch of Fortacin™ in the UK, Plethora has set up the prescription supply chain with JJS Pharma (UK) Limited, UK and Innox Trading Limited, UK ("Innox"). Males suffering from premature ejaculation in the UK can now seek a prescription from their physician and these prescriptions will be filled by the online pharmacy Chemist 4 U (<https://www.chemist-4-u.com/>). Patients will also shortly be able to go direct via the online prescription platform Doctor 4 U (<http://doctor-4-u.co.uk/>), where Fortacin™ will be listed and can be prescribed after an online consultation. Both Doctor 4 U and Chemist 4 U are run by Innox, which is a leading online multi-channel retailer. Innox is the pharmacy behind other online clinical sites, which will expand the availability of Fortacin™.

Discussions and negotiations are continuing to take place in respect of 'out licensing' the grant of rights by Plethora with pharmaceutical companies and with other strategic partners in respect of Fortacin™ in other major territories outside of the UK and EU, including China. While it remains impossible to determine with accuracy the timing of completion of such agreements (and no assurance can be given that negotiations will lead to a binding licence agreement(s)), the Company anticipates that such discussions and negotiations will be assisted by Fortacin™ being brought to market in mainland Europe, which is expected to occur later in 2017. The Company will update shareholders and the market more generally if and when there are any relevant developments in this respect.

CEO'S REPORT

PLETHORA (Continued)

Operations Update (Continued)

As we have previously announced, in light of the successful Type IB variation applied for and approved with the EMA in 2016, having changed the regulatory approved dose of each can of Fortacin™ to be sold in the EU to not less than 12 doses/can, from 6 doses/can as previously foreshadowed, the pre-existing agreements with Recordati, in respect of the licence agreement, and Pharmaserve, in respect of the development, manufacturing and supply, do require amendment to reflect the current state of play. The Company is engaged in ongoing discussions with these parties and will announce any material changes to the existing agreements, required in light of the revised dosage, as and when any such changes are agreed.

Trading Update for the financial year ended 31 December 2016

Plethora recorded an operating loss of GBP 6.63 million for the financial year ended 31 December 2016 (2015: GBP 5.65 million), before amortisation charge of the intangible asset, Fortacin™.

The operating loss for the for the financial year ended 31 December 2016, included R&D costs related to the regulatory development of Fortacin™ of GBP 2.97 million (2015: GBP 2.94 million,) and administrative expenses of GBP 2.61 million (2015: GBP 4.96 million).

Underlying R&D costs and administrative expenses for the financial year ended 31 December 2016 were broadly lower than the Board's expectations, before adjustments being made to account for non-cash related share option costs. R&D costs are currently been driven by the project to complete the development and commercial manufacturing scale up activities with the Company's manufacturing partners. Manufacturing set up costs are expected to fall significantly following the year ended 31 December 2016, but the overall level of expenditure is expected to be maintained as the FDA approval process begins to gather pace following the issue of the first good manufactured practice batches.

A net finance cost of GBP 1.40 million (2015: net finance income of GBP 2.06 million) was recognised in the annual results for the financial year ended 31 December 2016. This cost was generated as a result of fair valuing the company's warrant instruments as at 9 March 2016 (GBP 1.29 million) and the net interest charge to the company's borrowings (GBP 0.12 million).

On the basis that all R&D expenditure is expensed, there were no significant balance sheet movements to comment upon during the financial year ended 31 December 2016. As at 31 December 2016 Plethora had cash resources of GBP 156,000 (31 December 2015: GBP 93,000).

CEO'S REPORT

PLETHORA (Continued)

The Offer

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

Outlook

Now that the development work on the reduced fill can is behind us, we are devoting our efforts with Recordati to a successful commercial launch which started in the UK in November 2016 followed by continental Europe in late 2017, filing our NDA with the FDA in Q1 2019 and bringing Fortacin™ to market through other new strategic commercial partners in the remaining key markets of the US, Latin America and Asia Pacific regions, including Hong Kong and China.

CEO'S REPORT

DIABETIC BOOT

During the year ended 31 December 2016, the Company increased its strategic equity interest in Diabetic Boot to 22% at the time of the investment. As detailed in the Company's announcement on 20 April 2016 this was by way of completion of the first tranche. The second and third tranches did not complete due to Diabetic Boot failing to meet the relevant milestones. However the Company remains confident in the Diabetic Boot's commercial prospects in the US and other key markets.

During the year Diabetic Boot made considerable progress, which included:

1. Completion of a funding round lead by the Company;
2. Commencement of commercial manufacturing;
3. Completion of a small scale clinical trial;
4. Vetting of a second large volume manufacturing partner;
5. Establishing an operational US subsidiary with a direct sales force;
6. Receiving Durable Medical Equipment, Prosthetics, Orthotics and Supplies accreditation (or an exemption) in all 50 US states, and the District of Columbia;
7. Achieved first commercial sales to the United States Department of Veterans Affairs;
8. Gained substantial in field experience in the use of PulseflowDF; and
9. Achieved annualised sales in the US for Q4 of US\$0.45 million.

Diabetic Boot intends to deliver value to its shareholders by commercialising its key product "PulseFlowDF" for the treatment of diabetic foot ulcers. In the US this will be done via a direct sales force and in other jurisdictions through distribution agreements with local partners. The value of the Company's investment in Diabetic Boot could increase substantially if it is able to address even a small percentage of diabetic foot ulcers patients for which there is a major unmet clinical need.

After the further subscription of GBP 1 million (or approximately US\$1.45 million) in Diabetic Boot, the Company notes that, on 6 October 2016, Alternative Investment Market ("AIM") listed Life Science Developments Limited ("LIFE") (LON:LIFE) announced that it had signed a non-binding term sheet to acquire Diabetic Boot for new shares in LIFE without any specific valuation being revealed. No further announcement has been made by LIFE and the Company understands that the acquisition remains subject, *inter alia*, to the completion of due diligence, documentation and compliance with all regulatory requirements, including the AIM Rules and that there is no guarantee that all such matter can or will be completed. The Company further notes that the acquisition would, if completed, amount to: (i) a connected or related party transaction of LIFE, given the cross interests of James Mellon; as well as: (ii) reverse takeover of LIFE under the AIM Rules. Should a binding offer for Diabetic Boot materialise, the Company will assess the merits of the transaction at that time, together with any HK Listing Rules implications it may have in accepting or participating in such transaction.

CEO'S REPORT

CONDOR GOLD PLC (“CONDOR”)

The Company actively monitored and maintained its strategic position in Condor representing approximately 7.52% of its issued share capital, which for the twelve months ended 31 December 2016, resulted in a marked-to-market gain of 98.31%.

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

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

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

Subsequent to year end, as announced on 13 January 2017, the Group successfully disposed of its entire interest in Condor for an aggregate consideration of approximately US\$2.53 million in cash.

VENTUREX RESOURCES LIMITED (“VENTUREX”)

The Company actively monitored and maintained its strategic position in Venturex, representing approximately 22.48% of its issued share capital, which for the twelve months ended 31 December 2016, booked a marked to market gain of 58.20%.

During 2016, Venturex reported considerable progress on a range of projects which included:

1. Increasing and extending the income stream from the copper cathode produced at Whim Creek under its Access Agreement with Blackrock Metals Pty Ltd for treating heap leachable resources.
2. Identifying opportunities for near term production from the existing sulphide copper zinc Resources at Whim Creek.
3. Ensuring that the Sulphur Springs Copper Zinc Project is fully optimised, permitted and ready for development in order to take advantage of the forecast uplift in commodity prices.
4. Signing of a MOU with Macarthur Minerals to enter into a FJVA (Farm-in and Joint Venture Agreement) to explore for and develop lithium at Venturex's Sulphur Springs Copper-Zinc Project in WA.

CEO'S REPORT

VENTUREX RESOURCES LIMITED (“VENTUREX”) (Continued)

Venturex intends to deliver value to its shareholders by expanding the cash flow from its partnership with Blackrock on their heap leach plant at Whim Creek and maximising the potential value of its two advanced copper zinc projects which are located close to Port Hedland in the Pilbara region of Western Australia. The Company's investment in Venturex could represent substantial value in the event of expected increasing copper and zinc prices during 2017, as evidenced by recent independent NPV estimates of A\$340 million.

REVENUE AND PROFIT

The Company recorded a loss attributable to the shareholders of the Company of US\$2.46 million in 2016, (2015: US\$9.33 million).

The Group (revenue and fair value gain/(loss) on financial instruments) recorded a gain of US\$3.44 million (2015: loss of US\$5.69 million).

The Group's associate, Plethora, contributed a share of profit of US\$17,000 to the Group for the period ended 9 March 2016. In addition, the Group's reclassified associate, Diabetic Boot, recorded a share of loss of US\$0.85 million for the period from 11 May to 31 December 2016.

The main elements of the loss are analysed as follows:

	US\$ million
Gain from bargain purchase of a subsidiary, Plethora	31.69
Gain from bargain purchase of an associate, Diabetic Boot	1.36
Loss on deemed disposal of an associate, Plethora	(5.81)
Amortisation of an intangible asset, mainly being Fortacin™	(22.89)
Research and development expenses incurred by Plethora	(3.24)
Fair value gain on financial instruments, net	3.12
Other/Office general and administrative expenses	(6.69)
Total loss attributable to shareholders of the Company	(2.46)

CEO'S REPORT

FINANCIAL POSITION

Shareholders' equity increased by 364.10% to US\$181.37 million as at 31 December 2016 from US\$39.08 million as at 31 December 2015. The increase was mainly due to: (i) the increase of share capital and share premium of US\$143.07 million by issuing consideration shares for the acquisition of Plethora; (ii) the increase of foreign currency exchange reserve of US\$2.91 million, which was mainly due to the release of exchange loss from the reserve to profit or loss; this was offset against the loss attributable to shareholders of the Company of US\$2.46 million for the year ended 31 December 2016.

The investment in Diabetic Boot of US\$3.05 million accounted for 1.68% of shareholders' equity. The Group's assets also comprised: (i) an intangible asset of US\$193.18 million; (ii) listed and unlisted investments of US\$9.11 million; (iii) cash and bank balances of US\$0.29 million; (iv) derivative financial instruments of US\$0.19 million; and (v) property, plant and equipment and other receivables of US\$0.70 million.

The Group's liabilities comprised: (i) deferred tax liabilities of US\$19.32 million; and (ii) payables and accruals of US\$5.87 million.

STRATEGIC PLAN

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

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

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

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

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

CEO'S REPORT

FUNDING

As at 31 December 2016, the Group had US\$0.29 million in cash that represented 0.16% 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 US\$7.39 million.

GEARING RATIO

No gearing ratio (being long term debts over total equity and long term debts) is calculated as there was no long term debt as at 31 December 2016.

CONTINGENT LIABILITIES

Saved as those disclosed in notes 28 and 32 to the consolidated financial statements, the Group has no other material contingent liabilities as at 31 December 2016.

AUSTRALIAN TAX ON BCI SALE

As has been previously disclosed, the Company is currently in dispute with the Australian tax authorities in connection with a disposal by the Group of an investment in BC Iron Limited ("**BCI**"), a company listed on the Australian Securities Exchange. The Australian Taxation Office considered that capital gains tax was payable in the amount of approximately A\$11.85 million (as amended down by way of an amended assessment on 7 September 2016 so as to include some additional costs associated with the Group's investment in BCI), which excludes interest that has accrued on this amount since 2 December 2013 (which, as at 9 January 2017, was approximately A\$3.98 million). On 24 January 2013, the Company received orders from the Federal Court of Australia in relation to a notice of assessment issued by the Australian Taxation Office (as amended, the "**Assessment**"), which stated that the tax was due and payable on 2 December 2013 and provided that the Company could not remove from Australia or dispose of, deal with or diminish the value of its assets in Australia up to the unencumbered value of the amount assessed.

Following orders from the Federal Court of Australia, the Company has granted a specific security deed to the Commonwealth of Australia in respect of certain of the Company's holding of 518,103,930 shares in Venturex Resources Limited, 10,854,568 shares in Bannerman Resources Limited and 12,700,000 shares in Tigers Realm Coal Limited, of which the aggregate market value (as at 31 December 2016) is approximately US\$3.89 million as security against the Assessment. In consideration for granting this security, the Commissioner of Taxation stayed recovery action in respect of the Assessment until the matter is resolved.

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

CEO'S REPORT

AUSTRALIAN TAX ON BCI SALE (Continued)

As previously disclosed, the Company had envisaged entering into a formal dispute resolution process with the Commissioner of Taxation. This process has now taken place, and the parties have, to date, been unable to reach agreement as to an appropriate way in which to resolve the matter, culminating in the Commissioner of Taxation determining the Company's previously lodged objection against it on 1 September 2016. The Company's position has not changed and it remains resolute in that it will continue to challenge the assessment in its entirety, consistent with expert and independent Australian advice received throughout, and has lodged an appeal against the Commissioner of Taxation's determination of the objection in the Australian Federal Court. While a trial date has not yet been set, the matter is now set to be litigated through the Australian court system. The Company is continuing to take advice as to the next appropriate steps from its Australian advisers. The aforementioned security over the above mentioned Australian securities held by the Company, previously granted to the Commissioner of Taxation, remains.

Jamie Gibson

Chief Executive Officer

28 March 2017

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 2016 (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, resources and other corporate investments.

Principal activities of the respective subsidiaries of the Company during the year are set out in note 34 to the Financial Statements.

RESULTS AND DIVIDENDS

The Group’s results for the year ended 31 December 2016 are set out in the Consolidated Statement of Comprehensive Income on pages 108 to 109.

No interim dividend was paid for the years ended 31 December 2016 and 2015.

The Directors do not recommend the payment of a final dividend (2015: Nil).

DIRECTORS' REPORT

SUMMARY FINANCIAL INFORMATION

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

Results:

	2016 US\$'000	2015 US\$'000	2014 US\$'000	2013 US\$'000	2012 US\$'000
Total income	3,436	(5,685)	(11,007)	(16,024)	(885)
Income less expenses before impairment losses and provision	(31,902)	(14,715)	(17,738)	(29,930)	(20,895)
Reversal of impairment	364	1,386	250	—	—
Impairment losses	—	(194)	(267)	(1,710)	(16,024)
Operating loss	(31,538)	(13,523)	(17,755)	(31,640)	(36,919)
Gain on disposal of the Ji Ri Ga Lang Coal Project	—	—	—	—	4,409
Gain on disposal of an associate	—	8,938	—	—	—
Loss on deemed disposal of associate(s)	(5,805)	(3,560)	(6,017)	—	—
Impairment loss on interest in an associate	(97)	—	—	—	—
Gain from bargain purchase of an associate	1,356	—	25,809	—	—
Gain from bargain purchase of a subsidiary	31,686	—	—	—	—
Share of results of associates	(831)	(1,193)	(10,604)	(420)	(1,430)
Loss before taxation	(5,229)	(9,338)	(8,567)	(32,060)	(33,940)
Tax credit/(expense)	2,765	—	—	6,334	(11,084)
Loss for the year	(2,464)	(9,338)	(8,567)	(25,726)	(45,024)
Non-controlling interests	4	5	4	90	170
Loss attributable to shareholders of the Company	(2,460)	(9,333)	(8,563)	(25,636)	(44,854)

DIRECTORS' REPORT

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and liabilities:

	2016	2015	2014	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Property, plant and equipment	84	48	108	199	294
Intangible asset	193,178	3,441	—	—	—
Interests in associates	3,055	17,295	30,206	9,134	11,774
Available-for-sale financial assets	1,726	5,367	2,130	2,334	5,279
Current assets	8,477	16,684	19,871	50,972	134,517
Total assets	206,520	42,835	52,315	62,639	151,864
Current liabilities	(5,874)	(3,790)	(3,604)	(3,742)	(3,374)
Non-current liabilities	(19,318)	—	—	—	(7,197)
Total liabilities	(25,192)	(3,790)	(3,604)	(3,742)	(10,571)
Net assets	181,328	39,045	48,711	58,897	141,293

BUSINESS REVIEW

Fair review of the Company's business

The Company, a limited liability company incorporated under the laws of the Cayman Islands whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HK Stock Exchange"), is a diversified investment group currently holding various corporate and strategic investments across the healthcare and life sciences sectors, which has become its core focus, as well as legacy investments in the natural resources sector. The Company's headquarters are in Hong Kong and the Group (including subsidiaries but excluding associates) employed approximately 19 employees at 31 December 2016.

2016 was an exciting year for the Group, having completed the acquisition of Plethora Solutions Holdings plc ("Plethora") and subsequently, in November 2016, launching Fortacin™ for commercial sale in the United Kingdom. Notwithstanding there was a profit attributable to the equity holders of the Company of US\$15.96 million for the first half of 2016, the Group ultimately recorded a loss attributable to shareholders of the Company of US\$2.46 million (significantly lower than the loss attributable to the equity holders of the Company of approximately US\$9.33 million for the corresponding year in 2015), which was mainly attributable to: (i) the amortisation cost of US\$14.14 million of Fortacin™, a non-cash item; and (ii) the development and commercialisation expenses of US\$1.82 million relating to the launch of Fortacin™, incurred in the second half of 2016.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Fair review of the Company's business (Continued)

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

Following the acquisition of Plethora, on 19 May 2016, the Company announced the approval, on 17 May 2016, by the European Medicines Agency (the "**EMA**") of the Company's Type IB variation for the reduced dose can (not less than 12 doses/can), which approval also included the addition of Pharmaserve (North West) Limited as an alternative European Union located manufacturer of Fortacin™. This approval paved the way for the commercial launch of Fortacin™ in the United Kingdom, announced on 11 November 2016, and will further facilitate the roll-out of Fortacin™ in Italy, Spain, France, Germany, Portugal, Czech Republic, Slovakia, Poland, Ireland, Romania and Greece in late 2017 through the Group's commercial partner Recordati S.p.A. ("**Recordati**").

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Fair review of the Company's business (Continued)

As part of the Group's strategic pursuit of strategic and value-led investments in the healthcare and life sciences sectors, during the year, the Company made a commitment to increase its strategic position in The Diabetic Boot Company Limited ("Diabetic Boot") in three tranches. The first tranche (investment of GBP 1 million (or approximately US\$1.45 million) for 43,478 new ordinary shares and 21,739 fundraising warrants) closed in the period, which increased the Company's interest to approximately 23.04% of the issued share capital, which was then diluted to 22% following subsequent issue of new ordinary shares by way of a further placement to third parties by Diabetic Boot. The second and third tranches were subject to and conditional upon the satisfaction by Diabetic Boot of various operational and commercial milestones as detailed in the Company's announcement on 20 April 2016, which were not satisfied within the stipulated timeframes and, consequently, the Company had no obligation to subscribe into these tranches, which it has not done. That said, the Company remains optimistic about this investment and will continue to closely monitor the efforts of Diabetic Boot to deliver value to its shareholders by commercialising its key product "PulseFlowDF" for the treatment of diabetic foot ulcers, particularly in the US, which the Company appreciates has taken longer than Diabetic Boot initially anticipated. Against demonstrable progress, the Company will continue to assess further investment opportunities into Diabetic Boot, particularly given the potential for value creation if Diabetic Boot is able to address a small percentage of diabetic foot ulcers patients for which there is a major unmet clinical need.

During the year, the Company also continued to successfully execute its stated divestment programme of non-core legacy investments as and when acceptable opportunities arose. In this respect, the Company successfully disposed of its:

- entire interest in Endeavour Mining Corporation on market for an aggregate consideration of approximately US\$2.80 million in cash, thereby realising a gain on disposal of approximately US\$0.32 million during the year concerned, which was a discloseable transaction of the Group.
- remaining interest in Binary Limited, for a consideration of US\$1.15 million in cash, which was a discloseable transaction of the Group and successfully closed on 13 June 2016.

Following the all-share acquisition of Plethora, during the period the Company also implemented sensible changes to its capital structure by way of a share consolidation conducted on a 10 for 1 basis, duly approved by shareholders at the extraordinary general meeting held on 8 June 2016 and taking effect on 10 June 2016, together with a capital reduction that, having been approved by shareholders at the extraordinary general meeting held on 19 August 2016 and taking effect on 12 October 2016 (in the Cayman Islands), which was 13 October 2016 in Hong Kong, following approval by the Grand Court of the Cayman Islands, resulted in the reduction of the par value of the issued and unissued shares of the Company from US\$0.10 each to US\$0.01 each and therefore the Company's authorised and issued share capital by 90%.

As at 31 December 2016, the Company had no debt, having cash, listed and unlisted securities of US\$9.40 million.

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 herein.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Significant post balance sheet events

Save as disclosed in note 36 to the Financial Statements, there were no other significant post balance sheet events to report.

Likely future development of the Company's business

As would be appreciated, following the acquisition of Plethora, much of the Group's attention will continue to be directed towards pursuing the successful commercialisation of Fortacin™ as quickly as possible, not only in Europe, but also in the remaining key markets of the US, Latin America and Asia Pacific regions.

The acquisition of Plethora has allowed the management team to focus on the successful commercialisation of Fortacin™ as quickly as possible, in particular in the remaining key markets of the US, Latin America and Asia Pacific regions. The Company believes that Asia Pacific is likely to become a key component to the eventual marketing and distribution strategy for Fortacin™ and the Company's Hong Kong office will provide an excellent base from which to manage the controlled launch of the product following receipt of relevant regulatory approvals. Following the commercial launch of Fortacin™ in the United Kingdom, announced on 11 November 2016, the next priority is the roll-out of Fortacin™ in Italy, Spain, France, Germany, Portugal, Czech Republic, Slovakia, Poland, Ireland, Romania and Greece in late 2017 through the Group's commercial partner Recordati, jurisdictions in which it already has secured approval from the EMA.

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

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

As stated above, Plethora has obtained the marketing approval from the EMA in November 2013 for marketing Fortacin™ within the EU. The Group will continue to dedicate the necessary resource, with the assistance of its US regulatory consultant, to pursue approval from the Food and Drug Administration (the "FDA") in the US as quickly as possible by diligently working through the various regulatory steps, next being the submission of a New Drug Application (the "NDA") with the FDA. In this respect, it is expected that the NDA will be filed with the US FDA in Q1 2019 and in accordance with mandates set forth by the Prescription Drug User Fee Act (PDUFA date), the FDA will be required to respond to the dossier within a 10 month timescale, which would facilitate approval in the US by Q4 2019 with a commercial launch shortly thereafter.

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

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

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

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

With a streamlined focus and more sensible capital structure, the Company remains excited about the future prospects for the Group and its shareholders, and will continue to: (i) pursue the successful commercialisation of Fortacin™ as quickly as possible, not only in Europe with Recordati, but also in the remaining key markets of the US, Latin America and Asia Pacific regions; and (ii) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

A summary analysis of the performance and position of the Company's business for the year ended 31 December 2016 is set out below:-

	For the year ended 31 December 2016 US\$'000	For the year ended 31 December 2015 US\$'000	Increase/ (decrease) in absolute value %
Fair value gain/(loss) on financial instruments			
Unrealised gain/(loss) on financial assets at fair value through profit or loss ("FAFVPL")	2,874	(5,767)	N/A
Realised gain/(loss) on disposal of FAFVPL	175	(16)	N/A
Realised gain/(loss) on disposal of available-for-sale financial assets	677	(5)	N/A
Realised (loss)/gain on derivative financial instruments	(459)	207	N/A
Unrealised loss on derivative financial instruments	(143)	(623)	(6.26)
	3,124	(6,204)	N/A

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

The fair value gain on financial instruments was US\$3,124,000 for the year ended 31 December 2016 (2015: loss of US\$6,204,000). The significant improvement was mainly due to the unrealised gain on FAFVPL of US\$2,874,000 for the year ended 31 December 2016 (2015: loss of US\$5,767,000).

	For the year ended 31 December 2016 US\$'000	For the year ended 31 December 2015 US\$'000	Increase/ (decrease) in absolute value %
Available-for-sale ("AFS") financial assets			
As at 1 January	5,367	2,130	151.97
Additions	819	1,842	(55.54)
Disposals	(1,799)	(185)	872.43
Reclassification	(2,661)	943	N/A
Change in fair value	—	831	(100.00)
Impairment loss	—	(194)	(100.00)
As at 31 December	1,726	5,367	(67.84)
Financial assets at fair value through profit or loss			
As at 1 January	8,146	13,876	(41.29)
Additions	—	281	(100.00)
Disposals	(3,634)	(244)	1,389.34
Change in fair value	2,874	(5,767)	N/A
As at 31 December	7,386	8,146	(9.33)

The investment in the AFS financial assets decreased by 67.84% to US\$1.73 million from US\$5.37 million as at 31 December 2016 and 2015 respectively. It was mainly due to: (i) the disposal of the AFS financial assets of US\$1.80 million; (ii) the reclassification of the investment in Diabetic Boot of US\$2.66 million from AFS financial assets to an associate; where were offset somewhat by: (iii) the further investment of approximately US\$0.82 million for 43,478 new ordinary shares of Diabetic Boot, representing approximately 7.18% of the total issued share capital of the company as at 31 December 2016, to enhance the investment and business development opportunities across the healthcare and life sciences sectors, in Asia and elsewhere.

The investment in FAFVPL decreased by 9.33% to US\$7.39 million from US\$8.15 million as at 31 December 2016 and 2015 respectively. It was mainly due to (i) the disposal of US\$3.63 million, which was offset somewhat by the unrealised gain of US\$2.87 million.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

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

Funding

As at 31 December 2016, the Group had US\$0.29 million in cash that represented 0.16% of its total shareholders' equity, which did not take into account for the Group's holding of securities of the FAFVPL that amounted to US\$7.39 million.

Gearing ratio

No gearing ratio (being long term debts over total equity and long term debts) was calculated as there was no long term debt as at 31 December 2016.

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 associates) employed only approximately 19 employees as at 31 December 2016. Given its relatively small work force and that it is only an investment company, the Group's environmental footprint is very limited. That said, the Directors believe that the Group's procedures comply with applicable regulations. Moreover, the Group has a number of policies and procedures in place to promote compliance with all relevant laws and regulations, the veracity and adherence to which is independently audited on an annual basis.

Reliance on key personnel, customers and suppliers

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

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Principal risks and uncertainties facing the Company

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

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

Any references below to the Company's or the Group's business or products (or any risks in connection with such business or products) include the business or products (and risks in connection with such business or products) of investee companies (including Plethora, in particular Fortacin™) in which the Company or Group has invested in the healthcare and life sciences sectors.

Contingent liability in respect of Australian Capital Gains Tax

As previously disclosed, the Company is currently in dispute with the Australian Taxation Office in connection with the disposal by the Group of an investment in BC Iron Limited ("BCI"), a company listed on the Australian Securities Exchange, in respect of a notice of assessment issued to the Company (the "Assessment", as amended), which stated that capital gains tax was due and payable by the Company on 2 December 2013 in the amount of approximately A\$11.85 million (equivalent to approximately US\$8.54 million) (as amended down by way of an amended assessment on 7 September 2016 so as to include some additional costs associated with the Group's investment in BCI), which excludes interest that has accrued on this amount since 2 December 2013 which, as at 9 January 2017, was approximately A\$3.98 million (equivalent to approximately US\$2.87 million). The exchange rates used in this paragraph are the historic exchange rates at the relevant time.

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

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Principal risks and uncertainties facing the Company (Continued)

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

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

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

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

Plethora depends to a material extent on the success of its lead product candidate, Fortacin™, which it is developing for the treatment of premature ejaculation. If Plethora is unable to obtain regulatory approval beyond the EU, or to commercialise Fortacin™, 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 Good Manufacturing Practice batches of the reduced fill can by its manufacturing partners, being Pharmaserve (North West) Limited and/or Catalent Pharma Solutions, LLC (RTP); the receipt of the NDA from the FDA; the successful negotiation of 'out licensing' agreements for territories outside of Europe; and the successful launching of commercial sales of Fortacin™ by Plethora's commercial partners at expected prices.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Principal risks and uncertainties facing the Company (Continued)

Commercialised product risk

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

Development risk

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

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

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.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Principal risks and uncertainties facing the Company (Continued)

Reliance on third parties (Continued)

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

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

Reimbursement and product price uncertainty

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

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

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

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.

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Principal risks and uncertainties facing the Company (Continued)

Achievement of commercial success or acceptance (Continued)

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

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

Manufacturing

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

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

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Principal risks and uncertainties facing the Company (Continued)

Competition

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

Acquisitions and joint ventures

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

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

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

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

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Principal risks and uncertainties facing the Company (Continued)

Financing requirements and access to capital

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

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

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

Protection of patents and proprietary rights

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

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

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Principal risks and uncertainties facing the Company (Continued)

Protection of patents and proprietary rights (Continued)

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 know-how can only be protected by keeping the information secret and confidential and the Group achieves this with security measures it considers to be reasonable, including confidentiality agreements with its collaborators, consultants and employees. The Group may not have adequate remedies if these agreements are breached and the Group's competitors may independently develop any of the proprietary information.

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

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

Reliance on key personnel

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

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Principal risks and uncertainties facing the Company (Continued)

Regulation and regulatory environment

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

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

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

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

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

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Principal risks and uncertainties facing the Company (Continued)

Maintenance of products' regulatory status in relevant territories

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

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

Market perceptions and negative publicity

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

Furthermore, government bodies and regulatory agencies require that potential pharmaceutical products are subject to 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.

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)

Principal risks and uncertainties facing the Company (Continued)

Environmental and safety regulation

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

International activities

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

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

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

The Group must manage the growth of its operations effectively

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

DIRECTORS' REPORT

BUSINESS REVIEW (Continued)

Principal risks and uncertainties facing the Company (Continued)

Exchange rate fluctuations

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

Non guarantee of tax treatment

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

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and the Group's associates are set out in notes 34 and 14 respectively to the Financial Statements.

GOODWILL

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

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS' REPORT

SHARE CAPITAL AND OPTIONS

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

(I) Share Capital

As at 1 January 2016, the authorised share capital of the Company was US\$105,500,000 comprising: (a) 10,000,000,000 ordinary shares of US\$0.01 each; and (b) 550,000,000 unclassified shares of US\$0.01 each (which might be issued as ordinary shares or as non-voting convertible deferred shares of US\$0.01 each), of which 3,485,730,523 ordinary shares were issued and fully paid or credited as fully paid. During the year ended 31 December 2016:

- (1) Pursuant to an ordinary resolution passed at the Company's extraordinary general meeting held on 2 March 2016, the authorised share capital of the Company was increased to US\$235,500,000 comprising: (a) 23,000,000,000 ordinary shares of US\$0.01 each; and (b) 550,000,000 unclassified shares of US\$0.01 each (which might be issued as ordinary shares or as non-voting convertible deferred shares of US\$0.01 each), in order to provide for the issue and allotment of the consideration shares upon completion of the conditional all share takeover offer for Plethora and to provide the Company with greater flexibility to raise future equity capital;
- (2) On 9 March 2016, an aggregate of 13,886,781,298 new ordinary shares were issued and allotted by the Company as consideration shares upon completion of the conditional all share takeover offer for Plethora (effected by way of a scheme of arrangement under Part 26 of the Companies Act 2006), further details of which are set out in notes 21 and 33 to the Financial Statements;
- (3) Pursuant to an ordinary resolution passed at the Company's extraordinary general meeting held on 8 June 2016, which took effect on 10 June 2016:
 - (i) every ten ordinary shares of a nominal or par value of US\$0.01 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of a nominal or par value of US\$0.10 each; and
 - (ii) every ten unclassified shares of a nominal or par value of US\$0.01 each (which might be issued as ordinary shares or as non-voting convertible deferred shares of a nominal or par value of US\$0.01 each) in the issued and unissued share capital of the Company were consolidated into one unclassified share of a nominal or par value of US\$0.10 each (which might be issued as a consolidated share or as a consolidated non-voting convertible deferred share),

so that immediately following the share consolidation, the authorised share capital of the Company became US\$235,500,000 comprising: (a) 2,300,000,000 ordinary shares of US\$0.10 each; and (b) 55,000,000 unclassified shares of US\$0.10 each (which might be issued as ordinary shares or as non-voting convertible deferred shares of US\$0.10 each), of which 1,737,251,182 ordinary shares were issued and fully paid or credited as fully paid (the "Share Consolidation");

DIRECTORS' REPORT

SHARE CAPITAL AND OPTIONS (Continued)

(1) Share Capital (Continued)

- (4) Pursuant to a special resolution passed at the Company's extraordinary general meeting held on 19 August 2016, which took effect on 12 October 2016 (in the Cayman Islands), which was 13 October 2016 in Hong Kong, following the approval by the Grand Court of the Cayman Islands (the "**Capital Reduction**"):
- (i) the issued share capital of the Company was reduced from US\$173,725,118.20 to US\$17,372,511.82 by the cancellation of US\$0.09 paid up capital on each issued share so that each issued share should be treated as one fully paid up share of US\$0.01 each in the capital of the Company; and
 - (ii) the par value of each unissued share was reduced from US\$0.10 to US\$0.01, such that the authorised share capital of the Company should be reduced from US\$235,500,000 comprising: (a) 2,300,000,000 ordinary shares of a nominal or par value of US\$0.10 each; and (b) 55,000,000 unclassified shares of a nominal or par value of US\$0.10 each (which might be issued as ordinary shares or as non-voting convertible deferred shares of a nominal or par value of US\$0.10 each) to US\$23,550,000 comprising: (i) 2,300,000,000 new ordinary shares of a nominal or par value of US\$0.01 each; and (ii) 55,000,000 unclassified shares of a nominal or par value of US\$0.01 each (which might be issued as new shares or as new non-voting convertible deferred shares of a nominal or par value of US\$0.01 each); and
- (5) No shares were repurchased by the Company.

Accordingly, as at 31 December 2016, the total issued ordinary share capital of the Company consisted of 1,737,251,182 shares.

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 (2002)

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

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

DIRECTORS' REPORT

SHARE CAPITAL AND OPTIONS (Continued)

(2) Share Option Scheme (2002) (Continued)

As at 1 January 2016, under the Share Option Scheme (2002) there were outstanding and vested options entitling the holders to subscribe for an aggregate of 111,266,132 ordinary shares at exercise prices ranging from HK\$0.300 to HK\$1.152 per share, representing 3.19% of the Company's then issued ordinary share capital and 3.09% of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 111,266,132 shares or 100% were vested. Exercise in full of the outstanding options would result in the issue of 111,266,132 additional ordinary shares for aggregate proceeds, before expenses, of HK\$77,614,928 (approximately US\$9,950,632).

During the period ended 8 June 2016 (the business day prior to the Share Consolidation taking effect):

- No new options were granted;
- No vested options were exercised;
- Outstanding options in respect of an aggregate of 50,124,000 shares lapsed on 3 April 2016 upon expiry of the exercise period (being the outstanding balances of eight options granted on 4 April 2006 in respect of an aggregate of 50,124,000 shares at the exercise price of HK\$0.300 per share); and
- No options were cancelled.

Accordingly, as at 8 June 2016, under the Share Option Scheme (2002) there were outstanding and vested options entitling the holders to subscribe for an aggregate of 61,142,132 ordinary shares at exercise prices ranging from HK\$0.325 to HK\$1.152 per share, representing 0.35% of the Company's then issued ordinary share capital and 0.35% of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 61,142,132 shares or 100% were vested. Exercise in full of the outstanding options would result in the issue of 61,142,132 additional ordinary shares for aggregate proceeds, before expenses, of HK\$62,577,728 (approximately US\$8,022,786).

Upon the Share Consolidation taking effect on 10 June 2016, the outstanding options under the Share Option Scheme (2002) were adjusted, in the manner prescribed in the rules of the scheme, as to the number of shares comprised in each option (so far as unexercised) and the option price thereunder. A statement in writing was duly received from the Company's Auditor (acting as experts and not as arbitrators) confirming that in their opinion the adjustments proposed by the Directors were fair and reasonable. Accordingly, as at 10 June 2016, under the Share Option Scheme (2002) there were outstanding and vested options entitling the holders to subscribe for an aggregate of 6,114,213 ordinary shares at exercise prices ranging from HK\$3.250 to HK\$11.520 per share, representing 0.35% of the Company's then issued ordinary share capital and 0.35% of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 6,114,213 shares or 100% were vested. Exercise in full of the outstanding options would result in the issue of 6,114,213 additional ordinary shares for aggregate proceeds, before expenses, of HK\$62,577,726 (approximately US\$8,022,786).

DIRECTORS' REPORT

SHARE CAPITAL AND OPTIONS (Continued)

(2) Share Option Scheme (2002) (Continued)

Since 10 June 2016 and prior to 31 December 2016:

- No new options were granted;
- No vested options were exercised;
- Outstanding options in respect of an aggregate of 410,400 shares lapsed on 13 December 2016 upon expiry of the exercise period (being the outstanding balances of six options granted on 14 December 2006 in respect of an aggregate of 410,400 shares at the exercise price of HK\$3.250 per share);
- No adjustments were made to the number of shares comprised in each of the outstanding options (so far as unexercised) and its option price under the Share Option Scheme (2002) in accordance with the rules of the scheme upon the Capital Reduction taking effect, with a statement in writing having been duly received from the Company's Auditor (acting as experts and not as arbitrators) confirming that in their opinion the Directors' determination on no adjustments to be made to the outstanding options upon the Capital Reduction taking effect was fair and reasonable; and
- No options were cancelled.

Accordingly, as at 31 December 2016, under the Share Option Scheme (2002) there were outstanding options entitling the holders to subscribe for an aggregate of 5,703,813 ordinary shares at exercise prices ranging from HK\$7.800 to HK\$11.520 per share, representing 0.33% of the Company's then issued ordinary share capital and 0.33% of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 5,703,813 shares or 100% were vested. Exercise in full of the outstanding options would result in the issue of 5,703,813 additional ordinary shares for aggregate proceeds, before expenses, of HK\$61,243,926 (approximately US\$7,851,785).

Subsequent to the year end date and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options lapsed or were cancelled. Accordingly, as at the date of this report, under the Share Option Scheme (2002) there are outstanding options entitling the holders to subscribe for an aggregate of 5,703,813 ordinary shares at exercise prices ranging from HK\$7.800 to HK\$11.520 per share, representing 0.33% of the Company's existing issued ordinary share capital and 0.33% of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 5,703,813 shares or 100% are vested. No new options will be granted under the Share Option Scheme (2002) as the scheme expired on 15 November 2012 (as noted above), with the provisions of its rules remaining in full force and effect to the extent necessary to give effect to the exercise of any options granted and remaining outstanding prior to the date of the expiry. Exercise in full of the outstanding options would result in the issue of 5,703,813 additional ordinary shares for aggregate proceeds, before expenses, of HK\$61,243,926 (approximately US\$7,851,785).

DIRECTORS' REPORT

SHARE CAPITAL AND OPTIONS (Continued)

(3) 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.

Since 10 June 2016 and prior to the date of this report, no options were granted under the Share Option Scheme (2016).

RESERVES

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

A general mandate was granted to the Directors at the Company's annual general meeting held on 4 June 2015 to repurchase, on the HK Stock Exchange, shares up to a maximum of 348,573,052 shares (the "**2015 Repurchase Mandate**"). Since 4 June 2015, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2015 Repurchase Mandate.

The 2015 Repurchase Mandate expired upon close of the Company's annual general meeting held on 8 June 2016, at which a new general mandate was granted to the Directors to repurchase, on the HK Stock Exchange, as adjusted for the 10 for 1 share consolidation which took effect on 10 June 2016, shares up to a maximum of 173,725,118 shares (the "**2016 Repurchase Mandate**"). Since 8 June 2016 and prior to the date of this report, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2016 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 2016 or subsequent to the year end date and prior to the date of this report.

DIRECTORS' 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 2016 and prior to the date of this report, the Company has complied with the public float requirement prescribed in the HK Listing Rules for the Company.

DIRECTORS

The Directors of the Company who held office during the year ended 31 December 2016 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^{*}

Stephen Roland Dattels

(Resigned as Non-Executive Director and
Co-Chairman of the Board on 1 September 2016)

^{*} *Non-Executive Directors*

[#] *Independent Non-Executive Directors*

Stephen Dattels resigned as a Non-Executive Director and Non-Executive Co-Chairman of the Board of the Company with effect from 1 September 2016 in order to continue his business efforts on the mining sector, an area of which the Company shifted its investment focus away from, as well as pursue other business opportunities. Mr Dattels confirmed (as set out in the announcement issued by the Company on 1 September 2016) that he had no disagreement with the Board and the Company in any respects and that there were no matters that needed to be brought to the attention of the shareholders of the Company in relation to his resignation.

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

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

DIRECTORS' REPORT

DIRECTORS (Continued)

No Directors will retire pursuant to Article 86(3) at the forthcoming annual general meeting of the Company (the “**2017 Annual General Meeting**”), and James Mellon and David Comba will retire by rotation pursuant to Article 87 at the 2017 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 2017 Annual General Meeting.

None of the Directors proposed for re-election at the 2017 Annual General Meeting has any unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment (other than statutory compensation), except that the 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).

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

DIRECTORS' REPORT

DIRECTORS (Continued)

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

- I. **James Mellon**, aged 60, 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 whole career has been spent in asset management. Mr Mellon worked for GT Management Plc from 1978 to 1984. In July 1984, he joined the Thornton Group where he was Managing Director of the Asian operation. From 1988 to 1990, he was an executive director of Tyndall Holdings Plc responsible for business expansion and corporate development. In 1990, Mr Mellon co-founded and became Chief Executive of Regent Pacific Group. In 1994, he became Chairman of Regent Pacific Group. Mr Mellon has over 20 years' investment experience in Asia. He specialises in the development and restructuring of international investment vehicles, and travels extensively across the region on company visits and fact-finding missions. He is also director of certain subsidiaries of Regent Pacific Group. Mr Mellon is also: (i) a non-executive director of Condor Gold plc, the executive co-chairman of the board of Fast Forward Innovations Limited, a non-executive director of Life Science Developments Limited, having been appointed on 5 October 2015, the executive chairman of the board of Manx Financial Group plc, the non-executive chairman of the board of Port Erin Biopharma Investments Limited, the non-executive chairman of the board of SalvaRx Group Plc (formerly known as 3Legs Resources plc) (having been appointed as a non-executive director on 9 June 2015 and as the non-executive chairman on 21 March 2016) and a non-executive director of West African Minerals Corporation, all of which are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange; (ii) a non-executive director of Portage Biotech Inc (which is dually listed on the Over the Counter Bulletin Board of NASDAQ of the United States and the Canadian Stock Exchange); (iii) 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 (iv) the non-executive chairman of the board of Speymill Deutsche Immobilien Company plc (which was de-listed from AIM on 31 May 2011); and (v) the executive chairman of the board of Speymill plc (which was de-listed from AIM on 2 February 2015). He was formerly: (1) a non-executive director of Brazilian Gold Corporation ("BGC", which was de-listed from the Toronto Venture Exchange ("TSX-V") on 25 November 2013), having ceased his directorship upon completion of the 100% acquisition of BGC by Brazil Resources Inc (which is dually listed on TSX-V and OTCQX) by a plan of arrangement on 22 November 2013; (2) a non-executive director of Charlemagne Capital Limited ("CCL", which was de-listed from AIM on 15 December 2016), having ceased his directorship 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; (3) a non-executive director of Miraculins Inc (which is listed on TSX-V), having not stood for re-election on 29 May 2014; (4) the non-executive chairman of the board of Plethora Solutions Holdings plc (which became a wholly owned subsidiary of the Company upon completion of a scheme of arrangement on 9 March 2016 and was de-listed from AIM on 11 March 2016), having resigned on 9 March 2016; (5) a non-executive director of Polo Resources Limited (an AIM-listed company, having voluntarily withdrawn its listing from the Bermuda Stock Exchange on 23 May 2014), having resigned on 14 May 2013; (6) a non-executive director of Summit Corporation plc (an AIM-listed company), having resigned on 3 December 2014; and (7) a non-executive director of Venturex Resources Limited ("VXR", which is listed on the Australian Securities Exchange ("ASX")), having been appointed on 5 February 2013, representing the Company's interest held in VXR, and resigned on 10 June 2013.

DIRECTORS' REPORT

DIRECTORS (Continued)

2. **Jamie Alexander Gibson**, aged 51, British, joined Regent Pacific Group in April 1996 and was appointed as an Executive Director and Chief Operating Officer of the Company in January 2002. In May 2002, he became Chief Executive Officer of the Company. Mr Gibson has spent most of his professional career with the Company specialising in corporate finance, direct equity investments and structuring emerging market investment products. Prior to joining the Company, he worked at Clifford Chance, Coopers & Lybrand and KPMG. Mr Gibson has a law degree from Edinburgh University. He is also director of a number of subsidiaries of Regent Pacific Group, including Amerinvest Coal Industry Holding Company Limited, which in turn holds a 25% equity interest in West China Coking & Gas Company Limited, and an executive director and the Chief Executive Officer of Plethora Solutions Holdings plc (which became a wholly owned subsidiary of the Company upon completion of a scheme of arrangement on 9 March 2016 and was de-listed from AIM on 11 March 2016). Mr Gibson was formerly: (i) a non-executive director of BC Iron Limited ("BCI", an ASX-listed company), having been appointed on 16 July 2012, representing the Company's 23.11 per cent interest then held in BCI, and resigned on 18 December 2012 in anticipation of the Company's contemplated disposal of its entire interest in BCI; and (ii) the alternate director to James Mellon on the board of VXR (as referred to above), having been appointed on 12 March 2013 and resigned on 10 June 2013.
3. **Charles David Andrew Comba**, aged 73, Canadian, has been an Independent Non-Executive Director of the Company since October 2005. He is currently director of a Canadian listed company, namely CR Capital Corp (formerly known as Cogitore Resources Inc) (listed on the NEX board of TSX-V). Until his retirement in May 2005, he held senior staff positions as Director Issues Management and more recently as Director of Regulatory Affairs with the Prospectors and Developers Association of Canada. Mr Comba also served the association as a Director prior to joining staff in 1998. He served on or led mineral exploration teams that have made eleven significant discoveries of base and precious metals, primarily for Falconbridge Group companies. Five discoveries were taken to production. After holding Falconbridge Regional Exploration Manager positions in Timmins, Ontario and Sudbury, Ontario, Mr Comba was transferred to Toronto, Ontario in 1990 as Vice President of Exploration Falconbridge Gold Corporation. Subsequent to the sale of FGC to Kinross Gold Corporation he became a director, President and Chief Executive Officer of a Kinross controlled exploration company, Pentland Firth Ventures Limited. Mr Comba obtained two geological degrees from Queen's University Kingston, Ontario, Canada, an MSc (1975) and a Hon BSc (1972). He ceased to be a director of North American Palladium Ltd (listed on the Toronto Stock Exchange and the American Stock Exchange) on 23 June 2014 by mandatory retirement upon the age of 71. Mr Comba was a director and chairman of the board of First Nickel Inc (listed on the Toronto Stock Exchange), which agreed on 20 August 2015 to enter into receivership with its two principal debt holders.
4. **Julie Oates**, aged 55, British, has been an Independent Non-Executive Director of the Company since September 2004. She trained with PKF (Isle of Man) LLC and qualified in 1987 as a member of The Institute of Chartered Accountants in England and Wales. Mrs Oates later joined the international firm of Moore Stephens, and was appointed partner in the Isle of Man firm in 1997. In 2002, she joined a local trust company as Managing Director and in 2003 established her own accountancy practice. Mrs Oates has experience in both the general practice areas of accounting and business assurance as well as offshore corporate and trust administration. Mrs Oates acts as director for a number of companies and is licensed by the Isle of Man Government Financial Services Authority.

DIRECTORS' REPORT

DIRECTORS (Continued)

5. **Stawell Mark Searle**, aged 73, British, has been an Independent Non-Executive Director of the Company since October 2001. He has over 30 years' experience in the investment management industry. Having trained with Jardine Matheson, the Far Eastern trading house in London, he was seconded to Samuel Montagu where he worked for two years in their Investment Department. Subsequently, Mr Searle joined Investment Intelligence Limited becoming Investment Director responsible for management of a stable of open ended funds. Between 1982 and 1987, he was Managing Director of Richards Longstaff Limited, a privately owned investment consultancy. In the following ten years, he was Investment Director of Gerrard Asset Management. Mr Searle has been a director of a number of closed-ended funds during his career and most recently was a director of Invesco Perpetual European Absolute Return Investment Trust Plc (formerly a listed company on the London Stock Exchange), which was liquidated at the end of October 2009 at the request of a majority of shareholders.
6. **Jayne Allison Sutcliffe**, aged 53, British, was appointed as the Group Corporate Finance Director in August 1991 and was re-designated as a Non-Executive Director in June 2000. Mrs Sutcliffe has spent most of her professional career in the fund management industry specialising in sales and marketing initially at Thornton Management and then at Tyndall Holdings Plc. Mrs Sutcliffe co-founded Regent Pacific Group in 1990 where she established, and was responsible for, the Group's corporate finance activities. She has a Master's degree in Theology from Oxford University. Mrs Sutcliffe is also director of a subsidiary of Regent Pacific Group. She is also the Group Chief Executive of Charlemagne Capital Limited, which is listed on AIM.

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

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

DIRECTORS' REPORT

DIRECTORS (Continued)

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

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

DIRECTORS' REPORT

DIRECTORS (Continued)

Notes:

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

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

DIRECTORS' REPORT

SENIOR MANAGEMENT

1. **David Samuel Church**, Head of Mergers and Acquisitions and General Counsel, aged 42, Australian, joined Regent Pacific Group in 2008 and is based in Hong Kong. He is also director of a number of subsidiaries of Regent Pacific Group. Mr Church has more than 18 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 twelve years' experience in Asia including transactions in Hong Kong, Korea, the PRC, Singapore, Indonesia, Malaysia and the Philippines. Mr Church has acted and advised on some of the most high profile M&A transactions in Europe and Asia. He is qualified and has practiced as a solicitor in Australia, with Clayton Utz, and in the UK and Hong Kong, with Linklaters.
2. **Paul Eric Jones**, Investment Director, aged 52, Canadian, has 28 years of experience in the energy industry and corporate finance. This has included various professional disciplines encompassing fund management, commercial banking and business development. Before joining Regent Pacific Group in April 2011, Mr Jones was employed for six years with a Canadian private equity fund, where he was principally engaged in evaluating investment opportunities on behalf of the firm's investors and managing a portfolio of public and private securities. Prior thereto, Mr Jones was a Director in the energy lending group at the Canadian Imperial Bank of Commerce where he specialised in arranging debt financing and providing advisory services to oil and gas producers. Previous to his banking career, Mr Jones was a financial analyst with TransCanada Corp. (a large Canadian power generation and energy transmission company), where he was responsible for initiatives relating to bond issuance, project finance, capital budgeting and investor relations. Mr Jones holds a Bachelor of Arts and a Master of Business Administration (Finance), both from the University of Calgary.
3. **Professor Michael Grant Wyllie**, Chief Scientific Officer, aged 66, 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. He is an independent director on the board of the NASDAQ listed reproductive health company, Repros (RPRX).

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS

As at 31 December 2016, 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 Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the HK Listing Rules:

I. Securities of the Company

a. Ordinary shares of US\$0.01 each (note A)

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares*	Approximate % holding**
James Mellon	B	Beneficial owner	Long position	146,176,496	8.41%
	B	Beneficiary of a trust	Long position	241,209,715	13.88%
Jamie Gibson		Beneficial owner	Long position	69,208,513	3.98%
David Comba		—	—	—	—
Julie Oates	C	Interests held jointly with another person	Long position	1,000,000	0.06%
Mark Searle		Beneficial owner	Long position	471,228	0.03%
	D	Beneficiary of a trust	Long position	2,070,760	0.12%
	D	Family interest	Long position	628,304	0.04%
Jayne Sutcliffe		Beneficial owner	Long position	1,716,046	0.10%
	E	Beneficiary of a trust	Long position	2,796,522	0.16%

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

** The total issued ordinary share capital of the Company as at 31 December 2016 consisted of 1,737,251,182 shares.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

I. Securities of the Company (Continued)

b. Options under Share Option Scheme (2002) (note A)

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

As at 31 December 2016, the following Directors of the Company had personal interests in options granted under the Share Option Scheme (2002), entitling them to subscribe for ordinary shares of US\$0.01 each in the capital of the Company in accordance with, and subject to, the terms of the scheme:

Name of Director	Date of grant	Total number of shares subject to the option [#]	Subscription price per share (HK\$)	Exercise period [#]	Number of shares subject to vested options [#]	Consideration for grant of option (HK\$)
James Mellon	2 October 2007	13,000,000	1.152	2 October 2008 – 1 October 2017	13,000,000	10.00
Jamie Gibson	2 October 2007	13,000,000	1.152	2 October 2008 – 1 October 2017	13,000,000	10.00
David Comba	2 October 2007	5,000,000	1.152	2 October 2008 – 1 October 2017	5,000,000	10.00

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

During the year ended 31 December 2016 and prior to the date of this report, no new options were granted to the Directors of the Company under the Share Option Scheme (2002), and none of the outstanding options were exercised or cancelled.

Save for the above, during the year ended 31 December 2016 and prior to the date of this report, no Directors of the Company exercised any of their rights under the respective options granted to them pursuant to the Share Option Scheme (2002) and subscribed for shares in the Company; and no new options were granted; and no outstanding options lapsed or were cancelled.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

2. Securities of associated corporations

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

Name of Director	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % holding
James Mellon	—	—	—	—
Jamie Gibson	Beneficial owner	Long position	225,000	0.80%
David Comba	—	—	—	—
Julie Oates	—	—	—	—
Mark Searle	—	—	—	—
Jayne Sutcliffe	Beneficial owner	Long position	150,000	0.54%

b. Ordinary shares of GBP 0.001 of The Diabetic Boot Company Limited ("**Diabetic Boot**") (note G)

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % holding
James Mellon	H	Beneficial owner	Long position	88,409	14.60%
	I	Interests held by controlled corporation	Long position	6,657	1.10%
Jamie Gibson	—	—	—	—	—
David Comba	—	—	—	—	—
Julie Oates	—	—	—	—	—
Mark Searle	—	—	—	—	—
Jayne Sutcliffe	—	—	—	—	—

c. Ordinary shares of Venturex Resources Limited ("**Venturex**") (note J)

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % holding
James Mellon	K	Interests held by controlled corporation	—	—	—
Jamie Gibson	—	—	—	—	—
David Comba	—	—	—	—	—
Julie Oates	—	—	—	—	—
Mark Searle	—	—	—	—	—
Jayne Sutcliffe	—	—	—	—	—

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

Notes:

A. The capital reduction (as detailed in the shareholders' circular and announcement issued by the Company on 20 July 2016 and 14 October 2016 respectively) was effective on 12 October 2016 (in the Cayman Islands), which was 13 October 2016 in Hong Kong, following approval by the Grand Court of the Cayman Islands. Upon the capital reduction taking effect, the total issued ordinary share capital of the Company remains to consist of 1,737,251,182 shares, and no adjustments were made to the outstanding options under the Share Option Scheme (2002) in accordance with the rules of the scheme.

B. As at 31 December 2016, the 241,209,715 ordinary shares in the Company were held by companies wholly owned by the trustee of a settlement, of which James Mellon was a beneficiary.

Subsequent to the year end date and on 13 March 2017, James Mellon filed a return with the Company and disclosed that the above-mentioned settlement was dissolved and those interests were currently held by those companies indirectly wholly owned by James Mellon.

On 13 and 24 March 2017, 20,419,880 shares and 121,074,083 shares in the Company were transferred from a company indirectly wholly owned by James Mellon to James Mellon. At all relevant times, James Mellon was and remains the sole beneficial owner of the shares in question.

Accordingly, as at the date of this report, 287,670,459 shares in the Company are held by James Mellon as beneficial owner and 99,715,752 shares in the Company are held by companies indirectly wholly owned by James Mellon.

C. 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).

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

E. The 2,796,522 ordinary shares in the Company are held by the trustee of a discretionary trust, under which Jayne Sutcliffe and members of her family may become beneficiaries.

F. AstroEast.com Limited is an indirect 50.99% owned subsidiary of the Company.

G. As at 31 December 2016 and the date of this report the Company held/holds 22% in the total issued share capital of Diabetic Boot.

H. As at 31 December 2016, James Mellon held 88,409 shares in Diabetic Boot and loan notes in an aggregate amount of GBP 802,781 which could be convertible into an aggregate of 53,519 shares in Diabetic Boot.

As at the date of this report, James Mellon holds 88,409 shares in Diabetic Boot and loan notes in an aggregate amount of GBP 1,227,781 which can be convertible into an aggregate of 81,852 shares in Diabetic Boot.

I. As at 31 December 2016 and the date of this report, 6,657 shares in Diabetic Boot were/are held by a company indirectly wholly owned by James Mellon.

J. As at 31 December 2016 and the date of this report, the Company held/holds 22.48% in the total issued share capital of Venturex.

K. As at 31 December 2016, James Mellon did not hold any interests in Venturex.

Subsequent to the year end date, James Mellon, via a company indirectly wholly owned by him, acquired certain shares in Venturex, and as at the date of this report, 9,500,000 shares in Venturex are held by a company indirectly wholly owned by James Mellon, representing approximately 0.36% of its total issued share capital.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

Save as disclosed herein, as at 31 December 2016 and as at the date of this report, none of the Directors had/has any beneficial interests or short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or of any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors were/are deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code.

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

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS

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

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

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

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

DIRECTORS' REPORT

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

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

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

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

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

(2) Further subscription of new shares in The Diabetic Boot Company Limited

On 20 April 2016, the Company announced that it entered into a binding term sheet (the "Binding Term Sheet") with The Diabetic Boot Company Limited in respect of a further subscription by the Company, in three equal conditional tranches, of up to 130,434 new shares in Diabetic Boot ("Diabetic Boot Share(s)") at GBP 23 per Diabetic Boot Share in cash, together with up to 65,217 fundraising warrants of Diabetic Boot, in three equal conditional tranches, for an aggregate consideration of up to GBP 2,999,982 (the "Subscription").

Given that: (i) James Mellon (then the Non-Executive Co-Chairman of the Board of the Company holding, by himself and his associates, 22.32 per cent of the total issued share capital of the Company); and (ii) Anthony Baillieu (whose connection with the Company as referred to below, then holding, through a nominee company owned by his family which held shares and cash to the individual family members' accounts, 0.001 per cent of the total issued share capital of the Company), both being shareholders of Diabetic Boot, were connected persons of the Group, the further investment into Diabetic Boot by way of the first tranche and the second tranche of the Subscription, together with the relevant number of fundraising warrants, constituted a connected transaction of the Company under Chapter 14A of the HK Listing Rules. However, neither of the above-mentioned Directors had a material interest in the further investment into Diabetic Boot by way of the first tranche and the second tranche under the Binding Term Sheet, and such investment was exempted from the circular (including independent financial advice) and shareholders' approval requirements under the de minimis provisions of Rule 14A.76(2) of Chapter 14A of the HK Listing Rules. The views of the Independent Non-Executive Directors on the subscriptions were set out in the said announcement.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

(2) Further subscription of new shares in The Diabetic Boot Company Limited (Continued)

Anthony Baillieu was formerly a Director of the Company having resigned in October 2005, but remained as a director of two of the Company's dormant subsidiaries (being AstroEast.com Limited and AstroEast.com (Hong Kong) Limited), holding such positions since January 2000. Mr Baillieu then held, through a nominee company owned by his family, but to his own individual account, 0.001 per cent of the total issued share capital of the Company.

The subscription of the first tranche of 43,478 new Diabetic Boot Shares and 21,739 fundraising warrants for an aggregate amount of cash consideration of GBP 999,994 was completed on 11 May 2016, upon the conditions that were required to be satisfied in respect of the first tranche having been satisfied.

(3) Disposal of shares in Condor Gold plc

On 13 January 2017, the Company announced that on 12 January 2017 it disposed of, among others, an aggregate of 1,636,998 shares in Condor Gold plc to James Mellon and Galloway Limited ("**Galloway**", a company wholly owned by the trustee of a settlement, of which James Mellon was the sole beneficiary) for an aggregate amount of cash consideration of GBP 809,783.99.

Given that James Mellon (the Non-Executive Chairman of the Board of the Company then holding, by himself and his associates, 22.32 per cent of the total issued share capital of the Company) and Galloway were connected persons of the Group, the above disposal constituted a connected transaction of the Company under Chapter 14A of the HK Listing Rules. However, such disposal was exempted from the circular (including independent financial advice) and shareholders' approval requirements under the de minimis provisions of Rule 14A.76(2) of Chapter 14A of the HK Listing Rules, and James Mellon abstained from voting on the board resolution approving such disposal. The views of the Independent Non-Executive Directors on the disposal were set out in the said announcement.

Save for the above, no connected transactions (as defined in Chapter 14A of the HK Listing Rules) or significant contracts (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules) of the Company, to which the Company or any of its subsidiaries was/is a party and in which a Director or Directors of the Company had/has/have a material interest, either directly or indirectly, subsisted/subsists as at 31 December 2016 or as at the date of this report or at any time during the year or prior to the date of this report.

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

DIRECTORS' REPORT

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 2016 and prior to the date of this report, there was not any permitted indemnity provision (whether made by the Company or otherwise) (as referred to in Sections 468 to 470 of the Companies Ordinance (Chapter 622) of Hong Kong (the "**Companies Ordinance**") and Section 9 of the Companies (Directors' Report) Regulation (Chapter 622D) of Hong Kong) in force for the benefit of any Director of the Company or any director of any associated company of the Company.

MANAGEMENT CONTRACTS

No contracts, other than contracts of service with any Director of the Company or any person engaged in the full-time employment of the Company, subsisted/subsists as at 31 December 2016 or as at the date of this report or at any time during the year or prior to the date of this report, whereby any individual, firm or body corporate undertook/undertakes the management and administration of the whole or any substantial part of any business of the Company, as referred to in Section 543 of the Companies Ordinance.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Directors, except for the Independent Non-Executive Directors who are not subject to the disclosure requirement under Rule 8.10 of the HK Listing Rules, have declared that they (or their respective associates) are not interested in any business apart from the Company's business, which competes or is likely to 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) **Condor Gold plc**

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

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

- The Company does not hold any interests in its total issued share capital (having disposed of its entire interest in Condor on 12 January 2017, as announced by the Company on 13 January 2017); and
- James Mellon (himself and through his associate) holds approximately 5.40 per cent of its total issued share capital.

(2) **The Diabetic Boot Company Limited**

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(2) The Diabetic Boot Company Limited (Continued)

As at the date of this report:

- The Company holds approximately 22 per cent of its total issued share capital; and
- James Mellon (himself and through his associate) holds approximately 15.70 per cent of its total issued share capital and loan notes in an aggregate amount of GBP 1,227,781 which can be convertible into an aggregate of 81,852 shares, representing, together (existing issued shares and convertible loan notes), approximately 22.04 per cent of its fully diluted share capital.

As at the date of this report, Port Erin Biopharma Investments Limited (as referred to below) holds approximately 1.17 per cent of the total issued share capital of Diabetic Boot.

As at the date of this report, Fast Forward Innovations Limited (as referred to below) holds approximately 4.29 per cent of the total issued share capital of Diabetic Boot.

(3) Fast Forward Innovations Limited

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

James Mellon is the executive co-chairman of the board of Fast Forward Innovations, and as at the date of this report:

- The Company does not hold any interests in its total issued share capital; and
- James Mellon (through his associate) holds approximately 7.84 per cent of its total issued share capital.

As at the date of this report, Fast Forward Innovations holds approximately 4.29 per cent of the total issued share capital of Diabetic Boot (as referred to above).

(4) Life Science Developments Limited

Life Science Development Limited ("Life Science Developments", AIM: LIFE) is a life science and biotech investing company listed on AIM.

James Mellon is a non-executive director of Life Science Developments, 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 less than 3 per cent of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s).

(5) Port Erin Biopharma Investments Limited

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(5) Port Erin Biopharma Investments Limited (Continued)

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

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

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

(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 United States and the Canadian Securities Exchange, focusing on discovering and developing innovative cell permeable peptide therapies and developing drug therapies.

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

- The Company does not hold any interests in its total issued share capital; and
- James Mellon (himself and through his associates) holds approximately 17.15 per cent of its total issued share capital.

(7) SalvaRx Group Plc (formerly known as 3Legs Resources plc)

SalvaRx Group Plc ("**SalvaRx**", AIM: SALV) is an AIM-listed drug discovery and development company, focused on immune-oncology. It invests in novel cancer immuno-therapies and provides its portfolio companies with operational support ranging from direct operation of subsidiaries to advisory or part-time involvement in more established companies.

James Mellon is the non-executive chairman of the Board of SalvaRx (having appointed as the chairman of its board on 21 March 2016), 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 36.53 per cent of its total issued share capital.

(8) 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.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(8) Venturex Resources Limited (Continued)

As at the date of this report:

- The Company holds approximately 22.48 per cent of its total issued share capital; and
- James Mellon (through his associate) holds less than 5 per cent of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s).

(9) West African Minerals Corporation

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

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

- The Company does not hold any interest in its total issued share capital; and
- James Mellon (himself and through his associate) holds approximately 6.83 per cent of its total issued share capital.

Note:

Stephen Dattels resigned as a Non-Executive Director and Non-Executive Co-Chairman of the Board of the Company with effect from 1 September 2016, and accordingly, he ceased to have disclosure obligations in respect of his directorships and/or interests held in the following companies as regards the “Directors’ Interests in Competing Businesses” (which were disclosed in the Company’s last annual report):

- Circum Minerals Limited
- Fast Forward Innovations Limited
- Portage Biotech Inc
- West African Minerals Corporation

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

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

The Directors are not aware of any persons (other than James Mellon, whose interests are set out in detail under the section headed "Directors' Interests in Securities and Options"), who, as at 31 December 2016 or as at the date of this report, had/had beneficial interests or short positions in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company, which would have to be recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests which they were/are deemed or taken to have under such provisions of the SFO).

MAJOR CUSTOMERS AND SUPPLIERS

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

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 2017 Annual General Meeting and, being eligible, offer itself for re-appointment. An ordinary resolution has been proposed for the 2017 Annual General Meeting for the re-appointment of BDO Limited.

CORPORATE GOVERNANCE REPORT

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

On Behalf of the Board

James Mellon
Chairman

28 March 2017

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

REVENUE AND PROFIT

The Group recorded a loss attributable to the shareholders of the Company of US\$2.46 million in 2016 (2015: US\$9.33 million).

The Group (revenue and fair value gain/(loss) on financial instruments) recorded a gain of US\$3.44 million (2015: loss of US\$5.69 million).

The Group's associate, Plethora Solutions Holdings plc ("**Plethora**"), contributed a share of profit of US\$17,000 to the Group for the period ended 9 March 2016. In addition, the Group's associate, The Diabetic Boot Company Limited ("**Diabetic Boot**"), recorded a share of loss of US\$0.85 million for the period from 11 May to 31 December 2016.

The main elements of the loss are analysed as follows:

	US\$ million
Gain from bargain purchase of a subsidiary, Plethora	31.69
Gain from bargain purchase of an associate, Diabetic Boot	1.36
Loss on deemed disposal of an associate, Plethora	(5.81)
Amortisation of an intangible asset, mainly being Fortacin™	(22.89)
Research and development expenses incurred by Plethora	(3.24)
Fair value gain on financial instruments, net	3.12
Other/Office general and administrative expenses	(6.69)
Total loss attributable to shareholders of the Company	(2.46)

FINANCIAL POSITION

Shareholders' equity increased by 364.10% to US\$181.37 million as at 31 December 2016 from US\$39.08 million as at 31 December 2015. The increase was mainly due to: (i) the increase of share capital and share premium of US\$143.07 million by issuing consideration shares for the acquisition of Plethora; (ii) the increase of foreign currency exchange reserve of US\$2.91 million, which was mainly due to the release of exchange loss from the reserve to profit or loss; this was offset against the loss attributable to shareholders of the Company of US\$2.46 million for the year ended 31 December 2016.

The investments in Diabetic Boot of US\$3.05 million accounted for 1.68% of shareholders' equity. The Group's assets also comprised: (i) an intangible asset of US\$193.18 million; (ii) listed and unlisted investments of US\$9.11 million; (iii) cash and bank balances of US\$0.29 million; (iv) derivative financial instruments of US\$0.19 million; and (v) property, plant and equipment and other receivables of US\$0.70 million.

The Group's liabilities comprised: (i) deferred tax liabilities of US\$19.32 million; and (ii) payables and accruals of US\$5.87 million.

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

STRATEGIC PLAN

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

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

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

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

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

FUNDING

As at 31 December 2016, the Group had US\$0.29 million in cash that represented 0.16% 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 US\$7.39 million.

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

GEARING RATIO

No gearing ratio (being long term debts over total equity and long term debts) is calculated as there was no long term debt as at 31 December 2016.

CONTINGENT LIABILITIES

Save as those disclosed in notes 28 and 32 to the Financial Statements, the Group has no other material contingent liabilities as at 31 December 2016.

CHARGE ON ASSETS

As announced by the Company on 28 January 2013, 18 April 2013 and 23 August 2013 and as further disclosed in the Company's half yearly and annual reports since 2013, the Company received orders from the Federal Court of Australia in relation to an assessment issued by the Commissioner of Taxation in the amount of A\$12.78 million following completion of the sale of its securities in BC Iron Limited for gross proceeds of A\$81.61 million (the "Assessment"). The amount of potential capital gains tax assessed was expressed to be due and payable on 2 December 2013. On 7 September 2016, the Australian Taxation Office considered that capital gains tax was amended down and payable in the amount of approximately A\$11.85 million.

Following consultation with the Commissioner of Taxation and pursuant to the terms of the Settlement Deed (as defined in the announcement dated 18 April 2013), the Company agreed to grant The Commonwealth of Australia, represented by the Commissioner of Taxation, a specific security deed (as amended by way of a deed of amendment dated 27 November 2013) (together, the "Specific Security Deed") in respect of certain of the Company's holding of 518,103,930 shares in Venturex Resources Limited, 10,854,568 shares in Bannerman Resources Limited and 12,700,000 shares in Tigers Realm Coal Limited, of which the market value are A\$4.14 million (or approximately US\$2.99 million), A\$0.93 million (or approximately US\$0.67 million) and A\$0.31 million (or approximately US\$0.23 million) as at 31 December 2016 respectively, as security against the Assessment, in consideration of the Commissioner of Taxation taking steps to discontinue the Court orders within 7 days of the date of the Specific Security Deed and staying recovery action in respect of the Assessment until the matter is resolved within the time provided for in any relevant law following the Final Determination of Objection (as defined in the announcement dated 18 April 2013).

None of the Group's other assets were pledged as at 31 December 2016 (2015: Nil).

MANAGEMENT OF RISK

In 2016, the most significant risk affecting the profitability and viability in respect of the Group is the continued success and revenue derived from its listed equity portfolio and in respect of the Group's interest in Plethora. Risks relating to the Group's interests include:

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

MANAGEMENT OF RISK (Continued)

Equity Markets

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

Foreign Exchange Risk

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

Interest Rate Risk

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

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

1. The timing and quantum of receipt of upfront, milestone and royalty income from strategic commercial marketing partners, which in itself is dependent on the successful partnering and 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 work with Pharmaserve (North West) Limited and Catalent Pharma Solutions, LLC and regulatory approval processes 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.

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

FINANCIAL INSTRUMENTS

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

In the course of the Group's normal operations, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 December 2016, the amount of these margin deposits was nil (2015: US\$0.68 million). In terms of the total operations of the Group, activities of this nature are of limited materiality.

FOREIGN CURRENCY

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

MATERIAL ACQUISITIONS AND DISPOSALS

As previously announced, during the year the Group: (i) acquired the entire issued and to be issued ordinary share capital of Plethora not already owned by the Group for US\$143.10 million (note 33); (ii) further invested GBP 1 million (or approximately US\$1.45 million) for 43,478 new ordinary Diabetic Boot shares and 21,739 fundraising warrants ((note 14(iv)); (iii) disposed of its entire interest in Endeavour Mining Corporation on market for an aggregate consideration of approximately US\$2.80 million in cash; and (iv) disposed of its remaining interest in Binary Limited for a consideration of US\$1.15 million in cash.

SEGMENTAL INFORMATION

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

EMPLOYEES

The Group, including subsidiaries but excluding associates, employed approximately 19 employees at 31 December 2016 (2015: 16 employees). The remuneration policy is to reward key employees by a combination of salaries, profit related discretionary bonuses and share options and share awards, where appropriate. For employees below Board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by the Remuneration Committee of the Board. In all cases, profit related discretionary bonuses and grants of share rewards will be agreed by the Remuneration Committee of the Board.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

CORPORATE GOVERNANCE REPORT

THE CORPORATE GOVERNANCE CODE

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

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

As far as the Directors are aware, the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2016 and prior to the date of this report.

THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

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

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

Having made specific enquiries, all Directors of the Company confirmed that they have complied with the Group’s Code during the year ended 31 December 2016 and prior to the date of this report.

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

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Composition

Stephen Dattels resigned as a Non-Executive Director and Non-Executive Co-Chairman of the Board of the Company with effect from 1 September 2016 in order to continue his business efforts on the mining sector, an area of which the Company shifted its investment focus away from, as well as pursue other business opportunities. Mr Dattels confirmed (as set out in the announcement issued by the Company on 1 September 2016) that he had no disagreement with the Board and the Company in any respects and that there were no matters that needed to be brought to the attention of the shareholders of the Company in relation to his resignation.

There were no other changes in the directorate during the year ended 31 December 2016 and prior to the date of this report.

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 2016 and up to the date of this report, accompanied by their respective biographical details, are listed in the Directors' Report under the section headed "Directors". It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as directors in the best interests of the Company. All Directors are aware of the required levels of fiduciary duties and duties of skill, care and diligence under Rule 3.08 of the HK Listing Rules.

In compliance with Code Provision A.3.2 of the CG Code, an updated list of the Company's Directors identifying their role and function are available from the "List of Directors" on the websites of the Company (www.regentpac.com) 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 authorisation by the shareholders in general meeting, as an addition to the existing Board. Any Director so appointed shall retire at the next annual general meeting of the Company but shall then be eligible for re-election. Any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. In addition, Article 87 provides that at each annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation, providing that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years (which is in compliance with Code Provision A.4.2 of the CG Code). A retiring Director shall be eligible for re-election.

No Directors will retire pursuant to Article 86(3) at the forthcoming annual general meeting of the Company (the "**2017 Annual General Meeting**"), and James Mellon and David Comba will retire by rotation pursuant to Article 87 at the 2017 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 2017 Annual General Meeting.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Composition (Continued)

None of the Directors proposed for re-election at the 2017 Annual General Meeting has any unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment (other than statutory compensation), except that the advisory agreement of James Mellon (who stands for rotational re-election at the 2017 Annual General Meeting) specifies that his appointment as an adviser of the Company may be terminated by either party giving one year's notice.

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

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

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

Board meetings and attendance and written resolutions

During the year ended 31 December 2016, 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	5	0	100%
Stephen Dattels (<i>Resigned on 1 September 2016</i>)	4	3	1	75%
Jamie Gibson	5	5	0	100%
David Comba	5	5	0	100%
Julie Oates	5	5	0	100%
Mark Searle	5	4	1	80%
Jayne Sutcliffe	5	1	4	20%

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Board meetings and attendance and written resolutions (Continued)

Subsequent to the year end date and prior to the date of this report, the Directors held 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. Pursuant to Rule 13.44 of the HK Listing Rules and Article 103 of the Company's Articles of Association, interested Directors will be required to abstain from voting on any Board resolution in which they or any of their close associates have a material interest and that they shall not be counted in the quorum present at the relevant Board meeting. Further, the Company established a connected transactions committee (the "**Connected Transactions Committee**") on 20 October 2008 (as detailed below).

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

General meetings and attendance

The Company held its annual general meeting for Year 2016 (the “**2016 Annual General Meeting**”) on 8 June 2016, which was attended and chaired by Jamie Gibson, the Executive Director of the Company.

Due to other business commitments, James Mellon and Stephen Dattels, the Co-Chairmen of the Board, were unable to attend and chair the 2016 Annual General Meeting, with apologies duly noted. The Directors of the Company had appointed Jamie Gibson to take the chair of the meeting.

Shareholders also noted that:

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

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

In accordance with Code Provision E.1.2 of the CG Code, the Company had invited representatives of its external Auditor, BDO Limited, to attend the 2016 Annual General Meeting to answer questions about the audit of the Company’s financial statements, including the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies and auditor’s independence.

In addition, during the year ended 31 December 2016, the Company held three extraordinary general meetings on 2 March, 8 June and 19 August 2016 to approve the following matters respectively:

- (a) the conditional all share takeover offer for Plethora Solutions Holdings plc (“**Plethora**”), which constituted a very substantial and connected acquisition of the Company (details of which are set out in the paragraph headed “Connected Transactions and Significant Contracts” in the Directors’ Report and in the shareholders’ circular issued by the Company on 4 February 2016);
- (b) the 10 for 1 share consolidation and the establishment of a new employee share option scheme (details of which are set out in the shareholders’ circular issued by the Company on 13 May 2016); and
- (c) the capital reduction (details of which are set out in the shareholders’ circular issued by the Company on 20 July 2016).

The above extraordinary general meetings were attended and chaired by Jamie Gibson, the Executive Director of the Company.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

General meetings and attendance (Continued)

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

Name of Director	Number of meetings held	Number of meetings attended	Number of meetings absent	Attendance rate (%)
James Mellon	4	0	4	0.00%
Stephen Dattels (<i>Resigned on 1 September 2016</i>)	4	0	4	0.00%
Jamie Gibson	4	4	0	100.00%
David Comba	4	0	4	0.00%
Julie Oates	4	0	4	0.00%
Mark Searle	4	0	4	0.00%
Jayne Sutcliffe	4	0	4	0.00%

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

Time commitment

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

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

The Board has also determined that an annual review should be conducted on the above contribution requirements and whether each Director has contributed sufficient time performing their responsibilities to the Company during the year. An annual review of the Directors' contribution to the Company was conducted in March 2016, with no exceptions being reported, such that the Directors were able to perform their duties and responsibilities in compliance with the HK Listing Rules and the CG Code.

Subsequent to the year end date, the Board conducted a review of the Directors' contribution to the Company in March 2017, with no exceptions being reported, such that the Directors were able to perform their duties and responsibilities in compliance with the HK Listing Rules and the CG Code.

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

The Board and management

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

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

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

- (i) the daily operations of the Company, including the management of all aspects of the Company's principal activities;
- (ii) the financial operations of the Company, including the preparation of the monthly management accounts, interim report and annual report and the timely distribution to the Board;
- (iii) the company secretarial activities, including the preparation and timely dispatch of minutes of Board meetings; and
- (iv) corporate and regulatory issues, including corporate strategy and planning, internal controls and compliance, providing that the following shall always be subject to approval by a resolution of the Board:
 - material capital commitment (material being defined as representing more than 5 per cent of the Company's net assets based on the most recent financial information on hand);
 - issuance, purchase or redemption of securities (including options);
 - significant contracts with any Director (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules) and connected transactions;
 - relevant transactions (which are loans, quasi loans and credit transactions) with any Director as referred to in the Companies Ordinance (Chapter 622) of Hong Kong; and
 - management contracts of service with any Director (as referred to in the Companies Ordinance (Chapter 622) of Hong Kong) and bank borrowings.

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

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 2016 included:

- The letter in relation to the "Publication of Review of Disclosure in Issuers' Annual Reports to Monitor Rule Compliance – Report 2015" issued by the HK Stock Exchange on 29 January 2016;
- The letter in relation to the "Analysis of Corporate Governance Practice Disclosure in March Year-end 2015 Annual Reports" issued by the HK Stock Exchange on 13 May 2016;
- The letter in relation to the "Publication of the Financial Statements Review Programme Report 2015" issued by the HK Stock Exchange on 15 July 2016;
- The report on the "Analysis of Corporate Governance Practice Disclosure in June Year-end 2015 Annual Reports" issued by the HK Stock Exchange on 23 September 2016; and
- The letter in relation to the "Corporate Disclosures" issued by the HK Stock Exchange on 20 December 2016.

Directors also reported that they have attended various training programmes and seminars during the year ended 31 December 2016 (which were funded by the Company upon request) and confirmed that they have complied with Code Provision A.6.5 of the CG Code.

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

- The letter in relation to the "Publication of Review of Disclosure in Issuers' Annual Reports to Monitor Rule Compliance – Report 2016" issued by the HK Stock Exchange on 25 January 2017.

Board evaluation

In compliance with Code Provision B.1.9 of the CG Code, the Board has determined that an annual evaluation should be conducted on the Board's performance. An annual performance evaluation was conducted in March 2016, with no exceptions being reported.

Subsequent to the year end date, the Board conducted an evaluation of the Board's performance in March 2017, with no exceptions being reported.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Directors' and officers' liability insurance policy

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Code Provision A.4.3

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

At the 2017 Annual General Meeting, James Mellon and David Comba will retire by rotation in accordance with Article 87 of the Company's Articles of Association. Both of them, being eligible, offer themselves for re-election under Resolution numbered 2 at the 2017 Annual General Meeting. In particular regard to Code Provision A.4.3, it is noted that David Comba, who was appointed as an Independent Non-Executive Director on 27 October 2005, was last re-elected as a Director at the Company's annual general meeting held for Year 2014 (while he would be serving his 9th year in 2014).

At a meeting of the Nomination Committee held in March 2017, James Mellon and Jamie Gibson were of the view that each of David Comba, Julie Oates and Mark Searle were independent under the independence criteria set out in Rule 3.13(1) to (8) of the HK Listing Rules and had proved to be capable of efficiently exercising independent judgement. Accordingly, the Directors considered that David Comba should be re-elected as an Independent Non-Executive Director at the 2017 Annual General Meeting. Such view was noted at a Board Meeting held in March 2017.

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, are duly set out in the accompanying shareholders' circular. It is also noted in the circular that David Comba is a member of the Chapter 18 technical committee of the Company (the "Technical Committee").

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 2017 Annual General Meeting.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Confirmation of independence

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

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

CO-CHAIRMEN AND CHIEF EXECUTIVE OFFICER

James Mellon has been the Non-Executive Chairman of the Board since October 2005, and Stephen Dattels was appointed as the Non-Executive Co-Chairman of the Board on 12 February 2008 and resigned on 1 September 2016. The Co-Chairmen provide leadership for the Board. They also ensure that the Board works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner.

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

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

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

Pursuant to Code Provision A.2.7 of the CG Code, the Non-Executive Co-Chairmen of the Board held a private meeting in March 2016 with the Non-Executive Directors (including the Independent Non-Executive Directors), without the presence of the Executive Director, which was attended by all Non-Executive Directors except Jayne Sutcliffe.

CORPORATE GOVERNANCE REPORT

CO-CHAIRMEN AND CHIEF EXECUTIVE OFFICER (Continued)

Subsequent to the year end date and prior to the date of this report, the Non-Executive Chairman of the Board held a private meeting in March 2017 with the Non-Executive Directors (including the Independent Non-Executive Directors), without the presence of the Executive Director, which was attended by all Non-Executive Directors.

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.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 5 November 2004, with its specific written terms of reference which deal with its authority and duties first adopted on 18 March 2005 in compliance with the code provisions in B.1 of the former Code on CG Practices. Its terms of reference were recently amended on 13 March 2012 in order to comply with the relevant code provisions in the CG Code which were designated to take effect on 1 April 2012. In compliance with Rule 3.25 of the HK Listing Rules, the committee currently comprises the Non-Executive 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 2016 and prior to the date of this report, the Remuneration Committee did not hold any meetings or pass any written resolutions.

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

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.

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

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

NOMINATION COMMITTEE

The Nomination Committee was established on 13 March 2012, with its specific written terms of reference which deal with its authority and duties, in compliance with the code provisions in A.5 of the CG Code which were designated to take effect on 1 April 2012. In compliance with Code Provision A.5.1 of the CG Code, the committee currently comprises the Non-Executive 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 2016, the Nomination Committee held one meeting with respect to: (i) an annual review of the structure, size and composition (including skills, knowledge, experience and diversity of perspectives) of the Board; (ii) an annual review of the "Board Diversity Policy" (as set out in detail below); and (iii) an annual review of the independence of the Independent Non-Executive Directors. The attendance of the respective Directors at the Nomination Committee's meetings are set out below:

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

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE (Continued)

Subsequent to the year end date and prior to the date of this report, the Nomination Committee held one meeting, which was attended by all members of the committee, with respect to: (i) an annual review of the structure, size and composition (including skills, knowledge, experience and diversity of perspectives) of the Board; (ii) an annual review of the "Board Diversity Policy" (as set out in detail below); (iii) an annual review of the independence of the Independent Non-Executive Directors; and (iv) the re-appointment of David Comba (being an Independent Non-Executive Director serving for more than 9 years) at the 2017 Annual General Meeting.

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.

Stephen Dattels resigned as a Non-Executive Director and Non-Executive Co-Chairman of the Board of the Company with effect from 1 September 2016 in order to continue his business efforts on the mining sector, an area of which the Company shifted its investment focus away from, as well as pursue other business opportunities. Mr Dattels confirmed (as set out in the announcement issued by the Company on 1 September 2016) that he had no disagreement with the Board and the Company in any respects and that there were no matters that needed to be brought to the attention of the shareholders of the Company in relation to his resignation. There were no other changes in the directorate during the year ended 31 December 2016 and prior to the date of this report.

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).

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.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE (Continued)

Board Diversity Policy (Continued)

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

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

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

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

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

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

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

An annual review of the Board Diversity Policy was conducted in March 2016. 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 2017, which was concluded with the view that the Company's Board Diversity Policy was suitable for the size of the Company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

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

During the year ended 31 December 2016 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.

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2016 have been reviewed by the Audit Committee.

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

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

In compliance with Rule 3.21 of the HK Listing Rules, the Audit Committee currently comprises the Non-Executive 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).

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (Continued)

During the year ended 31 December 2016, the Audit Committee held two meetings with respect to: (i) the internal control and risk management review, the review and approval of the Company's audited financial statements for the year ended 31 December 2015, an annual evaluation of the external and internal auditors of the Company, and an annual evaluation of the performance of the committee; and (ii) the internal control and risk management review and the review and approval of the Company's interim financial statements for the six months ended 30 June 2016 respectively, with the presence of the external and internal auditors for the relevant resolutions. The attendance of the respective Directors at the Audit Committee's meetings are set out below:

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

Subsequent to the year end date and prior to the date of this report, the Audit Committee held one meeting which was attended by all members of the committee, with the presence of the external and internal auditors for the relevant resolutions, with respect to the internal control and risk management review, the review and approval of the Company's audited financial statements for the year ended 31 December 2016, an annual evaluation of the external and internal auditors of the Company, and an annual evaluation of the performance of the committee.

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

CONNECTED TRANSACTIONS COMMITTEE

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

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

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

- (1) As noted in the announcements dated 4 November and 15 December 2015 and the shareholders' circular dated 4 February 2016 issued by the Company, an independent board committee, comprising David Comba and Julie Oates, being the only Independent Non-Executive Directors of the Company who did not have a material interest in the transaction, was established (and having taken the advice from the Company's independent financial adviser, Altus Capital Limited) to advise the independent shareholders on the conditional all share takeover offer for Plethora (to be effected by way of a scheme of arrangement under Part 26 of the Companies Act 2006 (the "**Scheme**")) (as set out in more details in the paragraph headed "Connected Transactions and Significant Contracts" in the Directors' Report), which constituted a very substantial and connected acquisition of the Company under Chapters 14 and 14A of the HK Listing Rules and was presented for the approval of the Company's shareholders at its extraordinary general meeting held on 2 March 2016, with interested parties (and their respective associates) abstaining from voting in respect of the resolutions presented at the meeting. The Scheme became effective on 9 March 2016.
- (2) As noted in the announcement dated 20 April 2016 issued by the Company, the further subscription, in three equal conditional tranches, of up to 130,434 new shares in, together with up to 65,217 fundraising warrants of, The Diabetic Boot Company Limited (as set out in more details in the paragraph headed "Connected Transactions and Significant Contracts" in the Directors' Report) constituted a connected transaction of the Company under Chapter 14A of the HK Listing Rules, but was exempt from the circular (including independent board committee and independent financial advice) and shareholders' approval requirements under the de minimis provisions of Rule 14A.76(2) of the HK Listing Rules. The views of the Independent Non-Executive Directors on the subscriptions were set out in the said announcement. The subscription of the first tranche of 43,478 new shares in and 21,739 fundraising warrants of The Diabetic Boot Company Limited was completed on 11 May 2016.
- (3) As noted in the announcement dated 13 January 2017 issued by the Company, the disposal of an aggregate of 1,636,998 shares in Condor Gold plc on 12 January 2017 to James Mellon and Galloway Limited (a company wholly owned by the trustee of a settlement, of which James Mellon was the sole beneficiary) (as set out in more details in the paragraph headed "Connected Transactions and Significant Contracts" in the Directors' Report) constituted a connected transaction of the Company under Chapter 14A of the HK Listing Rules. However, such disposal was exempt from the circular (including independent board committee and independent financial advice) and shareholders' approval requirements under the de minimis provisions of Rule 14A.76(2) of the HK Listing Rules, and James Mellon abstained from voting on the board resolution approving the disposal. The views of the Independent Non-Executive Directors on the disposal were set out in the said announcement.

CORPORATE GOVERNANCE REPORT

INSIDE INFORMATION COMMITTEE

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

AUDITOR

Remuneration

The Audit Committee reviewed and approved the auditor's remuneration on the basis that it was fair and reasonable for the size and operations of the Group and such remuneration was in the best interests of the Company. Apart from audit services, BDO Tax Limited provided non-audit services in respect of tax services, for which BDO Tax Limited received a fee of approximately US\$8,000 during the year ended 31 December 2016.

Attendance at general meetings

In accordance with Code Provision E.1.2 of the CG Code, at the Company's invitation, representatives of its external Auditor, BDO Limited, attended the 2016 Annual General Meeting to answer questions about the audit of the Company's financial statements, including the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

COMPANY SECRETARY

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

Ms Fung is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Company Secretaries. She has confirmed that she has complied with Rule 3.29 of the HK Listing Rules and has taken no less than 15 hours of relevant professional training during the year ended 31 December 2016.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND COMMUNICATION

Shareholders' communication policy

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

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

- two or more Members holding at the date of deposit of the requisition not less than one-fifth of the paid up capital of the Company carrying the right of voting at general meetings of the Company or
- any one Member which is a clearing house

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

(2) Shareholders who wish to communicate with the Company, including: (i) to requisition an extraordinary general meeting pursuant to Article 58 of the Company's Articles of Association; (ii) to put forward proposals at the Company's general meetings; or (iii) to put enquiries to the Directors should write to the Chief Executive Officer or the Company Secretary of the Company (contact details set out below), accompanied by the details of their proposals.

(3) The Chief Executive Officer of the Company is currently Jamie Gibson whose email address is: jamie.gibson@regentpac.com.

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.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND COMMUNICATION (Continued)

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

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

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND COMMUNICATION (Continued)

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

- (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.

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 2016, 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 2017, which concluded that the Company had in place a compliant (under the CG Code) and effective means of communication with its shareholders.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

During the year ended 31 December 2016 and prior to the date of this report, there were no changes made to the Company's Memorandum and Articles of Association, except that the following changes were made to the share capital of the Company:

- (i) the authorised share capital of the Company was increased, by way of an ordinary resolution passed on 2 March 2016, from US\$105,500,000 to US\$235,500,000 by the addition of US\$130,000,000 divided into 13,000,000,000 new shares of US\$0.01 each;
- (ii) the authorised share capital of the Company was amended, by way of a 10 for 1 share consolidation approved by an ordinary resolution passed on 8 June 2016, to US\$235,500,000 comprising: (a) 2,300,000,000 ordinary shares of US\$0.10 each; and (b) 55,000,000 unclassified shares of US\$0.10 each (which might be issued as ordinary shares or as non-voting convertible deferred shares of US\$0.10 each), which took effect on 10 June 2016; and
- (iii) the authorised share capital of the Company was reduced, by way of a capital reduction approved by a special resolution passed on 19 August 2016, to US\$23,550,000 comprising: (a) 2,300,000,000 ordinary shares of US\$0.01 each; and (ii) 55,000,000 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), which took effect on 12 October 2016 (in the Cayman Islands), which was 13 October 2016 in Hong Kong, following approval by the Grand Court of the Cayman Islands.

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

Right to demand poll

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

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS (Continued)

Right to demand poll (Continued)

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS (Continued)

Notice periods of general meetings

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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 system 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 2016, the Audit Committee has 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.

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

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 2016, the Group has conducted formal risk assessment by the management on a semi-annually 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 has been 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.

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 2016, the Group has also conducted a detailed review of the operations of Plethora, identified the respective internal control deficiencies and executed corresponding remedial action plans. The Group has also developed the policies and procedures for its major functions to ensure key internal controls are included.

Internal audit function

The Group has maintained 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 consulting firm.

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

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 2016 have been reviewed by the Audit Committee. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. An explanation of the basis on which the Company generates or preserves value over the longer term (the business model) and the strategy for delivering the Company's objectives are set out under the section headed "Strategic Plan" in the "Management's Discussion and Analysis of the Group's Performance".

A report of the independent Auditor with respect to the Company's financial statements for the year ended 31 December 2016 is included in this annual report.

On Behalf of the Board

James Mellon
Chairman

28 March 2017

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 our business and operations and accordingly determined the scope and content of disclosure in this ESG Report.

The scope of this ESG Report includes information and activities of our head office in Hong Kong and the operations of Plethora Solutions Holdings plc (“Plethora”) in the United Kingdom (collectively the “Group”), unless specifically stated otherwise, for the year ended 31 December 2016.

STRATEGY, OBJECTIVES AND MANAGEMENT APPROACH

Our environmental, community, health and safety focuses are a significant priority in promoting sustainable practices for social and environmental responsibility. The Board is aware of its overall responsibility for the Group’s ESG strategy and reporting and ensures management to implement relevant measures. Management regularly evaluates the ESG exposure against changes in internal and external business environment and ensures that all relevant ESG principles are being adhered to when conducting business all over the world. In addition, the Group has maintained the ESG policies that govern the respective processes and clarify roles and responsibilities.

ENVIRONMENTAL

The Group is committed to conducting its 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 ensures sustainable development.

The Group operates its headquarter office in Hong Kong, which occupied 5,479 square feet with 10 employees and Plethora operates an office occupied 344 square feet in the United Kingdom with 3 employees as of 31 December 2016. Given our relatively small number of employees and operations, it is believed that our impact on the environmental and resources is limited from an operation standpoint. Our business does not involve in production related air, water and land pollutions as well as hazardous waste. The Group is a relatively small greenhouse gas (GHG) emitter which is from its office administration mainly contributed by the electricity consumption and paper usage.

The Group has been persistent in conducting our 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 continually improve our environmental management practices through enhancing operational efficiencies and implementing eco-friendly measures such as energy conservation, paper saving, reuse and recycling and etc. Throughout 2016, there was no incidence of non-compliance with the relevant 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, employment laws and regulations of its respective major operating locations. The Group is committed to providing equal opportunities throughout recruitment and employment and combating any 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. No appeals or investigation incidents about non-compliance with any employment regulations or violation of employees' rights were reported during the year.

Labour Standards

The Group prohibits child and forced labour in any workplace in accordance with the applicable laws and regulations.

Health and Safety

The Group places the highest priority on securing health and safety of all our employees. Guidelines on health and safety procedures are developed to maintain a healthy and safe working environment for employees. It provides health and accidental insurance cover to eligible employees. During the year, there was no material accident or labour disputes with employees recorded.

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 our employees to attend 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 expect that they adhere to a high social, ethical and environmental standards.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Responsibility

As an investment company focusing on bio-pharmaceutical, the Group's core value is to prioritize and assure our product quality and safety. The Group regularly and closely monitors the safety of all its produced medicines, including reviewing safety data from clinical studies and reviewing reports on probable adverse drug reactions. The Group takes active steps in ensuring straight compliance with regulations and should we found any misconduct, investigation will be conducted and reported to management. During the year, the Group did not have any product recalls, quality issues or adverse events reported.

We have entered into agreements with business partners to set out the indemnity for product liability and to ensure operational and quality assurance activates as well as regulatory compliance objectives are implemented and coordinated.

Anti-Corruption

The Group embraces integrity and prohibits any form of corruption or malpractice such as bribery, money laundering, extortion and fraud. The Group is committed to conduct all businesses in the absence of any undue influence, and honesty, integrity, and fairness are our core values upheld by all directors and employees at all times, which is communicated to all our employees through staff handbook and internal policies.

Community

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

28 March 2017

INDEPENDENT AUDITOR'S REPORT



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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 108 to 216, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, 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.

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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, we do not provide a separate opinion on these matters.

Accounting for acquisition of Plethora Solutions Holdings plc (“Plethora”) using the (step) acquisition method under HKFRS 3 (Revised) “Business Combinations” (“HKFRS 3”)

Refer to notes 4.8 and 33 to the consolidated financial statements.

During March 2016, the Company acquired the entire issued and to be issued ordinary share capital of Plethora other than those shares already held by the Company, by way of a scheme of arrangement (“**Scheme**”) in the United Kingdom. The High Court in England sanctioned the Scheme and on 9 March 2016 Plethora became a wholly-owned subsidiary of the Group at that date.

The transaction was structured such that it involved an exchange of equity interests between the shareholders of the Company and Plethora. There were no cash payments in the transaction.

Under HKFRS 3, in a business combination effected primarily by the exchange of equity interests, the acquirer is usually the entity that issues its equity interests. However, in some business combinations, commonly referred to as ‘reverse acquisitions’, the issuing entity is the acquiree. In view of the fact that the former Plethora shareholders would, as a group, own approximately 80% of the enlarged Group after the acquisition, prima facie it would appear that the criteria for a reverse acquisition may have been satisfied.

In respect of the criteria to determine whether the transaction to acquire Plethora would constitute a reverse acquisition or a step acquisition of Plethora by the Company, the directors looked to requirements of and guidance under Hong Kong Financial Reporting Standards. In addition they also looked at literature published by other experts in this accounting area as well as other non-accounting considerations. A detailed summary of the areas examined by the directors is set out in note 4.8 and is not repeated here.

After considering all of the above, the directors concluded that in respect of the acquisition of Plethora, the Company was the acquirer and accordingly, the Group has used the step acquisition method to account for this transaction.

We consider the accounting for acquisition of Plethora as a key audit matter, given the significant judgment involved.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Accounting for acquisition of Plethora Solutions Holdings plc (“Plethora”) using the (step) acquisition method under HKFRS 3 (Revised) “Business Combinations” (“HKFRS 3”) (Continued)

Our response:

Our procedures, in relation to the directors' conclusion that the Company's acquisition of Plethora constituted a business combination, and that in such business combination the Company was the acquirer and Plethora was the acquiree, included the following:

- we have considered the requirements and guidance set out in HKFRS 3 and HKFRS 10 “Consolidated Financial Statements” as to whether the transaction under the Scheme constituted a business combination, and if so, whether the Company was the acquirer (step acquisition method) or whether Plethora was the acquirer (reverse acquisition);
- we have checked and reviewed the basis and rationale used by the directors in arriving at their conclusion as set out in note 4.8;
- we have reviewed the details of the Take-over Offer made to Plethora's shareholders on 15 December 2015, to ensure the facts identified by the directors in their arguments are correct;
- we have reviewed the dispersion of shareholdings in both the Company and Plethora and examined shareholders voting patterns in both companies over the past few years;
- we have reviewed the Company's Board and senior management team composition both before and after the acquisition of Plethora;
- we have reviewed correspondence between the Company and The Stock Exchange of Hong Kong Limited (the “HK Stock Exchange”) in relation to ‘reverse take-over’ questions raised by the HK Stock Exchange and how these were dealt with; and
- we have checked that the Company has used the step acquisition method (as set out in note 33) to account for the acquisition of Plethora, in line with the directors' conclusion set out in note 4.8.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Valuation and impairment assessment of intangible asset (patent PSD502®) of Plethora

Refer to notes 3.12, 13 and 33 to the consolidated financial statements.

As explained in note 33, Plethora became a wholly-owned subsidiary of the Group as of 9 March 2016. Under HKFRS 3, the Group was determined to be the acquirer (see above) and was required to consolidate Plethora using the step acquisition method. As part of that process, the Group had to fair value all the assets and liabilities of Plethora at that date. The largest and principal asset held by Plethora is its patent to PSD502®, (also known as Fortacin™), which is a drug to treat premature ejaculation in men. Management estimated the fair value of PSD502® to be approximately GBP 175 million (equivalent to approximately US\$216 million) at the acquisition date and recognised an intangible asset of this amount in the consolidated statement of financial position. An independent external valuation was obtained in order to support management's estimate. The valuation is dependent on certain key assumptions that require significant management judgment such as the use of appropriate discount rates, potential demand in Plethora' target markets, growth rates and royalty rates.

At 31 December 2016, the net carrying amount of PSD502® was US\$193 million. As Plethora and its subsidiary incurred a loss subsequent to its acquisition of approximately US\$4 million for the period to 31 December 2016, management had to assess whether the intangible asset PSD502® had suffered any impairment.

Management concluded that there was no impairment 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 five 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 response:

Our procedures in relation to management's valuation of intangible asset (patent PSD502®/Fortacin™) at the acquisition date included:

- evaluating the independent external valuer's competence, capabilities and objectivity;
- assessing the valuation methodology used and the appropriateness of key assumptions based on our knowledge of the industry and using our in-house valuation experts. Key assumptions underlying the valuation are disclosed in note 33; and
- checking the accuracy and relevance of key input data to supporting evidence provided by management to the external valuer.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Valuation and impairment assessment of intangible asset (patent PSD502®) of Plethora (Continued)

Our procedures in relation to management's impairment assessment of PSD502®/Fortacin™ at 31 December 2016 included:

- assessing the valuation methodology used and ensuring this was consistent with the methodology used 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 management's budgets and considering the reasonableness of these budgets; and
- considering the sensitivity of the valuation model to changes in key assumptions.

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.

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.

INDEPENDENT AUDITOR'S REPORT

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 HKSAAs 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 HKSAAs, 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.
- 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.

INDEPENDENT AUDITOR'S REPORT

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

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, related safeguards.

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, 28 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
Revenue:	5		
Corporate investment income		137	212
Other income		175	307
		312	519
Fair value gain/(loss) on financial instruments, net	6	3,124	(6,204)
Total income including fair value gain/(loss) on financial instruments, net		3,436	(5,685)
Expenses:			
Employee benefit expenses	7	(3,906)	(5,945)
Rental and office expenses		(720)	(664)
Information and technology expenses		(266)	(167)
Marketing costs and commissions		(130)	(16)
Professional and consulting fees		(2,754)	(1,550)
Research and development expenses		(3,241)	—
Amortisation of intangible asset	13	(22,887)	(226)
Other operating expenses		(1,434)	(462)
Operating loss before impairment loss		(31,902)	(14,715)
Impairment loss on available-for-sale financial assets	15	—	(194)
Reversal of impairment on loan receivables	18	364	1,386
Operating loss	6	(31,538)	(13,523)
Gain on disposal of an associate	14(vi)	—	8,938
Loss on deemed disposal of associates	14(iii)&(v)	(5,805)	(3,560)
Impairment loss on interest in an associate	14(vii)	(97)	—
Gain from bargain purchase of a subsidiary	33	31,686	—
Gain from bargain purchase of an associate	14(iv)	1,356	—
Share of results of associates	14(ii)	(831)	(1,193)
Loss before income tax		(5,229)	(9,338)
Income tax credit	8	2,765	—
Loss for the year		(2,464)	(9,338)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets	15	—	831
Exchange gain/(loss) on translation of financial statements of foreign operations		390	(6)
Share of other comprehensive income of associates		(605)	(989)
Reclassification to profit or loss on disposal of an associate	14(iii)&(vi)	3,127	(164)
Reclassification to profit or loss on disposal of available-for-sale financial assets		(1,232)	—
Other comprehensive income for the year, before and net of tax		1,680	(328)
Total comprehensive income for the year		(784)	(9,666)
Loss for the year attributable to:			
Shareholders of the Company		(2,460)	(9,333)
Non-controlling interests		(4)	(5)
		(2,464)	(9,338)
Total comprehensive income attributable to:			
Shareholders of the Company		(780)	(9,661)
Non-controlling interests		(4)	(5)
		(784)	(9,666)
Losses per share attributable to shareholders of the Company during the year			
	10	US cent	US cent
			(Restated)
– Basic and Diluted		(0.17)	(2.68)
		HK cent	HK cent
			(Restated)
– Basic and Diluted		(1.32)	(20.76)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 US\$'000	2015 US\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	84	48
Intangible asset	13	193,178	3,441
Interests in associates	14	3,055	17,295
Available-for-sale financial assets	15	1,726	5,367
		198,043	26,151
Current assets			
Financial assets at fair value through profit or loss	16	7,386	8,146
Prepayments, deposits and other receivables	19	614	2,505
Cash and bank balances	17	291	5,474
Loan receivables	18	—	75
Derivative financial instruments	23	186	484
		8,477	16,684
Current liabilities			
Trade payables, deposits received, accruals and other payables	20	(5,874)	(3,623)
Derivative financial instruments	23	—	(167)
		(5,874)	(3,790)
Net current assets		2,603	12,894
Total assets less current liabilities		200,646	39,045
Non-current liabilities			
Deferred tax liabilities	24	(19,318)	—
NET ASSETS		181,328	39,045

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 US\$'000	2015 US\$'000
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	21	17,372	34,857
Reserves	22	163,999	4,227
<hr/>			
Equity attributable to shareholders of the Company		181,371	39,084
Non-controlling interests		(43)	(39)
<hr/>			
TOTAL EQUITY		181,328	39,045

The consolidated financial statements on pages 108 to 216 were approved and authorised for issue by the Board of Directors on 28 March 2017.

James Mellon
Chairman

Jamie Gibson
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

2016	Equity attributable to shareholders of the Company										
	Share capital US\$'000	Accumulated losses* US\$'000	Share premium* US\$'000	Share-based payment reserve* US\$'000	Capital redemption reserve* US\$'000	Investment revaluation reserve* US\$'000	Statutory reserve* US\$'000	Foreign currency exchange reserve* US\$'000	Total US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
At 1 January 2016	34,857	(284,032)	275,389	2,220	8,228	1,232	176	1,014	39,084	(39)	39,045
Consideration shares issued (notes 21(2) and 33)	138,868	—	4,199	—	—	—	—	—	143,067	—	143,067
Capital reduction (note 21(4)(i))	(156,353)	156,353	—	—	—	—	—	—	—	—	—
Share options forfeited	—	598	—	(598)	—	—	—	—	—	—	—
	(17,485)	156,951	4,199	(598)	—	—	—	—	143,067	—	143,067
Loss for the year	—	(2,460)	—	—	—	—	—	—	(2,460)	(4)	(2,464)
Other comprehensive income											
Foreign currency translation adjustment	—	—	—	—	—	—	—	390	390	—	390
Deferral of Day One Gain on derivative financial instruments - Diabetic Boot	—	—	—	—	—	526	—	—	526	—	526
Reclassification to profit or loss on derecognition of derivative financial instruments - Diabetic Boot	—	—	—	—	—	(526)	—	—	(526)	—	(526)
Share of translation reserve of associates (note 14(ii))	—	—	—	—	—	—	—	(605)	(605)	—	(605)
Reclassification to profit or loss on disposal of available-for-sale financial assets	—	—	—	—	—	(1,232)	—	—	(1,232)	—	(1,232)
Reclassification to profit or loss on disposal of an associate (note 14(iii))	—	—	—	—	—	—	—	3,127	3,127	—	3,127
Total comprehensive income for the year	—	(2,460)	—	—	—	(1,232)	—	2,912	(780)	(4)	(784)
At 31 December 2016	17,372	(129,541)	279,588	1,622	8,228	—	176	3,926	181,371	(43)	181,328

*As at 31 December 2016, the total of these reserves amount to a surplus of US\$163,999,000 (31 December 2015: US\$4,227,000).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

Equity attributable to shareholders of the Company

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
Cash flows from operating activities:			
Loss before income tax		(5,229)	(9,338)
Adjustments for:			
Depreciation of property, plant and equipment	12	70	66
Amortisation of intangible asset	13	22,887	226
Gain from bargain purchase of a subsidiary	33	(31,686)	—
Gain from bargain purchase of an associate	14(iv)	(1,356)	—
Dividend income	5	(11)	(169)
Interest income on bank deposits	5	(5)	(2)
Other interest income	5, 6, 31	(30)	(59)
Reversal of impairment on loan receivables	18	(364)	(1,386)
Share of results of associates	14(ii)	831	1,193
Impairment loss on interest in an associate	14(vii)	97	—
Unrealised loss on derivative financial instruments	6	143	623
Unrealised (gain)/loss on financial assets at fair value through profit or loss	6, 16	(2,874)	5,767
Realised (gain)/loss on disposal of available-for-sale financial assets		(677)	5
Gain on disposal of an associate	14(vi)	—	(8,938)
Loss on deemed disposal of associates	14(iii)&(v)	5,805	3,560
Impairment loss on available-for-sale financial assets	15	—	194
Derecognition of long outstanding trade and other payables	5	(149)	—
		(12,548)	(8,258)
Change in working capital			
Decrease in loan receivables, prepayments, deposits and other receivables		895	40
Decrease/(Increase) in financial assets at fair value through profit or loss		3,634	(37)
(Decrease)/Increase in trade payables, deposits received, accruals and other payables		(876)	352
Cash used in operations		(8,895)	(7,903)
Interest received on bank deposits		5	2
Other interest income received	31	89	—
Dividend received from available-for-sale financial assets and financial assets at fair value through profit or loss		11	169
Tax refund		483	—
Net cash used in operating activities		(8,307)	(7,732)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
Cash flows from investing activities:			
Purchase of property, plant and equipment	12	(32)	(5)
Purchase of available-for-sale financial assets	15	(819)	(1,842)
Purchase of derivative financial instruments		(627)	—
Purchase of intangible asset	13	—	(3,667)
Proceeds from disposal of available-for-sale financial assets		1,244	180
Proceeds from disposal of Binary Limited (as an associate)	31, 14(vi)	1,000	14,000
Decrease/(Increase) in margin deposit placed with broker firms		679	(269)
Recovery of loan receivables on which impairment previously made	18	439	1,561
Acquisition of a subsidiary, net of cash acquired	33	564	—
Net cash generated from investing activities		2,448	9,958
Net (decrease)/increase in cash and cash equivalents		(5,859)	2,226
Cash and cash equivalents at the beginning of the year		5,474	3,588
Effects of foreign currency fluctuations		676	(340)
Cash and cash equivalents at the end of the year		291	5,474
Represented by:			
Cash and bank balances	17	291	5,474

NOTES TO THE FINANCIAL STATEMENTS

I. GENERAL INFORMATION

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

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

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

The Company is engaged in investment holding, and the principal activities of the Company and its subsidiaries (collectively 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 2016 were approved and authorised for issue by the Board of Directors on 28 March 2017.

2. ADOPTION OF NEW OR REVISED HKFRSs

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2016

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle

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 2016 (Continued)

Amendments to HKAS 1 – Disclosure Initiative

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

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

The adoption of the amendments has no impact on these financial statements.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Company is neither an intermediate parent entity nor an investment entity.

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 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ²
HKFRS 16	Leases ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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)

HKFRS 9 – Financial Instruments

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

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

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

HKFRS 15 – Revenue from Contracts with Customers

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

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)

HKFRS 15 – Revenue from Contracts with Customers (Continued)

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

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

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

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

- financial instruments classified as available-for-sale (“AFS”) and at fair value through profit or loss; and
- derivative financial instruments

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

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Acquisitions of subsidiaries or businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Business combination and basis of consolidation (Continued)

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

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

3.3 Subsidiaries

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

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and other parties who hold voting rights;
- other contractual arrangements; and
- historic patterns in voting attendance.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates

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

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

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

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

The Group's share of post-acquisition profit or loss is recognised in 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 associates" 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 interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Foreign currency

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property, plant and equipment

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Goodwill

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

Where the fair value of identifiable assets and liabilities exceeds the aggregate of the fair value of consideration paid, the amount of any non-controlling 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Leasing

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

The Group as lessee

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

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

3.9 Financial instruments

(i) *Financial assets*

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

Financial assets at fair value through profit and loss

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(i) Financial assets (Continued)

Loans and receivables

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

Available-for-sale financial assets

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

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

(ii) Impairment loss on financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

For loans and receivables

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

For available-for-sale financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(iii) Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Financial liabilities at amortised cost

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(iv) *Effective interest method*

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

(v) *Equity instruments*

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

(vi) *Derecognition*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Impairment of other assets

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

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

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

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

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

3.11 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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
Out-licensing rights	9 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 with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 3.10).

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Income taxes

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

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

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

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

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

3.14 Employee benefits

(i) Bonus payments

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

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Employee benefits (Continued)

(ii) Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

In the United Kingdom, 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 United Kingdom pays fixed contributions into an independent entity. The subsidiaries operating in the United Kingdom 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).

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Non employee share-based payments

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

3.16 Provisions and contingent liabilities

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

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

3.17 Revenue recognition

Consultancy fee income is recognised when the services are provided.

Success fee income is recognised in accordance with the terms of the related agreement.

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

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

The recognition of income received, such as licence fees, up-front receipts and milestone receipts is dependent on the terms of the related arrangement, having regard to the ongoing risks and rewards of the arrangement, and the existence of any performance or repayment obligations with any third party. Licence fees are recognised as revenue when all substantial obligations to the licensee have been fulfilled. Income is only recognised as revenue when the following conditions have been met:

- the stage of completion of the transaction at the end of the reporting period can be measured reliably;
- the amount of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Related parties

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 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.

NOTES TO THE FINANCIAL STATEMENTS

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:

4.1 Valuation of intangible assets and estimated useful lives

The Group has made estimations and assumptions in relation to the potential future cash flows of identifiable intangible assets acquired as part of business combinations. This assessment involves estimations and assumptions relating to potential future revenues, appropriate discount rates and the estimated useful lives of such assets. These estimations and assumptions impact profit or loss over the estimated useful life of the intangible asset.

4.2 Impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the 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.

4.3 Impairment of interests in associates

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

As further explained in note 32 to the consolidated financial statements and further detailed under the section headed "Australian Tax on BCI Sale" in the CEO's Report, the Company has not made any provision for Australian Capital Gains Tax ("CGT") in connection with its gain on disposal of shares in BCI in January 2013. The Australian Taxation Office considers that the Company does have a CGT liability arising from this gain in the amount of approximately A\$11.85 million (as amended down by way of an amended assessment on 7 September 2016 so as to include some additional costs associated with the Group's investment in BCI). The Directors have made this judgment after careful consideration of the advice provided by its independent professional legal and tax advisers. The Company and its advisers are also closely monitoring any developments in Australian taxation law that may be relevant to its analysis and position and should any change or development take place the Company will, following advice, revisit its treatment of the potential Australian tax should the need arise. In this respect, should any change to Australian law or the interpretation thereof render the approach adopted by the Company and its advisers in relation to this matter as being no longer correct or consistent with the relevant change or development, whether in whole or part, the calculations supporting the Company's position (with respect to the value ascribed to BCI's real property (including mining tenements) and non-real property assets at the relevant time) may change and potentially have a material and adverse effect on the Company's accounts going forward.

4.5 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.

NOTES TO THE FINANCIAL STATEMENTS

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

4.6 Fair value of financial instruments

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

4.7 Fair value measurement

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

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

Level 1: Quoted prices in active markets for identical items (unadjusted);

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

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

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

The Group measures its financial instruments at fair value.

For more detailed information in relation to the fair value measurement of the items above, please refer to notes 16, 23 and 29.

NOTES TO THE FINANCIAL STATEMENTS

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

4.8 Accounting for acquisition of Plethora Solutions Holdings plc (“Plethora”) using the (step) acquisition method under HKFRS 3 (Revised) “Business Combinations” (“HKFRS 3”)

As set out in note 33, in March 2016 the Group acquired the entire issued and to be issued ordinary share capital of Plethora other than those shares already held by the Company by means of a scheme of arrangement (“Scheme”) in the United Kingdom. Plethora, which was listed on the Alternative Investment Market (“AIM”) of the London Stock Exchange (“LSE”), became a wholly-owned subsidiary of the Company when the High Court of Justice of England and Wales sanctioned the Scheme as of 9 March 2016. As part of the arrangements under the Scheme, Plethora delisted from the AIM on 11 March 2016. Further details and background to this Very Substantial Acquisition (“VSA”) were set out in the Company’s Circulars and Notices to shareholders dated 4 February 2016, 2 March 2016 and 9 March 2016.

The transaction involved exchanging equity interests between the shareholders of the Company and Plethora. Before the acquisition, the Company held a 10.54% equity interest in Plethora and this interest was accounted for as an associate in the Group’s consolidated financial statements up to 9 March 2016.

Under HKFRS 3, in a business combination effected primarily by the exchange of equity interests, the acquirer is usually the entity that issues its equity interests. However, in some business combinations, commonly referred to as ‘reverse acquisitions’, the issuing entity is the acquiree. In view of the fact that the former Plethora shareholders would, as a group, own around 80% of the enlarged Group after the acquisition, prima facie it would appear that the criteria for a reverse acquisition may have been satisfied.

In order to determine the appropriate accounting treatment arising from the acquisition of Plethora, the Directors made reference to the relevant accounting standards, namely HKFRS 3 and HKFRS 10 “Consolidated Financial Statements” and the extensive guidance on reverse acquisitions therein. The Directors also made reference to various accounting reference manuals published by acknowledged experts in such accounting matters, as well as other key non-accounting considerations.

NOTES TO THE FINANCIAL STATEMENTS

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

4.8 Accounting for acquisition of Plethora Solutions Holdings plc (“Plethora”) using the (step) acquisition method under HKFRS 3 (Revised) “Business Combinations” (“HKFRS 3”) (Continued)

As a result of this exercise, the Directors noted the following salient points in determining the appropriate accounting treatment:

- They were satisfied the Company had demonstrated the three elements of control required under HKFRS 3 to be the acquirer;
- The Regent directors collectively held approximately 29.5% interest both prior to and after the acquisition of Plethora and comprise the single largest group of shareholders in the Group by some margin;
- They noted that the shareholding in both Plethora and Regent were widely dispersed (excluding Regent directors), with for example fewer than 5 shareholders in Plethora holding more than a 1% interest. They also noted that voter turnout at the shareholder meetings of both companies was very low. Accordingly, the Regent directors considered they have de facto control over the Group, both prior to and after the Plethora acquisition;
- The Board of the enlarged Group is identical to Regent’s Board prior to the transaction, as is the enlarged Group’s senior management team with one exception. Mr. Michael Wyllie, a director in Plethora, was appointed the Group’s Chief Scientific Officer due to his expertise in urological disorders soon after the acquisition was completed;
- The Take-over Offer price offered by the Company to Plethora’s shareholders at the time the take-over offer was made, was at a 159% premium to the then traded share price of Plethora;
- The Company initiated a voluntary consultation with the HK Stock Exchange to see whether it would consider the proposed transaction a ‘reverse take-over’ under its listing rules. At the conclusion of the consultation exercise, the HK Stock Exchange were satisfied it was not; and
- The Company invested over US\$12,000,000 in Plethora in four separate investment transactions over a four year period prior to the Scheme taking effect. The Directors noted this scale of investment was very uncommon in a typical reverse acquisition scenario, particularly as the investments spanned such a long period of time.

Taking the facts and circumstances specific to this transaction, and all of the factors set out above into consideration, the Directors concluded that the acquisition of Plethora constituted a business combination and that the Company was the acquirer in that business combination. Accordingly, the Company has accounted for the acquisition of Plethora using the step acquisition method, details of which are set out in note 33.

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION

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

	2016 US\$'000	2015 US\$'000
Corporate investment income		
Dividend income from listed and unlisted equity investments	11	169
Bank interest income	5	2
Other interest income (note 31)	30	59
Foreign exchange gains/(losses), net	91	(18)
	137	212
Other income		
Consultancy fee income	18	75
Derecognition of long outstanding trade and other payables (note 20)	149	—
Success fee income	—	116
Sundry income	8	116
	175	307
	312	519

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

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION (Continued)

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

Biopharma	:	Research, development, manufacturing, marketing and sale of pharmaceutical products
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 interest in an associate;
- income tax;
- reversal of impairment on loan receivables;
- corporate income and expenses which are not directly attributable to the business activities of any operating segment; and
- share of results of associates accounted for using the equity method, gain from bargain purchase of a subsidiary and an associate, gain/loss on deemed disposal of an associate, and gain on disposal of an associate

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

Segment assets include all assets but exclude interests in associates and AFS financial assets.

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

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION (Continued)

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

For the year ended 31 December 2016

	Biopharma US\$'000	Corporate Investment US\$'000	Total US\$'000
Revenue from external customers	—	312	312
Segment results	(26,737)	(5,165)	(31,902)
Reversal of impairment on loan receivables	—	364	364
Loss on deemed disposal of an associate	(5,805)	—	(5,805)
Impairment loss on interest in an associate	(97)	—	(97)
Gain from bargain purchase of a subsidiary	31,686	—	31,686
Gain from bargain purchase of an associate	1,356	—	1,356
Share of results of associates	(831)	—	(831)
Consolidated loss before income tax credit	(428)	(4,801)	(5,229)

As at 31 December 2016

	Biopharma US\$'000	Corporate Investment US\$'000	Total US\$'000
Segment assets	193,593	8,146	201,739
Interests in associates	3,054	1	3,055
AFS financial assets	—	1,726	1,726
Total assets	196,647	9,873	206,520
Segment liabilities	1,970	3,904	5,874
Deferred tax liabilities	19,318	—	19,318
Total liabilities	21,288	3,904	25,192

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 December 2016

	Biopharma US\$'000	Corporate Investment US\$'000	Total US\$'000
Interest income on bank deposits	5	—	5
Reversal of impairment on loan receivables	—	364	364
Net losses on derivative financial instruments	—	602	602
Depreciation	(21)	(49)	(70)
Amortisation	(22,887)	—	(22,887)
Net gains on FAFVPL	—	3,049	3,049
Capital expenditure	(2)	(30)	(32)

For the year ended 31 December 2015

	(Restated)		
	Biopharma US\$'000	Corporate Investment US\$'000	Total US\$'000
Revenue from external customers	191	328	519
Segment results	—	(14,909)	(14,909)
Reversal of impairment on loan receivables	—	1,386	1,386
Gain on disposal of an associate	—	8,938	8,938
Loss on deemed disposal of an associate	(3,560)	—	(3,560)
Share of results of associates	(2,650)	1,457	(1,193)
Consolidated loss before tax credit	(6,210)	(3,128)	(9,338)

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION (Continued)

As at 31 December 2015

	(Restated)		
	Biopharma US\$'000	Corporate Investment US\$'000	Total US\$'000
Segment assets	3,441	16,732	20,173
Interests in associates	17,294	1	17,295
AFS financial assets	—	5,367	5,367
Total assets	20,735	22,100	42,835
Segment liabilities	—	3,790	3,790
Total liabilities	—	3,790	3,790

Certain comparative amounts in the segment information have been reclassified to conform to the current year's presentation. The Directors of the Company consider that such reclassification allows a more appropriate presentation of the Group's segment information.

For the year ended 31 December 2015

	Biopharma US\$'000	Corporate Investment US\$'000	Total US\$'000
Interest income on bank deposits	—	2	2
Reversal of impairment on loan receivables	—	1,386	1,386
Net losses on derivative financial instruments	—	(416)	(416)
Depreciation	—	(66)	(66)
Amortisation	(226)	—	(226)
Net losses on FAFVPL	—	(5,783)	(5,783)
Impairment on AFS financial assets	—	(194)	(194)
Capital expenditure	(3,667)	(5)	(3,672)

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	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
China	—	—	1	1
Hong Kong (domicile)	1	7	29	48
Australia	—	4	—	—
United States	—	2	—	—
United Kingdom	311	481	196,287	20,735
South East Asia ¹	—	25	—	—
	312	519	196,317	20,784

¹ South East Asia includes Singapore and Indonesia.

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

NOTES TO THE FINANCIAL STATEMENTS

6. OPERATING LOSS

	2016 US\$'000	2015 US\$'000
Operating loss is arrived at after charging:		
Auditors' remuneration		
– audit services	208	193
– review services	56	35
– other services	114	64
Depreciation of property, plant and equipment (note 12)	70	66
Amortisation of intangible asset (note 13)	22,887	226
Operating lease charges on property and equipment	633	625
Impairment loss on AFS financial assets (note 15)	—	194
Impairment loss of interest in an associate (note 14(vii))	97	—
Realised loss on disposal of FAFVPL ^{@ (1)}	—	16
Realised loss on disposal of AFS financial assets [@]	—	5
Unrealised loss on FAFVPL ^{@ (1)}	—	5,767
Realised loss on derivative financial instruments ^{@ (2)}	459	—
Unrealised loss on derivative financial instruments ^{@ (2)}	143	623
Foreign exchange losses, net*	431	18
and crediting:		
Interest income on bank deposits and loan receivables*	5	2
Other interest income*	30	59
Realised gain on disposal of FAFVPL ^{@ (1)}	175	—
Realised gain on disposal of AFS financial assets [@]	677	—
Realised gain on derivative financial instruments ^{@ (2)}	—	207
Unrealised gain on FAFVPL ^{@ (1)}	2,874	—
Dividend income from listed equity securities*	11	22
Reversal of impairment on loan receivables (note 18)	364	1,386

@ These amounts constitute the fair value gain of US\$3,124,000 (2015: loss of US\$6,204,000) in the consolidated statement of comprehensive income.

* Included in revenue.

(1) During the year ended 31 December 2016, net gains on financial assets at fair value through profit or loss amounted to US\$3,049,000 (2015: net losses of US\$5,783,000).

(2) During the year ended 31 December 2016, net losses on derivative financial instruments amounted to US\$602,000 (2015: US\$416,000).

NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2016 US\$'000	2015 US\$'000
Salaries, discretionary bonuses and benefits in kind	3,788	5,920
Pension costs - defined contribution plans (note 25)	118	25
	3,906	5,945

a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2016 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
Stephen Dattels (resigned on 1 September 2016)	33	—	—	—	33
Jayne Sutcliffe	20	—	—	—	20
Independent Non-Executive Directors					
David Comba	40	—	—	—	40
Julie Oates	40	—	—	—	40
Mark Searle	40	—	—	—	40
Total	198	1,658	—	—	1,856

* During the period from 1 January to 9 March 2016, remuneration of GBP 460,000 (equivalent to US\$624,000) (including cash of GBP 38,000 (equivalent to US\$52,000) and share-based payment of GBP 422,000 (equivalent to US\$572,000)) was received from Plethora (as an associate) by Mr. Jamie Gibson. On 9 March 2016, the Company acquired the remaining issued share capital in Plethora which became a wholly-owned subsidiary of the Group and no remuneration was received from Plethora by Mr. Jamie Gibson.

NOTES TO THE FINANCIAL STATEMENTS

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

a) Directors' emoluments (Continued)

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

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

* During the year ended 31 December 2015, remuneration of GBP 2,052,000 (equivalent to US\$3,136,000) (including cash of GBP 314,000 (equivalent to US\$480,000) and share-based payment of GBP 1,738,000 (equivalent to US\$2,656,000)) was received from Plethora (as an associate) by Mr. Jamie Gibson.

No Directors waived or agreed to waive any emoluments in respect of the years ended 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

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

b) Five highest paid individuals

Of the five highest paid individuals, one (2015: two) 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:

	2016 US\$'000	2015 US\$'000
Fees	—	—
Salaries and other emoluments	3,050	4,889
Pension costs - defined contribution plans	85	6
	3,135	4,895

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

		Number of individuals	
		2016	2015
HK\$1,500,001 - HK\$2,000,000	(US\$193,237-US\$257,649)	1	—
HK\$2,000,001 - HK\$2,500,000	(US\$257,649-US\$322,061)	1	1
HK\$3,000,001 - HK\$3,500,000	(US\$386,473-US\$450,886)	1	1
HK\$5,000,001 - HK\$5,500,000	(US\$644,123-US\$708,535)	1	1 [#]
HK\$6,000,001 - HK\$6,500,000	(US\$772,947-US\$837,359)	—	1
HK\$11,500,001 - HK\$12,000,000	(US\$1,481,482-US\$1,545,894)	1 [#]	—
HK\$21,000,001 - HK\$21,500,000	(US\$2,705,314-US\$2,769,726)	—	1 [#]
		5	5

[#] Emoluments relate to Directors

No emolument was paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office in respect of the years ended 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

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

c) Senior management

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

		Number of individuals	
		2016	2015
HK\$2,000,001 - HK\$2,500,000	(US\$257,649-US\$322,061)	1	—
HK\$3,000,001 - HK\$3,500,000	(US\$386,473-US\$450,886)	1	1
HK\$5,000,001 - HK\$5,500,000	(US\$644,123-US\$708,535)	1	—
HK\$6,000,001 - HK\$6,500,000	(US\$772,947-US\$837,359)	—	1
HK\$11,500,001 - HK\$12,000,000	(US\$1,481,482-US\$1,545,894)	1	—
HK\$21,000,001 - HK\$21,500,000	(US\$2,705,314-US\$2,769,726)	—	1
		4	3

8. INCOME TAX CREDIT

The amount of taxation in the consolidation statement of comprehensive income represents:

	2016	2015
	US\$'000	US\$'000
United Kingdom		
– Current year	(483)	—
Deferred tax credit (note 24)	(2,282)	—
Income tax credit	(2,765)	—

No provision for 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 2016 and 2015. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

8. INCOME TAX CREDIT (Continued)

A tax credit of US\$2,282,000 (2015: Nil) mainly represents the deferred tax credit arising from the amortisation charge for the year relating to the intangible asset of the patent, Fortacin™.

Share of associates' tax credit for the year ended 31 December 2016 of US\$86,000 (2015: US\$238,000) is included in profit or loss as share of results of associates.

Reconciliation between the Group's income tax credit and accounting loss at applicable tax rates are as follows:

	2016 US\$'000	2015 US\$'000
Loss before income tax:	(5,229)	(9,338)
Add:		
Share of results of associates	831	1,193
Loss before share of results of associates and taxation	(4,398)	(8,145)
Nominal tax on loss before taxation, calculated at the rate applicable to profits in the tax jurisdictions concerned	(1,369)	(2,054)
Income not subject to taxation	(5,951)	(3)
Expenses not deductible for taxation purposes	4,555	2,057
Income tax credit	(2,765)	—

9. DIVIDENDS

No dividend was paid or proposed during the year of 2016, nor has any dividend been proposed since the end of reporting period (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

10. LOSSES PER SHARE

The calculation of basic losses per share is based on the loss attributable to the shareholders for the year of US\$2,460,000 (2015: US\$9,333,000) and on the weighted average of 1,479,245,409 (restated 2015: 348,573,052) ordinary shares in issue during the year. The comparative figure for the basic losses per share is restated to take into effect of the Company's share consolidation completed during the year retrospectively as if it had taken place since the beginning of the comparative period. Details of the share consolidation are set out in note 21(3) to the consolidated financial statements.

The share options outstanding have an anti-dilutive effect on the basic losses per share of the Group for the years ended 31 December 2016 and 2015. Accordingly, the effect of the share options was not included in the calculation of diluted losses per share for the years ended 31 December 2016 and 2015.

11. GOODWILL

	2016 US\$'000	2015 US\$'000
At 1 January and 31 December		
Gross carrying amount	15,271	15,271
Accumulated impairment	(15,271)	(15,271)
Net carrying amount	—	—

Goodwill arose from the acquisition of a subsidiary and business in the coking coal industry in 2007 and was fully impaired in 2011.

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures US\$'000	Computer and other equipment US\$'000	Total US\$'000
At 1 January 2015			
Cost	345	213	558
Accumulated depreciation	(253)	(197)	(450)
Net book amount	92	16	108
Year ended 31 December 2015			
Opening net book amount	92	16	108
Additions	—	5	5
Disposals	—	(7)	(7)
Depreciation charge for the year	(51)	(15)	(66)
Depreciation written back on disposals	—	7	7
Foreign currency translation adjustment	—	1	1
Closing net book amount	41	7	48
At 31 December 2015			
Cost	345	211	556
Accumulated depreciation	(304)	(204)	(508)
Net book amount	41	7	48
Year ended 31 December 2016			
Opening net book amount	41	7	48
Additions	—	32	32
Disposals	—	(4)	(4)
Acquisition of a subsidiary (note 33)	—	85	85
Depreciation charge for the year	(41)	(29)	(70)
Depreciation written back on disposals	—	4	4
Foreign currency translation adjustment	—	(11)	(11)
Closing net book amount	—	84	84
At 31 December 2016			
Cost	345	341	686
Accumulated depreciation	(345)	(257)	(602)
Net book amount	—	84	84

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSET

	Economic rights US\$'000	Patent (Fortacin™) US\$'000	Total US\$'000
At 1 January 2015			
Cost	—	—	—
Accumulated amortisation	—	—	—
Net carrying amount	—	—	—
Year ended 31 December 2015			
Opening net carrying amount	—	—	—
Acquisition of Sharwood Limited's promissory note (the "Note") as explained below	3,667	—	3,667
Amortisation charge for the year	(226)	—	(226)
Closing net carrying amount	3,441	—	3,441
At 31 December 2015			
Cost	3,667	—	3,667
Accumulated amortisation	(226)	—	(226)
Net carrying amount	3,441	—	3,441
Year ended 31 December 2016			
Opening net carrying amount	3,441	—	3,441
Addition – Fortacin™, arising from acquisition of Plethora (note 33)	—	216,000	216,000
Disposal of the Note arising from acquisition (see below and note 33)	(3,376)	—	(3,376)
Amortisation charge for the year	(65)	(22,822)	(22,887)
Closing net carrying amount	—	193,178	193,178
At 31 December 2016			
Cost	—	216,000	216,000
Accumulated amortisation	—	(22,822)	(22,822)
Net carrying amount	—	193,178	193,178

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSET (Continued)

As at 31 December 2016, intangible asset of US\$193,178,000 represents patent Fortacin™, the principal asset of Plethora, which was acquired by the Group during the year, details of which are set out in note 33.

As at 31 December 2015, intangible asset of US\$3,441,000 represented, in substance, an economic right to a certain share of Plethora's future royalty income it derived from its principal asset, the patent Fortacin™. These economic rights were acquired in June 2015 and reclassified as part of investment in a subsidiary (Plethora) in March 2016, as further detailed below.

On 5 June 2015, Plethora agreed to terminate its previous arrangements with Sharwood Limited ("**Sharwood**") which had contracted with Plethora to provide assistance to Plethora in the out-licensing of PSD502®. These contractual obligations were novated in favour of the Company in the form of a promissory note. Sharwood novated the Note to the Company for a consideration of GBP 2.4 million (or approximately US\$3.67 million).

Under the terms of the Note, the Company was entitled to receive from Plethora

- amounts equal to 2.08% of the first EUR 18.75 million aggregate royalties received by Plethora;
- amounts equal to 3.12% of aggregate royalties received by Plethora between EUR 18.75 million and EUR 30 million; and
- amounts equal to 4.56% of aggregate royalties received by Plethora above EUR 30 million,

provided that, the total amount payable by Plethora to the Group would in no circumstance exceed GBP 4.58 million (US\$6.75 million).

In addition, the Company has the right to receive accelerated payments should Plethora or any of its licensed assets be subject to a change of control, which as detailed above, were capped at GBP 4.58 million (US\$6.75 million). These arrangements would have expired on the earlier of 15 September 2024 or when the cap of GBP 4.58 million (US\$6.75 million) had been paid to the Company. Further details of these arrangements and the acquisition of these economic rights were set out in the Company's announcement dated 5 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSET (Continued)

As explained in note 33, on 9 March 2016, the Group completed the acquisition of the entire issued and to be issued ordinary share capital of Plethora it did not already own and the out-licensing rights to Fortacin™ (i.e. the Note) with net carrying amount of US\$3,376,000 at that date was treated as part of the consideration for the acquisition of Plethora. At that date Plethora transitioned from an associate to a wholly-owned subsidiary. Under HKFRS 3, the Group was required to assess the fair value all of Plethora's assets and liabilities at the acquisition date. As a result of this exercise, the Group recognised an intangible asset (the patent Fortacin™) in the amount of GBP 175 million (equivalent to approximately US\$216 million) and a related deferred tax liability on this patent of GBP 17.5 million (equivalent to approximately US\$21.6 million) (refer note 24). The life of the patent Fortacin™ is till 19 November 2023, and it will accordingly be amortised on a straight line basis from 9 March 2016 to that date. Further details of the acquisition of Plethora are set out in note 33.

During the year ended 31 December 2016, the Group determined that there is no impairment of intangible asset, patent Fortacin™, in respect of the CGU, Plethora (2015: Nil). 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 as at 9 March 2016, and covered a period up to 2023 representing the remaining estimated useful life of the patent Fortacin™. The rates used to discount the cash flows forecast were in the range of 15% to 18%. The key assumptions for the value in use calculations were those regarding the discount rates, exchange rates, growth rates and royalty rates and launch dates in respect of the five major regions identified in management's business model and the premature ejaculation prevalence rate of 25%. The value in use figure determined as at 31 December 2016 was higher than the carrying amount of the CGU and accordingly no impairment loss was considered necessary.

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN ASSOCIATES

(i) At 31 December 2016, the Group's associates and their carrying value comprised the following:

	2016	2015
	US\$'000	US\$'000
The Diabetic Boot Company Limited ("Diabetic Boot")	3,054	—
West China Coking & Gas Company Limited ("West China Coke")	1	1
Plethora Solutions Holdings plc*	—	17,294
	3,055	17,295

Share of associates' tax credit for the year ended 31 December 2016 of US\$86,000 (2015: US\$238,000) is included in profit or loss as share of results of associates.

* During the year, the Group acquired all the remaining shares it did not already own in Plethora by way of a scheme of arrangement on 9 March 2016. Thereafter Plethora became a wholly-owned subsidiary of the Group. Further details of the acquisition are set out in note 33.

Particulars of the associates as at 31 December 2016 are as follows:

Name of associate	Country of incorporation/ continuation/ operation	Type of legal entity	Issued and fully paid share capital held in associate	Percentage of equity interest attributable to the Company		Principal activities
				2016	2015	
<i>Held indirectly:</i>						
West China Coke	The People's Republic of China	Sino-foreign Joint Venture Company	Injected capital of RMB79,910,000 (2015: RMB 79,910,000)	25%	25%	Production, processing and sale of coal, coke, gas and coal chemicals
<i>Held directly:</i>						
Diabetic Boot	United Kingdom	UK Limited Liability Company	Ordinary shares of GBP133.23	22%	N/A	Design, promote and production of medical products

There are no significant restrictions on the ability of associates to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group.

There are no material contingent liabilities or other commitments relating to the Group's interests in the associates.

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN ASSOCIATES (Continued)

(ii) Movements in interests in associates are summarised in the table below:

	2016 US\$'000	2015 US\$'000
As at 1 January	17,295	30,206
Loss on deemed disposal of Plethora ((iii) and (v))	(2,678)	(3,560)
Reclassification of the interest in Plethora to subsidiary ((iii) and (note 33))	(14,046)	—
Reclassification of the interest in Diabetic Boot		
from AFS financial assets (iv)	2,661	—
Gain from bargain purchase of Diabetic Boot (iv)	1,356	—
Disposal of 98% interest in Binary Limited ("Binary") (vi)	—	(6,755)
Unrealised fair value gain on retained 2% interest in Binary (vi)	—	529
Reclassification of the remaining interest in Binary to		
AFS financial assets ((vi) and note 15)	—	(943)
Impairment loss in an associate (vii)	(97)	—
Share of results of associates	(831)	(1,193)
Exchange loss on translation of financial statements of associates	(605)	(989)
As at 31 December	3,055	17,295
	2016 US\$'000	2015 US\$'000
Share of net assets - unlisted (net of accumulated impairment losses)	3,055	1
Share of net assets - listed	—	17,294
	3,055	17,295
Market value of listed investment, overseas	—	5,915

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN ASSOCIATES (Continued)

- (iii) Loss on deemed disposal of an associate arising from Plethora reclassified as a subsidiary as of 9 March 2016

As explained in more detail in note 33, the Group acquired all of Plethora's issued and to be issued ordinary share capital that it did not already own by way of a scheme of arrangement on 9 March 2016. Plethora subsequently became a wholly-owned subsidiary of the Group. Under HKFRS 3, the Group is required to re-measure its previously held equity interest in Plethora (amounting to 86,799,490 shares) at its acquisition date fair value and recognise the resulting gain or loss in profit or loss.

	US\$'000
Carrying value of interest in Plethora at 1 January 2016	17,294
Add: Share of Plethora's profit to 9 March 2016	17
Less: Share of current period exchange reserve movement	(587)
Carrying value of interest in Plethora at 9 March 2016	16,724
Less: Fair value of equity interest in Plethora at 9 March 2016	(14,046)
Loss on deemed disposal	2,678
Add: Release of foreign currency translation reserve related interest in Plethora	3,127
Loss on deemed disposal of an associate (Plethora) recognised in profit or loss	5,805

- (iv) Diabetic Boot reclassified as an associate from AFS financial assets as of 11 May 2016

The Diabetic Boot Company Limited is a private limited company incorporated in the United Kingdom. It is essentially a single product medical device company focused on the treatment of diabetic foot ulcers ("DFUs"), which are a comorbidity of diabetes mellitus. Currently, the treatment options available for DFUs are very narrow and have limited efficacy. Diabetic Boot has a unique and patented technology offering to treat DFUs under the trade name "PulseFlowDF". This cutting-edge technology combines two proven treatment strategies – offloading and intermittent pneumatic compression, in an innovative Class II medical device. The device features a biomechanically active but unobtrusive design and state-of-the-art construction materials to simultaneously increase blood flow, offload the wound and protect the foot from further injury.

The Company first acquired an interest in Diabetic Boot in 2015, purchasing 89,753 shares for a consideration of US\$1,842,000. This investment represented an interest of 16.79% of Diabetic Boot's then issued share capital, and was accounted for as an AFS financial asset in the Group's consolidated statement of financial position at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN ASSOCIATES (Continued)

- (iv) Diabetic Boot reclassified as an associate from AFS financial assets as of 11 May 2016 (Continued)

During the year, on 19 April 2016 the Company entered into a Binding Term Sheet (the “**Agreement**”) with Diabetic Boot to potentially acquire a further 130,434 new Diabetic Boot shares at GBP 23 per share (US\$32.84 per share) in cash and 65,217 warrants each exercisable at GBP 26.45 per share (or approximately US\$37.76 per share) for an aggregate consideration of GBP 2,999,982 (or approximately US\$4,283,074). The Agreement provided for these additional shares to be acquired and paid over three equal tranches. The three tranches had final dates at which the relevant conditions/performance obligations for each such tranche had to be satisfied by Diabetic Boot or waived by the Company, being 31 May 2016, 30 September 2016 and 31 December 2016 respectively. The Company essentially had: (i) a conditional obligation to acquire the Tranche 1 and 2 shares and warrants upon Diabetic Boot fulfilling or satisfying its Tranche 1 and 2 conditions/performance obligations set out under the Agreement or such conditions/performance obligations being waived by the Company; and (ii) a right (option) to acquire Tranche 3 shares and warrants irrespective of whether Diabetic Boot was able to fulfill its conditions/performance obligations set out under the Agreement. Diabetic Boot fulfilled the conditions/performance obligations of Tranche 1 on 11 May 2016, and the Company accordingly acquired the Tranche 1 shares and warrants. At 11 May 2016, the Company’s interest in Diabetic Boot increased to approximately 23%, which was subsequently diluted to 22% by way of a further placement of shares to third parties on 2 June 2016. The Tranche 2 and 3 conditions/performance obligations were not satisfied within the stipulated timeframes and, consequently, the Company had no obligation to subscribe to these tranches, and the Company elected not to take up its option to acquire these shares/warrants. Further details of the terms and conditions in the Agreement, are set out in the Company’s announcement to shareholders dated 20 April 2016.

Under the Agreement, upon the purchase of Tranche 1 shares, the Company also acquired the right to nominate two persons to Diabetic Boot’s board of directors. Under HKAS 28 “Investments in Associates and Joint Ventures” (“**HKAS 28**”), an investor equity accounts for its interest in an investee as an associate when it has significant influence. As the Company holds more than a 20% equity interest in Diabetic Boot and has the ability to influence Diabetic Boot’s policies and operations via its ability to nominate persons to its board of directors, the Group considered it had significant influence and accordingly equity accounted for its interest in Diabetic Boot as an associate as of 11 May 2016.

Under HKAS 28 and the Group’s accounting policies, when Diabetic Boot is first accounted for as an associate, the Group is required to: (i) calculate goodwill based on the consideration paid and the share of fair value of net assets acquired. 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; (ii) a critical component of the fair value of Diabetic Boot’s assets and liabilities on the date it became an associate, is the fair value of its “PulseFlowDF” patented technology, which Diabetic Boot does not reflect in its financial statements. To assist the Directors to fair value this intangible asset, the Company engaged an independent expert valuation firm, Grant Sherman, to determine the fair value of that asset. Key assumptions underlying that valuation, which the Directors have reviewed and adopted are set out below; and (iii) in respect of the previously held interest in Diabetic Boot which was accounted for as an AFS financial asset, under HKAS 28/HKFRS 3 it is treated as if it was disposed of and reacquired at fair value at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN ASSOCIATES (Continued)

(iv) Diabetic Boot reclassified as an associate from AFS financial assets as of 11 May 2016 (Continued)

Fair value of Diabetic Boot's assets and liabilities as of 11 May 2016

	Fair value US\$'000	Carrying value US\$'000
Property, plant and equipment	80	80
Intangible asset - PulseFlowDF*	19,405	—
Inventories	427	427
Trade and other receivables	467	467
Cash and cash equivalents	1,011	1,011
Trade and other payables	(447)	(447)
Income tax payable	(16)	(16)
Deferred tax liability (arising from the intangible asset)	(3,493)	—
	17,434	1,522

* The valuation of PulseFlowDF was based on the "Relief-from-Royalty method", whereby the value of the patent is based on the present worth of future economic benefits to be derived from the projected royalty income. This method is widely accepted and commonly used valuation method to value intangible assets, including patents and trademarks. Key assumptions underlying the valuation were Diabetic Boot's market penetration rate, the rate at which the diabetic population would grow, a discount rate of 31.8%, a royalty rate and life of the patent. A corresponding deferred tax liability of US\$3,493,000 was determined based on the valuation of the patent under the "Relief-from-Royalty method" using the expected corporate tax rate at which the royalty income from this intangible asset will be taxed.

Calculation of bargain purchase gain of Diabetic Boot as at 11 May 2016

	US\$'000
Carrying value of previously held interest in Diabetic Boot carried forward at 1 January 2016	1,842
Add: Attributable costs of additional 43,478 shares acquired in Diabetic Boot under Tranche I	819
Total cost	2,661
Less: Attributable share of Diabetic Boot's net assets at fair value (23.04% of US\$17,434,000)	4,017
Gain from bargain purchase on Diabetic Boot interest recognised in profit or loss	1,356

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN ASSOCIATES (Continued)

- (iv) Diabetic Boot reclassified as an associate from AFS financial assets as of 11 May 2016 (Continued)

After the further subscription of GBP 1 million (or approximately US\$1.45 million) in Diabetic Boot, the Company notes that, on 6 October 2016, Alternative Investment Market (“AIM”) listed Life Science Developments Limited (“LIFE”) (LON:LIFE) announced that it had signed a non-binding term sheet to acquire Diabetic Boot for new shares in LIFE without any specific valuation being revealed. No further announcement has been made by LIFE and the Company understands that the acquisition remains subject, *inter alia*, to the completion of due diligence, documentation and compliance with all regulatory requirements, including the AIM Rules and that there is no guarantee that all such matters can or will be completed. The Company further notes that the acquisition would, if completed, amount to: (i) a connected or related party transaction of LIFE, given the cross interests of James Mellon; as well as: (ii) a reverse takeover of LIFE under the AIM Rules. Should a binding offer for Diabetic Boot materialise, the Company will assess the merits of the transaction at that time, together with any HK Listing Rules implications it may have in accepting or participating in such transaction.

Day One Gain arising from Diabetic Boot derivative financial instruments

As mentioned above, in addition to the Tranche 1 shares, under the Agreement the Company also acquired certain warrants under Tranche 1 as well as the right to acquire further shares and warrants under Tranche 2 and 3. These warrants and economic rights constitute derivative financial instruments and are accounted for separately from the Tranche 1 shares. Under HKFRS 13 “Fair Value Measurement”, on the acquisition date, these derivative financial instruments are measured at fair value, with any gain or loss over their attributable cost being recognised in profit or loss (“Day One Gain/Loss”). However, under HKAS 39 “Financial Instruments: Recognition and Measurement”, where the fair value of the derivative financial instruments is determined based on valuation assumptions/data which is not from observable market information, then any Day One Gain/Loss should not be recognised in profit or loss but deferred until such market observable data/a change in factor (including time) that market participants would consider in setting a price, becomes available.

From the table below, the Day One Gain arising from the derivative financial instruments on acquisition date amounted to approximately US\$526,000, and was not recognised in profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN ASSOCIATES (Continued)

(iv) Diabetic Boot reclassified as an associate from AFS financial assets as of 11 May 2016 (Continued)

As at 11 May 2016 (the acquisition date)

	Fair value	Attributable cost	Fair value gain
	US\$'000	US\$'000	US\$'000
Tranche 1- 21,739 Fundraising Warrants	342	186	156
Tranche 2- 43,478 Diabetic Boot shares and 21,739 Fundraising Warrants	405	220	185
Tranche 3- 43,478 Diabetic Boot shares and 21,739 Fundraising Warrants	406	221	185
	1,153	627	526

The Directors have determined the fair value of derivative financial instruments and their attributable cost with reference to a valuation report prepared by Grant Sherman, an independent expert valuation firm, on Diabetic Boot's intangible asset and these derivative financial instruments.

However, as noted above, Diabetic Boot was unable to fulfil the specified conditions/performance obligations related to the Tranche 2 and 3 shares/warrants, and the Company elected not to waive these conditions and did not exercise its right to purchase such shares/warrants. Accordingly, at 31 December 2016 the derivative instruments related to Tranche 2 and 3 shares/warrants have been derecognised, resulting in a loss charged to profit or loss of US\$441,000. In light of this and the impairment on investment in Diabetic Boot (note 14(vii)), the Directors consider none of the Day One Gain of US\$526,000 should be recognised.

(v) Loss on deemed disposal of interest in Plethora for the year ended 31 December 2015

On 8 April 2015, Plethora announced that a notice was received from the convertible loan note holders to convert their convertible loan notes with principal amount of GBP 1,629,595 with interest accrued and redemption premiums of GBP 1,216,124 into 142,285,957 ordinary shares of Plethora, which diluted the Group's ownership from 12.75% to 10.54% and gave rise to a loss on deemed disposal of an associate of US\$3,560,000 which was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN ASSOCIATES (Continued)

(vi) Disposal of interest in Binary

As at 31 December 2014, the Group held a 49.90% equity interest in Binary, which was principally engaged in the business of online options trading platform and accounted for the investment as an associate. On 8 April 2015, the Group disposed of 98% of its holding amounting to 938,978 ordinary shares in Binary for an aggregate consideration of US\$15,000,000. As part of this transaction, 165,197 Binary shares were sold to two related parties of the Group for US\$2,639,000, the details of which are set out in note 31. The Group has accounted for the remaining approximately 2% equity interest as an AFS financial asset, whose fair value the Directors estimated to be approximately US\$943,000 at the date of disposal (fair value gain of US\$529,000). This transaction resulted in the recognition of a gain on disposal of an associate of US\$8,938,000 for the year ended 31 December 2015 as set out below:

	2015 US\$'000
Aggregate consideration	15,000
Carrying amount of the Company's interest in Binary disposed of (approximately 98% interest) (ii)	(6,755)
Reclassification adjustment resulting from disposal of 98% interest:	
– foreign currency exchange reserve	2
– share-based payment reserve	162
Unrealised fair value gain on retained 2% interest (ii)	529
Gain on disposal of an associate	8,938

Further details of Binary and the sale of Binary shares are set out in the Company's circular dated 16 March 2015 and announcement dated 8 April 2015.

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN ASSOCIATES (Continued)

(vii) Assessment for impairment of associates

During the year ended 31 December 2016, the Directors carried out an impairment assessment by determining whether the recoverable amount of the interest in Diabetic Boot was greater than its carrying value. To determine the recoverable amount, the Directors carried out a value in use calculation using essentially the same basis/model as used in the exercise to determine the fair value of the associate's net assets on acquisition date (as set out in (iv) above).

The recoverable amount of the Group's interest in Diabetic Boot was calculated based on cash flow forecasts covering a period up to 2026 representing the remaining estimated useful life of the patent. The rate used to discount the forecast cash flows was 30.63%. The key assumptions for the value in use calculations were Diabetic Boot's market penetration rate, the rate at which the diabetic population would grow, royalty rate and life of the patent. The value in use figure determined as at 31 December 2016 was lower than the carrying value of the interest in the associate and accordingly an impairment loss of US\$97,000 was recognised in profit or loss for the year.

During the year ended 31 December 2015, no impairment loss was recognised in profit or loss for the Group's interests in associates. As part of this assessment, the Directors noted that the carrying value of the Group's interest in Plethora exceeded the market value of its equity interest in Plethora. The Directors accordingly carried out an impairment assessment to determine whether the recoverable amount of this associate was greater than its carrying value.

To determine the recoverable amount, the Directors carried out a value in use calculation based on cash flow forecasts covering a period up to 2025, representing the remaining estimated useful life of the patent. The rate used to discount the forecast cash flows was in the range of 15% to 30%. The key assumptions for the value in use calculations were those regarding the discount rates, growth rates and royalty rates in respect of five major regions and the premature ejaculation prevalence rate of 25%. The value in use figure determined as at 31 December 2015 was higher than the carrying value of the interest in the associate and accordingly no impairment loss was considered necessary.

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN ASSOCIATES (Continued)

(viii) Summarised financial information of associates

The following table illustrates the summarised aggregate financial information of the Group's material associates, Diabetic Boot and Plethora, prepared in accordance with International Financial Reporting Standards which are equivalent to HKFRSs and adjusted for the effect of the fair value adjustments at the dates Diabetic Boot and Plethora each became an associate of the Group.

	Diabetic Boot		Plethora	
	2016 US\$'000	2015 US\$'000	2016# US\$'000	2015 US\$'000
As at 31 December				
Non-current assets	17,825 [^]	N/A	N/A	187,989*
Current assets	1,377	N/A	N/A	1,348
Current liabilities	(554)	N/A	N/A	(5,951)
Non-current liabilities	(4,766)	N/A	N/A	(19,306)
Net assets	13,882	N/A	N/A	164,080
Included in the above amounts are:				
Cash and cash equivalents	59	N/A	N/A	137
For the year ended 31 December				
Revenue	156	N/A	—	—
(Loss)/Profit for the period/year	(3,855)	N/A	162	(15,737)
Other comprehensive income for the period/year	(82)	N/A	(5,565)	(9,504)
Total comprehensive income for the period/year	(3,937)	N/A	(5,403)	(25,241)
Dividend received from an associate	—	N/A	N/A	—
Included in the above amounts are:				
Depreciation and amortisation	(1,247)	N/A	(2,624)	(18,809)
Interest income	1	N/A	—	3
Interest expense	—	N/A	(1,831)	(342)
Income tax credit	224	N/A	351	2,400

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN ASSOCIATES (Continued)

(viii) Summarised financial information of associates (Continued)

Reconciliation to the carrying amount of the Group's interests in associates:

	Diabetic Boot		Plethora	
	2016 US\$'000	2015 US\$'000	2016# US\$'000	2015 US\$'000
Net assets attributable to the equity holders of the associate	14,321	N/A	N/A	164,080
Group's effective interest	22%	N/A	N/A	10.54%
Group's share of net assets of the associate	3,151	N/A	N/A	17,294
Impairment loss (vii)	(97)	N/A	N/A	—
Goodwill	—	N/A	N/A	—
Carrying amount of the Group's interest in the associate in the consolidated financial statements (i)	3,054	N/A	N/A	17,294

The following table illustrates the summarised aggregate financial information of the remaining associate which is not material to the Group.

	2016 US\$'000	2015 US\$'000
For the year ended 31 December		
Loss for the year	—	—
Other comprehensive income	—	—
Total comprehensive income	—	—

^ comprising primarily of intangible asset, PulseFlowDF, as explained in note 14(iv).

* comprising primarily of intangible asset, Fortacin™, as explained in note 13.

as set out in note 33, Plethora became a wholly-owned subsidiary of the Group on 9 March 2016, and accordingly its assets and liabilities at 31 December 2016 are not presented here as it was no longer an associate.

NOTES TO THE FINANCIAL STATEMENTS

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 US\$'000	2015 US\$'000
As at 1 January	5,367	2,130
Additions (note 14(iv))	819	1,842
Disposals	(1,799)	(185)
Reclassified from interest in associates (notes 14(iv) and (vi))	(2,661)	943
Change in fair value (note 29)	—	831
Impairment loss (note 6)	—	(194)
As at 31 December	1,726	5,367

AFS financial assets include the following:

	2016 US\$'000	2015 US\$'000
Unlisted securities		
Club debenture, at cost	19	19
Equity securities, at cost	1,707	3,548
	1,726	3,567
Unlisted securities		
Equity securities, at fair value (note 29)	—	1,774
Listed securities		
Equity securities, at fair value	—	26
	1,726	5,367

AFS financial assets included investments in certain unlisted securities, which are measured at cost less impairment as there is no quoted market price in active markets for the investments and the variability in the range of reasonable fair value estimates of the investments is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group plans to hold these investments for the foreseeable future.

During the year ended 31 December 2016, there was no impairment on the Group's investment in AFS financial assets (2015: US\$194,000).

NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 US\$'000	2015 US\$'000
As at 1 January	8,146	13,876
Additions	—	281
Disposals	(3,634)	(244)
Change in fair value	2,874	(5,767)
As at 31 December	7,386	8,146

Financial assets at fair value through profit or loss include the following:

	2016 US\$'000	2015 US\$'000
Held for trading – overseas		
– Listed equities, at fair value	7,386	8,146

The fair value of listed equity investments were based on last quoted market prices at the reporting date.

Certain of the Group's financial assets that are accounted at fair value through profit or loss, namely its equity interests in Australian listed shares including holdings in Venturex Resources Limited (“**Venturex**”), Bannerman Resources Limited (“**Bannerman**”) and Tigers Realm Coal Limited (“**Tigers Realm**”), of which the aggregate market value as at 31 December 2016 was approximately A\$5.38 million (or equivalent to US\$3.89 million), were pledged as security to the Australian Commissioner of Taxation against an assessment in relation to a potential liability for Australian capital gains tax arising from the gain on disposal of an Australian listed security in 2013. Further details of this assessment and the security given by the Company are set out in note 32 and the section headed “Charge on Assets” in the “Management's Discussion and Analysis of the Group's Performance”.

One of the Group's strategic investments is a 22.48% interest in Venturex. This company is not accounted for under the equity method as the Group does not have the power to participate in the company's operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level.

NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Particulars of the Group's principal investment in listed equities as at 31 December 2016 are as follows:

Name of company	Country of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company	Carrying value at 31 December 2016	Carrying value at 31 December 2015
Venturex	Australia	587,184,484 ordinary shares	22.48%	US\$3,386,000	US\$2,140,000
Condor Gold plc ("Condor")	United Kingdom	3,977,274 ordinary shares	7.52%	US\$2,528,000	US\$1,275,000

17. CASH AND BANK BALANCES

	2016 US\$'000	2015 US\$'000
Cash and balances with banks	291	1,124
Money at call and short notice	—	4,350
	291	5,474

One of the Group's subsidiaries maintains trust accounts with banks as part of its then normal business transactions in prior years. While such business was discontinued some years ago, as at 31 December 2016, included in the Group's cash at banks were trust account balances of nil (2015: US\$29,000) (note 20), as a result of closure of these inactive trust account balances amounting to US\$29,000 by the bank.

18. LOAN RECEIVABLES

	2016 US\$'000	2015 US\$'000
Loan receivables	—	2,354
Interest receivables	—	430
Impairment	—	(2,709)
	—	75

NOTES TO THE FINANCIAL STATEMENTS

18. LOAN RECEIVABLES (Continued)

Movements on the provision for impairment of loan and interest receivables are as follows:

	2016 US\$'000	2015 US\$'000
At 1 January	2,709	4,095
Reversal of impairment previously recognised	(364)	(1,386)
Balance of provision written off as all amounts under settlement agreement were settled	(2,345)	—
At 31 December	—	2,709

On 25 July 2008, a loan agreement was signed between RPG Investments I Limited ("RPI"), a wholly-owned subsidiary of the Group and Blue Pacific Coal Pte. Ltd. ("Blue Pacific"), an independent third party, on which RPI has agreed to provide Blue Pacific with a loan totalling US\$11,250,000 for the purpose of financing Blue Pacific's working capital and on lending to its Indonesian subsidiary for a coal mining project, which was terminated in late 2009.

In 2011, the Group made full impairment provision in respect of the outstanding loan and interest receivable due from Blue Pacific amounting to US\$4,345,000. However, the Company continued in its action to pursue the amount due pursuant to previously disclosed litigation commenced by the Group against, among others, Blue Pacific and its controllers in the High Court of Singapore. In this respect, the Company can disclose that High Court Suit No. 666 of 2014 was settled. The terms of the settlement are confidential. During the current year, the Company received US\$439,000 (2015: US\$1,561,000) under the settlement agreement.

Subsequent to 31 December 2016 and prior to the date of this report, the Group received nil (2015: US\$75,000) from Blue Pacific.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 US\$'000	2015 US\$'000
Prepayments, deposits and other receivables [#]	614	2,505

[#] Included in the balance of prepayments, deposits and other receivables was a margin deposit of nil (2015: US\$679,000) placed with broker firms for the trading of derivatives (note 23).

The fair value of deposits and other receivables were the same as illustrated above.

The balance outstanding as at 31 December 2016 and 2015 were neither past due nor impaired.

NOTES TO THE FINANCIAL STATEMENTS

20. TRADE PAYABLES, DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	2016 US\$'000	2015 US\$'000
Trade payables	1,591	99
Deposits received, accruals and other payables	4,283	3,524
	5,874	3,623

At 31 December 2016 and 2015, the ageing analysis of the trade payables, based on their invoice dates, was as follows:

	2016 US\$'000	2015 US\$'000
Due within 1 month or on demand	98	—
Due after 3 months but within 6 months	592	—
More than 6 months	901	99
	1,591	99

Included in trade payables at 31 December 2015 were certain funds placed in trust accounts amounting to US\$29,000, the background of which is explained in note 17.

During the year ended 31 December 2016, the Directors decided to derecognise certain trade payables amounting to US\$99,000 (including US\$29,000 held in trust accounts) and other payables of US\$50,000 as they were outstanding for around 10 years and had passed the statute of limitations in Hong Kong. This action resulted in other income of US\$149,000 being recognised in profit or loss for the year.

The fair value of trade payables, deposits received, accruals and other payables approximates their respective carrying amounts at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL

Before share consolidation taking effect on 10 June 2016:

Authorised:	Number of ordinary shares of US\$0.01 each	US\$'000	Number of unclassified shares*	US\$'000	Total number of shares	Total US\$'000
At 31 December 2015	10,000,000,000	100,000	550,000,000	5,500	10,550,000,000	105,500
Increase in authorised share capital on 2 March 2016	13,000,000,000	130,000	—	—	13,000,000,000	130,000
	23,000,000,000	230,000	550,000,000	5,500	23,550,000,000	235,500

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 1 January 2015 and 31 December 2015	3,485,730,523	34,857	—	—	3,485,730,523	34,857
Allotment of consideration shares to acquire Plethora on 9 March 2016	13,886,781,298	138,868	—	—	13,886,781,298	138,868
	17,372,511,821	173,725	—	—	17,372,511,821	173,725

* 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

Upon share consolidation taking effect on 10 June 2016:

Authorised:	Number of ordinary shares of US\$0.10 each	US\$'000	Number of unclassified shares#	US\$'000	Total number of shares	Total US\$'000
At 10 June 2016	2,300,000,000	230,000	55,000,000	5,500	2,355,000,000	235,500

Issued and fully paid:	Number of ordinary shares of US\$0.10 each	US\$'000	Number of unclassified shares#	US\$'000	Total number of shares	Total US\$'000
At 10 June 2016	1,737,251,182	173,725	—	—	1,737,251,182	173,725

Unclassified shares of US\$0.10 each, which may be issued as ordinary shares or as non-voting convertible deferred shares of US\$0.10 each

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

Upon capital reduction taking effect on 12 October 2016 (in the Cayman Islands), which was 13 October 2016 in Hong Kong:

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 12 October 2016 and 31 December 2016	2,300,000,000	23,000	55,000,000	550	2,355,000,000	23,550
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 12 October 2016 and 31 December 2016	1,737,251,182	17,372	—	—	1,737,251,182	17,372

* Unclassified shares of US\$0.01 each, which may be issued as ordinary shares or as non-voting convertible deferred shares of US\$0.01 each

As at 1 January 2016, the authorised share capital of the Company was US\$105,500,000 comprising: (a) 10,000,000,000 ordinary shares of US\$0.01 each; and (b) 550,000,000 unclassified shares of US\$0.01 each (which might be issued as ordinary shares or as non-voting convertible deferred shares of US\$0.01 each), of which 3,485,730,523 ordinary shares were issued and fully paid or credited as fully paid. During the year ended 31 December 2016:

- (1) Pursuant to an ordinary resolution passed at the Company's extraordinary general meeting held on 2 March 2016, the authorised share capital of the Company was increased to US\$235,500,000 comprising: (a) 23,000,000,000 ordinary shares of US\$0.01 each; and (b) 550,000,000 unclassified shares of US\$0.01 each (which might be issued as ordinary shares or as non-voting convertible deferred shares of US\$0.01 each), in order to provide for the issue and allotment of the consideration shares upon completion of the conditional all share takeover offer for Plethora and to provide the Company with greater flexibility to raise future equity capital;
- (2) On 9 March 2016, an aggregate of 13,886,781,298 new ordinary shares were issued and allotted by the Company as consideration shares upon completion of the conditional all share takeover offer for Plethora (effected by way of a scheme of arrangement under Part 26 of the Companies Act 2006), further details of which are set out in note 33;

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(3) Pursuant to an ordinary resolution passed at the Company's extraordinary general meeting held on 8 June 2016, which took effect on 10 June 2016:

- (i) every ten ordinary shares of a nominal or par value of US\$0.01 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of a nominal or par value of US\$0.10 each; and
- (ii) every ten unclassified shares of a nominal or par value of US\$0.01 each (which might be issued as ordinary shares or as non-voting convertible deferred shares of a nominal or par value of US\$0.01 each) in the issued and unissued share capital of the Company were consolidated into one unclassified share of a nominal or par value of US\$0.10 each (which might be issued as a consolidated share or as a consolidated non-voting convertible deferred share),

so that immediately following the share consolidation, the authorised share capital of the Company became US\$235,500,000 comprising: (a) 2,300,000,000 ordinary shares of US\$0.10 each; and (b) 55,000,000 unclassified shares of US\$0.10 each (which might be issued as ordinary shares or as non-voting convertible deferred shares of US\$0.10 each), of which 1,737,251,182 ordinary shares were issued and fully paid or credited as fully paid (the "Share Consolidation");

(4) Pursuant to a special resolution passed at the Company's extraordinary general meeting held on 19 August 2016, which took effect on 12 October 2016 (in the Cayman Islands), which was 13 October 2016 in Hong Kong, following the approval by the Grand Court of the Cayman Islands (the "Capital Reduction"):

- (i) the issued share capital of the Company was reduced from US\$173,725,118.20 to US\$17,372,511.82 by the cancellation of US\$0.09 paid up capital on each issued share so that each issued share should be treated as one fully paid up share of US\$0.01 each in the capital of the Company; and
- (ii) the par value of each unissued share was reduced from US\$0.10 to US\$0.01, such that the authorised share capital of the Company should be reduced from US\$235,500,000 comprising: (a) 2,300,000,000 ordinary shares of a nominal or par value of US\$0.10 each; and (b) 55,000,000 unclassified shares of a nominal or par value of US\$0.10 each (which might be issued as ordinary shares or as non-voting convertible deferred shares of a nominal or par value of US\$0.10 each) to US\$23,550,000 comprising: (i) 2,300,000,000 new ordinary shares of a nominal or par value of US\$0.01 each; and (ii) 55,000,000 unclassified shares of a nominal or par value of US\$0.01 each (which might be issued as new shares or as new non-voting convertible deferred shares of a nominal or par value of US\$0.01 each); and

(5) No shares were repurchased by the Company.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

Accordingly, as at 31 December 2016, the total issued ordinary share capital of the Company consisted of 1,737,251,182 shares.

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.

Details of the Company's share option schemes are set out below.

The share option schemes (namely the Share Option Scheme (2002) and the Share Option Scheme (2016), as detailed below) 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 schemes may, at the discretion of the Directors, be used in conjunction with any cash based compensation, incentive compensation or bonus plan.

The total number of shares which may be issued upon exercise of all options to be granted under the respective schemes, 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 respective schemes (or such proportion of the issued share capital of the Company as from time to time specified in the HK Listing Rules). The Company may seek shareholders' approval at a general meeting for "refreshing" the 10% limit under the schemes so that the total number of shares which may be issued upon exercise of all options to be granted under the respective schemes, 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 schemes (including those outstanding, cancelled or lapsed in accordance with the schemes 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 respective schemes 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.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

Each grant of options to any of the Directors, chief executive or substantial shareholders of the Company, or any of their respective associates, under the schemes must be approved by the Company's independent non-executive Directors (excluding the Independent Non-Executive Director who is the grantee of the options). Where any grant of options to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the proposed offer of such grant representing in aggregate over 0.1% of the ordinary shares of the Company in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million, such further grant of options must be subject to shareholders' approval.

An offer of the grant of an option shall remain open for acceptance by the eligible participant concerned for a period of 28 days inclusive of and from the date on which such offer is made to that eligible participant or such shorter period as the Directors may in their absolute discretion determine. An offer which remains capable of acceptance shall be deemed to have been accepted upon the date when the duly completed and signed form of acceptance together with a remittance for HK\$10, being the consideration for the grant thereof, are received by the Company. The option shall, following such acceptance, be deemed to have been granted and to have taken effect on the date of offer.

Options granted under the schemes entitle the holders to exercise one-third of the option at each of the first, second and third anniversary dates after the date of grant, provided that the option holder remains as an eligible participant. Any entitlements unexercised in any prior period may be carried forward to the following periods but, in any event, must be exercised within 10 years from the date of offer of the relevant option. All entitlements of the option then remain unexercised will lapse.

The exercise price is to be determined by the Directors at their absolute discretion when the option is offered, provided that in no event shall such price be less than the higher of (i) the nominal value of the ordinary shares of the Company; (ii) the closing price of the ordinary shares as stated in the daily quotations sheet of the HK Stock Exchange on the date of offer, which must be a business day; and (iii) the average closing price of the ordinary shares as stated in the daily quotations sheets of the HK Stock Exchange for the five business days immediately preceding the date of offer.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(1) Share Option Scheme (2002)

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

The Company sought shareholders' approval at the extraordinary general meeting held on 16 June 2006 for "refreshing" the 10% limit under the scheme. Accordingly, the maximum number of shares which may be issued upon exercise of all options to be granted after 16 June 2006 under the Share Option Scheme (2002), when aggregated with any shares which may be issued upon exercise of options to be granted under other schemes of the Company, shall not exceed 146,538,132 shares, being 10% of the total issued ordinary share capital of the Company as at the date of approval of the "refreshed" limit.

As at 1 January 2016, under the Share Option Scheme (2002) there were outstanding and vested options entitling the holders to subscribe for an aggregate of 111,266,132 ordinary shares at exercise prices ranging from HK\$0.300 to HK\$1.152 per share (1 January 2015: 111,266,132 shares at exercise prices ranging from HK\$0.300 to HK\$1.152 per share), representing 3.19% (1 January 2015: 3.19%) of the Company's then issued ordinary share capital and 3.09% (1 January 2015: 3.09%) of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 111,266,132 shares or 100% were vested (1 January 2015: all the outstanding options in respect of an aggregate of 111,266,132 shares or 100%). Exercise in full of the outstanding options would result in the issue of 111,266,132 additional ordinary shares for aggregate proceeds, before expenses, of HK\$77,614,928 (approximately US\$9,950,632).

During the period ended 8 June 2016 (the business day prior to the Share Consolidation taking effect):

- No new options were granted (2015: nil);
- No vested options were exercised (2015: nil);
- Outstanding options in respect of an aggregate of 50,124,000 shares lapsed on 3 April 2016 upon expiry of the exercise period (being the outstanding balances of eight options granted on 4 April 2006 in respect of an aggregate of 50,124,000 shares at the exercise price of HK\$0.300 per share) (2015: nil); and
- No options were cancelled (2015: nil).

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(1) Share Option Scheme (2002) (Continued)

Accordingly, as at 8 June 2016, under the Share Option Scheme (2002) there were outstanding and vested options entitling the holders to subscribe for an aggregate of 61,142,132 ordinary shares at exercise prices ranging from HK\$0.325 to HK\$1.152 per share, representing 0.35% of the Company's then issued ordinary share capital and 0.35% of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 61,142,132 shares or 100% were vested. Exercise in full of the outstanding options would result in the issue of 61,142,132 additional ordinary shares for aggregate proceeds, before expenses, of HK\$62,577,728 (approximately US\$8,022,786).

Upon the Share Consolidation taking effect on 10 June 2016, the outstanding options under the Share Option Scheme (2002) were adjusted, in the manner prescribed in the rules of the scheme, as to the number of shares comprised in each option (so far as unexercised) and the option price thereunder. A statement in writing was duly received from the Company's Auditor (acting as experts and not as arbitrators) confirming that in their opinion the adjustments proposed by the Directors were fair and reasonable. Accordingly, as at 10 June 2016, under the Share Option Scheme (2002) there were outstanding and vested options entitling the holders to subscribe for an aggregate of 6,114,213 ordinary shares at exercise prices ranging from HK\$3.250 to HK\$11.520 per share, representing 0.35% of the Company's then issued ordinary share capital and 0.35% of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 6,114,213 shares or 100% were vested. Exercise in full of the outstanding options would result in the issue of 6,114,213 additional ordinary shares for aggregate proceeds, before expenses, of HK\$62,577,726 (approximately US\$8,022,786).

Since 10 June 2016 and prior to 31 December 2016:

- No new options were granted (2015: nil);
- No vested options were exercised (2015: nil);
- Outstanding options in respect of an aggregate of 410,400 shares lapsed on 13 December 2016 upon expiry of the exercise period (being the outstanding balances of six options granted on 14 December 2006 in respect of an aggregate of 410,400 shares at the exercise price of HK\$3.250 per share) (2015: nil);
- No adjustments were made to the number of shares comprised in each of the outstanding options (so far as unexercised) and its option price under the Share Option Scheme (2002) in accordance with the rules of the scheme upon the Capital Reduction taking effect, with a statement in writing having been duly received from the Company's Auditor (acting as experts and not as arbitrators) confirming that in their opinion the Directors' determination on no adjustments to be made to the outstanding options upon the Capital Reduction taking effect was fair and reasonable; and
- No options were cancelled (2015: nil).

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(1) Share Option Scheme (2002) (Continued)

Accordingly, as at 31 December 2016, under the Share Option Scheme (2002) there were outstanding options entitling the holders to subscribe for an aggregate of 5,703,813 ordinary shares at exercise prices ranging from HK\$7.800 to HK\$11.520 per share (31 December 2015: 111,266,132 shares at exercise prices ranging from HK\$0.300 to HK\$1.152 per share), representing 0.33% (31 December 2015: 3.19%) of the Company's then issued ordinary share capital and 0.33% (31 December 2015: 3.09%) of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 5,703,813 shares or 100% were vested (31 December 2015: all the outstanding options in respect of an aggregate of 111,266,132 shares or 100%). Exercise in full of the outstanding options would result in the issue of 5,703,813 additional ordinary shares for aggregate proceeds, before expenses, of HK\$61,243,926 (approximately US\$7,851,785).

Subsequent to the year end date and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options lapsed or were cancelled. Accordingly, as at the date of this report, under the Share Option Scheme (2002) there are outstanding options entitling the holders to subscribe for an aggregate of 5,703,813 ordinary shares at exercise prices ranging from HK\$7.800 to HK\$11.520 per share, representing 0.33% of the Company's existing issued ordinary share capital and 0.33% of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 5,703,813 shares or 100% are vested. No new options will be granted under the Share Option Scheme (2002) as the scheme expired on 15 November 2012 (as noted above), with the provisions of its rules remaining in full force and effect to the extent necessary to give effect to the exercise of any options granted and remaining outstanding prior to the date of the expiry. Exercise in full of the outstanding options would result in the issue of 5,703,813 additional ordinary shares for aggregate proceeds, before expenses, of HK\$61,243,926 (approximately US\$7,851,785).

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(I) Share Option Scheme (2002) (Continued)

Particulars of the options held under the Share Option Scheme (2002) by various participants are as follows:

(i) *Directors, Chief Executive and substantial shareholders*

As at 1 January 2016, outstanding and vested options in respect of an aggregate of 76,600,000 shares were held by the Chief Executive Officer (also the Executive Director) and other Directors, details of which are set out below:

1. An option, which was granted on 4 April 2006, entitling the Chief Executive Officer to subscribe, in stages, for 45,600,000 ordinary shares at the exercise price of HK\$0.300 per share; and
2. Options, which were granted on 2 October 2007, entitling the Non-Executive Chairman (Mr. James Mellon), the Chief Executive Officer and an Independent Non-Executive Director to subscribe, in stages, for an aggregate of 31,000,000 ordinary shares at the exercise price of HK\$1.152 per share.

During the year ended 31 December 2016:

- No new options were granted;
- No vested options were exercised;
- An outstanding option held by the Chief Executive Officer (also the Executive Director) granted on 4 April 2006 in respect of 45,600,000 shares at the exercise price of HK\$0.300 per share lapsed on 3 April 2016 upon expiry of the exercise period;
- Upon the Share Consolidation taking effect on 10 June 2016 (as noted above), the outstanding options under the Share Option Scheme (2002) were adjusted, in the manner prescribed in the rules of the scheme, as to the number of shares comprised in each option (so far as unexercised) and the option price thereunder;
- No adjustments were made to the number of shares comprised in each of the outstanding options (so far as unexercised) and its option price under the Share Option Scheme (2002) in accordance with the rules of the scheme upon the Capital Reduction taking effect on 13 October 2016 (as noted above); and
- No outstanding options were cancelled.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(I) Share Option Scheme (2002) (Continued)

(i) Directors, Chief Executive and substantial shareholders (Continued)

Accordingly, as at 31 December 2016, there were outstanding and vested options entitling the Chief Executive Director (also the Executive Director) and other Directors to subscribe for an aggregate of 3,100,000 ordinary shares at the exercise price of HK\$11.520 per share.

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

Particulars of the options granted to and held by the Directors and the Chief Executive Officer are set out in detail under the section headed "Directors' Interests in Securities and Options" in this report. No options were granted to or held by any associates of the Directors or the Chief Executive Officer of the Company at any time during the year or prior to the date of this report.

No options were granted to or held by any substantial shareholder of the Company (other than Mr. James Mellon who is also the Non-Executive Chairman of the Company), as referred to in the section headed "Substantial Shareholders" in this 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 2016, outstanding and vested options in respect of an aggregate of 20,666,132 shares were held by the full-time employees of the Group (excluding the Directors of the Company), details of which are set out below:

1. Options, which were granted on 4 April 2006, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 4,524,000 ordinary shares at the exercise price of HK\$0.300 per share;
2. Options, which were granted on 14 December 2006, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 4,104,000 ordinary shares at the exercise price of HK\$0.325 per share; and
3. Options, which were granted on 2 October 2007, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 12,038,132 ordinary shares at the exercise price of HK\$11.152 per share.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(I) Share Option Scheme (2002) (Continued)

(ii) Full-time employees (Continued)

During the year ended 31 December 2016:

- No new options were granted;
- No vested options were exercised;
- Outstanding options held by the full-time employees of the Group granted on 4 April 2006 in respect of 4,524,000 shares at the exercise price of HK\$0.300 per share lapsed on 3 April 2016 upon expiry of the exercise period;
- Upon the Share Consolidation taking effect on 10 June 2016 (as noted above), the outstanding options under the Share Option Scheme (2002) were adjusted, in the manner prescribed in the rules of the scheme, as to the number of shares comprised in each option (so far as unexercised) and the option price thereunder;
- No adjustments were made to the number of shares comprised in each of the outstanding options (so far as unexercised) and its option price under the Share Option Scheme (2002) in accordance with the rules of the scheme upon the Capital Reduction taking effect on 13 October 2016 (as noted above);
- Outstanding options held by the full-time employees of the Group granted on 14 December 2006 in respect of 410,400 shares at the exercise price of HK\$3.250 per share lapsed on 13 December 2016 upon expiry of the exercise period; and
- No outstanding options were cancelled.

Accordingly, as at 31 December 2016, there were outstanding and vested options entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe for an aggregate of 1,203,813 ordinary shares at the exercise price of HK\$11.520 per share.

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

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(I) Share Option Scheme (2002) (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 2016 or prior to the date of this report.

(iv) Suppliers of goods and services

As at 1 January 2016, outstanding and vested options in respect of an aggregate of 14,000,000 shares were held by the service providers, details of which are set out below:

1. An option, which was granted on 15 May 2007, entitling a consultant (a former Non-Executive Director who resigned on 12 February 2008 and was appointed as a consultant) to subscribe, in stages, for 12,000,000 ordinary shares at the exercise price of HK\$0.780 per share; and
2. An option, which was granted on 2 October 2007, entitling a consultant (a former Independent Non-Executive Director who resigned on 12 February 2008 and was appointed as a consultant) to subscribe, in stages, for 2,000,000 ordinary shares at the exercise price of HK\$1.152 per share.

During the year ended 31 December 2016:

- No new options were granted;
- No vested options were exercised;
- No outstanding options lapsed;
- Upon the Share Consolidation taking effect on 10 June 2016 (as noted above), the outstanding options under the Share Option Scheme (2002) were adjusted, in the manner prescribed in the rules of the scheme, as to the number of shares comprised in each option (so far as unexercised) and the option price thereunder;
- No adjustments were made to the number of shares comprised in each of the outstanding options (so far as unexercised) and its option price under the Share Option Scheme (2002) in accordance with the rules of the scheme upon the Capital Reduction taking effect on 13 October 2016 (as noted above); and
- No outstanding options were cancelled.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

(1) Share Option Scheme (2002) (Continued)

(iv) Suppliers of goods and services (Continued)

Accordingly, as at 31 December 2016, there were outstanding and vested options entitling the service providers to subscribe for an aggregate of 1,400,000 ordinary shares at the exercise prices ranging from HK\$7.800 to HK\$11.520 per share.

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

(v) Other participants

No options were granted to or held by participants other than those referred to in sub-paragraphs (i) to (iv) above at any time during the year ended 31 December 2016 or prior to the date of this report.

(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 maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme (2016), 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 173,725,118 shares, being 10% of the total issued ordinary share capital of the Company as at the commencement date of the scheme.

Since 10 June 2016 and prior to the date of this report, no options were granted under the Share Option Scheme (2016).

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (Continued)

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 period presented:

	2016		2015	
	Number	Weighted average exercise price HK\$	Number	Weighted average exercise price HK\$
Outstanding at 1 January	111,266,132	0.698	111,266,132	0.698
Forfeited	(54,228,000)	0.302	—	—
Outstanding at 31 December	57,038,132	1.074	111,266,132	0.698
Outstanding at 31 December after share consolidation (10:1)	5,703,813	10.737	N/A	N/A

No option has been exercised during the years ended 31 December 2016 and 2015. All remaining share options as at 31 December 2016 have been accounted for under HKFRS 2. The number of options exercisable at the reporting date are as follows:

Share Option Scheme (2002)

	2016		2015	
	Number	Weighted average exercise price HK\$	Number	Weighted average exercise price HK\$
Exercisable beginning in financial year				
– 31 December	5,703,813	10.737	111,266,132	0.698
Outstanding at 31 December	5,703,813	10.737	111,266,132	0.698

The weighted average remaining contractual life of the outstanding options as of 31 December 2016 is 0.62 years (2015: 1.01 years).

There were no charges to the consolidated statement of comprehensive income or liabilities recognised in respect of employee share-based payments or non-employee share-based payments in relation to share options granted under the Company's Share Option Schemes (2002) for the years ended 31 December 2016 or 2015.

NOTES TO THE FINANCIAL STATEMENTS

22. RESERVES

	Accumulated losses US\$'000	Share premium US\$'000	Share-based payment reserve US\$'000	Capital redemption reserve US\$'000	Investment revaluation reserve US\$'000	Statutory reserve US\$'000	Foreign currency exchange reserve US\$'000	Total US\$'000
<i>Group</i>								
At 1 January 2015	(274,699)	275,389	2,382	8,228	401	176	2,011	13,888
Foreign currency translation adjustment	—	—	—	—	—	—	(6)	(6)
Change in fair value of AFS financial assets (note 15)	—	—	—	—	831	—	—	831
Share of translation reserve of associates (note 14(ii))	—	—	—	—	—	—	(989)	(989)
Reclassification to profit or loss on disposal of an associate (note 14(vi))	—	—	(162)	—	—	—	(2)	(164)
Loss for the year	(9,333)	—	—	—	—	—	—	(9,333)
At 31 December 2015	(284,032)	275,389	2,220	8,228	1,232	176	1,014	4,227
Consideration shares issued (notes 21(2) and 33)	—	4,199	—	—	—	—	—	4,199
Capital reduction (note 21(4)(i))	156,353	—	—	—	—	—	—	156,353
Share options forfeited	598	—	(598)	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	390	390
Deferral of Day One Gain on derivative financial instruments - Diabetic Boot	—	—	—	—	526	—	—	526
Reclassification to profit or loss on derecognition of derivative financial instruments - Diabetic Boot	—	—	—	—	(526)	—	—	(526)
Share of translation reserve of associates (note 14(ii))	—	—	—	—	—	—	(605)	(605)
Reclassification to profit or loss on disposal of AFS financial assets	—	—	—	—	(1,232)	—	—	(1,232)
Reclassification to profit or loss on deemed disposal of an associate (note 14(iii))	—	—	—	—	—	—	3,127	3,127
Loss for the year	(2,460)	—	—	—	—	—	—	(2,460)
At 31 December 2016	(129,541)	279,588	1,622	8,228	—	176	3,926	163,999

NOTES TO THE FINANCIAL STATEMENTS

22. RESERVES (Continued)

	Accumulated losses US\$'000	Share premium US\$'000	Share-based payment reserve US\$'000	Capital redemption reserve US\$'000	Investment revaluation reserve US\$'000	Foreign currency exchange reserve US\$'000	Total US\$'000
<i>Company (note 35)</i>							
At 1 January 2015	(296,068)	277,654	2,220	8,228	401	1	(7,564)
Change in fair value of AFS financial assets	—	—	—	—	831	—	831
Profit for the year	5,049	—	—	—	—	—	5,049
At 31 December 2015	(291,019)	277,654	2,220	8,228	1,232	1	(1,684)
Consideration shares issued	—	4,199	—	—	—	—	4,199
Capital reduction	156,353	—	—	—	—	—	156,353
Share options forfeited	598	—	(598)	—	—	—	—
Deferral of Day One Gain on derivative financial instruments acquired as part of initial investment in Diabetic Boot	—	—	—	—	526	—	526
Reclassification to profit or loss on cancellation of exercising the rights to subscribe for Tranche 2 and Tranche 3 shares and warrants of Diabetic Boot	—	—	—	—	(526)	—	(526)
Reclassification to profit or loss on disposal of AFS financial assets	—	—	—	—	(1,232)	—	(1,232)
Loss for the year	(6,461)	—	—	—	—	—	(6,461)
At 31 December 2016	(140,529)	281,853	1,622	8,228	—	1	151,175

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) Share-based payment reserve

The share-based payment reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 3.14(iii) to the consolidated financial statements. The amount will be transferred to the share premium account when the related options are exercised, or transferred to accumulated losses should the related options expire or be forfeited.

NOTES TO THE FINANCIAL STATEMENTS

22. RESERVES (Continued)

(d) Capital redemption reserve

This represents the repurchase of shares of the Company listed on the HK Stock Exchange. These repurchased shares were cancelled upon repurchase and, accordingly, the nominal value of the cancelled shares was credited to capital redemption reserve and the aggregate consideration paid was debited to the accumulated losses and share premium accounts.

(e) Investment revaluation reserve

This represents accumulated gains and losses arising on the revaluation of AFS financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those investments have been disposed of, are determined to be impaired.

(f) Statutory reserve

As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), certain subsidiaries of the Company in 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.

(g) Foreign currency exchange reserve

This represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2016		2015	
	Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
Total derivatives				
Foreign exchange traded futures and options	—	—	—	167
Equity and stock index futures and options	—	—	484	—
Diabetic Boot Tranche 1 – 21,739 Fundraising Warrants (note 14(iv))	186	—	—	—
Total derivatives	186	—	484	167

In the course of the Group's normal trading in derivatives, margin deposits of varying currencies of cash are held by the Group's brokers. As at 31 December 2016, the amount of these margin deposits was nil (2015: US\$679,000) (note 19).

NOTES TO THE FINANCIAL STATEMENTS

24. 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 arising from the acquisition of subsidiaries	
	2016 US\$'000	2015 US\$'000
At 1 January	—	—
Acquisition of subsidiaries (notes 13 and 33)	21,600	—
Credited to profit or loss (note 8)	(2,282)	—
At 31 December	19,318	—

The amount credited to profit or loss relates to the amortisation of intangible assets.

25. RETIREMENT BENEFIT OBLIGATIONS

The Group (excluding Plethora and its subsidiary) has operated a defined contribution staff retirement scheme in Hong Kong which has complied with all the respective requirements of the Occupational Retirement Schemes Ordinance ("ORSO") since April 1991. On 1 December 2000, the above scheme was terminated and transferred to a new mandatory provident fund scheme (the "MPF Scheme") which complies with all the respective requirements under the Mandatory Provident Fund Ordinance (the "MPF Ordinance"). All assets under the schemes are held separately from the Group under independently administered funds. The MPF Scheme has two plans. Plan A is available to those employees who were transferred from the old ORSO scheme and contributions are based on a specific percentage of the basic salary of the eligible employees. Plan B is available to all other employees in Hong Kong and contributions follow the minimum requirements of the MPF Ordinance.

Contributions are expensed as incurred and may be reduced by contributions forfeited by those employees under Plan A who leave the scheme prior to vesting fully in the contributions. During the year ended 31 December 2016, the Group's contributions (exclude Plethora) were US\$25,000 (2015: US\$25,000). There were no forfeited contributions during the year (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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 expensed 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 period from 9 March to 31 December 2016, Plethora's contributions were US\$93,000.

26. OPERATING LEASE COMMITMENTS

Group

	2016 US\$'000	2015 US\$'000
At 31 December 2016 and 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
– within one year	369	622
– in the second to fifth years inclusive	—	365
	369	987
Equipment:		
– within one year	3	3
– in the second to fifth years inclusive	10	—
	13	3
	382	990

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years (2015: one to three years), with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

27. CAPITAL COMMITMENTS

The Group has no material capital commitments as at 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

28. CONTINGENT LIABILITIES

Save as those disclosed in note 32, the Group has no other material contingent liabilities as at 31 December 2016 and 2015.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's management in closely monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The most significant financial risks to which the Group is exposed to are described below:

Foreign currency risk

Currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group will monitor its foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

The Group has exposure to currency risk as some of its financial assets and liabilities are denominated in currencies other than the functional currencies of the group companies.

Foreign currency denominated financial assets and liabilities, translated into US\$ at the closing rate, are as follows:

At 31 December 2016	US\$'000	US\$'000	US\$'000
	GBP	AUD	CAD
Cash and bank balances	192	—	—
Financial assets at fair value through profit or loss	2,618	4,288	22
Prepayments, deposits and other receivables	139	—	—
Accruals and other payables	(1,885)	(29)	—
Current net exposures	1,064	4,259	22
At 31 December 2015	US\$'000	US\$'000	US\$'000
	GBP	AUD	CAD
Cash and bank balances	—	5	—
Financial assets at fair value through profit or loss	2,433	2,723	2,668
Prepayments, deposits and other receivables	107	—	—
Accruals and other payables	(389)	(2)	—
Current net exposures	2,151	2,726	2,668

NOTES TO THE FINANCIAL STATEMENTS

29. 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 2016		
If US\$ weaken against GBP	5	53
If US\$ strengthen against GBP	(5)	(53)
If US\$ weaken against AUD	5	213
If US\$ strengthen against AUD	(5)	(213)
If US\$ weaken against CAD	5	1
If US\$ strengthen against CAD	(5)	(1)
At 31 December 2015		
If US\$ weaken against GBP	5	108
If US\$ strengthen against GBP	(5)	(108)
If US\$ weaken against AUD	5	136
If US\$ strengthen against AUD	(5)	(136)
If US\$ weaken against CAD	5	133
If US\$ strengthen against CAD	(5)	(133)

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group's investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Transactions involving derivative financial instruments are with counterparties of sound credit standing. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The Group's other receivables are actively monitored to avoid significant concentrations of credit risk.

Liquidity risk

The following table details the remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

At 31 December 2016	Carrying amount US\$'000	Total contractual undiscounted cash flow US\$'000	Within 6 months or on demand US\$'000
Trade payables	1,591	1,591	1,591
Accruals and other payables	4,283	4,283	4,283
	5,874	5,874	5,874
Derivative financial instruments	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

At 31 December 2015	Carrying amount US\$'000	Total contractual undiscounted cash flow US\$'000	Within 6 months or on demand US\$'000
Trade payables	99	99	99
Accruals and other payables	3,524	3,524	3,524
	3,623	3,623	3,623
Derivative financial instruments	167	167	167

The Group was in a positive financial position at the end of 2016, with cash and cash equivalents amounting to US\$291,000 (2015: US\$5,474,000).

The Group finances its operations and investment activities with internally generated cash flow, balanced with proceeds from the issue of new shares where necessary.

The Group's policy is to monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and long term.

Interest rate risk

The Group has no long-term external borrowings which bear floating interest rates. The Group's exposure to market risk for changes in interest rate related primarily to cash balances with banks.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, would decrease/increase the Group's loss after tax and accumulated losses by approximately US\$29,000 (2015: US\$45,000). The general increase/decrease in interest rate would have no significant impact on other components of the consolidated statement of changes in equity.

Fair value estimation

The fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

The fair value of non-current financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Fair value measurements recognised in the consolidated statement of financial position

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation (Continued)

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

At 31 December 2016

	Notes	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Assets					
Listed securities held for trading	(a)	7,386	—	—	7,386
Derivative financial instruments	(b)	—	—	186	186
		7,386	—	186	7,572
Liabilities					
Derivative financial instruments	(b)	—	—	—	—

At 31 December 2015

	Notes	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Assets					
Listed securities held for trading	(a)	8,146	—	—	8,146
Derivative financial instruments	(b)	—	484	—	484
AFS financial assets	(c)	26	—	1,774	1,800
		8,172	484	1,774	10,430
Liabilities					
Derivative financial instruments	(b)	—	167	—	167

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation (Continued)

There have been no significant transfers among levels of the fair value hierarchy during the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

(a) *Listed securities held for trading*

The listed equity securities are denominated in US dollars, British pounds, Canadian and Australian dollars. Fair values have been determined by reference to the last quoted market prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(b) *Derivatives*

Where derivatives are not traded either on exchanges or liquid over-the-counter markets, the fair value is determined with reference to the market price of equity shares to which the derivatives are linked to using pricing models.

(c) *AFS financial assets*

The AFS financial assets are denominated in US dollars, British pounds and Australian dollars. Fair values have been determined by reference to the last quoted market prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation (Continued)

Information about level 3 fair value measurements

	Fair value as at 31 December 2016 US\$'000	Fair value as at 31 December 2015 US\$'000	Valuation technique	Significant unobservable inputs
Derivative financial instruments				
Diabetic Boot - Derivative financial instruments	186	—	Binomial Option Pricing Model	Discount for lack of marketability: 20% (2015: N/A)
Unlisted AFS equity securities				
Binary - AFS equity securities	—	1,774	Earnings multiple of market comparable companies	Discount for lack of marketability: 29.3%

The fair value of the Group's investment in Binary as at 31 December 2015 was determined using a price earnings ratio of comparable listed companies adjusted for lack of marketability discount. The fair value measurement was negatively correlated to the discount for lack of marketability. As at 31 December 2015, it was estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by US\$125,000.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	Unlisted AFS equity securities	
	2016 US\$'000	2015 US\$'000
At 1 January	1,774	—
Reclassification of the remaining interest in Binary from interests in associates (note 14(vi))	—	943
Disposal of the remaining interest in Binary	(1,774)	—
Total gains or losses:		
– in other comprehensive income (included in changes in fair value of AFS financial assets) (note 15)	—	831
At 31 December	—	1,774

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Price risk

The Group's price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities amounting to US\$7,386,000 classified as financial assets at fair value through profit or loss (2015: US\$8,146,000).

The above investments are exposed to price risk because of change in market price, whether changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's listed investments are primarily listed on the stock exchanges of Australia, Canada, United Kingdom and the United States. Listed investments held in the portfolio have been chosen based on their growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution and in accordance with the limits set by the Group.

At 31 December 2016, if equity prices had increased/decreased by 20% and all other variables were held constant, loss for the year would decrease/increase by US\$1,477,000 (2015: US\$1,629,000). 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

29. 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.

	2016 US\$'000	2015 US\$'000
(i) Financial assets		
Non-current assets		
AFS financial assets	1,726	5,367
Current assets		
FAFVPL	7,386	8,146
Derivative financial instruments	186	484
Loans and receivables:		
– Loan receivables	—	75
– Cash and bank balances	291	5,474
– Deposits and other receivables*	360	2,307
	8,223	16,486
	9,949	21,853
(ii) Financial liabilities		
Current liabilities		
Derivative financial instruments	—	167
Financial liabilities measured at amortised cost:		
– Trade payables, accruals and other payables	5,874	3,623
	5,874	3,790

* Excluded from prepayments, deposits and other receivables as disclosed in the consolidated statement of financial position of US\$614,000 (2015: US\$2,505,000) is an amount of US\$254,000 (2015: US\$198,000) representing prepayments.

NOTES TO THE FINANCIAL STATEMENTS

30. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's management objectives are:

- To ensure the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

Management regards equity attributable to the Company's owners as capital, for capital management purpose. The amount of capital as at 31 December 2016 amounted to approximately US\$181,371,000 (2015: US\$39,084,000), which management considers as satisfactory having considered the projected capital expenditures and the projected strategic investment opportunities.

31. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties:

	2016 US\$'000	2015 US\$'000
Consultancy fee income from an associate, Plethora*	18	75
Success fee income from an associate, Plethora**	—	116

* The charge to Plethora was in accordance with the terms of the underlying agreements and was in connection with services rendered by the Company's CEO to Plethora. The Group only charged for three months from January to March 2016 and ceased to charge the consultancy fee after the acquisition of Plethora during the year.

** Success fee was derived from Plethora from its contractual obligations under the Note, as set out in note 13.

On 8 April 2015, Mr. James Mellon (then the Non-Executive Co-Chairman of the Company holding, by himself and his associates, 15.35% of the total issued share capital of the Company) and Mr. Anderson Whamond (a former Non-Executive Director of the Company during the period from 1999 to February 2008 and then a director of Interman Limited, a wholly-owned subsidiary of the Company, holding, by himself and his associates, 0.40% of the total issued share capital of the Company), purchased certain Binary shares from the Company as set out below. Details of the sale of Binary shares held by the Company are set out in note 14(vi).

NOTES TO THE FINANCIAL STATEMENTS

31. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

Name of purchasers	Number of Binary shares acquired	Cash consideration US\$'000
Mr. James Mellon	125,197	2,000
Mr. Anderson Whamond	40,000	639
	165,197	2,639

For the above-mentioned transactions, Mr. James Mellon settled 50% of the consideration in cash on 8 April 2015 and the remaining 50% of the deferred consideration of US\$1 million together with the accrued interest, which was calculated at daily interest at the rate of 8% per annum until maturity, will be payable in cash within 18 months from 8 April 2015. As at 31 December 2015, interest receivable of US\$59,000 and the deferred consideration of US\$1 million were included in other receivables under current assets in the consolidated statement of financial position. During the year ended 31 December 2016, interest income of US\$30,000 has been recognised in profit or loss for the year (2015: US\$59,000) (note 5). On 16 May 2016, accrued interest of US\$89,000 and deferred consideration of US\$1 million were settled by Mr. James Mellon.

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 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

32. CHARGE ON ASSETS

- (i) On 16 January 2013, the Company sold the shares it held in BC Iron Limited (“BCI”), a junior mining company listed on the Australian Stock Exchange for an amount of A\$81.61 million (equivalent to US\$84.73 million at the then exchange rate between A\$ and US\$), deriving a final realised profit on sale of A\$39.45 million (equivalent to US\$44.44 million at the then exchange rate between A\$ and US\$). The Australian Taxation Office (“ATO”) considered that Capital Gains Tax (“CGT”) was payable in the amount of A\$12.78 million on this realised profit. On 24 January 2013, the Company received orders from the Federal Court of Australia in relation to a notice of assessment issued by the ATO (the “Assessment”) for the amount referred to above. The amount of the potential tax was due and payable on 2 December 2013, and the orders provided that the Company could not remove from Australia or dispose of, deal with or diminish the value of its assets in Australia up to the unencumbered value of the amount assessed. After consultation with the Commissioner of Taxation (“COT”), the Company agreed to grant the Commonwealth of Australia a specific security deed in respect of the above orders, more details of which are set out in (ii) below. The Company sought external professional advice in relation to the orders and the Assessment and understood that the ultimate determination of the potential taxation liability would be subject to a valuation of BCI’s real property (including mining tenements) and non-real property assets. In light of the Assessment and orders, the Directors made a provision for CGT as per the Assessment in the Company’s financial statements for the year ended 31 December 2012 pending further investigation by the Directors and advice from its professional advisers on this matter.

Since early 2013, the Company has engaged independent professional advisers in Australia to advise them on the merits of the Assessment and Orders issued by the ATO. The independent advice the Company received from its advisers was that based on a valuation of BCI’s real property (including mining tenements) and non-real property assets, the Company had strong and compelling grounds to challenge the Assessment in its entirety. Accordingly, in 2013 the Company reversed the provision it made for CGT in its books.

The Board noted that, during the year ended 31 December 2014, there were further legal developments regarding the Australian taxation rules applicable to the Company and its prior disposal of its investment in BCI. In light of these developments the Company took further external advice from its Australian advisers as to its position. In this respect, the Company proactively and voluntarily shared its independent, expert advice, together with supporting papers and calculations, with the COT and that advice was recently reviewed by an external consultant engaged by the COT.

On 28 January 2015, the Company and its Australian advisers received a copy of the report produced by the external consultant engaged by the COT and, from that report, understood that the external consultant did not agree with certain material findings in the independent, expert advice received by the Company. The Company and its Australian advisers reviewed the report and identified a number of matters of material disagreement or on which a materially different view was held. Consequently, the Directors remain of the view that the Company had strong and compelling grounds to challenge the Assessment in its entirety and will continue to do so.

NOTES TO THE FINANCIAL STATEMENTS

32. CHARGE ON ASSETS (Continued)

(i) (Continued)

As of 31 December 2016 and up to date of this Annual Report, the Company and its Australian advisers were not aware of any changes in the facts of the aforementioned dispute, nor the regulatory landscape or any recent legal developments in Australia which may affect the prior advice received, including that shared with the COT. Therefore, as a next step, the Company anticipates entering into formal discussions with the COT, by way of a regulated alternative dispute resolution process, to further discuss the areas of disagreement pertinent to matter and will provide further updates to the market in due course.

In light of the above, no tax liability in respect of this matter has been recognised as at 31 December 2016 and 2015.

(ii) As announced by the Company on 28 January 2013, 18 April 2013 and 23 August 2013 and as further disclosed in the Company's half yearly and annual reports since 2013, the Company received orders from the Federal Court of Australia in relation to an assessment issued by the COT in the amount of A\$12.78 million following completion of the sale of its securities in BCI for gross proceeds of A\$81.61 million. The amount of potential CGT assessed was due and payable on 2 December 2013. On 7 September 2016, the ATO considered that capital gains tax was amended down and payable in the amount of approximately A\$11.85 million.

Following consultation with the COT and pursuant to the terms of the Settlement Deed (as defined in the announcement dated 18 April 2013), the Company agreed to grant The Commonwealth of Australia, represented by the COT, a specific security deed (as amended by way of a deed of amendment dated 27 November 2013) (together, the "**Specific Security Deed**") in respect of certain of the Company's holding of 518,103,930 shares in Venturex, 10,854,568 shares in Bannerman and 12,700,000 shares in Tigers Realm, of which the market value are A\$4.14 million (or approximately US\$2.99 million), A\$0.93 million (or approximately US\$0.67 million) and A\$0.31 million (or approximately US\$0.23 million) as at 31 December 2016 respectively, as security against the Assessment, in consideration of the COT taking steps to discontinue the Court orders within 7 days of the date of the Specific Security Deed and stayed recovery action in respect of the Assessment until the matter is resolved within the time provided for in any relevant law following the Final Determination of Objection (as defined in the announcement dated 18 April 2013).

None of the Group's other assets was pledged as at 31 December 2016 (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

33. BUSINESS COMBINATION

On 9 March 2016, the Group acquired the entire issued and to be issued ordinary share capital of Plethora (other than Plethora's shares held by the Group) by means of a scheme of arrangement. Plethora is a UK-based specialty pharmaceutical company dedicated to the development and marketing of products for the treatment and management of urological disorders. The acquisition was made to pursue strategic and value-led investments in the healthcare and life sciences sectors. The Group obtained control over Plethora on the date of completion of the acquisition, which has been accounted for using the step acquisition method.

The fair value of identifiable assets and liabilities of Plethora as at the date of acquisition were as follows:

	US\$'000	US\$'000
Net assets acquired:		
Intangible asset (Fortacin™) (note 13)	216,000	
Deferred tax liabilities (note 24)	(21,600)	
Property, plant and equipment (note 12)	85	
Cash and bank balances	564	
Prepayments and other receivables	742	
Accounts payable, accruals and other payables	(3,276)	
		192,515
Satisfied by:		
Fair value of consideration shares issued	(143,067)	
Fair value of 86,799,490 Plethora shares originally held by the Group (note 14(iii))	(14,046)	
Intangible assets - Sharwood promissory note (note 13)	(3,376)	
Derivative financial instruments (Plethora's fundraising warrants)	(340)	
		(160,829)
Gain from bargain purchase recognised in profit or loss		31,686
Net cash inflow arising on acquisition:		
Cash and bank balances acquired		564

NOTES TO THE FINANCIAL STATEMENTS

33. BUSINESS COMBINATION (Continued)

The Group has measured Plethora's intangible asset, (Fortacin™) at the acquisition date fair value, to be GBP 175 million (equivalent to approximately US\$216 million), which has been estimated with reference to a valuation report prepared by Grant Sherman, an independent expert valuation firm. The fair value was determined by applying an income approach technique known as a discounted cash flow method with an assumed discount rate of between 15% and 18%. Other key assumptions underlying the valuation were the premature ejaculation prevalence rates in Plethora's target markets (estimated at 25% or 1:4 men) and the growth rates and royalty rates in each of the five major geographic regions/markets that Fortacin™ will marketed and sold in. The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent asset with similar risk.

The fair value of the consideration shares issued was determined by reference to the Company's share price of HK\$0.08 per share at 9 March 2016. Under the scheme of arrangement, each registered Plethora shareholder received 15.7076 Regent shares in exchange for each share they held as at 9 March 2016 (the acquisition date). In aggregate, the Company issued 13,886,781,298 new Regent shares to effect the scheme of arrangement, rendering Plethora a wholly-owned subsidiary of the Group, resulting in gain from bargain purchase of US\$31,686,000, which has been recognised in profit or loss for the year ended 31 December 2016.

The acquisition-related costs of approximately US\$2.20 million, which comprise primarily professional and consulting fees, have been charged to profit or loss for the year ended 31 December 2016.

The fair value of other receivables at the date of acquisition amounting to US\$672,000 was also the gross contractual amounts of these receivables. None of the contractual cash flow of these amounts was estimated to be uncollectable.

The acquired business did not contribute any revenue for 2016 and generated loss after tax of approximately US\$23,753,000 (excluding gain from bargain purchase of US\$31,686,000) to the Group for the period from 10 March 2016 to 31 December 2016.

Had the acquisition occurred on 1 January 2016, the Group's revenue and loss after tax would have been approximately US\$312,000 and US\$12,335,000 respectively for the year ended 31 December 2016.

This pro forma information is for illustrative purpose 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 2016, nor is it intended to be a projection of future results.

NOTES TO THE FINANCIAL STATEMENTS

34. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2016 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	
Alphom Management Limited	Continued in the Cayman Islands	Ordinary share of US\$1	—	100%	Investment holding
Amerinvest Coal Industry Holding Company (BVI) Limited	British Virgin Islands	Ordinary share of US\$1	—	100%	Investment holding
Amerinvest Coal Industry Holding Company Limited	British Virgin Islands	Ordinary shares of US\$10,000	—	100%	Investment holding
AstroEast.com Limited	Cayman Islands	Ordinary shares of US\$280,222	—	51%	Investment holding
Interman Holdings Limited	British Virgin Islands	Ordinary shares of US\$41,500	100%	—	Investment holding
Interman Limited	Isle of Man	Ordinary shares of GBP 436,152	—	100%	Investment holding
MinMetallurgical Consultants Limited	British Virgin Islands	Ordinary share of US\$1	100%	—	Provision of mill expansion services
Regent (Australia) Limited	Cayman Islands	Ordinary share of US\$1	100%	—	Investment holding
Regent Coal (Holdings) Limited	Cayman Islands	Ordinary share of US\$1	100%	—	Investment holding
Regent Corporate Finance Limited	Cayman Islands	Ordinary shares of US\$2	100%	—	Corporate finance
Regent Financial Services Limited	Hong Kong	HK\$5 million	—	100%	Provision of administrative and management services to related companies

NOTES TO THE FINANCIAL STATEMENTS

34. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2016 are as follows: (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	
Regent Fund Management (Asia) Limited	Continued in the Cayman Islands	Ordinary shares of US\$100	100%	—	Asset management
Regent Fund Management Limited	Continued in the Cayman Islands	Ordinary shares of US\$150,000	—	100%	Asset management
Regent (Indonesia II) Limited	Cayman Islands	Ordinary share of US\$1	100%	—	Provision of metallurgical services
Regent Metals Holdings Limited	British Virgin Islands	Ordinary shares of US\$10,000	100%	—	Investment holding
Regent Pacific Group (Hong Kong) Limited	Hong Kong	HK\$5 million	100%	—	Provision of management services
RPG (Bahamas) Limited	Bahamas	Ordinary shares of US\$134,220	100%	—	Investment holding
RPG Investments I Limited	Cayman Islands	Ordinary share of US\$1	100%	—	Investment holding
Plethora Solutions Holdings plc	United Kingdom	Ordinary shares of GBP 8,944,977	100%	—	Development and marketing of products for the treatment and management of urological disorders
Plethora Solutions Limited	United Kingdom	Ordinary shares of GBP 152	—	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

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 US\$'000	2015 US\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		158,726	1,613
Interest in an associate		2,661	16,430
Intangible asset		—	3,441
Available-for-sale financial assets		1,726	5,367
		163,113	26,851
Current assets			
Amounts due from subsidiaries (note)		97,872	8,750
Financial assets at fair value through profit or loss		7,386	8,146
Prepayments, deposits and other receivables		135	2,197
Cash and bank balances		23	4,815
Derivative financial instruments		186	484
		105,602	24,392
Current liabilities			
Amounts due to subsidiaries (note)		(96,615)	(14,647)
Trade payables, deposits received, accruals and other payables		(3,553)	(3,256)
Derivative financial instruments		—	(167)
		(100,168)	(18,070)
Net current assets		5,434	6,322
Net assets		168,547	33,173
EQUITY			
Capital and reserves			
Share capital	21	17,372	34,857
Reserves	22	151,175	(1,684)
Total equity		168,547	33,173

Note: The amounts due are unsecured, interest-free and repayable on demand.

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2017 and was signed on its behalf.

James Mellon
Chairman

Jamie Gibson
Executive Director

NOTES TO THE FINANCIAL STATEMENTS

36. EVENT AFTER THE REPORTING PERIOD

On 13 January 2017, the Company announced that during the period from 6 to 12 January 2017, it disposed of an aggregate of 3,977,274 Condor shares, representing approximately 7.52% of the existing issued share capital of Condor, for an aggregate amount of cash consideration of approximately GBP 2.07 million (or approximately US\$2.53 million).

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