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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 575)

Supplemental Announcement to the 2023 Annual Report

Reference is made to the 2023 annual report of Regent Pacific Group Limited (the “**Company**” and collectively with its subsidiaries, the “**Group**”) despatched on 26 April 2024 (the “**2023 Annual Report**”). Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the 2023 Annual Report.

The Company would like to provide additional information on the sections headed “right-of-use assets” and “intangible assets” in relation to the audited consolidated financial results of the Group for the year ended 31 December 2023 on pages 212 and 215 of the 2023 Annual Report respectively.

By way of background information, according to paragraph 9 of HKAS 36, “an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset”.

Further, according to paragraph 14 of HKAS 36, the management, after discussion with our auditor, RSM Hong Kong (“**RSM**”), considered an impairment indicator occurred due to the Group’s continued generation of losses and net operating outflow in the current year.

Management therefore performed an impairment assessment on both right-of-use assets (“**ROU**”) and intangible assets (“**IA**”) as at 31 December 2023.

1. For the full impairment of ROU

The impaired ROU represented the operating lease agreements entered into during the year in relation to an office premise and a warehouse with lease terms of 3 years ending 31 July 2026 and 2 years ending 30 September 2025, respectively.

The impairment assessment was based on a 31-month cash flow forecast of the Group up to 31 July 2026 that was prepared by management. Based on the cash flow forecast, the Group concluded after discussions with RSM that the recoverable amount of ROU was nil and full impairment was accordingly recognised due to continuing losses of the Group’s Biopharma and Corporate Investment business in the current year that resulted from difficult market conditions. Details of the 31-month cash flow forecast are listed below:

Inputs and assumptions of the 31-month cash flow forecast (1 January 2024 to 31 July 2026)

Estimated revenues:

-Sales proceeds on disposal of listed securities in 2024	US\$297,000
-Sales proceeds on disposal of an associate in 2024	US\$1,130,000
-Milestone income from China in 2025	US\$5,000,000
-Royalty income	US\$500,000
-Revenue from IP (Deep Longevity)	US\$1,713,000

Revenue growth rates (under conservative basis):

-Royalty income	0% to 17.0%
-Revenue from IP (Deep Longevity)	33.7% to 115.2%

Total operating expense (mainly include employee benefit expenses; rental and office expenses; and research & development expenses)

-155.3% to -724.2%

Corporate tax

N/A

Discount rate

N/A

Under the section of “Management’s Discussion and Analysis of the Group’s Performance” in the 2023 Annual Report, the Group mentioned it will have a positive prospect in respect of Senstend™ in China and Fortacin™ in the United States (“**US**”), which remains the case. However, the Group, after discussions with RSM, adopted a very conservative basis to prepare the 31-month cash flow forecast and excluded a potential milestone from signing of a licence agreement from a potential US licensee. The exclusion of this potential milestone resulted in the forecast becoming a net cash outflow and led to full impairment on the ROU.

2. For the full impairment of IA

The impaired IA represented the intellectual property of Deep Longevity Limited. The impairment assessment on the IA was based on a cash flow forecast prepared by management up to the year ending 31 December 2027.

In addition, the Company engaged Masterpiece Valuation Advisory Limited (“**Masterpiece**”), an independent professional valuation company, on 15 December 2023 to undertake the valuation in relation to the impairment assessment for Deep Longevity Limited. Masterpiece provided a draft valuation report, which included growth rates and a discount rate, among others to the Company and RSM on 8 March 2024, which provided a valuation of approximately US\$1.67 million against the carrying value of approximately US\$1.52 million. This meant that no impairment was necessary. Details of the draft valuation report are listed below:

(i) Identity and qualification of Masterpiece

Masterpiece is an independent professional valuation company to the Group. Based on the information available at the website of Masterpiece (<https://www.mpval.com>), Masterpiece is a professional business consulting company established in Hong Kong with a branch office in the Greater China area.

The consulting teams comprise experienced professionals from diverse backgrounds, including accounting, valuation, and real estate with well-recognised qualifications.

(ii) Inputs and assumptions of the valuation

Estimated revenues:	
-Year 2024	US\$458,000
-Year 2025	US\$1,396,800
-Year 2026	US\$2,220,200
-Year 2027	US\$3,235,400
Revenue growth rates	45.7% to 205.0%
Total operating expense	-133.6% to -52.6%
Corporate tax	16.5%
Discount rate	15.2%

(iii) Reasons for the significant changes in the value of inputs or assumptions from those previous adopted

(a) Changes in growth rates

As the actual cash flow generated by the IA during the year ended 31 December 2023 was approximately 59% lower than the prior year's forecast, management based on the recommendation from RSM, decreased the range of revenue growth rates to 45.7%-205.0% from 63.9%-366.7%.

(b) Changes in forecast periods

For the 2022 financial reporting, Deep Longevity Limited pivoted to a business-to-business (B2B) from its previous business-to-customers (B2C) focus. After discussion among the management and previous external auditor, it was agreed that the entire business instead of the IA be considered for impairment assessment. Therefore, the valuation approach was adjusted from the previous valuation performed and the projection period of 10 years was adopted for the cash flow forecast.

In 2023, while there were no changes to Deep Longevity Limited's business model, Masterpiece had a different perspective on the length of the projection period – being 4 years instead of 9 years (2022: 10 years), as in their opinion the projection period should not exceed the remaining useful life of the IA. In summary, Masterpiece considered that when assessing whether any impairment was necessary it was best to align the projection period and the remaining useful life of the IA as that in their opinion would provide a more accurate value of the IA.

(iv) The valuation method and the reasons for using this method

In appraising the value of IA, regardless of the diversity, location or technology complexity, there are three basic valuation approaches, namely “Cost”, “Market” and “Income”.

Masterpiece adopted the income approach which quantifies future benefits as expected future cash flows. An indication of value is developed by discounting these expected future net cash flows to their present value. Based upon the economic theory, a rational investor would purchase an existing asset for no more than the present value of the expected future benefits of a comparable asset.

In practice, common methods of income approach adopted include multi-excess earning method (“**MEEM**”), relief from royalty method and incremental cash flow method. MEEM tries to isolate the target asset-driven revenue from the total revenue and deduct the average contributions from assets other than the relationships.

(v) Subsequent changes in the valuation method

Masterpiece and the prior valuer have adopted the same valuation method.

However, as part of RSM’s audit procedures, they had evaluated Masterpiece’s valuation, including the evaluation of the assumptions used, particularly the revenue growth rate. RSM noted that the actual cash flow generated by the IA during the year was approximately 59% lower than the prior year’s forecast.

Although the Company and Masterpiece provided supporting materials on the growth rate adopted in the cash flow forecast, RSM challenged the revenue growth rate and performed a sensitivity analysis by adjusting the projected revenue based on the actual revenue per customer in the current year and subsequent to the reporting period, which resulted in net cash outflow during the forecast period. After further discussions between the Group and RSM during the audit process, and after RSM recommended that full impairment should be taken, the Group agreed to recognise full impairment.

The supplementary information provided in this announcement does not affect other information contained in the 2023 Annual Report. Save as disclosed above, the contents of the 2023 Annual Report remain unchanged.

By Order of the Board
Regent Pacific Group Limited
Jamie Gibson
Executive Director

Hong Kong, 31 May 2024

As at the date of this announcement, the Board comprises six Directors:

Executive Director:

Jamie Gibson (*Chief Executive Officer*)

Non-Executive Directors:

James Mellon (*Chairman*)

Jayne Sutcliffe

Independent Non-Executive Directors:

Mark Searle

Adrian Chan

Ihsan Al Chalabi