THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this Circular or as to the action to be taken, you should consult a stockbroker or their registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Regenerative Medicine International Limited, you should at once hand this Circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

CRMI
中國再生醫學

China Regenerative Medicine International Limited
中國再生醫學國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8158)

VERY SUBSTANTIAL DISPOSAL
FURTHER SALE OF INTEREST IN A FUND
AND
NOTICE OF EGM

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Circular.

A letter from the Board is set out on pages 6 to 21 of this Circular.

A notice convening the EGM to be held at Rooms 3006–10, 30/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Thursday, 7 May 2020 at 2:30 p.m., is set out on pages EGM-1 to EGM-2 of this Circular and a form of proxy for use at the EGM is enclosed herein. Whether or not you are able to attend the EGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Union Registrars Limited of Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This Circular together with a form of proxy will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days from the date of the publication and will be published on the website of the Company at www.crmi.hk.

20 April 2020

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk ay be attached than other companies listed on the Stock Exchange. Prospective investors of the Company should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

In this Circular, unless the context otherwise requires, the following terms shall have the following meanings:

"All Favour"	All Favour Holdings Limited, a company incorporated in the British Virgin Islands and a substantial Shareholder of the Company interested in 262,907,765 Shares, representing approximately 29.9% of the issued share capital of the Company as at the Latest Practicable Date
"Amendment"	the amendment to the CRML's Subscription Agreement
"Announcements"	the announcements of the Company dated 29 January 2020, 21 February 2020, 13 March 2020, 27 March 2020 and 9 April 2020 in relation to, among other things, the Disposal
"associate(s)"	has the meaning ascribed to this term under the GEM Listing Rules
"Board"	board of Directors
"Business Day(s)"	a day on which banks in Hong Kong are open for normal banking business (excluding Saturdays, Sundays and any day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
"Capital Contribution"	being the capital contribution of US$35,000,000
"Circular"	this circular of the Company in relation to, among others, the Disposal and the EGM
"Class B Interest"	an Interest bearing the rights accorded to a Class B Limited Partner
"Class B Limited Partner"	a Limited Partner denoted as such on the Register that subscribed for a Class B Interest
"Class C Interest"	an Interest bearing the rights accorded to a Class C Limited Partner
"Class C Limited Partner"	a Limited Partner denoted as such on the Register that subscribed for a Class C Interest

"Company"	China Regenerative Medicine International Limited, the shares of which are listed on the GEM of the Stock Exchange (stock code: 8158)
"Completion"	the completion of the Disposal which shall take place on the Completion Date
"Completion Date"	the date of Completion, which shall be any Business Day within a period of 5 Business Days after the satisfaction and/or fulfillment of conditions precedent of the Further Deed of Transfer
"Consideration"	Consideration of US$32,900,000 (equivalent to HK$256,620,000 at the Exchange Rate) to be paid by Mr. Xiong to CRML for the Disposed Interest
"CRML" or "Initial Limited Partner"	China Regenerative Medicine Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"CRML's Subscription Agreement"	the subscription agreement dated 14 July 2017 (as revised and supplemented by the Amendment to the Subscription Agreement dated 6 November 2017) in relation to the Capital Contribution
"Deed of Transfer"	the deed of transfer dated 6 January 2020 in respect of disposal of the Previous Disposed Interest entered into among the Parties
"Deposit"	the sum of US$3,900,000 (equivalent to HK$30,420,000 at the Exchange Rate) to be paid by Mr. Xiong to CRML in such mode and schedule as set out in the Further Deed of Transfer
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the Disposed Interest, together with the rights and obligations as a Class B Limited Partner under the Partnership Agreement by CRML to Mr. Xiong pursuant to the Further Deed of Transfer
"Disposed Interest"	the remaining 85% of the Investment of CRML's Class B Interest

"EGM"	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Further Deed of Transfer and the transactions contemplated thereunder
"Exchange Rate"	the exchange rate of US$1 to HK$7.8
"Fund"	ZhongHua Finance Acquisition Fund I, L.P. (formerly known as Haitong International ZhongHua Finance Acquisition Fund I, L.P. until 10 October 2019), a Cayman Islands exempted limited partnership
"Further Deed of Transfer"	the deed of transfer dated 21 February 2020 in respect of disposal of the Disposed Interest entered into among the Parties
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"General Partner"	ZhongHua Finance GP Ltd., a Cayman Islands exempted company incorporated with limited liability
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Interest"	interest in the Fund as the Limited Partner
"Investment"	the participation of CRML in the Fund as a Class B Limited Partner with the Capital Contribution
"Latest Practicable Date"	16 April 2020, being the latest practicable date prior to the printing of this Circular for ascertaining certain information referred to in this Circular
"Limited Partner(s)"	the limited partner(s) of the Fund, including CRML
"Limited Partnership Agreement"	the amended and restated exempted limited partnership agreement dated 15 July 2017 entered into among the General Partner, the Initial Limited Partner and the Limited Partners, together with any ancillary documents entered into by the parties in connection therewith

"Long Stop Date"	31 May 2020 or such later date as the Parties may agree in writing
"Mr. Xiong"	Mr. Xiong Qiangen
"Partnership"	a Cayman Islands exempted limited partnership acting through the General Partner executed and unconditionally delivered as a deed by and among the General Partner and each of the other persons listed in the books and records of the partnership from time to time as Limited Partners
"Partnership Agreement"	the Second Amended and Restated Agreement of Exempted Limited Partnership dated 6 November 2017 (as amended by the first amendment to the Second Amended and Restated Agreement of Exempted Limited Partnership dated 20 August 2018) to govern the Partnership
"PRC"	The People's Republic of China
"Previous Announcements"	the announcements of the Company dated 31 March 2017, 17 July 2017, 18 July 2017 and 7 November 2017 in relation to the Investment
"Previous Disposal"	the disposal of the Previous Disposed Interest by CRML to Mr. Xiong pursuant to the Deed of Transfer
"Previous Disposal Announcements"	the announcements of the Company dated 6 January 2020 and 20 January 2020 in relation to the Previous Disposal
"Previous Disposed Interest"	the 15% of the Investment of CRML's Class B Interest
"Register"	the register setting forth the name, address and Capital Contribution of each general partner and Limited Partners, the date on which each Limited Partner became a limited partner of the Partnership, the date on which any former Limited Partner ceased to be a limited partner of the Partnership and such other information as the general partner may deem necessary or desirable
"Registrar"	the branch share registrar and transfer agent of the Company in Hong Kong, Union Registrars Limited of Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong
"Remaining Group"	the Group after the Completion

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.2 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

CRMI 中國再生醫學

China Regenerative Medicine International Limited
中國再生醫學國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8158)

Executive Directors:
Mr. Wang Chuang *(Chairman)*
Mr. Wang Xuejun *(Chief Executive Officer)*

Non-executive Directors:
Mr. Wu Weiliang
Mr. Tsang Ho Yin

Independent non-executive Directors:
Dr. Fang Jun
Ms. Huo Chunyu
Ms. Yang Ying

Registered office:
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Head office and principal place of business in Hong Kong:
Rooms 3006–10, 30/F.,
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

20 April 2020

To the Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL FURTHER SALE OF INTEREST IN A FUND AND NOTICE OF EGM

INTRODUCTION

References are made to the Announcements and the Previous Disposal Announcements in relation to, among other things, the Disposal and the Previous Disposal respectively.

References are also made to the Previous Announcements in relation to the Investment. The terms of the Investment are principally governed by the Limited Partnership Agreement, as amended from time to time, the material terms of which are set forth in the Previous Announcements.

This Circular is to provide you with, among other things, (i) further details of the Disposal; (ii) financial information of the Group; (iii) unaudited profit and loss statements on the identifiable net income stream in relation to the Disposed Interest; (iv) the unaudited pro forma financial information of the Remaining Group; (v) valuation reports of the Investment and Disposed Interest; and (vi) a notice convening the EGM.

FURTHER DISPOSAL OF THE INVESTMENT

As at the Latest Practicable Date, CRML has made the Capital Contribution in the aggregate amount of US$35,000,000 to the Fund. Assuming completion of the Previous Disposal, the Capital Contributions made by CRML will be reduced to US$29,750,000. Under the terms of the Investment, CRML is obligated to fund the day-to-day operation of the Fund through additional capital contributions, of which none has been called upon or outstanding as at the Latest Practicable Date. Based on the audited consolidated financial statements of the Company as at and for the year ended 31 December 2018, the fair value of the Investment, as supported by the appraisal report of an independent professional valuer, was HK$298,296,000 (equivalent to approximately US$38.24 million at the Exchange Rate) (the "**Appraised Value**").

On 21 February 2020 (after trading hours), the Parties entered into the Further Deed of Transfer, pursuant to which CRML was desirous of transferring to Mr. Xiong, and Mr. Xiong was desirous of acquiring from CRML, the Disposed Interest, together with the rights and obligations as a Class B Limited Partner under the Partnership Agreement at the Consideration of US$32,900,000 (equivalent to HK$256,620,000 at the Exchange Rate). Details of the Further Deed of Transfer are set forth below.

THE FURTHER DEED OF TRANSFER

Date

21 February 2020 (after trading hours)

Parties

(i) CRML;

(ii) Mr. Xiong; and

(iii) The General Partner.

(each a "**Party**" and collectively, the "**Parties**")

Assets to be disposed of

CRML agrees to sell, assign and transfer absolutely to Mr. Xiong, and Mr. Xiong agrees to purchase and accept from CRML, the CRML's entire right, title and interest in and to the Disposed Interest, free and clear of any and all claims, pledges, liens or other encumbrances whatsoever, together with all the liabilities and obligations of CRML as a Class B Limited Partner under the Partnership Agreement, CRML's Subscription Agreement, with effect on and from the Completion Date. Class B Limited Partners will be entitled to a lumpsum payment on its capital contributions at the rate of 8% per annum (the "**8% Lump-Sum Payment**").

The 8% Lump-Sum Payment was a written non-guaranteed annual return stated in the Limited Partnership Agreement in determining the distribution of interests among different classes of partners.

Also, the 8% Lump-Sum Payment is payable upon the final distribution date following liquidation of the Partnership. There is no assurance that the investment of the Fund can eventually be realised at the appraised value of HK$298,296,000 as the investment of the Fund is not marketable securities. In addition, the Fund is an illiquid closed fund, it may be difficult to search and identify other buyer and such transfer will also be subject to consent of the General Partner. As the Group is currently indebted to Mr. Xiong and the respective indebtedness carried an interest rate of 8% per annum, the Board considered that the Disposal will provide a secure and immediate exit to the Group and reduce the interest expenses of the Group comparing to holding the interest in the Fund till the final distribution date.

Consideration and payment terms

In consideration for the Disposal, Mr. Xiong shall pay to CRML a total sum in cash equal to US$32,900,000 (equivalent to HK$256,620,000 at the Exchange Rate). The Consideration has been agreed between CRML and Mr. Xiong on an arm's length basis and is subject to adjustment set out in the Further Deed of Transfer.

The Consideration shall be paid by Mr. Xiong to CRML in accordance with time and mode as set out below:

(a) Mr. Xiong shall pay US$3,900,000 (equivalent to HK$30,420,000 at the Exchange Rate) to CRML for settlement of the Deposit, which Deposit shall be utilised for partial payment of the Consideration at the Completion, and the said sum of US$3,900,000 (equivalent to HK$30,420,000 at the Exchange Rate) shall be settled by:

(i) off-setting against monetary amounts due and owing by CRML and/or the Company to Mr. Xiong on dollar-to-dollar basis as soon as practicable after the satisfaction and/or fulfillment of the conditions precedent of the Further Deed of Transfer, and in case such amounts due and owing by CRML and/or the Company to Mr. Xiong exceeds or equals to US$3,900,000 (equivalent to HK$30,420,000 at the Exchange Rate), the Deposit shall have been fully settled in entirety upon the aforesaid off-setting;

(ii) in case such amounts due and owing by CRML and/or the Company to Mr. Xiong shall be less than the amount of the Deposit, the entire amount due and owing by CRML and/or the Company to Mr. Xiong shall first be utilised to off-set against Deposit on dollar-to-dollar basis for partial settlement thereof as soon as practicable after the satisfaction and/or fulfillment of the conditions precedent of the Further Deed of Transfer, and Mr. Xiong shall settle the balance of the Deposit in cash as soon as practicable thereafter but in any event before the Completion Date; and

(iii) in case no money is due and owing by CRML and/or the Company to Mr. Xiong, Mr. Xiong shall settle the entire amount of the Deposit in cash as soon as practicable after the satisfaction and/or fulfillment of the conditions precedent of the Further Deed of Transfer in any event before the Completion Date;

(b) And the balance of the Consideration shall, regardless of the time of Completion, be settled and discharged as follows (collectively, the "**Further Payment**"):

(i) US$9,000,000 (equivalent to HK$70,200,000 at the Exchange Rate) shall be paid by Mr. Xiong to CRML by 30 June 2020;

(ii) another US$10,000,000 (equivalent to HK$78,000,000 at the Exchange Rate) shall be paid by Mr. Xiong to CRML by 30 September 2020; and

(iii) the remainder of the Consideration of US$10,000,000 (equivalent to HK$78,000,000 at the Exchange Rate) shall be settled and discharged by 30 December 2020;

(c) To protect the interest of CRML vis-a-vis any delay by and/or failure of Mr. Xiong in making the Further Payment or any part thereon, until the Further Payment is paid in full (the period between the Completion Date and 30 December 2020 or such later date when the entire amount of the Further Payment is received by CRML shall be referred to as the "**Option Period**"), CRML has the right to require the General Partner to unwind the transfer of any Class B Interest for which the Consideration is not received (the "**Retained Interest**"), such that CRML shall remain as a Class B Limited Partner with a Capital Contributions proportional to the Retained Interest (the "**Unwind Option**");

(d) The Unwind Option will be exercisable at any time and from time to time during the Option Period, and upon the exercising thereof by CRML, Mr. Xiong shall strictly comply therewith and surrender back to CRML the entire portfolio of the Retained Interest, and further, any payment received from Mr. Xiong during the Option Period shall be remitted to CRML in accordance with CRML's written instructions, and in any event, CRML's exercise of the Unwind Option shall not preclude its right to pursue other remedies against Mr. Xiong;

(e) Upon the notification of CRML to the General Partner on exercising the Unwind Option, the General Partner shall further update the Register to reflect such Retained Interest held by CRML, and with respect to the Retained Interest, the Parties may further discuss the arrangement on assignment of side letters (as mentioned in the Further Deed of Transfer) and enter into other necessary documents;

(f) Mr. Xiong will continue to have sole legal and beneficial ownership to the Disposed Interest and Capital Contributions to the extent that the Disposed Interest and Capital Contributions do not constitute any Retained Interest; and

(g) In the case of there being any restructuring of or change in the Partnership and/or there being any revision of or supplement to the Partnership Agreement and/or the CRML's Subscription Agreement and/or the Amendment thereto (collectively, the "**Revision**"), the Unwind Option and/or the exercising thereof by CRML shall have to be adjusted in light and/or on the basis of the Revision, and in any event, the Unwind Option and/or the exercising thereof by CRML shall be, and shall be dealt with and completed, in such mode and manner which brings the same benefit and/or rights and interest to CRML, and under no circumstance shall it be, or become, necessary for the Parties to enter into any further agreement whatsoever on or with respect to the Unwind Option and/or the exercising thereof by CRML.

The Consideration was determined after arm's length negotiation among the Parties with reference to the Appraised Value of the Investment. Based on the audited consolidated financial statements of the Company as at and for the year ended 31 December 2018, the fair value of the Investment, as supported by the appraisal report of an independent professional valuer, was HK$298,296,000 (equivalent to approximately US$38.24 million at the Exchange Rate), the Disposed Interest has a carrying value of HK$253,551,600 (equivalent to approximately US$32.51 million at the Exchange Rate) based on such fair value.

The payment schedule was arrived at after arms' length negotiation between the Parties. In view of the substantial amount of the Consideration, Mr. Xiong requested for payment installments and CRML agreed.

The Board has reviewed the financial background of Mr. Xiong. He has been a business associate to CRML since 2017 when both he and CRML were interested and invested in the Fund. He is the Class C Limited Partner of the Fund. Mr. Xiong has provided initial credit facilities to the Group of up to HK$100,000,000 in mid 2019 with interest accruing thereon at the rate of 8% per annum (the "**Interest**") which was due on 31 March 2020. On 17 March 2020, the Company entered into the supplemental facility letter (the "**Supplemental Facility Letter**") with Mr. Xiong to increase the credit facilities to HK$180,000,000 (the "**Principal Amount**") and extended the maturity date to 30 June 2021 (the "**Maturity Date**"). The Supplemental

Facility Letter further provided the non-payment of Interest (the "**Non-Payment of Interest**"), in that but for so long as the consideration of Previous Disposal and the Consideration (collectively, the "**Outstanding Amounts**") or any part thereof are, and remain to be, due and owing by Mr. Xiong to CRML, no Interest shall be charged by Mr. Xiong or be paid by the Company, and as such, no Interest shall be, or ought to be, paid by the Company to Mr. Xiong at any time between the date of execution of the Deed of Transfer and the date on which the Outstanding Amounts have been settled and discharged by Mr. Xiong to CRML (both days inclusive). Other than such amendment, all other terms of the original facility letter shall remain unchanged.

In addition, CRML entered into the deed of charge (the "**Deed of Charge**") with Mr. Xiong on the same date to charge the Disposed Interest in favour of Mr. Xiong as the security for repayment and discharge of the Principal Amount and all interest accrued and to be accrued thereon.

On 2 April 2020, the Company entered into the second supplemental facility letter (the "**Second Supplemental Facility Letter**") with Mr. Xiong to further increase the credit facilities to HK$200,000,000 (the "**New Amount**") with all other terms of the original facility letter (as revised and supplemented by the Supplemental Facility Letter) remain unchanged. Pursuant to the Second Supplemental Facility Letter, the Company and Mr. Xiong mutually agreed that in the case of any default by the Company in repayment of the New Amount and/or any Interest accrued thereon under the original facility letter as revised and supplemented by the Supplemental Facility Letter and as further revised and supplemented by the Second Supplemental Facility Letter (subject to the Non-Payment of Interest), Mr. Xiong shall not enforce the Deed of Charge, but rather, Mr. Xiong shall first off-set such amount outstanding under the original facility letter as revised and supplemented by the Supplemental Facility Letter and as further revised and supplemented by the Second Supplemental Facility Letter against the Outstanding Amounts (the "**Off-Setting Arrangement**").

In order to correspond with the Second Supplemental Facility Letter, CRML entered into the supplemental deed of charge (the "**Supplemental Deed of Charge**") with Mr. Xiong on the same date to revise and supplement the Deed of Charge to enable the effectuation and implementation of the Off-Setting Arrangement as well as to regulate and govern the operation thereof.

As at 29 February 2020 and as at the Latest Practicable Date, the total amount due from the Group to Mr. Xiong was approximately HK$63.3 million and HK$185.6 million respectively.

To further protect the interest of CRML, CRML has the right to notify the General Partner to unwind the transfer of any Class B Interest for which the Consideration is not received. The Board considered that the credit risk is manageable.

As mentioned above, the Option Period shall be ended on 30 December 2020 or such later date when the entire amount of the Further Payment is received by CRML (the "**Final Settlement Date**") and the New Amount will be due on the Maturity Date. In the event that the

Consideration is fully settled by Mr. Xiong on or before the Final Settlement Date, Mr. Xiong will have sole legal and beneficial ownership to the Disposed Interest and thus the Deed of Charge as revised and supplemented by the Supplemental Deed of Charge shall be released and discharged accordingly. No other deed of charge, agreements or arrangements will be entered into between the Company and Mr. Xiong as security for repayment and discharge of the New Amount and all interest accrued and to be accrued thereon as at the Latest Practicable Date.

In the event that Mr. Xiong fails to settle the Further Payment on or before the Final Settlement Date, CRML may exercise the Unwind Option to unwind the transfer of any Retained Interest, such that CRML shall remain as a Class B Limited Partner with a Capital Contributions proportional to the Retained Interest. If the Company fails to repay the New Amount to Mr. Xiong on or before the Maturity Date, Mr. Xiong shall enforce the Deed of Charge as revised and supplemented by this Supplemental Charge to charge the Retained Interest.

Taking into account that the Deed of Charge as revised and supplemented by the Supplemental Deed of Charge would be released and discharged if Mr. Xiong fully settled the Consideration and there will be Off-Setting Arrangement between the Company and Mr. Xiong in case of any default by them, the Board believed that interest of the Company can be protected and considered that the credit risk is manageable.

In addition to the above, in light of the additional credit facilities provided by Mr. Xiong can improve the working capital of the Group and that only the Disposed Interest is being charged in favour of Mr. Xiong, the Directors are of the view that the Deed of Charge is fair and reasonable and in the interest of the Shareholders as a whole.

Conditions Precedent

The Completion shall be subject to the satisfaction or fulfillment of the conditions precedent as enlisted under the Further Deed of Transfer:

(a) All necessary consents, confirmations, permits, approvals (including approval of the Disposal by the Shareholders) (collectively, the "**Necessary Approval**") whether or not in accordance with the GEM Listing Rules having been obtained by the Company, which Necessary Approval shall remain valid and effective up to and including the time immediately prior to the Completion and not threatened with any suspension, cancellation, revocation or withdrawal at any juncture prior to the Completion; and

(b) CRML remaining as a Class B Limited Partner with 85% Class B Interest free from any encumbrance.

None of the conditions precedent above can be waived. The Parties shall use their respective best endeavours to ensure that the conditions precedent above shall be fulfilled and/or satisfied as soon as possible after the execution of the Further Deed of Transfer, and in any event, no later than the Long Stop Date. If any conditions precedent above shall not have been fulfilled or satisfied by the Long Stop Date, the Further Deed of Transfer shall, unless the

Parties agree in writing to postpone the Long Stop Date to another date (being a Business Day), automatically terminate and cease to be of any effect except for certain terms in the Further Deed of Transfer which shall remain valid, binding and effective, and none of the Parties shall have any claim of any nature or liabilities under the Further Deed of Transfer whatsoever against the other Parties save for any antecedent breaches of the terms of the Further Deed of Transfer.

As at the Latest Practicable Date, only condition precedent (b) above have been fulfilled.

Completion

Subject to the satisfaction or fulfillment of the conditions precedent set out above, the Completion shall take place on the Completion Date.

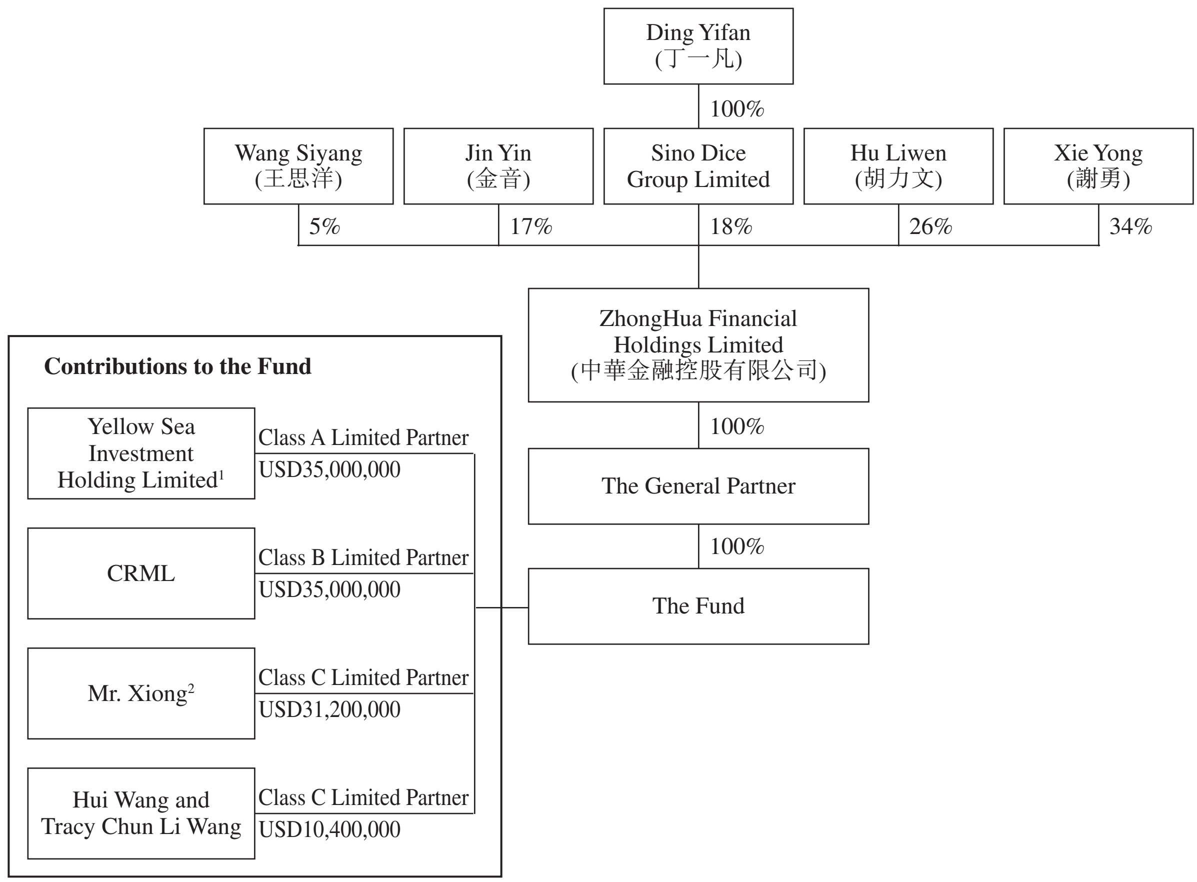
Upon the Completion, CRML shall notify the General Partner to effectuate the Disposal and update the Register to reflect that Mr. Xiong is the sole legal and beneficial owner of the Disposed Interest transferred under the Further Deed of Transfer, and thereupon, Mr. Xiong will be admitted as a Class B Limited Partner and bound by the Partnership Agreement and the CRML's Subscription Agreement and the Amendment in its capacity of a Class B Limited Partner.

INFORMATION OF THE FUND

The Fund will, directly or indirectly via one or more holding companies or special purpose vehicles, acquire, hold and dispose of securities of certain portfolio companies in the skin care and medical products industries, in accordance with and subject to the other provisions of the Limited Partnership Agreement.

The Fund is interested in 100% of Obagi Holdings Company Limited ("**Obagi Holdings**"). Obagi Holdings is a company incorporated in the Cayman Islands with limited liabilities and is the holding company of its wholly-owned subsidiaries of Obagi Cosmeceuticals LLC (a company incorporated in the United States with limited liabilities) and Obagi Hong Kong Limited ("**Obagi HK**") (a company incorporated in Hong Kong with limited liabilities). Obagi HK is the holding company of its wholly-owned subsidiaries of Obagi (Shanghai) Cosmeceuticals Co. Ltd (a company incorporated in the PRC with limited liabilities). Obagi Holdings together with its subsidiaries are (collectively, the "**Obagi Group**") principally engaged in developing, marketing and selling proprietary-topical aesthetic and therapeutic prescription-strength skincare systems and related products in the physician-dispensed market, which is primarily in the United States of America. As at the Latest Practicable Date, the Obagi Group is the sole investment made by the Fund, and such investment was established in June 2017.

Shareholding structure of the Fund



1 Yellow Sea Investment Holding Limited is a company incorporated in the British Virgin Islands with limited liabilities. It is beneficially wholly-owned by China Huarong International Holdings Limited (中國華融國際控股有限公司) ("**Huarong International**"), a company incorporated in Hong Kong with limited liabilities. Huarong International is beneficially owned by Huarong Real Estate Co., Ltd (華融置業有限責任公司) ("**Huarong Real Estate**") and Huarong Zhiyuan Investment & Management Co,. Ltd (華融致遠投資管理有限責任公司) ("**Huarong Zhiyuan**") with 88.1% and 11.9% respectively. Both Huarong Real Estate and Huarong Zhiyuan are companies incorporated in the PRC with limited liabilities. Huarong Real Estate and Huarong Zhiyuan are both beneficially wholly-owned by China Huarong Asset Management Co., Ltd (中國華融資產管理控股有限公司), a company incorporated in the PRC with limited liabilities and a company listed on the Main Board of the Stock Exchange (stock code: 2799).

2 Save as the disclosed, Mr. Xiong does not have any relationship (business or otherwise) with the General Partner, the Limited Partners and their ultimate beneficial owners.

Financial Information of the Fund

	For the period from 26 May 2017 (date of incorporation) to 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019
	(US$)	*(US$)*	*(US$)*
	(Unaudited)	(Unaudited)	(Unaudited)
Total Assets	197,525,106	102,017,539	100,027,738
Total Liabilities	104,758,771	20,892,281	21,806,872
Net Asset Value	92,766,335	81,125,258	78,220,866
Income	150,747	7,808,408	3,553,843
Expenses	(12,384,412)	(24,449,485)	(8,058,235)
Net Increase/(Decrease) in Capital Result from Operation	(12,233,665)	(16,641,077)	(4,504,392)

Financial information of the Obagi Group

	For the period from 1 June 2017 (date of incorporation) to 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019
	(US$'000)	*(US$'000)*	*(US$'000)*
	(Approx.)	*(Approx.)*	*(Approx.)*
	(Audited)	(Audited)	(Unaudited)
Total Assets	200,555	208,805	211,230
Total Liabilities	108,064	114,508	115,607
Net Asset Value	92,491	94,297	95,623
Revenue	13,137	94,329	31,735
Income/(Loss) before income tax expense	(3,601)	3,167	4,058
Net income/(loss)	(3,993)	3,669	2,642

INFORMATION AND RELATIONSHIP WITH MR. XIONG

Mr. Xiong is a Class C Limited Partner of the Fund and a veteran in the investments in the skincare and medical products industries. He is also the purchaser of the Previous Disposed Interest. As at 31 October 2019, Mr. Xiong had advanced approximately HK$14,831,000 to the Company under an interim loan facility. The facility allows the Company to borrow up to HK$100,000,000 principal amount of loans in the aggregate. Interest accrues on the principal amount of each loan at the rate of 8.0% per annum, beginning from the date of drawdown. All outstanding principal amounts, plus accrued and unpaid interest, under the facility were due on 31 March 2020. In consideration of Mr. Xiong's grant of the facility to the Company, the Company has provided a guarantee and indemnity for the account of Mr. Xiong in favor of a third party financial institution. The Company's financial exposure under the guarantee and indemnity is capped at HK$8,000,000.

On 17 March 2020, the Company entered into the Supplemental Facility Letter with Mr. Xiong, pursuant to which the Company agreed to increase the total amount of credit facility from HK$100,000,000 to HK$180,000,000, and extend the maturity date of the facility from 31 March 2020 to 30 June 2021. In this regard, CRML entered into the Deed of Charge with Mr. Xiong on the same day to charge the Disposed Interest to and in favour of Mr. Xiong as security for repayment and discharge the Principal Amount and all interest accrued and to be accrued thereon.

On 2 April 2020, the Company entered into the Second Supplemental Facility Letter and the Supplemental Deed of Charge with Mr. Xiong to further increase the credit facilities to HK$200,000,000 and to effectuate and implement the Off-Setting Arrangement. Please refer to the section under "Consideration and payment terms" above for details.

The outstanding amount due from the Group to Mr. Xiong was HK$63,260,000 and HK$185,618,000 respectively as at 29 February 2020 and as at the Latest Practicable Date. As at the Latest Practicable Date, apart from the Deed of Charge as revised and supplemented by the Supplemental Deed of Charge, there are no other assets of the Group charged by the Company in favour of Mr. Xiong as security for the New Amount, and no guarantee has been given to Mr. Xiong in connection with the New Amount.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the disclosed, Mr. Xiong is a third party independent of the Company and its connected persons (as defined under the GEM Listing Rules) as at the Latest Practicable Date. Also, he does not has or had any relationship or arrangement with the Group up to the Latest Practicable Date apart from the disclosed in this Circular.

FINANCIAL EFFECT OF THE DISPOSAL

Taking into account of (i) the Consideration of US$32,900,000 (equivalent to HK$256,620,000 at the Exchange Rate); (ii) the transaction costs of the Disposal of approximately HK$1.4 million; and (iii) the book value of the Disposed Interest of approximately HK$227,607,900 as at 31 December 2019, it is expected that the Disposal will record a gain of approximately HK$27.6 million, details please refer to note 3 to the section "Unaudited pro forma financial information of the Remaining Group" in Appendix III to this circular.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The Company is principally engaged in research and development of biomedical and healthcare products and medical techniques; the provision of the production and sales of tissue engineering products and its related derivatives; as well as sales and distribution of medical products and equipment.

The Consideration is US$32,900,000 (equivalent to approximately HK$256.6 million at the Exchange Rate). It is expected that transaction costs involved are approximately HK$1.4 million. Pursuant to the Further Deed of Transfer, US$3,900,000 (equivalent to approximately HK$30.4 million at the Exchange Rate) shall be utilised for off-setting monetary amounts due and owing by CRML and/or the Group to Mr. Xiong on dollar-to-dollar basis. The net cash proceeds from the Disposal shall be approximately HK$224.8 million (the "**Net Cash Proceeds**"). The Net Cash Proceeds are used as (i) approximately HK$26.4 million for further off-setting the monetary amounts due and owing by CRML and/or the Group to Mr. Xiong on dollar-to-dollar basis; (ii) approximately HK$19.5 million for repayment of trade payables; (iii) approximately HK$50.5 million for repayment of accrued charges and other payables; (iv) approximately HK$62.5 million for staff costs; (v) approximately HK$5.5 million for rent and rates; (vi) approximately HK$11.7 million for utilities and other expenses; (vii) approximately HK$15.5 million for professional fees and corporate expenses; and (viii) approximately HK$33.2 million for advertising, marketing and promotion expenses.

Set out below is the breakdown of the use of proceeds from the Previous Disposal as announced on 20 January 2020, the Disposal as set out in this Circular and placing of new Shares under Specific Mandate as announced by the Company on 2 March 2020 and 27 March 2020 (the "**Placing**"):

(i) Repayment of the outstanding liabilities

With reference to the unaudited annual results announcement for the year ended 31 December 2019, set out below is the list of current liabilities and non-current liabilities of the Group as at 31 December 2019 and the proposed use of proceeds of the Previous Disposal, the Disposal and the Placing:

	As at 31 December 2019	**Use of proceeds from the Previous Disposal**	**Use of proceeds from the Disposal**	**Use of proceeds from the Placing**	**Total amount of proposed use of proceeds**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)				
Current liabilities					
Trade payables	19,638	–	19,500	–	19,500
Accrued charges and other payables	176,924 *(Note)*	–	50,500	30,000	80,500
Contract liabilities	21,169	–	–	–	–
Other borrowing	55,172 *(Note)*	–	56,800 *(Note)*	–	56,800
Lease liabilities	24,094	–	–	–	–
Non-current liabilities					
Shareholder loans	220,639	–	–	–	–
Lease liabilities	25,425	–	–	–	–
Deferred taxation	2,405	–	–	–	–
Total		–	126,800	30,000	156,800

Note: HK$56,800,000 of the proceeds from the Disposal intended to be used to settle borrowing from Mr. Xiong up to HK$55,172,000 in principal amount and HK$1,628,000 in accrued interest.

(ii) General working capital

	Use of proceeds from the Previous Disposal *HK$'000*	**Use of proceeds from the Disposal** *HK$'000*	**Use of proceeds from the Placing** *HK$'000*	**Total amount of proposed use of proceeds** *HK$'000*
Staff costs	4,500	62,500	30,000	97,000
Rent and rates*	17,500	5,500	5,000	28,000
Utilities and other expenses	8,300	11,700	5,000	25,000
Professional fees and corporate expenses	440	15,500	9,000	24,940
Advertising, marketing and promotion expenses	14,500	33,200	19,000	66,700
Total	45,240	128,400	68,000	241,640

* These payments were recognised as lease liability as at 31 December 2019.

As at the Latest Practicable Date, there is no concrete plan or intention for any fund-raising activity and no contemplation of any material transactions for the Group in the coming 12 months.

In response to the changes in general economic conditions and competition within the industry, the Company has decided to sell the Disposed Interest, which constitutes the remaining portion of the Investment owned by CRML, so that the Company could use the cash available to focus on other investments, acquisitions and organic growth opportunities in the market.

The Directors consider that the terms of the Further Deed of Transfer (including the Consideration) are on normal commercial terms and the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

The Previous Disposal constituted a discloseable transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

As one of the applicable percentage ratios calculated in accordance with Chapter 19 of the GEM Listing Rules in relation to the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 19 of the GEM Listing Rules. In this regard, the Disposal is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the Disposal or is required to abstain from voting at the EGM. In addition, none of the Directors has a material interest in the Disposals and accordingly no Director has abstained from voting on the Board resolution(s) to approve the Disposal.

As the Completion is subject to, amongst others, fulfillment of the conditions precedent set out in the Further Deed of Transfer and Shareholders' approval at the EGM, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

EGM

The EGM will be held at Rooms 3006–10, 30/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, on Thursday, 7 May 2020 at 2:30 p.m. for the Shareholders to consider and, if thought fit, pass the ordinary resolution to approve the Further Deed of Transfer and the transactions contemplated thereunder. The resolution approving the proposed Disposal and the transactions contemplated thereunder will be conducted by way of a poll at the EGM and an announcement on the results of the EGM will be made by the Company after the EGM.

The notice of EGM is set out on pages EGM-1 to EGM-2 of this Circular.

A form of proxy for use at the EGM is enclosed with this Circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Registrar, Union Registrars Limited of Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATIONS

The Directors consider that (i) the terms of the Further Deed of Transfer are fair and reasonable so far as the Shareholders are concerned; and (ii) the Further Deed of Transfer and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Further Deed of Transfer and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Circular.

By Order of the Board
China Regenerative Medicine International Limited
Wang Chuang
Chairman and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the financial year ended 30 April 2017, for the period from 1 May 2017 to 31 December 2017 and for the financial year ended 31 December 2018, and the unaudited annual results announcement of the Group for the year ended 31 December 2019 have been set out in the following documents which have been published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.crmi.hk:

(i) for the year ended 30 April 2017, on pages 152 to 248 of the annual report of the Company for the year ended 30 April 2017 released on 27 July 2017 at https://www1.hkexnews.hk/listedco/listconews/gem/2017/0727/gln20170727103.pdf

(ii) for the period from 1 May 2017 to 31 December 2017, on pages 145 to 256 of the annual report of the Company for the period from 1 May 2017 to 31 December 2017 released on 28 March 2018 at https://www1.hkexnews.hk/listedco/listconews/gem/2018/0328/gln20180328019.pdf

(iii) for the year ended 31 December 2018, on pages 138 to 268 of the annual report of the Company for the year ended 31 December 2018 released on 12 April 2019 at https://www1.hkexnews.hk/listedco/listconews/gem/2019/0412/gln20190412003.pdf

(iv) for the year ended 31 December 2019, on pages 2 to 20 of the unaudited annual results announcement of the Company for the year ended 31 December 2019 released on 31 March 2019 at https://www1.hkexnews.hk/listedco/listconews/gem/2020/0331/2020033100011.pdf

The following is a summary of the consolidated statement of profit or loss and other comprehensive income of the Group for each of the financial years ended 31 December 2018 and 31 December 2019, as extracted from the relevant annual report and unaudited annual results announcement of the Company respectively:

	For the year ended 31 December 2018	**For the year ended 31 December 2019**
	HK$'000	*HK$'000*
	(Audited)	(Unaudited)
Revenue	72,952	47,971
Loss before income tax	(1,352,799)	(457,799)
Income tax credit	68,884	8,931
Loss for the year	(1,283,915)	(448,868)
Loss for the year attributable to:		
Owners of the Company	(1,193,501)	(404,641)
Non-controlling interests	(90,414)	(44,227)
Loss per share for loss for the year attributable to owners of the Company		
Basic *(HK$)**	(1.357) (restated)	(0.460)
Diluted *(HK$)**	(1.357) (restated)	(0.460)
Total comprehensive income for the year attributable to:		
Owners of the Company	(1,210,195)	(533,282)
Non-controlling interests	(91,808)	(44,664)

* The calculation of loss per share included the effect of share consolidation on the basis that every twenty issued and unissued shares of the Company of HK$0.01 each be consolidated into one consolidated share of HK$0.20 each, which is effective on 16 May 2019.

The following is a summary of the consolidated statement of financial position of the Group as at 31 December 2019, as extracted from the relevant unaudited annual results announcement of the Company:

	As at 31 December 2019
	HK$'000
	(Unaudited)
ASSETS AND LIABILITIES	
Non-current assets	
Property, plant and equipment	23,643
Other intangible assets	16,345
Deposits for acquisition of subsidiaries	146,512
Financial assets at fair value through other comprehensive income	18,977
	205,477
Current assets	
Inventories	6,738
Trade receivables	3,988
Deposits, prepayments and other receivables	36,963
Financial assets at fair value through profit or loss	267,774
Cash and cash equivalents	19,210
	334,673

	As at 31 December 2019 *HK$'000* (Unaudited)
Current liabilities	
Trade payables	19,638
Accrued charges and other payables	176,924
Contract liabilities	21,169
Lease liabilities	24,094
Other borrowing	55,172
	296,997
Net current assets	37,676
Total assets less current liabilities	243,153
Non-current liabilities	
Shareholder loans	220,639
Lease liabilities	25,425
Deferred taxation	2,405
	248,469
Net liabilities	**(5,316)**
Capital and reserves	
Share capital	175,858
Reserves	(121,251)
Equity attributable to owners of the Company	54,607
Non-controlling interests	(59,923)
Capital deficiency	**(5,316)**

2. WORKING CAPITAL

The Directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of this circular. The Directors, after due and careful enquiry and after taking into account the proceeds to be received from the Disposal and the financial resources available to the Group, and on the assumptions that the financing plans and measures as set out below can be successfully executed, are of the opinion that the Group will have sufficient working capital for its present operating requirements and to pay its financial obligations as and when they fall due and for at least the next twelve months from the date of this circular, in the absence of unforeseeable circumstances.

However, if any of the following financing plans and measures cannot be materialized, the Group may not have sufficient working capital for the next twelve months from the date of this circular and further fund raising activities may then be required. The Company may also need to raise further funding for marketing and promotion of its products when needed.

(i) The successful completion of placing of new shares of the Company

On 27 March 2020, the Company announced that it entered into the placing agreement with the joint placing agents, pursuant to which the Company has proposed to offer for subscription, and the joint placing agents have agreed to procure not less than six places, to subscribe for up to 500,000,000 placing shares at the placing price of HK$0.20 per placing share. The receipt of the proceeds from the placing of the new shares included in the cash flow projections is subject to the successful completion of the placing. The long stop date of the placing is 31 May 2020.

(ii) Timely receipts of Consideration from Mr. Xiong

For the consideration and payments terms for the Disposal, Mr. Xiong shall pay to the Group a total sum in cash equal to US$32,900,000 with the payment schedule as follows: (a) Upon the Completion - US$3,900,000; (b) 30 June 2020 – US$9,000,000; (c) 30 September 2020 - US$10,000,000 and; (d) 30 December 2020 – US$10,000,000. These payments will firstly offset the amount due to Mr. Xiong by the Group at the date of the payment of the consideration and the remaining payments will be made by cash. The Directors assume that all these payments will be received by the Group according to the payment schedule.

(iii) Negotiation on settlement terms with creditors

As at 29 February 2020, the Group has outstanding balances of trade and other payables of HK$223.5 million. The Group plans to settle part of these balances by the net proceeds from the Disposal and the Group will negotiate with other creditors to extend the repayment dates.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 29 February 2020, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Circular, the Group's indebtedness are set out below.

Indebtedness

The following table sets out the Group's indebtedness excluding contingent liabilities as at the respective dates:

	As at 29 February 2020
	HK$'000
Current	
Other borrowing	63,260
Lease liabilities	24,291
Non-current	
Shareholder loans	220,639
Lease liabilities	21,229
Total	329,419

Shareholder loans

The shareholder loans, due to All Favour, as at 29 February 2020 was unsecured and interest-free and repayable on demand except for the amount of HK$100 million which is repayable on 19 December 2020. On 19 December 2019, All Favour has undertaken to the Company not to demand repayment within the next 15 months from 19 December 2019 until the Company is in a position to pay. Accordingly, the whole amount of shareholder loans are classified as non-current liabilities as at 29 February 2020. On 2 March 2020, the Company entered into a subscription and settlement agreement (the "**Subscription and Settlement Agreement**") with All Favour, pursuant to which the Company conditionally agrees to issue and All Favour conditionally agrees to subscribe for or procure the subscription by its nominee(s) of convertible bonds in the principal amount of HK$120 million at its face value and pay the subscription price at completion by setting off against the shareholder loans up to HK$120 million. The completion of the Subscription and Settlement Agreement is conditional upon, among others, the Stock Exchange granting the Company the approval for the listing of, and the permission to deal in, the shares convertible under the convertible bonds and the passing of necessary resolution(s) by the shareholders, other than All Favour and its associates or those shareholders interested in the

Subscription and Settlement Agreement, at a general meeting to be convened to approve the Subscription and Settlement Agreement and the transactions contemplated thereunder.

Other borrowing

The other borrowing, made to the Group by Mr. Xiong, as at 29 February 2020 was unsecured, carrying simple interest at rate of 8% per annum and repayable in full on or before 31 March 2020. On 17 March 2020, the Company entered into the supplemental facility letter with Mr. Xiong, pursuant to which the Company agreed to increase the total amount of credit facility from HK$100,000,000 to HK$180,000,000, and extend the maturity date of the facility from 31 March 2020 to 30 June 2021. On 2 April 2020, the Company entered into the Second Supplemental Facility Letter and the Supplemental Deed of Charge with Mr. Xiong to further increase the credit facilities to HK$200,000,000.

Lease liabilities

The Group entered into several lease agreements for leasing of factory, office and staff quarters located in the PRC and Hong Kong. As a result of adopting HKFRS 16 Leases which is effective for annual periods beginning on or after 1 January 2019, the Group recognised right-of-use assets and lease liabilities for the above-mentioned leases. Such lease liabilities amounted to HK$45,520,000 as at 29 February 2020, which were classified as to HK$24,291,000 as current liabilities and HK$21,229,000 as non-current liabilities.

Contingent liabilities

As at 29 February 2020, the Group provided a guarantee and indemnity for the account of Mr. Xiong in favour of a third party financial institution with financial exposure capped at HK$8,000,000 and the Group did not have any significant contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 29 February 2020 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2018, being the date to which the latest audited consolidated accounts of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Company is an investment holding company. The principal activities of its subsidiaries are research and development of bio-medical products; production and sale of tissue engineering and stem cell products; sale and distribution of cosmetic and other products; sale and distribution of medical equipment; and provision of healthcare services.

As disclosed in the unaudited annual results for the year ended 31 December 2019 of the Company, in respect of the future development plan of the Company, according to the current resources and the needs in future development, the Company will continue with the overall strategy of Dual Cores and Two Wings, which provides an important guarantee for the active implementation of such strategic plan.

The Group continues to strive for opportunity to widen its business scope in the medicine industry and reallocate its resources when appropriate, to strengthen and maintain as one of the leading pioneers in the medical and related industries. The Chinese government has committed to provide support towards hi-tech industries, including regenerative medicine, a sub-division of the bio-medical industries. The Group will continuously strive for more assistance from the Chinese government to provide additional resources for broadening our R&D coverage in regenerative medicine and related medical device spectrum. Stem cell therapy and research and development of stem cell pharmaceutical products, precision disease detection and prevention in massive health as well as precision treatment have already been initiated.

6. MANAGEMENT DISCUSSION AND ANALYSIS

In 2017, the Group made a change to the date of annual report, meaning the year-end date is changed from 30 April to 31 December. Set out below are the management discussion and analysis on the Remaining Group for the financial year ended 30 April 2017, the period from 1 May 2017 to 31 December 2017, and two financial years ended 31 December 2019 and 2018.

A. For the financial year ended 30 April 2017

In this fiscal year, the Remaining Group made new strategic adjustments and reformation on the top of continued strengthening of the four core businesses: tissue engineering, cell, cosmetic and others, and medical equipment. The Remaining Group:

- adjusted and optimized the organizational structure, strengthened the building of operations management team, changed its operations management concept of more emphasis on sales and marketing rather than on research and development ("**R&D**"), and enhanced marketing development measures so as to further improve the Remaining Group's profitability;

- streamlined and optimized the management process by developing four control main lines such as operations management, financial management, human resources management and technical management, defined and empowering business division management to raise the operation effectiveness and efficiency of the Remaining Group, and improving the level of management;

- upgraded its products in a comprehensive manner, introduced new business sections, reasonably enhanced and deployed the industrial layout, and strengthened its efforts on investment and merges and acquisitions ("**M&A**") in a bid to ensure a sustainable development in the long run.

Operations review

I. Adjusting the organizational structure of the Remaining Group to optimize the management mode

In this fiscal year, the Remaining Group has made comprehensive and optimized adjustments to the organizational structure by transforming the original business unit management mode to the business division management mode, which further strengthened the management control and promotion efforts on sales and marketing, and provided effective assurance for improving the profitability of the Remaining Group.

The Remaining Group has established three business divisions, namely Tissue Engineering & Pharmaceutical Division, Cosmetics Division and Cell Division, to responsible for the comprehensive operations management of tissue engineering and medical equipment product lines, cosmetic product line, cell storage, preparation and cell therapy product line respectively.

As such the Remaining Group has formed an operations management hierarchy consisting of headquarters, business divisions and subsidiaries. The headquarters is a management center, a decision-making center and a capital center; the business divisions are both management centers and operation centers; and the subsidiaries are business centers and profit-making centers.

II. Strengthening the building of an operations management team to improve the team quality

In order to achieve the Remaining Group's strategic adjustments and reformation initiatives, the Board has strengthened the building of an operations management team. In October 2016, the Remaining Group set up a high-quality and experienced management team by appointed a new chief executive officer and concurrently absorbing senior management personnel in possession of a wealth of executive management experience, cross-regional and cross-cultural group management and control capabilities, better market and brand management awareness into the management teams at the Remaining Group's headquarters, business divisions and subsidiaries. Each of division and subsidiary had set up a leadership team which adheres to centrally democratic decision-making procedures, providing a talent guarantee for the strategic adjustment and reform of the Remaining Group.

III. Enhancing marketing development efforts to improve business performance

The operation strategy of the Remaining Group before 2016 was focused on technical R&D. Relying on the strong scientific research capacity of the International Research Center of the Remaining Group set up at Oxford University and extensive cooperation with scientific research institutions at The University of Hong Kong and Research Institute of Tsinghua University in Shenzhen and through the unremitting endeavors made by the scientific researchers, the Remaining Group has gained a series of pioneered research achievements forerunning the industry in science and technological innovation and established its leading enterprise status in the industry of tissue engineering and regenerative medicine.

The Remaining Group's operation strategy for the second half of this fiscal year was shifted to enhance sales and marketing development measures so as to improve the Remaining Group's business performance. Effective sales distribution channel and service network system has been established gradually and noticeable improvement in sales and marketing performance of all product lines has been achieved by the adjustment of more emphasis on sales and market than on R&D, by expanding sales team of each product line, by the reformulation of marketing strategy, brand strategy and the sales incentive policy; and by the re-development and enrichment of the marketing channel, which provided assurance to achieve the operational target.

IV. Developing four management and control main lines to improve management efficiency

In order to coordinate with the management mode of the organisational structure of the business division and strengthen the management and decision-making function of the Remaining Group's headquarters, the Remaining Group developed four management and control main lines, namely the operation management line, financial management line, human resources management line and technical management line, by mobilising the management enthusiasm of Group divisions and its subsidiaries through reasonable authorization. The Remaining Group streamlined and completed the management system and flowchart of the four management and control main lines, well defined the management control point, the responsible person and management requirements of each Remaining Group division and subsidiary, specified the Remaining Group's performance appraisal system for the operating results of each division and subsidiary, which further strengthened the management fineness and promoted the market exploration efforts. Through the implementation of the four management and control main lines, the Remaining Group could have timely control on the overall picture on operations and management of each division and subsidiary;

and according to the authorisations and management requirements of the Remaining Group, divisions and subsidiaries of the Remaining Group could make rapid progress in the operation management work, thus forming an effective linkage within the Remaining Group among each division and subsidiary from top to bottom. With the effective coordination among these four management and control main lines, the Remaining Group's management efficiency and working ability would be further improved.

V. Fully initiating product upgrades to optimise and improve the industrial layout

With overall streamlining the Remaining Group's existing tissue engineering product line, cosmetic product line and cell product line, the Remaining Group began to initiate the product upgrade strategy to achieve the effective combination between product and market, product and service, product and brand, single product and whole industrial chain through the innovations of products, technology and operations. Meanwhile, the Remaining Group further optimised and improved the industrial layout with the establishment of the Hospital Management Department and the Overseas Business Division of the Remaining Group as well as the arrangement of relevant business kicking off, thereby basically forming a whole industrial chain layout, enhancing investment and M&A and thus creating a long-term sustainable development path.

At present, products and operations for each business line of the Remaining Group are as follows:

1. Tissue engineering product line

The Remaining Group's tissue engineering product line is comprised of three subsidiaries in Xi'an, Shaanxi and Shenzhen. The tissue engineering products include:

(1) Tissue Engineered Skin with Living Human Cells – ActivSkin®

ActivSkin®, being the first tissue-engineered skin approved by China Food and Drug Administration, is the only tissue-engineered skin containing living cells in the PRC. It is mainly used for healing deep 2nd degree and 3rd degree burn and scald wounds. It can relieve pains, shorten healing time and reduce scars in treating burns and scalds.

(2) Acellular Corneal Stroma – Acornea

Acornea is the world's first bio-engineering cornea that has completed clinical trials and has been successfully launched to market, making China's leading position in regenerative medicine research of corneal disease in the world. The total effective rate of clinical trials of Acornea reached 94.44%

with the healing effect close to donated cornea. In 2016, Acornea was reported by BBC as one of the five major scientific and technological revolutions from China, which make great contribution to the world. Its academic status makes China seize the initiative in the field of biomedical competition in the world.

(3) Calcined Bovine Bone – Gegreen

Gegreen is a protein-detracted bone substitute material for inducing natural bone regeneration, which is the independently-developed material in the PRC. It is made by extracting material from epiphysis cancellous bone of bovine femur, and then goes through the process of virus inactivation, degreasing, protein detracting and low-temperature calcination. It is extensively used for jawbone defect restoration, particularly in dental implantation and treatment of periodontal defects.

(4) Acellular Anal Fistula Repair Stroma – Asiunin

Asiunin is applied to simple anal fistula disease without going through fistulotomy operation which is traditionally used to cure anal fistula in western medicine. Fistulotomy operation has a chance to harm the sphincter muscle and causes relapses. It is believed that the relapse rate when using Asiunin for simple anal fistula is comparatively lower, bringing in revolutionary changes to anal fistula treatment. It can completely reshape the perianal tissue and protect the anal sphincter mechanism. Through minimally invasive operation, it can speed up the healing rate and shorten the hospitalization period.

(5) Oral Cavity Repair Membrane with Excellent Regeneration Capacity – Megreen

Megreen, a new product developed by Shaanxi Reshine Biotech Co. Ltd., a subsidiary of the Remaining Group, is currently applying for registration. Megreen is made from the bovine pericardium tissue with collagen as the main component through decellularization, virus inactivation and other treatments, which retains a natural three dimensional structure. Megreen can be widely used in the repair of oral cavity tissue with its advantages of natural double-layer membrane structure, superior mechanical performance and longer degradation time.

(6) Cell Sheet-Autologous Chondrocyte Implantation – CS-ACI

CS-ACI is a cartilage repair technology based on the world's leading cell sheet preparative technology. It is used for tissue repair and functional reconstruction of damaged articular cartilage. As the first 4th generation of autologous chondrocyte treatment technology developed by China, CSACI is used to produce transparent cartilage as a substitute for exogenous material to avoid cell loss. In addition, since suture is not necessary and it takes shorter time in the operation, it has a broad clinical prospect.

2. Cosmetics product line

(1) AMYbio Skincare series brands

By utilizing the derivatives resided during our production processes of the tissue-engineered skin, Shaanxi Aimiya Bio-Technology Company Limited, a subsidiary of the Remaining Group principally engaged in cosmetics, has successfully cultivated a pioneering human-derived active cell growth factor, which has been applied in skincare products. Series of products have been launched and an agent system has been established nationwide. Meanwhile, the products have had access to hospitals and beauty salons.

(2) Skincare cosmetics brand – Ascara

The Remaining Group imports the original skincare cosmetics brand - Ascara with a history of more than 40 years from Switzerland. Ascara has various functions, such as skin relieving, anti-aging, skin whitening, anti-freckle and so on. It is a foreign high-end skincare product line targeted at the mass market. It has built an omni-channel sales network centering DS and then radiating to CS, covering e-commerce platforms and assisted by regional distributors.

(3) CRMI PrincipleO'skin

The Remaining Group decided to launch a skincare brand "CRMI PrincipleO'skin" to be sold via e-commerce platforms. Relying on the core technology of the Remaining Group and the International Research Institute of Oxford University, the Remaining Group has designed two series of skincare products with EGF extracted from stem cell culture medium as the core raw material. At present, the project has been initiated and a team has been basically formed. The design for relevant products is under progress. It was expected that the products will be launched to market in mid 2017.

3. Cell storage, preparation and therapy product line

Currently, the Remaining Group has established five cell storage, preparation and therapy centers in Tianjin, Suzhou (Jiangsu Province), Changzhou (Jiangsu Province) and Hong Kong to make a good planning layout serving the cell business globally.

(1) Tianjin Weikai

The Remaining Group's subsidiary 天津衛凱生物工程有限公司 (Tianjin Weikai Bioeng Ltd*) focuses on the R&D and applications of cell culture equipment and cell products, as well as providing cell-related outsourcing technical services. The self-developed 3DFlo cell culture instrument ensured the high quality cell reproduction and established an in vitro model to simulate in-vivo physical condition by utilizing automated continuous perfusion cell culture technology. Meanwhile, Tianjin Weikai has established a close cooperation relationship with Institute of Chemical Physics, Chinese Academy of Sciences and other scientific research institutes at home and abroad.

(2) AK Suzhou

In 2016, the Remaining Group's subsidiary 奧凱(蘇州)生物技術有限公司 (AK (Suzhou) Biomedical Ltd*) expanded the Phase II Cell Preparation Center. It provides high standards of service and equipment for cell clinical research, testing and applications leveraging on the Oxford R&D team's unique cell processing technology and reagent formula. Its core technologies include human cell separation, purification, cultivation, amplification, storage and transportation, as well as the development and production of automated closed cell bioreactors.

(3) Changzhou branch company, Jiangsu Province

In October 2016, the Remaining Group started to build a Cell Storage and Preparation Center in Changzhou, Jiangsu Province. The center has been identified as the technology transformation unit of Engineering Technology Research Center for Tumor Immunotherapy of Jiangsu Province, mainly responsible for industrial transformation and clinical applications of the R&D results achieved by the center. The scope of business mainly covers cellular therapy, cell storage, genetic testing, biological agents manufacturing. The center is scheduled to be completed by the end of 2017.

(4) Hong Kong International Regenerative Centre

The Hong Kong International Regenerative Centre ("**HKIRC**"), being the first large-scale comprehensive health care base for precision medicine in Hong Kong, was established by the Remaining Group at the Miramar Center in Tsim Sha Tsui, Hong Kong. In possession of precise medical technology, combining with precise physical examination and genetic testing, HKIRC aims to provide precise healthcare to meet the physical and mental needs from customers, including precise cellular therapy and precise medical beauty.

(5) BioCell Technology Limited ("**BioCell**")

Our China Stem Cell Clinical Applications Centre (the "**Centre**"), located at Phase 3 of Hong Kong Science Park in Shatin, has started construction. Covering an area of 2,000 square meters, the Center is designed in accordance with international standards and is equipped with advanced equipment and facilities in high specifications. Stem cell clinical application facilities meet the clean room standards from EMA, FDA, CFDA, TGA and GMP PIC/S. As Asia's first international cell and gene preparation center, the Centre provides cell preparation processes for international biotechnology companies, international pharmaceutical plants, clinical application institutions and cell libraries in line with international and domestic cell preparation quality standards, as well as technology platforms for clinical application transformation for the improvement and development of the cellular therapy in the future. We will conduct pre-installation regulatory reviews in accordance with the GMP and PIC/S specifications from the Hong Kong Department of Health. The Centre has established close cooperative relationship with relevant research departments and academics, including The University of Hong Kong and The University of Oxford, laying a solid foundation for the clinical transformation and industrialization of stem cell and cellular therapy technology and for cell preparation platforms in Hong Kong and other Asian regions. Since the construction work and installation and commissioning of equipment have been completed, the Centre has been officially put into operation in June 2017.

4. Medical equipment

The Remaining Group's subsidiary, 中生醫療器械有限公司 (Zhongsheng Medical Equipment Trading Company Limited*) ("**Zhongsheng Medical Equipment**"), is engaged in the trading of medical equipment in the PRC. During the year, Zhongsheng Medical Equipment made solid step in expanding and strengthening its sales and distribution network in the PRC, which resulted in significant increase in sales over the prior year.

5. Hospital administration division of the Remaining Group

In order to guarantee the rational layout of tissue engineering and cell business and expand channels, the hospital administration division was set up under the Remaining Group headquarters in this fiscal year, responsible for the management of future investments in hospitals and related channels of the Remaining Group. In the first half of 2016, the Remaining Group stationed in Hainan Boao Lecheng International Medical Tourism Pilot Zone and was granted 150 acres of land for the construction of a comprehensive medical institution. By leveraging on the advantages of the policy of the pilot zone, the Remaining Group will further enrich and expand its business lines and channels. At present, the Hospital Administration Division in Hainan is under planning and design.

6. Overseas business division of the Remaining Group

With the R&D transformation efforts made over the past 17 years since establishment, the Remaining Group has basically established the layout of the whole industry chain in Hong Kong and Mainland China. In order to achieve the strategic requirements of the Board, the Remaining Group set up the overseas business division in this fiscal year to further expand its overseas markets, so as to identify suitable business opportunities for overseas investment and M&A and implement the layout of overseas markets of the Remaining Group.

Having completed the stationing in the United States, the United Kingdom and Japan and preliminarily established a management and operation team respectively, the Remaining Group is seeking opportunities for overseas expansion.

Business outlook

BioCell is a recognized contract manufacturer in the Asia Pacific region with GMP contract manufacturing ability for cell therapy under GMP PIC/S, FDA, CFDA, TGA, EMA, FACT and AABB standards. BioCell also provides "point-to-point" service including oversight and management of cord blood and cord collection through therapies of cell processing, cryopreservation and cell delivery. We support the entire product lifecycle from initial research to process optimisation through clinical trial manufacturing and commercial supply. Our experience spans all major cell families including stem cells and immune cells and key applications from gene and immunotherapies to cell therapies and regenerative medicine. Our partnership with The University of Hong Kong affiliated Queen Mary Hospital, The Chinese University of Hong Kong affiliated Prince of Wales Hospital, and other collaborators with cutting-edge technologies enable us to bring deep research, clinical and process expertise to all clients efficiently. Our brand new production facilities at Hong Kong Science Park Phase III comprise of 3 PIC/S Grade B cleanrooms surrounded by Grade C area, as well as 3 Grade D cleanrooms and quality control laboratories with 8 isolators to offer a gateway to transform cell manufacturing into clinical application under a coordinated quality system. It is our honor to cooperate with the world's leading stem cell companies on the most currently innovative and transformational therapies in medical field.

As a high-end anti-aging and health management service company, HKIRC provides its high-end clients with comprehensive, precise and customized anti-aging aesthetic services focusing on internationally advanced cell regeneration diagnosis and treatment, in combination with precise medical examination, gene testing, medical cosmetology, preventive medicine, functional medicine, traditional Chinese medicine, naturopathy, etc.

Boasting famous regenerative medicine scientists and anti-aging experts in Hong Kong and the world, HKIRC has established a longterm strategic partnership with several large hospitals, scientific research institutions, famous laboratories and anti-aging institutions in Europe, North America and Hong Kong, and continuously developed modern sophisticated and precise biomedical technology. It strives to provide precise and integrated medical solutions for clients by various means including traditional naturopathy.

Main services include:

- Precise biological anti-aging treatment: including cell regeneration therapy and hormone replacement therapy;

- Precise health examination: including function examination, biochemical detection of blood and urine, gene testing, and comprehensive early screening of cancers;

- Precise medical cosmetology: including customised skin care, international energy therapy for medical cosmetology, and micro-plastic surgery, etc;

- Specialized dental care: including tooth implantation, tooth whitening, etc.

Future prospect

The Remaining Group will further deepen and refine the management policy, and continue to enhance the level of corporate operation and management through the four management and control main lines. The Remaining Group will continue to strengthen the sales and marketing efforts in respect of tissue engineering, cell, cosmetic and others, and medical equipment for enhancing the operational results of each business chain. The Remaining Group will strive to maintain its leading position in tissue engineering, regenerative medicine and related industries by leveraging CRMI Technology Centre at the University of Oxford and the long-term cooperation with the research institutes including The University of Hong Kong and Tsinghua University, and other global well-known industry experts. Meanwhile, the Remaining Group is dedicated to the investments and M&A business in the whole industry chain by identifying suitable business opportunities from domestic and overseas markets to promote the sustainable and sound development of the Remaining Group.

Financial review

Result

The Remaining Group's revenue for the year ended 30 April 2017 was approximately HK$357.0 million, representing an increase of approximately HK$329.2 million, or 1,184.2%, compared to the Remaining Group's revenue of approximately HK$27.8 million for last year. The overall increase in revenue was attributable to an increase in revenue across different segments, including tissue engineering, cell, cosmetics and others and medical equipment. Gross profit increased by 651.4% to approximately HK$137.5 million by year which is in accordance with an increase in revenue.

The Remaining Group recorded a revenue of approximately HK$126.3 million from sales of tissue engineering products for the year ended 30 April 2017, representing an increase of 2,077.6% from last year which is mainly attributable to the Remaining Group has made a significant effort to expand distribution channel to improve sales (2016: HK$5.8 million).

The Remaining Group recorded a revenue of approximately HK$2.7 million from provision of cell therapy service and sales of cell related medical equipment for the year ended 30 April 2017, representing an increase of 107.7% from last year (2016: HK$1.3 million).

The Remaining Group recorded a revenue of approximately HK$44.9 million from sales of cosmetic, healthcare and other products for the year ended 30 April 2017, representing an increase of 122.3% from last year (year ended 30 April 2016: HK$20.2 million). 上海赫絲蒂化妝品有限公司 (Shanghai Hesidi Cosmetics Company Limited*) ("**Shanghai Hesidi**") and 深圳赫絲蒂生物科技有限公司 (Shenzhen Hesidi BioTechnology Company Limited*) ("**Shenzhen Hesidi**", together with Shanghai Hesidi, the "**Hesidi Group**"), the subsidiaries of the Remaining Group, are primarily engaged in sales and distribution of cosmetics and others related products ("**Products**").

During the period between 30 May 2017 and 6 June 2017, the Hesidi Group received notices requesting the return of some of the Products (the "**Products Return**") from the customers in the aggregate value of approximately HK$52,580,000 (with corresponding cost of sales amounted to HK$30,556,000) claiming difficulties in selling the Products due to changes in market conditions in the PRC.

Following negotiations between the management of the Hesidi Group and the customers, it is decided to accept the Products Return from the customers for the purpose of maintaining a long-term business relationship. The management of the Hesidi Group agreed with the Supplier to arrange for the return of such Products. Details of the Products Return were contained in the Company's announcement dated 23 June 2017.

Sales of medical equipment for the year ended 30 April 2017 was approximately HK$183.1 million, representing an increase of 458 times from last year (2016: HK$0.4 million) because the Remaining Group has made significant effort to establish distribution channels to enhance sales.

During the year under review, the Remaining Group incurred a loss attributable to owners of the Company of approximately HK$184.5 million, as compared to a loss of approximately HK$190.9 million for last year. Loss for the Remaining Group slightly decreased from last year which is mainly attributable to the significant increase in gross profit from increase in sales of our owned products but being offset by a reduction of interest income from providing financial assistance to independent third parties as the Remaining Group has allocated more resources on its core business together with the increase in staff costs and advertising expenses for promoting our products to the market. The loss per share attributable to the owners of the Company for the year ended 30 April 2017 was HK1.049 cents (2016: HK1.103 cents).

The Remaining Group's total operating expenses for the year ended 30 April 2017 was approximately HK$389.3 million, representing an increase of 28.4% as compared to last year. The expenses mainly consisted of (i) the amortisation of intangible assets of approximately HK$41.0 million (2016: HK$38.6 million); (ii) research and development costs of HK$56.0 million (2016: HK$58.7 million); (iii) staff cost of HK$131.7 million (2016: HK$95.1 million); and (iv) advertising, marketing and promotion expenses of HK$38.2 million (2016: HK$14.3 million).

Net Assets

Net assets of the Remaining Group amounted to approximately HK$1,907.9 million as at 30 April 2017, as compared to approximately HK$2,118.2 million as at 30 April 2016, representing a decrease of 9.9% which was mainly attributable to the loss incurred for the year.

Cash and Cash Equivalents

As at 30 April 2017, the Remaining Group had cash and cash equivalents of approximately HK$571.7 million (2016: HK$1,300.8 million). The decrease in cash and cash equivalent of approximately HK$729.1 million was mainly due to (i) increase in pledged bank deposits, (ii) purchase of property, plant and equipment; (iii) purchase of financial assets; and (iv) increase in prepayments and deposits in relation to operating activities.

As at 30 April 2017, the bank borrowings of approximately HK$754.0 million (2016: HK$542.6 million) were secured by property, plant and equipment, land use rights and pledged bank deposits.

Working Capital and Gearing Ratio

As at 30 April 2017, the Remaining Group had current assets of approximately HK$1,017.1 million (2016: HK$1,994.5 million), while its current liabilities stood at approximately HK$176.3 million (2016: HK$692.8 million), representing a net current asset position with a working capital ratio (current assets to current liabilities) of 5.77 (2016: 2.88).

The gearing ratio of the Remaining Group as at 30 April 2017, calculated as total bank borrowings to total equity was 0.40 (2016: 0.26).

As at 30 April 2017, the Remaining Group's aggregate balance of cash and cash equivalents and pledged bank deposits far exceeded its bank borrowings. Given such net cash position, the gearing ratio of the Remaining Group would not be applicable if calculated as net debt to equity.

Capital Structure

During the year ended 30 April 2017, the issued shares of the Company were reduced from 17,592,180,000 shares to 17,585,790,000 shares as a result of cancellation of repurchased share during the year.

Foreign exchange exposure

The Remaining Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. The Directors consider the risk of foreign exchange exposure of the Remaining Group is manageable. The management will continue to monitor the foreign exchange exposure of the Remaining Group and is prepared to take prudent measures such as hedging when appropriate actions are required.

Material acquisitions or disposal of subsidiaries and associated companies

On 1 November 2016, 陝西瑞盛生物科技有限公司 (Shaanxi Reshine Biotech Co. Ltd.*) ("**Shaanxi Reshine**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with 鼎峰醫院管理(深圳)有限公司 (Ding Feng Hospital Management (Shenzhen) Co., Ltd.*) in relation to the acquisition of debt receivables and the associated security package of 深圳龍珠醫院 (Shenzhen Longzhu Hospital*) at a consideration of RMB520,000,000 (the "**Longzhu Acquisition**"). The Remaining Group considered it to be an investment for the development of its product distribution channels in the future.

On 22 November 2016, Shaanxi Reshine entered into the sale and purchase agreement with 深圳市合正滙遠投資有限公司 (Shenzhen He Zheng Hui Yuan Investment Co. Ltd.*) ("**Shenzhen He Zheng**") and Shenzhen Longzhu Hospital in relation to the disposal of debt receivables and the associated security package of Shenzhen Longzhu Hospital at a consideration of RMB530,000,000. On the same date, Shaanxi Reshine and Shenzhen He Zheng also entered into the framework agreements in which, the Remaining Group has a right to occupy an area of 3,000 square meters at Shenzhen Longzhu Hospital and an area of 5,000 square meters at Luohu District, Shenzhen for a rent-free period of 8 years, to establish its product distribution channels. The Remaining Group considered it as an opportunity of asset realization and profit-taking, and at the same time, the Remaining Group still has opportunities to develop its product distribution channels by setting up a specialty hospital in the future.

Details of Longzhu Acquisition, Longzhu Disposal and Framework Agreements were disclosed in the Company's announcements dated 1 November 2016 and 22 November 2016.

Charges in assets and contingent liabilities

As at 30 April 2017, bank loans of HK$754.0 million were secured by the Remaining Group's property, plant and equipment, land use rights and pledged bank deposits with carrying amounts of approximately HK$78.0 million (2016: HK$84.5 million), HK$4.2 million (2016: HK$4.6 million) and HK$794.7 million (2016: HK$558.9 million) respectively

As at 30 April 2017, the Remaining Group had no material contingent liabilities (2016: Nil).

Details of future plans for material investment or capital assets

Save as disclosed in this report, the Directors do not have any plans for material investment or capital assets at this point in time.

Employee information and remuneration policies

As at 30 April 2017, the Remaining Group had 542 (2016: 520) employees located in Hong Kong and Mainland China. As an equal opportunity employer, the Remaining Group's remuneration and bonus policies are determined with reference to the performance and experience of individual employees. The total amount of employee remuneration (including that of the Directors and retirement benefits scheme contributions) of the Remaining Group for the year was approximately HK$131.7 million (2016: HK$95.1 million).

In addition, the Remaining Group may offer options to employees as a recognition of and reward for their efforts and contributions to the Remaining Group.

B. For the period from 1 May 2017 to 31 December 2017

The Remaining Group further deepened and refined various management systems under the strategic planning of further strengthening its industrial layout and market expansion in the period from 1 May 2017 to 31 December 2017 ("**Fiscal Year 2017**") and continued its effective promotion of the four main lines of management and control, namely operation management, financial management, human resources management and technical management, to continuously improve the management standards of the enterprise, and at the same time, achieved good results on the expansion of various industrial chains such as tissue engineering, cosmetics and cells as well as investment and M&A businesses.

Operations review

I. Further consolidated the foundation of the Remaining Group's management

Group clearly defined four main lines of management and control, namely the operation management line, financial management line, human resources management line and technical management line, and fully implemented the Remaining Group's operation and management of various divisions and subsidiaries. At the same time, it established the "2+3" business strategy, defined Fiscal Year 2017 as the "Year of Management Effectiveness", set "Management Improvement" and "Operational Effectiveness" as the objectives and established a business strategy of focusing on the market and striving for effectiveness, so as to continuously improve the Remaining Group's operating results.

On this basis, in Fiscal Year 2017, the Remaining Group continued to optimize and refine various management systems and management processes, strengthened operation and management system construction and system optimization, improved financial accounting management system and optimized the approval process, and formulated a performance appraisal system for all employees and implemented the system to improve management efficiency, which have all shown good results. By constantly consolidating the foundation of the Remaining Group's management, the rights and responsibilities of the three-tier organizational system, i.e. the Remaining Group, the business divisions and the subsidiaries, have been clearly defined, bringing smoother communication and improved management.

II. Further strengthened budget management and performance management

The Remaining Group started full-scale budget management and performance appraisal in Fiscal Year 2017 to further clarify responsibilities and promote the implementation of various business objectives. Through budget management and business performance appraisal, the performance objectives awareness of each unit's management teams was further enhanced, and the operating responsibilities of each unit were further clarified, which highlighted the management- and performance-centered management tone of Group.

In the meantime, in implementing performance management in the human resources system, the Remaining Group formulated a performance appraisal scheme to fully mobilize its staff, further improving the construction of the Remaining Group's human resources management system and enhancing the standards of human resources management.

III. Further optimized the industrial structure

In Fiscal Year 2017, the Remaining Group further advanced its industrial layout in accordance with the management standards and status of each industry segment of the Remaining Group, added the newly acquired industries to the Remaining Group's industrial segments and optimized its organizational structure.

1. Cosmetics segment restructuring and introduction of a new product line

According to the strategy of the Remaining Group's cosmetics business of comprehensive introduction of international brands, the Remaining Group further implemented the requirements of the Board of Directors on accelerating market-oriented operation and enhancing the profitability of the Company by adjusting the product lines structure of its original cosmetics sector, stopping the operation of AMYbio cosmetics and strengthening the market expansion of the Ascara product lines.

2. Market launch and effective linkage between mainland China and Hong Kong in the cell segment

The cell segment is a brand-new business of the Remaining Group starting from Fiscal Year 2017 to explore a chain of cell storage and services that effectively connects the Remaining Group's subsidiaries in Tianjin and Suzhou as well as the subsidiary currently being set up in Changzhou and Hong Kong International Regenerative Center and BioCell Technology Limited. The Remaining Group formed a cell marketing team in the Cell Division in Beijing and laid out marketing plans to cover the domestic regional markets. Through service function improvement and service flow optimization of the Hong Kong

International Regenerative Center, we have formed a synergy for the cell businesses in mainland China and Hong Kong.

IV. Further expanded the Remaining Group's domestic industrial strategic layout

In order to realize the effective integration and rational distribution of existing industries and future businesses of the Remaining Group, through repeated inspections in the PRC, the Remaining Group decided to start by establishing an international research institute in Shanghai, which will take the lead in forming an industries park for the related tissue engineering, cell and cosmetic segments and the product lines proposed to be acquired through investment and M&A to achieve the Remaining Group's new industrial strategic layout in the PRC through setting up an important strategic foothold in Shanghai.

The Remaining Group has set up an investment and development center in Shanghai and decided to invest in Shanghai Lingang Songjiang Science and Technology Park after inspecting various industries parks in Shanghai. We are currently conducting further communication and expect to finalize the investment-related plan and sign the cooperation agreement in January of fiscal year 2018.

V. Further accelerated investment and M&A, and explored new products and new channels

The Remaining Group has always been committed to finding suitable business opportunities to further enrich its existing product lines in the areas of tissue engineering and cosmetics, etc.

As disclosed in the announcements of the Company dated 31 March 2017, 18 July 2017 and 7 November 2017, China Regenerative Medicine Limited, a wholly-owned subsidiary of the Company, subscribed a limited partnership interest in the Fund with an investment commitment of US$35 million (equivalent to approximately HK$272 million). The Fund was set up to invest in companies in the skin care and medical products industries. In November 2017, the Fund completed the full acquisition of the business of Obagi Medical Products ("**Obagi**"), a US drug store brand under the international biopharmaceutical company, Valeant Pharmaceuticals International, Inc. In order for the Remaining Group to fully realise the benefits of the Fund's acquisition of Obagi, and through the Remaining Group's investment in the Fund, the Remaining Group is exploring the opportunity to collaborate with Obagi to customize its products for sale and distribution through the Company's networks in Greater China. As Obagi is a leading US professional skin care brand, which introduced Nu-Derm as early as in 1988 to specialise in professional skin care products, its stellar products will become the knock-out products to be sold and distributed through the Remaining Group, and will deepen the Remaining Group's presence in the drug store industry and become a new profit contribution driver. Obagi's products include:

Obagi C20 Whitening Lotion: significantly improves skin tone, and could be referred to as the most effective whitening essence.

Obagi C10 Whitening Lotion: developed specially for Asian skin, it uses patented technology to help VC better penetrate the skin to ensure that the skin can be truly absorb VC.

Obagi Skin Correction Gel: contains 4% Obagi-HQ Factor, which corrects the entire skin tone and inhibits skin pigmentation.

Obagi Eye Cream: a refreshing moisturizing eye cream and a unique formula to effectively alleviate the dryness of delicate eye skin.

Obagi Healthy Skin Repair Series: systematically improves the skin texture and helps the skin restore healthy young radiance.

Further, as disclosed in the announcement of the Company dated 10 December 2017, the Remaining Group entered into a framework agreement in relation to the acquisition of Lung Hang Investments Limited, a pharmaceutical company, the sales and distribution networks of which in the production, distribution, trading and sales of Chinese patent medicines, chemical raw medicine, biochemical products, chemical pharmaceuticals and health food products can help with the channel expansion of the Remaining Group's existing tissue engineering and other products.

VI. Further expanded the market to improve business performance

The Remaining Group set out to expand its market of various product lines, enhance its product awareness and market share in the Fiscal Year 2017. The Remaining Group formulated a detailed business plan and market expansion strategy at the beginning of Fiscal Year 2017 and integrated resources to fully support such plans and strategy. Through continuous efforts throughout the period, all product lines achieved good results in terms of sales performance and recorded a significant year-on-year growth comparing to fiscal year 2016, thus laying the foundation for further market development in fiscal year 2018.

At present, products and operations for each business line of the Remaining Group are as follows:

1. Tissue engineering product line

The Remaining Group's tissue engineering product lines are situated in our three subsidiaries in Xi'an, Shaanxi and Shenzhen. The tissue engineering products include:

(1) Tissue Engineered Skin with Living Human Cells – ActivSkin®

ActivSkin®, being the first tissue-engineered skin approved by China Food and Drug Administration, is the only tissue-engineered skin containing living cells in the PRC. It is mainly used for healing deep 2nd degree and 3rd degree burn and scald wounds. It can relieve pain, shorten healing time and reduce scars in treating burns and scalds.

(2) Acellular Corneal Stroma – Acornea

Acornea is the world's first bio-engineering cornea that has completed clinical trials and has been successfully launched to market, establishing China's leading position in regenerative medicine research of corneal disease in the world. The total effective rate of clinical trials of Acornea reached 94.44% with the healing effect similar to that of donated cornea. In 2016, Acornea was reported by BBC as one of the five major scientific and technological revolutions from China, which had great contributions to the world. Its academic status allowed China to seize the initiative in the field of biomedical competition in the world.

(3) Calcined Bovine Bone – Gegreen

Gegreen is a protein-detracted bone substitute material for inducing natural bone regeneration, which is the first independently developed material for oral bone grafts in the PRC. It is made by extracting material from epiphysis cancellous bone of bovine femur, and then goes through the process of virus inactivation, degreasing, protein detracting and low-temperature calcination. It is extensively used for jawbone defect restoration, particularly in dental implantation and treatment of periodontal defects.

(4) Acellular Anal Fistula Repair Stroma – Asiunin

Asiunin is applied to simple anal fistula disease without going through fistulotomy operation which is traditionally used to cure anal fistula in western medicine. Fistulotomy operation has a chance to harm the sphincter muscle and causes relapses. It is believed that the relapse rate when using Asiunin for simple anal fistula is comparatively lower, bringing in revolutionary changes to anal fistula treatment. It can completely reshape the perianal tissue and protect the anal sphincter mechanism. Through minimally invasive operation, it can speed up the healing rate and shorten the hospitalization period.

(5) Oral Cavity Repair Membrane with Excellent Regeneration Capacity – Megreen

Megreen, a new product developed by Shaanxi Reshine Biotech Co. Ltd., a subsidiary of the Remaining Group, is currently in the process of applying for registration. Megreen is made from the bovine pericardium tissue with collagen as the main component through decellularization, virus inactivation and other treatments, which retains a natural three dimensional structure. Megreen can be widely used in the repair of oral cavity tissue with its advantages of natural double-layer membrane structure, superior mechanical performance and longer degradation time.

(6) Cell Sheet-Autologous Chondrocyte Implantation – CS-ACI

CS-ACI is a cartilage repair technology based on the world's leading cell sheet preparative technology. It is used for tissue repair and functional reconstruction of damaged articular cartilage. As the first 4th generation of autologous chondrocyte treatment technology developed by China, CSACI is used to produce transparent cartilage as a substitute for exogenous material to avoid cell loss. In addition, since suture is not necessary and it takes shorter time in the operation, it has a broad clinical prospect.

2. Cosmetics product line

(1) Skincare cosmetics brand – Ascara

The Remaining Group imports the original skincare cosmetics brand – Ascara with a history of more than 40 years from Switzerland. Ascara has various functions, such as skin relieving, anti-aging, skin whitening, anti-freckle and so on. It is a foreign high-end skincare product line targeted at the mass market. It has built an omni-channel sales network centering DS and then radiating to CS, covering e-commerce platforms and assisted by regional distributors.

3. Cell storage, preparation and services product line

Currently, the Remaining Group has established four cell storage and preparation centers in Tianjin, Suzhou (Jiangsu Province), Changzhou (Jiangsu Province) and Hong Kong. Further, the Remaining Group established Hong Kong International Regenerative Centre to address healthcare needs of customers at home and abroad.

(1) Tianjin Weikai

The Remaining Group's subsidiary Tianjin Weikai focuses on the R&D and applications of cell culture equipment and cell products, as well as providing cell-related outsourcing technical services. The self-developed 3DFlo cell culture instrument ensured the high quality cell reproduction and established an in vitro model to simulate in-vivo physical condition by utilizing automated continuous perfusion cell culture technology. Meanwhile, Tianjin Weikai has established a close cooperation relationship with Institute of Chemical Physics, Chinese Academy of Sciences and other scientific research institutes at home and abroad.

(2) AK Suzhou

In 2016, the Remaining Group's subsidiary AK (Suzhou) expanded the Phase II Cell Preparation Center. It provides high standards of service and equipment for cell clinical research, testing and applications leveraging on the Oxford R&D team's unique cell processing technology and reagent formula. Its core technologies include human cell separation, purification, cultivation, amplification, storage and transportation, as well as the development and production of automated closed cell bioreactors.

(3) Changzhou branch company, Jiangsu Province

Changzhou branch company of the Remaining Group has been identified as the technology transformation unit of Engineering Technology Research Center for Tumor Immunotherapy of Jiangsu Province, mainly responsible for industrial transformation and clinical applications of the R&D results achieved by the center. The scope of business mainly covers cellular therapy, cell storage, genetic testing, biological agents manufacturing.

(4) Hong Kong International Regenerative Centre

HKIRC, being the first large-scale comprehensive health care base for precision medicine in Hong Kong, was established by the Remaining Group at the Miramar Center in Tsim Sha Tsui, Hong Kong. In possession of precise medical technology, combining with precise physical examination and genetic testing, the centre aims to provide precise healthcare to meet the physical and mental needs from customers, including precise cellular therapy and precise medical beauty.

(5) BioCell Technology Limited

Located at Phase 3 of Hong Kong Science Park in Shatin, our China Stem Cell Clinical Applications Centre has started construction. Stem cell clinical application facilities meet the clean room standards from EMA, FDA, CFDA, TGA and GMP PIC/S. As Asia's first international cell and gene preparation center.

4. Hospital Management Division of the Remaining Group

The Remaining Group has obtained approval to establish a comprehensive medical institution in Hainan Bo'ao Lecheng International Medical Tourism Zone to further enrich and expand the Remaining Group's industrial lines and channels. The planning and design of the proposed hospital was completed in 2017, with steady progress made to date.

5. Overseas Business Division of the Remaining Group

The Remaining Group has completed the establishment and began operation of its offices in the United States and the United Kingdom, and the Japanese office is being set-up. In Fiscal Year 2017, with active expansion of overseas offices, it has established contacts with a number of companies and channels. The overseas sales of its tissue engineering products have already entered the implementation phase.

Business outlook

The Remaining Group initiated market strategies and operational policies outright during the year. By fully optimising its organisational structure, integrating operational teams, seeking quality talent with extensive industrial experience, and streamlining the management system and process, the Remaining Group further improved its industrial layout and market expansion. Besides, technology and product upgrades enabled the Remaining Group to cater to market and clinical application needs.

Meanwhile, the Remaining Group invested and established its own international research institute in Shanghai to strengthen cooperation with scientific research institutes at home and abroad, including Oxford University. In order to continuously enhance the Remaining Group's technology competitiveness of products and its role as an industry leader, the Remaining Group expanded the scope of product research and development as well as application of its products for commercial use. All these ensured the sustainable, healthy and steady development of the Remaining Group.

Future prospect

The fiscal year 2018 is an important year for the industrial strategic layout and market expansion of the Remaining Group. The Remaining Group will further adjust and optimize its organizational structure, improve its management and control processes, continue to strengthen the introduction of high-level management personnel, aggressively expand the marketing and sales of various industrial chains such as tissue engineering, cosmetics, and cells, etc., continue to enhance the operating performance of each industry and the profitability of the Company. At the same time, it will continue to seek investment opportunities in line with the strategic development of the Remaining Group both at home and abroad to promote the sustainable and steady development of the Remaining Group.

Financial review

Result

During the year, the Remaining Group made a change to the date of annual report, meaning the year-end date is changed from 30 April to 31 December. This report covers the eight months from 1 May to 31 December 2017 while the previous annual report covered the twelve months from 1 May 2016 to 30 April 2017.

The Remaining Group's revenue for the period ended 31 December 2017 was approximately HK$503.7 million, representing an increase of approximately HK$146.7 million or 41.1% as compared to the Remaining Group's revenue of approximately HK$357.0 million for the previous year ended 30 April 2017. The overall increase in revenue was attributable to an increase in revenue from two segments, namely cosmetic and others and medical equipment. Gross profit increased by 7.1% to approximately HK$147.3 million during the period, which was in line with the increase in revenue.

The Remaining Group recorded a revenue of approximately HK$122.6 million from sales of tissue engineering products for the period ended 31 December 2017, representing a slight decrease of 2.9% from last year because there are only eight months results in this period compared to 12 months results in last year. (for the year starting from 1 May 2016 to 30 April 2017: HK$126.3 million).

The Remaining Group recorded a revenue of approximately HK$2.1 million from provision of cell therapy service and sales of cell related medical equipment for the period ended 31 December 2017, representing a decrease of 22.2% from last year (for the year starting from May 2016 to April 2017: HK$2.7 million). The decrease was attributable to there are only eight months results in this period compared to 12 months results in last year.

The Remaining Group recorded a revenue of approximately HK$67.5 million from sales of cosmetic and other products for the period ended 31 December 2017, representing an increase of 50.3% from last year (for the year starting from 1 May 2016 to 30 April 2017: HK$44.9 million). The increase in sales was attributable to the Remaining Group's successful expansion of the Hong Kong and Taiwanese markets.

Sales of medical equipment for the period ended 31 December 2017 was approximately HK$311.5 million, representing an increase of 70.1% as compared to last year (for the year starting from 1 May 2016 to 30 April 2017: HK$183.1 million) because the Remaining Group has continued to further develop distribution channels to enhance sales.

During the period under review, the Remaining Group incurred a loss attributable to owners of the Company of approximately HK$158.5 million, as compared to a loss of approximately HK$184.5 million for last year. Loss for the Remaining Group decreased from last year, which is mainly attributable to the corresponding increase in gross profit as a result of increase in sales of our owned products and other income of approximately HK$35.2 million generated from the disposal of a subsidiary for the period but were offset by (i) decrease in interest income from loan receivable and bank balance, (ii) increase in advertising promotion expense to improve sales. During the period ended 31 December 2017, the per share loss attributable to the owners of the Company was HK$0.901 cent (for the year ended 30 April 2017: HK$1.049 cents).

The Remaining Group's total operating expenses for the period ended 31 December 2017 was approximately HK$328.3 million, representing a decrease of 15.7% as compared to last year. The expenses mainly consisted of (i) staff cost of HK$101.4 million (for the year starting from 1 May 2016 to 30 April 2017: HK$131.7 million); (ii) advertising, marketing and promotion expenses of HK$63.1 million (for the year starting from 1 May 2016 to 30 April 2017: HK$38.2 million); (iii) the amortization of intangible assets of approximately HK$30.4 million (for the year starting from 1 May 2016 to 30 April 2017: HK$41.0 million); and (iv) research and development costs of HK$26.7 million (for the year starting from 1 May 2016 to 30 April 2017: HK$56.0 million).

Net Assets

Net assets of the Remaining Group amounted to approximately HK$1,813.3 million as at 31 December 2017, as compared to approximately HK$1,907.9 million as at 30 April 2017, representing a decrease of 5.0%, which was mainly attributable to the loss incurred for the period.

Cash and Cash Equivalents

As at 31 December 2017, the Remaining Group had cash and cash equivalents of approximately HK$244.4 million (30 April 2017: HK$571.7 million). The decrease in cash and cash equivalent of approximately HK$327.3 million was mainly due to the following: (i) the Remaining Group has made investments in available-for-sale financial assets and acquisition of subsidiary of approximately HK$575.3 million; (ii) repayment of bank loans and payment of bank borrowings interests of HK$53.2 million; and (iii) utilisation of working capital to support the operation with the amounts of HK$193.3 million, whereas it was offset by the proceeds of HK$472.5 million from the shareholder's loans.

Working Capital and Gearing Ratio

As at 31 December 2017, the Remaining Group had current assets of approximately HK$1,176.4 million (30 April 2017: HK$1,017.1 million), while its current liabilities stood at approximately HK$761.7 million (30 April 2017: 176.3 million), representing a net current asset position with a working capital ratio (current assets to current liabilities) of 1.54 (30 April 2017: 5.77).

As at 31 December 2017, the gearing ratio of the Remaining Group, calculated as total bank borrowings to total equity, was 0.4 (30 April 2017: 0.4).

Capital Structure

During the period ended 31 December 2017, there was no material change to the Remaining Group's capital structure. As at 31 December 2017, the total number of issued shares of the Company was 17,585,790,000 (30 April 2017: 17,585,790,000).

Foreign exchange exposure

The Remaining Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. The Directors consider the risk of foreign exchange exposure of the Remaining Group is manageable. The management will continue to monitor the foreign exchange exposure of the Remaining Group and is prepared to take prudent measures such as hedging when appropriate actions are required.

Material acquisitions or disposal of subsidiaries and associated companies

As disclosed in the announcement of the Company dated 18 October 2017, the Company entered into a sale and purchase agreement with an independent Buyer (the "**Buyer**") through Shaanxi Aierfu ActivTissue Engineering Co., Ltd.* ("**Shaanxi Aierfu**"), being its indirect wholly-owned subsidiary, whereby Shaanxi Aierfu disposed all equity interests in Shaanxi Aimiya Bio-Technology Company Limited

("**Shaanxi Aimiya**", being a direct wholly-owned subsidiary of Shaanxi Aierfu) to the Buyer (the "Disposal"), at a consideration of approximately RMB17.3 million (equivalent to approximately HK$20.8 million).

Further, on 18 October 2017, Shaanxi Aierfu also entered into an assignment agreement with the Buyer to sell and assign the loan owed by Shaanxi Aimiya to Shaanxi Aierfu amounted to approximately RMB22.7 million (equivalent to approximately HK$27.4 million) (the "**Loan**"), at a consideration equivalent to the loan amount. Such consideration was determined after arm's length negotiation between Shaanxi Aierfu and the Buyer.

The total consideration of the Disposal and the assignment of the Loan amounted to RMB40 million (equivalent to HK$48.2 million). The Company had received a total of RMB40 million (equivalent to HK$48.2 million) from the said transactions as at 27 March 2018.

Save as disclosed above, the Remaining Group has no material acquisitions/ disposals of subsidiaries and associate during the period from 1 May 2017 to 31 December 2017.

Charges in assets and contingent liabilities

As at 31 December 2017, bank loans of HK$771.8 million were secured by the Remaining Group's pledged bank deposits with carrying amounts of HK$818.1 million (April 2017: HK$794.7 million). As at 31 December 2017, the Remaining Group had no material contingent liabilities (April 2017: Nil).

Details of future plans for material investment or capital assets

On 15 July 2017, China Regenerative Medicine Limited, a wholly-owned subsidiary of the Company, and Haitong International ZhongHua Finance GP Ltd. invested in the Fund whose investment objective was to acquire, hold and dispose skin therapy and medical product industries portfolio companies. The Company's initial capital investment in this regard was US$75 million (equivalent to approximately HK$585 million). On 7 November 2017, the Company's capital investment in the Fund was reduced to US$35 million (equivalent to approximately HK$272 million).

Save as disclosed above, the Remaining Group did not have any plans for material investment or capital assets during the period.

Employee information and remuneration policies

As at 31 December 2017, the Remaining Group had 449 (April 2017: 542) employees located in Hong Kong and Mainland China. As an equal opportunity employer, the Remaining Group's remuneration and bonus policies are determined with reference to the performance and experience of individual employees. The total amount of employee remuneration (including that of the Directors and retirement benefits scheme contributions) of the Remaining Group for the period was approximately HK$101.4 million (1 May 2016 to 30 April 2017: HK$131.7 million). In addition, the Remaining Group may offer options to employees as a recognition of and reward for their efforts and contributions to the Remaining Group.

C. For the financial year ended 31 December 2018

During the year ended 31 December 2018 ("**Fiscal Year 2018**"), on the principle of "Creating Regeneration for the Future" and under the strategic guidance of "Synergetic Development of Dual Cores and Two Wings", the Remaining Group focused on building an innovative industry model for "Internet + Regenerative Medicine" and established a platform for the bio-medical and healthcare industries in China, which integrated "Production, Study, Research and Medicine" on the basis of biological resource storage, with genetic testing and disease screening as its foundation, tissue engineering products as its instrument, healthcare and medical beauty as its initiative, big data and artificial intelligence as its carrier and scientific research centers as its guarantee. The Remaining Group further deepened and refined various management systems, continued its effective promotion of the five main lines of management and control, namely operation management, marketing management, financial management, human resources management and technical management, to continuously improve the management standards of the enterprise, and at the same time, achieved good results on the expansion of various industrial chains such as activated cell products, tissue engineering corneal products, tissue engineering oral materials as well as investment and M&A businesses.

Operations review

I. Deepened the implementation of the Remaining Group's management systems

The Remaining Group strengthened its operation and management of its subsidiaries. It also established the "Synergetic Development of Dual Cores and Two Wings" business strategy, set "Management Improvement" as its objective and established a business strategy of focusing on the market and striving for effectiveness, so as to continuously improve the Remaining Group's operating results.

By constantly consolidating the foundation of the Remaining Group's management, the rights and responsibilities of the three-tier organizational system, i.e. the Remaining Group, the business divisions and the subsidiaries, have been clearly defined, bringing smoother communication and improved management.

II. Rationalized the industrial layout, optimized the product structure and formed the Remaining Group's advantages

In Fiscal Year 2018, the Remaining Group further advanced its industrial layout in accordance with the management standards and status of each industry segment of the Remaining Group, added the newly acquired industries to the Remaining Group's industrial segments and optimized its organizational structure.

1. Reorganization of the Remaining Group's existing members and products and redefinition of its product lines

The Remaining Group formulated and gradually implemented its development plans for the next five years according to its overall operation and development strategy. On the basis of the Company's existing industrial foundation and technological advantages, combining with the national industrial policies, the Remaining Group put forward the overall development strategy of "Dual Cores and Two Wings". In particular, "Dual Cores" means to focus on the two business segments of stem cell and tissue engineering, and "Two Wings" means to vigorously develop healthcare and medical beauty businesses as two strategic growth points of the Company in the future. Driven by the products and technologies of the dual cores, the Company will develop rapidly in two wings. Under the guidance of such plans, the Company has formed its existing business lines of "activated cells", "tissue engineering corneas" and "tissue engineering oral materials", which will help the Company to focus more on its existing advantages and concentrate on achieving business breakthroughs in the future.

2. Comprehensive launch of cell segment with the synergy of each base

Cell segment has currently begun to take shape after the Remaining Group's full start from fiscal year 2017. In Fiscal Year 2018, the Remaining Group set up a cell storage and preparation center in Beijing as its foothold across the country. Leveraged on the core position of the Beijing Center, the Remaining Group provided unified production process, quality control standards, production materials and personnel reserve for Shaanxi Base, Tianjin Base, Shenzhen Base, Hong Kong Base and Jiangsu Base, in order to further implement the core management function of Beijing Center in Mainland China.

Meanwhile, the layout of domestic regional markets has been primarily completed, which provides certain preconditions and necessary guarantees for the business growth in fiscal year 2019. Through service function improvement and service flow optimization of the Hong Kong International Regenerative Center and BioCell Technology Limited, we have formed a synergy for the cell businesses in mainland China and Hong Kong.

3. Conducting the activated cell sector business based on Shaanxi Base

Based on ActivSkin, the first tissue-engineered skin approved by China Food and Drug Administration and the only tissue-engineered skin containing living cells in the PRC, as well as Shaanxi Aierfu, the only approved GMP production workshop in the PRC for technical transformation and production research and development, the Remaining Group expanded the application scenarios of ActivSkin, utilized it as a carrier for high-tech surgical dressings and medical beauty products, so as to increase the sales channels and significantly enhance the sales volume of ActivSkin.

At the same time, the Remaining Group took advantage of the technology strength in Beijing Center to build a biological resource storage center and a cell center for Shaanxi Base, so as to expand the business types of Shaanxi Base, and create new growth points for the Company's operation and sales.

With the combination of Obagi Medical Products, a U.S cosmeceutical brand, Ascara, a Swiss brand and AMYbio, a biomedical active cosmetic, the Remaining Group formed a product line of medical testing, medical beauty treatments and daily maintenance for the whole life cycle, which provided strong guarantee for the Company's performance improvement.

III. Optimized and expanded the domestic industrial layout

In order to realize the effective integration and rational distribution of existing industries and future businesses of the Remaining Group, through repeated inspections in the People's Republic of China (the "PRC"), the Remaining Group formed an industries park for the related tissue engineering, cell and cosmetic segments and the product lines proposed to be acquired through investment and M&A to achieve the Remaining Group's new industrial strategic layout in the PRC through setting up an important strategic foothold in Shanghai.

IV. Continuously optimized the Remaining Group's existing products through great investment in research and development

1. Carrying out the storage business in respect of fibroblasts and dental pulp stem cells

After years of research and development and repeated verifications, the Remaining Group has formed a set of industry-leading production processes for fibroblast and dental pulp stem cell storage, which was put into operation in Shaanxi Base in Fiscal Year 2018 with the storage of various samples. The storage business in respect of fibroblasts and dental pulp stem cells has brought simultaneous harvests for both of the Remaining Group's technical level in research and economic benefits in operation.

2. Third-generation corneas of AiNear entering the approval process

Acornea, a tissue engineering cornea self-developed by Shenzhen AiNear Cornea Engineering Company Limited, is the world's first bio-engineering cornea that has completed clinical trials and has been successfully launched to market, establishing China's leading position in regenerative medicine research of corneal disease in the world. At present, the third generation of tissue engineering corneas has also been successfully developed. Its commercial launch will greatly expand the application of artificial corneas, improve the success rate, and also greatly reduce the difficulty, of tissue engineering corneal transplantation.

3. Application of cell detection and preparation kits as well as stem cell drugs

After constant research and exploration as well as unremitting efforts, the Remaining Group has completed its research and development on several types of cell detection and preparation kits in Fiscal Year 2018. Currently, it has submitted approval information to relevant competent authorities, which has entered the approval process.

Meanwhile, the research and application information on the drugs in respect of umbilical cord mesenchymal stem cells, self-developed by the Remaining Group for the treatment of acute-on-chronic liver failure, has been completed and submitted to FDA through a third party agency. Once approved, it will be an epoch-making initiative and product in the history of stem cells in China, and also the first drug to treat acute-on-chronic liver failure with umbilical cord mesenchymal stem cells.

V. Internet + Healthcare Stations

In Fiscal Year 2018, the Remaining Group engaged several experts in the Internet industry with considerable rewards to focus on the integration of the Internet, big data and healthcare industries. As a result, various systems were launched successively, which laid a solid technical and data foundation for health data collection, analysis and implementation of Internet applications in the future. At the same time, some preliminary results have been achieved in line with the Remaining Group's innovative business model of "Healthcare Stations on the One Belt and One Road" proposed in Fiscal Year 2018. Therefore, it is believed that the integrated online to offline (O2O) Internet + healthcare industry platform will be gradually formed in the future.

At present, products and operations for each business line of the Remaining Group are as follows:

1. Activated cell product line

The business under the Remaining Group's activated cell product line will be operated in our Beijing Center, Shaanxi Base, Tianjin Base, Jiangsu Base and Hong Kong Base, and cover the products as below:

(1) Tissue Engineered Skin with Living Human Cells – ActivSkin

ActivSkin, being the first tissue-engineered skin approved by China Food and Drug Administration, is the only tissue-engineered skin containing living cells in the PRC. It is mainly used for healing deep 2nd degree and 3rd degree burn and scald wounds. It can relieve pain, shorten healing time and reduce scars in treating burns and scalds.

(2) Neonatal biological resource storage

Perinatal hematopoietic stem cell storage;
Umbilical cord mesenchymal stem cell storage;
Early childhood hematopoietic stem cell storage;
Placental subtotipotent stem cell storage;

(3) Dental pulp stem cell storage

(4) Fibroblast stem cell storage

(5) Medical beauty related products

Skin bank project;
Facial living cell implant preparation;
Skincare cosmetics brand – Ascara;
Obagi cosmeceutical products;
Biomedical active cosmetic–AMYbio;

(6) Healthcare related products

Autoimmune cell storage;
Autoimmune cell return;
Mesenchymal stem cell preparations;

(7) Genetic testing related projects

The companies involved in the above businesses include:

(i) Tianjin Weikai

The Remaining Group's subsidiary Tianjin Weikai focuses on the R&D and applications of cell culture equipment and cell products, as well as providing cell-related outsourcing technical services. The self-developed 3DFlo cell culture instrument ensured the high quality cell reproduction and established an in vitro model to simulate in-vivo physical condition by utilizing automated continuous perfusion cell culture technology. Meanwhile, Tianjin Weikai has established a close cooperation relationship with Institute of Chemical Physics, Chinese Academy of Sciences and other scientific research institutes at home and abroad.

(ii) AK Suzhou

The Remaining Group's subsidiary AK (Suzhou) provides high standards of service and equipment for cell clinical research, testing and applications leveraging on the Oxford R&D team's unique cell processing technology and reagent formula. Its core technologies include human cell separation, purification, cultivation, amplification, storage and transportation, as well as the development and production of automated closed cell bioreactors.

(iii) Changzhou branch company, Jiangsu Province

Changzhou branch company of the Remaining Group has been identified as the technology transformation unit of Engineering Technology Research Center for Tumor Immunotherapy of Jiangsu Province, mainly responsible for industrial transformation and clinical applications of the R&D results achieved by the center. The scope of business mainly covers cellular therapy, cell storage, genetic testing, biological agents manufacturing.

(iv) Hong Kong International Regenerative Centre

HKIRC, being the first large-scale comprehensive health care base for precision medicine in Hong Kong, was established by the Remaining Group at the Miramar Center in Tsim Sha Tsui, Hong Kong. In possession of precise medical technology, combining with precise physical examination and genetic testing, the centre aims to provide precise healthcare to meet the physical and mental needs from customers, including precise cellular therapy and precise medical beauty.

(v) BioCell Technology Limited

Located at Phase 3 of Hong Kong Science Park in Shatin, our China Stem Cell Clinical Applications Centre has started construction. Stem cell clinical application facilities meet the clean room standards from EMA, FDA, CFDA, TGA and GMP PIC/S, as Asia's first international cell and gene preparation center.

2. Tissue engineering corneal product line

(i) Acellular Corneal Stroma – Acornea

Acornea is the world's first bio-engineering cornea that has completed clinical trials and has been successfully launched to market, establishing China's leading position in regenerative medicine research of corneal disease in the world. The total effective rate of clinical trials of Acornea reached 94.44% with the healing effect similar to that of donated cornea. In 2016, Acornea was reported by BBC as one of the five major scientific and technological revolutions from China, which had great contributions to the world. Its academic status allowed China to seize the initiative in the field of biomedical competition in the world.

3. Tissue engineering oral material product line

(i) Calcined Bovine Bone – Gegreen

Gegreen is a protein-detracted bone substitute material for inducing natural bone regeneration, which is the first independently developed material for oral bone grafts in the PRC. It is made by extracting material from epiphysis cancellous bone of bovine femur, and then goes through the process of virus inactivation, degreasing, protein detracting and low-temperature calcination. It is extensively used for jawbone defect restoration, particularly in dental implantation and treatment of periodontal defects.

(ii) Acellular Anal Fistula Repair Stroma – Asiunin

Asiunin is applied to simple anal fistula disease without going through fistulotomy operation which is traditionally used to cure anal fistula in western medicine. Fistulotomy operation has a chance to harm the sphincter muscle and causes relapses. It is believed that the relapse rate when using

Asiunin for simple anal fistula is comparatively lower, bringing in revolutionary changes to anal fistula treatment. It can completely reshape the perianal tissue and protect the anal sphincter mechanism. Through minimally invasive operation, it can speed up the healing rate and shorten the hospitalization period.

(iii) Oral Cavity Repair Membrane with Excellent Regeneration Capacity – Megreen

Megreen, a new product developed by Shaanxi Reshine Biotech Co. Ltd., a subsidiary of the Remaining Group, after the completion of application and registration procedures, is currently in the process of pending approval with great possibility of being approved. Megreen is made from the bovine pericardium tissue with collagen as the main component through decellularization, virus inactivation and other treatments, which retains a natural three dimensional structure. Megreen can be widely used in the repair of oral cavity tissue with its advantages of natural double-layer membrane structure, superior mechanical performance and longer degradation time.

(iv) Cell Sheet-Autologous Chondrocyte Implantation – CS-ACI

CS-ACI is a cartilage repair technology based on the world's leading cell sheet preparative technology. It is used for tissue repair and functional reconstruction of damaged articular cartilage. As the first 4th generation of autologous chondrocyte treatment technology developed by China, CSACI is used to produce transparent cartilage as a substitute for exogenous material to avoid cell loss. In addition, since suture is not necessary and it takes shorter time in the operation, it has a broad clinical prospect. In Fiscal Year 2018, the Remaining Group has cooperated with Dalian Medical University and achieved gratifying results.

4. Overseas Business Division of the Remaining Group

The Remaining Group has completed the establishment and began operation of its offices in the United States and the United Kingdom, and the Japanese office is being set-up. In Fiscal Year 2018, with active expansion of overseas offices, it has established contacts with a number of companies and channels. The overseas sales of its tissue engineering products have already entered the implementation phase.

Future prospect

In fiscal year 2019, with the continuous improvement of national stem cell and healthcare industry policies, a new era of life science and technology development is coming soon. In respect of the future development plan of the Company, according to the current resources and the needs in future development, the Company has proposed overall strategy of Dual Cores and Two Wings, which provides an important guarantee for the active implementation of such strategic plan. In order to realize the dual-core and two-wing strategy in the business development layout, the stem cell storage business will provide performance support for the development of the Company in a medium term, while the healthcare antiaging business, based on the development foundation and market channels of the team for more than three years, can quickly provide performance support for the Company in a short term. With respect to the implementation of two-wing strategy, on the basis of many products and base resources of the Company, with the support of national pilot zones in Boao, Hainan and Beidaihe, the Company has the potential to maintain continuous and rapid development through active operation, and thus to become a leader in healthcare and medical beauty industries. From a strategic perspective, stem cell drug research and development and cell preparation research are important guarantees for the Company's future development in the medium and long term, and also significant service contents of the healthcare and medical beauty strategies, which have positive strategic value for the development of the Company. It is foreseeable that the Company will achieve rapid development in the fields of regenerative medicine, tissue engineering, stem cell storage and stem cell drugs as well as anti-aging healthcare management so as to become an industrial leader and standard setter, as well as an epitome of life technology and healthcare management businesses.

Financial review

Result

In 2017, the Remaining Group made a change to the date of annual report, meaning the year-end date is changed from 30 April to 31 December. This report covers the twelve months from 1 January to 31 December 2018 while the previous annual report covered the eight months from 1 May 2017 to 31 December 2017.

The Remaining Group recorded a revenue of approximately HK$73.0 million for the year ended 31 December 2018, representing a decrease of 85.5% from last period (2017: HK$503.7 million). Gross profit decreased by 81.7% to approximately HK$27.0 million from last period (2017: HK$147.3 million), whereas gross profit margin increased from 29.2% of last period to 37.0% of this year. The Remaining Group recorded a loss for the year ended 31 December 2018 of approximately HK$1,283.9 million (2017: HK$166.2 million).

The Remaining Group recorded a revenue of approximately HK$12.5 million from sales of dermatology, cosmetic products and others for the year ended 31 December 2018, representing a decrease of 82.4% from last period (2017: HK$71.2 million). Such decrease was due to the fact that the Remaining Group has focused to manage the credit risk of cosmetics products and others.

The Remaining Group recorded a revenue of approximately HK$5.3 million from sales of ophthalmology products for the year ended 31 December 2018, representing a decrease of 90.4% from last period (2017: HK$55.6 million). This was due to the change in the distribution strategy of the products during the year, which affected the production and sales in various markets, and resulting in a decrease in revenue for the year as compared with last period.

The Remaining Group recorded a revenue of approximately HK$19.4 million from sales of stomatology products and others for the year ended 31 December 2018, representing a decrease of 69.5% from last period (2017: HK$63.6 million) which was mainly attributable to adjustments in sales and distribution strategy during the year.

The Remaining Group recorded a revenue of approximately HK$6.9 million from sales of cell and healthcare products and services for the year ended 31 December 2018, representing a increase of 271.0% from last period (2017: HK$1.9 million). This was mainly attributable to the subsidiaries named HK International Regenerative Centre Limited and BioCell Technology Limited having commenced operation since mid 2017.

Sales of medical equipment for the year ended 31 December 2018 was approximately HK$28.9 million, representing a decrease of 90.7% as compared to last period (2017: HK$311.5 million) as the Remaining Group reduces less profitable medical equipment trading business.

During the year under review, the Remaining Group incurred a loss attributable to owners of the Company of approximately HK$1,193.5 million, as compared to a loss of approximately HK$158.5 million for last period. Loss for the Remaining Group increased from last period, which is mainly attributable to the corresponding (i) decrease in gross profit of approximately HK$120.3 million as a result of decrease in sales of our owned products; (ii) expected credit loss on trade receivables of approximately HK$139.0 million was due to the adoption of new accounting standard and model for the recoverability assessment, (iii) impairment loss of goodwill, property, plant and equipments and intangible assets of approximately HK$646.7 million was due to the poor financial performance of the business units and the change of the Remaining Group's operating, marketing and sales strategies; and (iv) the fair value loss on financial assets at fair value through profit or loss of approximately HK$113.8 million. During the year ended 31 December 2018, the per share loss attributable to the owners of the Company was HK6.787 cent (for the year ended 31 December 2017: HK0.901 cents).

The Remaining Group's total operating expenses for the year ended 31 December 2018 amounted to approximately HK$458.7 million, representing an increase of 39.7% as compared to last 8 months period (2017: HK$328.3 million), which mainly consisted of, employee benefit expenses of approximately HK$110.6 million (2017: HK$101.4 million), amortisation and depreciation expenses of approximately HK$69.7 million (2017: HK$41.0 million), research and development costs of approximately HK$32.4 million (2017: HK$26.7 million), advertising and marketing expenses of approximately HK$99.2 million (2017: HK$63.1 million) and exchange loss of approximately HK$21.1 million (2017: exchange gain of HK$1.6 million).

Net Assets

Net assets of the Remaining Group amounted to approximately HK$567.3 million as at 31 December 2018, as compared to approximately HK$1,813.3 million as at 31 December 2017, representing a decrease of 68.7%, which was mainly attributable to the loss incurred for the year.

Cash and Cash Equivalents

As at 31 December 2018, the Remaining Group had cash and cash equivalents of approximately HK$20.1 million (31 December 2017: HK$244.4 million). The decrease in cash and cash equivalent of approximately HK$224.3 million was mainly due to the following: (i) the Remaining Group has made repayment of shareholder's loan of approximately HK$214.2 million; (ii) repayment of bank loans and payment of bank borrowings interests of HK$365.2 million; and (iii) deposit for acquisition of subsidiaries of HK$45.5 million whereas it was offset by the proceed of HK$400.5 million from the release of pledged bank deposits.

Working Capital and Gearing Ratio

As at 31 December 2018, the Remaining Group had current assets of approximately HK$866.6 million (31 December 2017: HK$1,176.4 million), while its current liabilities stood at approximately HK$623.1 million (31 December 2017: HK$761.7 million), representing a net current asset position with a working capital ratio (current assets to current liabilities) of 1.39 (31 December 2017: 1.54).

As at 31 December 2018, the gearing ratio of the Remaining Group, calculated as total bank borrowings to total equity, was 0.7 (31 December 2017: 0.4).

Capital Structure

During the year ended 31 December 2018, there was no material change to the Remaining Group's capital structure. As at 31 December 2018, the total number of issued shares of the Company was 17,585,790,000 (31 December 2017: 17,585,790,000). The Remaining Group generally financed its operations and investing activities primarily with the proceeds from fund raising activities and through working capital from shareholder's loan.

Foreign exchange exposure

The Remaining Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. The Directors consider the risk of foreign exchange exposure of the Remaining Group is manageable. The management will continue to monitor the foreign exchange exposure of the Remaining Group and is prepared to take prudent measures such as hedging when appropriate actions are required.

Material acquisitions or disposal of subsidiaries and associated companies

Save as disclosed in the Company's published annual report for the year ended 31 December 2018, the Remaining Group has no material acquisitions or disposals of subsidiaries and associate during the year.

Charges in assets and contingent liabilities

As at 31 December 2018, bank loans of HK$389.3 million (2017: HK$771.8 million) were secured by the Remaining Group's pledged bank deposits with carrying amounts of HK$417.6 million (2017: HK$818.1 million). As at 31 December 2018, the Remaining Group had no material contingent liabilities (2017: Nil).

Details of future plans for material investment or capital assets

Save as disclosed in the Company's published annual report for the year ended 31 December 2018, the Remaining Group did not have any concrete plans for material investment or capital assets as at 31 December 2018.

However, the Remaining Group will continue to seek investment opportunities in line with the strategic development of the Remaining Group both at home and abroad to promote the sustainable and steady development of the Remaining Group.

Employee information and remuneration policies

As at 31 December 2018, the Remaining Group had 334 (2017: 449) employees located in Hong Kong and Mainland China. As an equal opportunity employer, the Remaining Group's remuneration and bonus policies are determined with reference to the performance and experience of individual employees. The total amount of employee remuneration (including that of the Directors and retirement benefits scheme contributions) of the Remaining Group for the year was approximately HK$110.6 million (period from 1 May 2017 to 31 December 2017: HK$101.4 million). In addition, the Remaining Group may offer options to employees as a recognition of and reward for their efforts and contributions to the Remaining Group.

D. For the financial year ended 31 December 2019

During the year ended 31 December 2019, the Remaining Group continued to follow the principle of "Creating Regeneration for the Future" and "Synergetic Development of Dual Cores and Two Wings". The Remaining Group continued to build an innovative industry model for "Internet +Regenerative Medicine" and established a platform for the bio-medical and healthcare industries in China, which integrated "Production, Study, Research and Medicine" on the basis of biological resource storage, with genetic testing and disease screening as its foundation, tissue engineering products as its instrument, healthcare and medical beauty as its initiative, big data and artificial intelligence as its carrier and scientific research centers as its guarantee. The Remaining Group strengthened various management systems, continued its effective promotion of the five main lines of management and control, namely operation management, marketing management, financial management, human resources management and technical management, to continuously improve the management standards of the enterprise.

Operations review

I. Completed the reorganization of the Remaining Group's internal structure and constantly improved systems

The Remaining Group implemented in the first half of 2019, the corporate reorganization of its subsidiaries' structure, vertical management, and constantly improved various systems to improve the level of standardized operation for each subsidiary to adapt to the rapid and ever-changing market environment. The Remaining Group continued to strengthen its operation and management of its subsidiaries.

By constantly consolidating the foundation of the Remaining Group's management, the Remaining Group was able to clearly define the rights and responsibilities of its organizational system and hence facilitated a smoother communication and improved the management.

II. Rationalized the industrial layout, optimized the product structure and formed the Remaining Group's advantages

1. Reorganization of the Remaining Group's existing corporate structure and products and redefinition of its product lines

The Remaining Group formulated and gradually implemented its development plans for the next five years according to its overall operation and development strategy. On the basis of the Company's existing industrial foundation and technological advantages and the national industrial policies, the Remaining Group put forward the overall development strategy of "Dual Cores and Two Wings" as two strategic growth points of the Company in the future. Driven by the products and technologies of the Dual Cores, the Company will develop rapidly in Two Wings. Under the guidance of such plans, the Company has formed its existing business lines of "activated cells", "tissue engineering corneas" and "tissue engineering oral materials", which will help the Company to focus more on its existing advantages and concentrate on achieving business breakthroughs in the future.

2. Comprehensive launch of cell segment with the synergy of each base

Focusing on stem cell storage business, the segment provided uniform production processes, quality control standards, production materials and personnel storage in Hong Kong and China. Meanwhile, the layout of domestic regional markets has been primarily completed. Through service function improvement and service flow optimization of the Hong Kong International Regenerative Center and BioCell Technology Limited, we have formed a synergy for the cell businesses in China and Hong Kong. With the combination of Obagi Medical Products, a U.S. cosmeceutical brand, Ascara, a Swiss brand and AMYbio, a biomedical active cosmetic, the Remaining Group provided a comprehensive product line of medical testing, medical beauty treatments and daily maintenance for the whole life cycle, which will continue to contribute to the Company's performance.

3. Vigorously encouraged the development of tissue engineering product segment

The Remaining Group actively encouraged AiNear to promote the sales of corneal products through flexible and market-oriented incentive policies, to adapt to market demand; encouraged Reshine to further strengthen the market development for its products; and encouraged the companies in the tissue engineering product sector to actively introduce other products as supplement for the existing products.

III. Optimized and expanded the domestic industrial layout

In order to realize the effective integration and rational distribution of existing industries and future businesses of the Remaining Group, the Remaining Group established an industrial park in Shanghai as an important strategic foothold for (i) the related tissue engineering; (ii) cell and cosmetic segments; and (iii) future potential product lines proposed to be to achieve the Remaining Group's new industrial strategic layout in China.

IV. Continuously optimized the Remaining Group's existing products through great investment in research and development

1. Carrying out the storage business in respect of fibro blasts and dental pulp stem cells

The Remaining Group has formed a set of industry-leading production processes for fibroblast and dental pulp stem cell storage, which was put into operation in Shaanxi Base in Fiscal Year 2018 with the storage of various samples. The storage business in respect of fibroblasts and dental pulp stem cells has enhanced the Remaining Group's technical level in research and economic benefits in operation.

2. Third-generation corneas of AiNear entering the approval process

Acornea, a tissue engineering cornea self- developed by Shenzhen AiNear Cornea Engineering Company Limited. Its commercial launch will greatly expand the application of artificial corneas, improve the success rate, and also greatly reduce the difficulty, of tissue engineering corneal transplantation.

3. Application of cell detection and preparation kits as well as stem cell drugs

After constant research and exploration as well as update unremitting efforts, the Remaining Group has completed its research and development on several types of cell detection and preparation kits in during the year ended 31 December 2018. Currently, it has submitted approval information to relevant competent authorities, and has entered the approval process.

The drugs in respect of umbilical cord mesenchymal stem cells, self-developed by the Remaining Group for the treatment of acute-on-chronic liver failure, has been completed and submitted to FDA through a third party agency. Once approved, it will be an epoch-making initiative and product in the history of stem cells in China, and also the first drug to treat acute-on-chronic liver failure with umbilical cord mesenchymal stem cells.

V. Internet + healthcare stations

For 2019, further results have been achieved in line with the Remaining Group's innovative business model of "Healthcare Stations on the One Belt and One Road" proposed in 2018. Therefore, it is believed that the integrated online to offline (o2o) Internet + healthcare industry platform will be gradually formed in the future.

Currently, the products and businesses of the Remaining Group's various industrial chains include:

1. Activated cell product line

The business under the Remaining Group's activated cell product line will be operated in our Beijing Center, Shaanxi Base, Tianjin Base, Jiangsu Base and Hong Kong Base, and cover the products as below:

(1) Tissue Engineered Skin with Living Human Cells – ActivSkin

ActivSkin, being the first tissue-engineered skin approved by China Food and Drug Administration, is the only tissue-engineered skin containing living cells in China. It is mainly used for healing deep 2nd degree and 3rd degree burn and scald wounds. It can relieve pain, shorten healing time and reduce scars in treating burns and scalds.

(2) Neonatal biological resource storage

Perinatal hematopoietic stem cell storage;
Umbilical cord mesenchymal stem cell storage;
Early childhood hematopoietic stem cell storage;
Placental subtotipotent stem cell storage;

(3) Dental pulp stem cell storage

(4) Fibroblast stem cell storage

(5) Medical beauty related products

Skin bank project;
Facial living cell implant preparation;
Skincare cosmetics brand – Ascara;
Obagi cosmeceutical products;
Biomedical active cosmetic–AMYbio;

(6) Healthcare related products

Autoimmune cell storage;
Autoimmune cell return;
Mesenchymal stem cell preparations;

(7) Genetic testing related projects

The companies involved in the above businesses include:

(i) Tianjin Weikai

The Remaining Group's subsidiary Tianjin Weikai focuses on the R&D and applications of cell culture equipment and cell products, as well as providing cell-related outsourcing technical services. The self-developed 3DFlo cell culture instrument ensured the high quality cell reproduction and established an in vitro model to simulate in-vivo physical condition by utilizing automated continuous perfusion cell culture technology. Meanwhile, Tianjin Weikai has established a close cooperation relationship with Institute of Chemical Physics, Chinese Academy of Sciences and other scientific research institutes at home and abroad.

(ii) AK Suzhou

The Remaining Group's subsidiary AK (Suzhou) provides high standards of service and equipment for cell clinical research, testing and applications leveraging on the Oxford R&D team's unique cell processing technology and reagent formula. Its core technologies include human cell separation, purification, cultivation, amplification, storage and transportation, as well as the development and production of automated closed cell bioreactors.

(iii) Hong Kong International Regenerative Centre

HKIRC, being the first large-scale comprehensive health care base for precision medicine in Hong Kong, was established by the Remaining Group at the Miramar Center in Tsim Sha Tsui, Hong Kong. In possession of precise medical technology, combining with precise physical examination and genetic testing, the centre aims to provide precise healthcare to meet the physical and mental needs from customers, including precise cellular therapy and precise medical beauty.

(iv) BioCell Technology Limited

Located at Phase 3 of Hong Kong Science Park in Shatin, our China Stem Cell Clinical Applications Centre has started construction. Stem cell clinical application facilities meet the clean room standards from EMA, FDA, CFDA, TGA and GMP PIC/S, as Asia's first international cell and gene preparation center.

2. Tissue engineering corneal product line

(i) Acellular Corneal Stroma – Acornea

Acornea is the world's first bio-engineering cornea that has completed clinical trials and has been successfully launched to market, establishing China's leading position in regenerative medicine research of corneal disease in the world. The total effective rate of clinical trials of Acornea reached 94.44% with the healing effect similar to that of donated cornea. In 2016, Acornea was reported by BBC as one of the five major scientific and technological revolutions from China, which had great contributions to the world. Its academic status allowed China to seize the initiative in the field of biomedical competition in the world.

3. Tissue engineering oral material product line

(i) Calcined Bovine Bone – Gegreen

Gegreen is a protein-detracted bone substitute material for inducing natural bone regeneration, which is the first independently developed material for oral bone grafts in the PRC. It is made by extracting material from epiphysis cancellous bone of bovine femur, and then goes through the process of virus inactivation, degreasing, protein detracting and low-temperature calcination. It is extensively used for jawbone defect restoration, particularly in dental implantation and treatment of periodontal defects.

(ii) Acellular Anal Fistula Repair Stroma – Asiunin

Asiunin is applied to simple anal fistula disease without going through fistulotomy operation which is traditionally used to cure anal fistula in western medicine. Fistulotomy operation has a chance to harm the sphincter muscle and causes relapses. It is believed that the relapse rate when using Asiunin for simple anal fistula is comparatively lower, bringing in revolutionary changes to anal fistula treatment. It can completely reshape the perianal tissue and protect the anal sphincter mechanism. Through minimally invasive operation, it can speed up the healing rate and shorten the hospitalization period.

(iii) Oral Cavity Repair Membrane with Excellent Regeneration Capacity – Megreen

Megreen, a new product developed by Shaanxi Reshine Biotech Co. Ltd., a subsidiary of the Remaining Group, after the completion of application and registration procedures, is currently in the process of pending approval with great possibility of being approved. Megreen is made from the bovine pericardium tissue with collagen as the main component through decellularization, virus inactivation and other treatments, which retains a natural three dimensional structure. Megreen can be widely used in the repair of oral cavity tissue with its advantages of natural double-layer membrane structure, superior mechanical performance and longer degradation time.

(iv) Cell Sheet-Autologous Chondrocyte Implantation – CS-ACI

CS-ACI is a cartilage repair technology based on the world's leading cell sheet preparative technology. It is used for tissue repair and functional reconstruction of damaged articular cartilage. As the first 4th generation of autologous chondrocyte treatment technology developed by China, CSACI is used to produce transparent cartilage as a substitute for exogenous material to avoid cell loss. In addition, since suture is not necessary and it takes shorter time in the operation, it has a broad clinical prospect. Since 2018, the Remaining Group has cooperated with Dalian Medical University, and achieved further results in the first half of 2019.

4. Overseas Business Division of the Remaining Group

The Remaining Group has completed the establishment and began operation of its offices in the United States and the United Kingdom, and the Japanese office is being set-up. In Fiscal Year 2019, with active expansion of overseas offices, it has established contacts with a number of companies and channels. The overseas sales of its tissue engineering products have already entered the implementation phase.

Future prospect

The Remaining Group continues to strive for opportunity to widen its business scope in the medicine industry and reallocate its resources when appropriate, to strengthen and maintain as one of the leading pioneers in the medical and related industries. The Chinese government has committed to provide support towards hi-tech industries, including regenerative medicine, a sub-division of the bio-medical industries. We will continuously strive for more assistance from the Chinese government to provide additional resources for broadening our R&D coverage in regenerative medicine and related medical device spectrum. Stem cell therapy and research and development of stem cell pharmaceutical products, precision disease detection and prevention in massive health as well as precision treatment have already been initiated.

Financial review

Result

The Remaining Group recorded a revenue of approximately HK$48.0 million for the year ended 31 December 2019, representing a decrease of 34.2% from last year (2018: HK$73 million). Gross profit increased by 7.1% to approximately HK$28.9 million from last period (2018: 27.0 million), whereas gross profit margin increased from 37.0% of last year to 60.3% of this year. The Remaining Group recorded a loss for the year ended 31 December 2019 of approximately HK$425.0 million (2018: 1,283.9 million).

The Remaining Group recorded a revenue of approximately HK$9.5 million from the sales of dermatology, cosmetic products and others for the year ended 31 December 2019, representing a decrease of 24% from last year (2018: HK$12.5 million). Such decrease was due to the fact that the Remaining Group had focused to manage the credit risk of cosmetics products and others.

The Remaining Group recorded a revenue of approximately HK$4.4 million from sales of ophthalmology products for the year ended 31 December 2019, representing a decrease of 17% from last year (2018:HK$5.3 million). This was due to the change in the distribution strategy of the products during the year.

The Remaining Group recorded a revenue of approximately HK$21.5 million from sales of stomatology products and others for the year ended 31 December 2019, representing an increase of 10.8% from last year (2018: HK$19.4 million) which was mainly attributable to promotion efforts during the year.

The Remaining Group recorded a revenue of approximately HK$12.5 million from sales of cell and healthcare products and services for the year ended 31 December 2019, representing an increase of 81.2% from last period (2018: HK$6.9 million). This was mainly attributable to continued efforts by the subsidiaries named HK International Regenerative Centre Limited and BioCell Technology Limited.

Sales of medical equipment for the year ended 31 December 2019 was approximately HK$0.06 million, representing a decrease of 99.8% as compared to last period (2018: HK$28.9 million) as the Remaining Group continued to reduce less profitable medical equipment trading business.

During the year under review, the Remaining Group incurred a loss attributable to owners of the Company of approximately HK$380.8 million, as compared to a loss of approximately HK$1,193.5 million for last period. Loss for the Remaining Group decreased from last period, which is mainly attributable to the corresponding (i) decrease in expected credit loss on trade and other receivables of approximately HK$115.8 million; (ii) decrease in impairment loss of property, plant and equipments, intangible assets and right-of-use assets of approximately HK$565.7 million; and (iii) decrease in the fair value loss on financial assets of fair value through profit or loss of approximately HK$83.3 million. During the year ended 31 December 2019, the per share loss attributable to the owners of the Company was HK$0.433 (for the year ended 31 December 2018: HK$1.357 as restated).

The Remaining Group's total operating expenses for the year ended 31 December 2019 amounted to approximately HK$250.7 million, representing a decrease of 45.5% as compared to last year (2018: HK$458.7 million), which mainly consisted of, employee benefit expenses of approximately HK$64.9 million (2018: HK$110.6 million), amortisation and depreciation expenses of approximately HK$51.5 million (2018: HK$69.6 million), research and development costs of approximately HK16.3 million (2018: HK$32.4 million), advertising and marketing expenses of approximately HK4.1 million (2018: HK$99.2 million) and exchange gain of approximately HK$0.4 million (2018: exchange loss of HK$21.1 million).

Net Assets

Net assets of the Remaining Group amounted to approximately HK$18.5 million as at 31 December 2019, as compared to net assets of approximately HK$567.3 million as at 31 December 2018, the decrease in net assets was mainly attributable to the loss incurred for the year.

Cash and Bank Balances

As at 31 December 2019, the Remaining Group had cash and bank balances of approximately HK$217.7 million (2018: HK$20.1 million).

Working Capital and Gearing Ratio

As at 31 December 2019, the Remaining Group had current assets of approximately HK$305.5 million (2018: HK$866.6 million), while its current liabilities stood at approximately HK$244.0 million (2018: HK$623.1 million), representing a net current asset position with a working capital ratio (current assets to current liabilities) of 1.25 (2018: 1.39).

The gearing ratio of the Remaining Group as at 31 December 2019, calculated as total bank and other borrowings to total equity was not applicable as at 31 December 2019 (2018: 0.7).

Capital Structure

On 15 March 2019, the share consolidation was proposed whereby every twenty (20) existing issued and unissued shares of HK$0.01 each in the share capital of the Company would be consolidated into one (1) consolidated share of HK$0.20 each. The resolution approving the share consolidation was passed on the extraordinary general meeting held on 15 May 2019 and the share consolidation became effective on 16 May 2019. As at 31 December 2019, the total number of issued shares of the Company was 879,289,500. The Remaining Group generally financed its operations and investing activities primarily with the proceeds from fund raising activities and through working capital from shareholder's loan.

Foreign exchange exposure

The Remaining Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. The Directors consider the risk of foreign exchange exposure of the Remaining Group is manageable. The management will continue to monitor the foreign exchange exposure of the Remaining Group and is prepared to take prudent measures such as hedging when appropriate actions are required.

Capital and other commitments

As at 31 December 2019, the Remaining Group had capital and other commitments as follows:

	2019	**2018**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital commitments for property, plant and equipment:		
Contracted but not provided for:		
Purchased of property, plant and equipment	654	1,125
Total	654	1,125

The Company signed two sponsorship agreements with the University of Oxford for the research of stem cell therapy and tissue engineering. The Company agreed to provide GBP9 million (equivalent to HK$93 million) to the University of Oxford by instalments over the period covered by agreements. Up to 31 December 2019, the

Company has paid GBP5.05 million (equivalent to HK$55.90 million (2018: GBP5.05 million (equivalent to HK$55.90 million)) to the University of Oxford. As the agreements are executory, no liability should be recognised at the date of signing of the agreements.

Significant investments, material acquisitions or disposal of subsidiaries and associated companies

Save as disclosed in the Company's published unaudited annual results announcement for the year ended 31 December 2019, the Remaining Group has no significant investments, material acquisitions or disposals of subsidiaries and associate during the year.

Charges of assets and contingent liabilities

As at 31 December 2019, no bank loans (2018: HK$389.3 million) were secured by the Remaining Group's pledged bank deposits (2018: HK$417.6 million).

As at 31 December 2019, the Remaining Group had no material contingent liabilities (2018: Nil).

Details of future plans for material investment or capital assets

Save as disclosed in the Company's published unaudited annual results announcement for the year ended 31 December 2019, the Remaining Group did not have any concrete plans for material investment or capital assets as at 31 December 2019.

However, the Remaining Group will continue to seek investment opportunities in line with the strategic development of the Remaining Group both at home and abroad to promote the sustainable and steady development of the Remaining Group.

Employee information and remuneration policies

As at 31 December 2019, the Remaining Group had 213 (2018: 334) employees located in Hong Kong and Mainland China. As an equal opportunity employer, the Remaining Group's remuneration and bonus policies are determined with reference to the performance and experience of individual employees. The total amount of employee remuneration (including that of the Directors and retirement benefits scheme contributions) of the Remaining Group for the year was approximately HK$64.9 million (2018: HK$110.6 million). In addition, the Remaining Group may offer options to employees as a recognition of and reward for their efforts and contributions to the Remaining Group.

UNAUDITED PROFIT AND LOSS STATEMENTS ON THE DISPOSED INTEREST

In accordance with paragraph 68(2)(b)(i) of Chapter 19 of the GEM Listing Rules, the Company is required to include in this Circular a profit and loss statement for the preceding financial years on the identifiable net income stream in relation to such assets which must be reviewed by the reporting accountants to ensure that such information has been properly complied and derived from the underlying books and records of the Group provided by the Directors.

The unaudited profit and loss statements of the Disposed Interest (the "**Unaudited Profit and Loss Statements**") for the period from 1 May 2017 to 31 December 2017, and the years ended 31 December 2018 and 2019 (the "**Relevant Periods**") prepared by the Directors based on the underlying books and records of the Group during the Relevant Periods are set out below:

	For the period from 1 May 2017 to 31 December	**For the year ended 31 December**	
	2017	**2018**	**2019**
	HK'000	*HK'000*	*HK'000*
Fair value gain/(loss) on financial assets at fair value through profit or loss	–	11,079	(25,944)
Profit/(loss) before income tax	–	11,079	(25,944)
Profit/(loss) for the year/period	–	11,079	(25,944)

Pursuant to paragraph 68(2)(b)(i) of Chapter 19 of the GEM Listing Rules, the Directors engaged BDO Limited, the reporting accountants of the Company, to perform certain factual finding procedures on the compilation of the Unaudited Profit and Loss Statements in accordance with the Hong Kong Standard on Related Services 4400, "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The procedures are performed solely assist the Directors to assess whether such information was in agreement with the underlying books and records and are summarised as follows:

1. The reporting accountants obtained the Unaudited Profit and Loss Statements for the Relevant Period prepared by the management of the Company, and check its arithmetical accuracy; and

2 The reporting accountants obtained the relevant underlying books and records of the Group, and compare to the Unaudited Profit and Loss Statements for the Relevant Period.

The reporting accountant's factual findings are as follows:

(i) With respect to procedure 1, the reporting accountants obtained the Unaudited Profit and Loss Statements for the Relevant Periods prepared by the management of the Company, and found the amounts to be arithmetically accurate; and

(ii) With respect to procedure 2, the reporting accountants obtained the relevant underlying books and records of the Group, and compared to the Unaudited Profit and Loss Statements for the Relevant Period and found them to be in agreement.

The reporting accountants has performed the above agreed-upon procedures set out in the relevant engagement letter with the Company and reported its factual findings base on the agree-upon procedures to the Directors. Pursuant to the terms of the relevant engagement letter between the Company and the reporting accountants, the reported factual findings should not be used or relied upon by any other parties for any purpose.

In the opinion of the Directors, the Unaudited Profit and Loss Statements have been properly compiled and derived from the underlying books and records.

The work performed by the reporting accountants in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, Hong Kong Standards on Assurance Engagements or Hong Kong Standards on Investment Circular Reporting Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the Unaudited Profit and Loss Statements.

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the unaudited pro forma financial information of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the impact of the Disposal as if the Disposal had been taken place on 31 December 2019 for the preparation of unaudited pro forma consolidated statement of net assets; and on 1 January 2019 for the preparation of the unaudited pro forma consolidated statement of profit or loss in accordance with Rules 7.31 and 19.68(2)(b)(ii) of the GEM Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Details of the Disposal are set forth in the section "Further Disposal of the Investment" under the heading "Letter from the Board" in this circular.

The unaudited pro forma consolidated statement of net assets of the Remaining Group is prepared based on the unaudited consolidated statement of financial position of the Group as at 31 December 2019 which has been extracted from the published unaudited annual results announcement of the Company for the year ended 31 December 2019, as if the Disposal had been completed on 31 December 2019 and adjusted to reflect the effect of the Disposal that are (i) directly attributable to the Disposal and (ii) factually supportable. The unaudited pro forma consolidated statement of profit or loss of the Remaining Group are prepared based on the unaudited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2019, respectively, which has been extracted from the published unaudited annual results announcement of the Company for the year ended 31 December 2019, as if the Disposal had been completed on 1 January 2019, and adjusted to reflect the effect of the Disposal that are (i) directly attributable to the Disposal and (ii) factually supportable.

As the unaudited pro forma financial information of the Remaining Group was prepared for illustrative purpose only, based on the judgements, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not reflect a true picture of the financial position and results of operation of the Remaining Group had the Disposal been completed as at the respective dates to which it is made up to or at any future date.

Unaudited pro forma consolidated statement of net assets

At 31 December 2019

	The Group	Pro forma adjustment	Pro forma total for the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 3)*	
Non-current assets			
Property, plant and equipment	23,643	–	23,643
Other intangible assets	16,345	–	16,345
Deposits for acquisition of subsidiaries	146,512	–	146,512
Financial assets at fair value through other comprehensive income	18,977	–	18,977
	205,477	–	205,477
Current assets			
Inventories	6,738	–	6,738
Trade receivables	3,988	–	3,988
Deposits, prepayments and other receivables	36,963	–	36,963
Financial assets at fair value through profit or loss	267,774	(227,608)	40,166
Cash and bank balances	19,210	198,452	217,662
	334,673	(29,156)	305,517
Current liabilities			
Trade payables	19,638	–	19,638
Accrued charges and other payables	176,924	(1,628)	175,296
Contract liabilities	21,169	–	21,169
Lease liabilities	24,094	–	24,094
Income tax payables	–	3,779	3,779
Other borrowing	55,172	(55,172)	–
	296,997	(53,021)	243,976
Net current assets	37,676	23,865	61,541
Total assets less current liabilities	243,153	23,865	267,018

	The Group	Pro forma adjustment	Pro forma total for the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 3)*	
Non-current liabilities			
Shareholder loans	220,639	–	220,639
Lease liabilities	25,425	–	25,425
Deferred taxation	2,405	–	2,405
	248,469	–	248,469
Net (liabilities)/assets	(5,316)	23,865	18,549

Unaudited pro forma consolidated statement of profit or loss

For the year ended 31 December 2019

	The Group	Pro forma adjustments		Pro forma total for the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 2)	*(Note 4)*	*(Note 5)*	
Revenue	47,971	–	–	47,971
Cost of sales	(19,052)	–	–	(19,052)
Gross profit	28,919	–	–	28,919
Other income	25,988	–	–	25,988
Selling and distribution expenses	(22,469)	–	–	(22,469)
Administrative and other expenses	(228,234)	–	–	(228,234)
Fair value loss on contingent consideration receivables	(4,587)	–	–	(4,587)
Expected credit loss on trade and other receivables	(20,789)	–	–	(20,789)
Fair value loss on financial assets at fair value through profit or loss	(30,521)	–	25,944	(4,577)
Impairment of property, plant and equipment	(71,991)	–	–	(71,991)
Impairment of other intangible assets	(70,697)	–	–	(70,697)
Impairment of right-of-use assets	(52,049)	–	–	(52,049)
Finance costs	(11,369)	–	–	(11,369)
Gain on disposal of the Disposed Interest	–	1,700	–	1,700
Loss before income tax	(457,799)	1,700	25,944	(430,155)
Income tax credit	8,931	(3,779)	–	5,152
Loss for the year	(448,868)	(2,079)	25,944	(425,003)
Loss for the year attributable to:				
Owners of the Company	(404,641)	(2,079)	25,944	(380,776)
Non-controlling interests	(44,227)	–	–	(44,227)
	(448,868)	(2,079)	25,944	(425,003)

Notes:

(1) The figures are extracted from the unaudited consolidated statement of financial position of the Group as at 31 December 2019 as set out in the published annual results announcement of the Company for the year ended 31 December 2019.

(2) The figures are extracted from the Group's unaudited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 as set out in the published annual results announcement of the Company for the year ended 31 December 2019.

(3) The adjustment represents the pro forma gain on the Disposal as if the Disposal, for pro forma purpose, takes place on 31 December 2019.

	HK$'000
Calculation of pro forma gain on the Disposal:	
Consideration	256,620
Carrying value of the Disposed Interest as at 31 December 2019	(227,608)
Gain on disposal (before directly attributable expenses)	29,012
Directly attributable expenses *(note a)*	(1,368)
	27,644
Income tax on the pro forma gain from the Disposal:	
Consideration less directly attributable expenses	255,252
Cost of the Disposed Interest	(232,346)
Gain on disposal for tax purpose	22,906
Income tax payable (charge at Hong Kong Profits Tax rate of 16.5%)	3,779
Net cash received on the Disposal:	
Consideration	256,620
Directly attributable expenses *(note a)*	(1,368)
Other borrowing offset *(note b)*	(55,172)
Interest payable for other borrowing *(note b)*	(1,628)
	198,452

(a) The amount of directly attributable expenses is estimated by directors of the Company. For pro forma purpose, it is assumed that the Group will settle the directly attributable expenses by cash at Completion.

(b) Under the Off-Setting Arrangement, the consideration will be firstly offset by the other borrowing due from the Group to Mr. Xiong and the remaining outstanding amount will be paid in cash.

The amount of other borrowing to be offset and the gain or loss on the Disposal is subject to changes at the actual date of completion.

(4) The adjustment represents the pro forma gain on the Disposal as if the Disposal, for pro forma purpose, takes place on 1 January 2019.

	HK$'000
Calculation of pro forma gain on the Disposal:	
Consideration	256,620
Carrying value of the Disposed Interest as at 1 January 2019 *(a)*	(253,552)
Gain on disposal (before directly attributable expenses)	3,068
Directly attributable expenses *(note b)*	(1,368)
	1,700
Income tax on the pro forma gain from the Disposal:	
Consideration less directly attributable expenses	255,252
Cost of the Disposed Interest	(232,346)
Gain on disposal for tax purpose	22,906
Income tax payable (charge at Hong Kong Profits Tax rate of 16.5%)	3,779

(a) As at 1 January 2019, the carrying amount of the Group's Investment was HK$298,296,000. The Disposed Interest represents 85% of the Investment and its carrying value at that date was HK$253,552,000.

(b) The amount of directly attributable expenses is estimated by directors of the Company. For pro forma purpose, it is assumed that the Group will settle the directly attributable expenses by cash at Completion.

The gain or loss on the Disposal is subject to changes at the actual date of completion.

(5) For pro forma purpose, assuming the Disposal takes place on 1 January 2019, the fair value loss on financial asset at fair value through profit or loss amounted to HK$25,944,000 for the year ended 31 December 2019 included in the book of the Group were reversed.

(6) The above pro forma adjustments will have no continuing effect on the Remaining Group in the subsequent reporting periods.

(7) No adjustments have been made to reflect any operating results and cash flows or other transactions of the Remaining Group entered into subsequent to 31 December 2019, for the preparation of the unaudited pro forma consolidated statement of profit and loss of the Remaining Group for the year ended 31 December 2019 or the unaudited pro forma consolidated statement of net assets of the Remaining Group as at 31 December 2019, respectively.

II. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report from BDO Limited, Certified Public Accountants, the independent reporting accountant of the Company, in respect of the unaudited pro forma financial information of the Group as set out in this Appendix and prepared for the purpose of inclusion in this circular.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of China Regenerative Medicine International Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Regenerative Medicine International Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of net assets as at 31 December 2019, the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2019 and related notes as set out on pages III-1 to III-6 of Appendix III of the Company's circular dated 20 April 2020 (the "**Circular**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages III-7 to III-10 of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed very substantial disposal in relation to the Disposal of Investment on the Group's financial position as at 31 December 2019 and the Group's financial performance for the year ended 31 December 2019 as if the transaction had taken place at 31 December 2019 and 1 January 2019, respectively. As part of this process, information about the Group's financial position as at 31 December 2019 and financial performance for the year ended 31 December 2019, have been extracted by the directors of the Company from the published annual results announcement of the Company for the year ended 31 December 2019, on which no review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2019 or 1 January 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

BDO Limited
Certified Public Accountants

Hong Kong
20 April 2020

China Regenerative Medicine International Limited
Rooms 3006–10, 30/F.
China Resources Building
26 Harbour Road
Wan Chai, Hong Kong

Case Ref: KY/BVFI5388/FEB19/GW(d)

Dear Sir/Madam,

Re: Valuation of Obagi Holdings in ZhongHua Finance Acquisition Fund I, L.P. by China Regenerative Medicine International Limited

In accordance with the instructions from China Regenerative Medicine International Limited (hereinafter referred to as the "**Company**") to us to conduct a valuation on Class B shares ("**Class B shares**") in relation to the capital contribution of USD35,000,000 (hereinafter referred to as the "**Capital Contribution**") in ZhongHua Finance Acquisition Fund I, L.P. (hereinafter referred to as the "**Fund**") by the Company (the "**Investment**"), we are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of the Investment as at 31 December 2018 (hereinafter referred to as the "**Date of Valuation**").

This report states the purpose of valuation, scope of work, economic and industry overview, an overview of the Fund, basis of valuation, investigation, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as "**Roma Appraisals**") acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Fund and/or their representative(s) (together referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Fund. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Fund as provided by the Management to a considerable extent.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

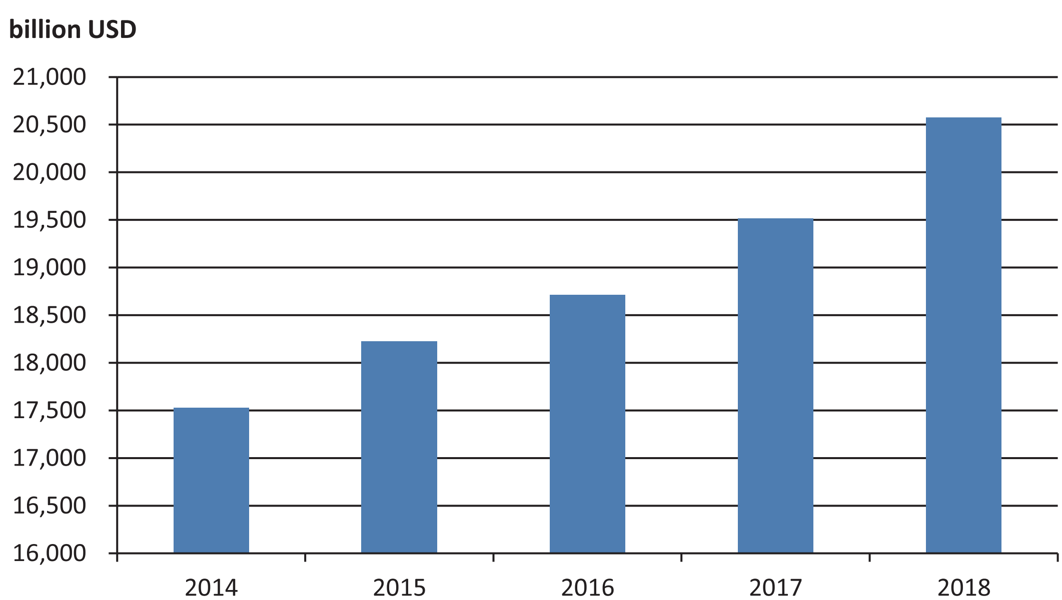
We do not express an opinion as to whether the actual results of the business operation of the Fund will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation.

3. ECONOMIC OVERVIEW

3.1 Overview of the Economy in the United States

The United States ("**U.S.**") is by far the world's largest economy. According to the International Monetary Fund ("**IMF**"), nominal gross domestic product ("**GDP**") showed a steady increase from USD17.5 trillion in 2014 to USD20.6 trillion in 2018. The U.S. maintained a steady annual nominal GDP growth of approximately 4.1% between 2014 and 2018. Figure 1 shows the nominal GDP of the U.S. from 2014 to 2018.

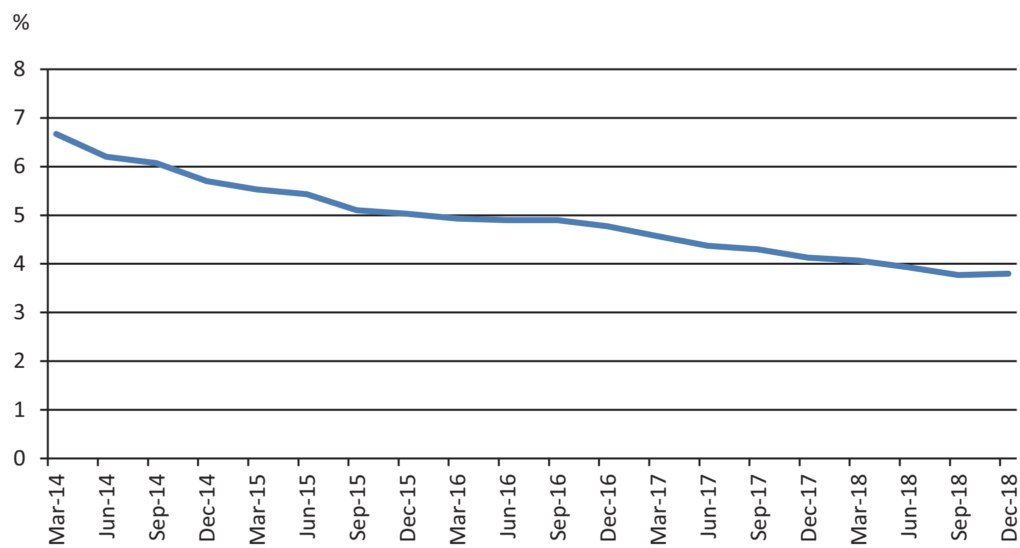
Figure 1 – Nominal GDP of the U.S. from 2014 to 2018



Source: International Monetary Fund

With blooming economy across sectors in the U.S., the unemployment rate dropped continuously from 6.67% in the first quarter of 2014 to 3.8% in 2018. Figure 2 shows the unemployment rate of U.S. from March 2014 to December 2018 as extracted from U.S. Bureau of Labor Statistic*s*.

Figure 2 – Unemployment Rate of the U.S. from March 2014 to December 2018



Source: U.S. Bureau of Labor Statistics

3.2 Inflation in the United States

According to the U.S. Bureau of Labor Statistics, the consumer price index ("**CPI**") for all urban consumers fluctuated in 2014 and 2015. It first increased to around 2% in the first 2 quarter and dropped significantly to -0.1% in January 2015. After that, it keeps rising from January 2015 to July 2018. It started to decrease afterward. Also, the inflation rate demonstrated an upward trend as well from 0.52% in 2014 to 1.92% in 2018. Figure 3 illustrates the year-over-year change in the CPI of the U.S. from 2014 to 2018.

Figure 3 – Year-over-year Change in CPI of the U.S. from January 2014 to December 2018

Source: U.S. Bureau of Labor Statistics

4. INDUSTRY OVERVIEW

4.1 Skincare Industry in United States

According to the research conducted by NPD Group, Skincare market was with USD5.6 billion in 2018, with similar level compare with 2017. Natural skincare brands accounted for USD1.6 billion or more than one-quarter of annual sales and sales grew by 23% over 2017. Looking at the by-product market, lip treatments, toners/clarifyers, and all other face products (for example, facial sprays and alphabet creams) were with increasing revenue and the market is expected to be grew fast.

It is expected that the customers will have higher interest in natural and organic ingredients for skincare, and increasing discussion on social media for these products. The skincare market is expected in an upward trend, according to Statista, the revenue for skincare market is expected to grow steadily at 3.5% from 2019-2023.

5. THE OVERVIEW OF THE FUND

The Fund holds 100% equity interest in Obagi Holdings Company Limited (hereinafter referred to as the "**Obagi Holdings**"). Obagi Holdings is a complete skincare company, designing transformational products that promote skin health in United States.

The following table illustrates the capital structure of the Fund as at the Date of Valuation as provided by the Management.

Capital Contribution of Class A shares *(USD)*	**Capital Contribution of Class B shares** *(USD)*	**Capital Contribution of Class C shares** *(USD)*
35,000,000	35,000,000	35,000,000

Source: Management

According to the Terms and Conditions, in the event of any liquidation, the Class A shares shall have the priority to Class B shares, the Class A shares shall have priority to Class B shares and Class C to receive the dividends by the Fund.

6. BASIS OF VALUATION

Our valuation is conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2017, **market value** is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. VALUATION METHODOLOGY

We adopted the contingent claim method in determining the percentage of equity value allocated to the general partner, Class A shares, Class B shares and the Class C shares under different scenarios, namely initial public offering (hereinafter referred to as "**Listed**") and liquidation/sales (hereinafter referred to as "**Liquidation/Sales**").

Under Listed scenario, the percentage of equity interest of each type of shares were determined by the subscription price of that type of shares divided by the total subscription price.

Under Liquidation/Sales scenario, we split the equity value of the Fund into different layers that shareholders of different classes would receive. The market value of each layer could be regarded as the difference between two call options with strike prices of lower bound and upper bound of the layer respectively. Then we adopted the Black-Scholes option pricing model to obtain the market values of the call options required to arrive at the market values of all layers. We then arrived at the market value of each type of shares by summing up the proportion of interest to be received by holder of each type of shares at each layer.

In determining the equity value of the Fund as input in the Black-Scholes option pricing model, there are generally three accepted approaches, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

7.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

7.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

7.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("**equity and long term debt**"). Under the Asset-Based Approach, the market value of equity of a business entity/group refers to the market values of various assets and liabilities on the statement of financial position of the business entity/group as at the measurement date, in which the market value of each asset and liability was determined by reasonable valuation approaches based on its nature.

8. BUSINESS VALUATION

8.1 Valuation of Obagi Holdings

As advised by the Management, the only asset held by the Fund as at the Date of Valuation is Obagi Holdings, the market value of the Fund equals to the market value of Obagi Holdings. In the process of valuing Obagi Holdings, we have taken into account of the operation, financial information and nature of Obagi Holdings.

The Income-Based Approach was not adopted in this case since a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of Obagi Holdings and therefore it could not reflect the market value of Obagi Holdings. We have therefore considered the adoption of the Market-Based Approach in arriving at the market value of Obagi Holdings.

By adopting the guideline public company method under the Market-Based Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered price-to-book ("**P/B**"), price-to-earnings ("**P/E**") and price-to-sales ("**P/S**") multiples. However, P/S multiple was not adopted since it could not capture the difference in cost structure. P/B multiple was not adopted because it cannot reflect the true value of companies which do not possess significant fixed assets. Therefore, we have adopted P/E multiple in the valuation of Obagi Holdings.

We adopted several listed companies with business scopes and operations similar to those of Obagi Holdings as comparable companies.

8.1.1 Comparable Companies

The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in skin care products manufacturing in United States;
- The companies have sufficient listing and operating histories; and
- The financial information of the companies is available to the public.

Details of the comparable companies were listed as follows:

Company Name	Stock Code	Listing Location	Business Description
Rejuvel Bio-Sciences Inc.,	NUUU.US	United States	Rejuvel Bio-Sciences Inc., whose primary business through its subsidiary, is the production, distribution, marketing and sales of skincare products.
Skinvisible, Inc.	SKVI.US	United States	Skinvisible, Inc. develops and manufactures polymer-based topical delivery system technologies and formulations. The company markets its products to the pharmaceutical, over-the-counter, person skincare, and cosmetic industries.
Scott's Liquid Gold-Inc.	SLGD.US	United States	Scott's Liquid Gold-Inc. develops, manufactures, and markets household and consumer products. The company's products include Scott's Liquid Gold wood cleaners/ preservatives, Touch of Scent air fresheners, and Alpha Hydrox skin care products.

Company Name	Stock Code	Listing Location	Business Description
Tristar Wellness Solutions, Inc.	TWSI.US	United States	Tristar Wellness Solutions, Inc. is a holding company. The company, through its subsidiary, develops, markets and sells, a product line, which is a line of skincare and other products specifically targeted for pregnant women.
Procyon Corporation	PCYN.US	United States	Procyon Corporation is a holding company for Amerx Health Care Corp. The company produces medical products for the treatment of various skin problems. The company markets its products to health care institutions and retailers.
Teligent, Inc.	TLGT.US	United States	Teligent, Inc. manufactures and distributes pharmaceutical products. The company offers creams, ointments, injections, and other medical products. The company markets its products in the United States.
Imagenetix, Inc.	IAGX.US	United States	Imagenetix, Inc. develops natural and proprietary bioceutical skin care and nutritional products. The company develops its products in various forms of delivery including soft gels, hard shell capsules, tablets, creams, and liquids.
Ascendia Brands, Inc.	ASCBQ.US	United States	Ascendia Brands, Inc. operates as a consumer product company. The company offers branded bath, baby, oral, skin and hair care products.

Company Name	Stock Code	Listing Location	Business Description
Edgewell Personal Care Company	EPC.US	United States	Edgewell Personal Care Company operates as a personal care company. The company manufactures and distributes feminine, infant, skin, pet, and sun care products, as well as shaving products. The company serves customers worldwide.
Ulta Beauty, Inc.	ULTA.US	United States	Ulta Beauty, Inc. operates a chain of beauty stores. The company offers cosmetics, fragrance, skin and hair care products, and salon services. The company serves customers throughout the United States.
Prestige Consumer Healthcare Inc.	PBH.US	United States	Prestige Consumer Healthcare Inc. manufactures and distributes over-the-counter health care and household cleaning products to retail stores. The company distributes products for oral, eye and skin care cough, cold, allergy, and sinus, as well as household cleansers, sponges, scrubbers, and cleaning pads. The company serves clients worldwide.
The Stephan Co.	SPCO.US	United States	The Stephan Co. manufactures hair care products for sale by its subsidiaries and manufactures products marketed under the STEPHAN brand name. The company also manufactures, markets, and distributes hair and skin care products under various trade names. In addition, the company markets a full line of cosmetics through retail and mail-order channels.

Company Name	Stock Code	Listing Location	Business Description
Health-Chem Corporation	HCLC.US	United States	Health-Chem Corporation is the parent company of Transderm Laboratories Corporation. Transderm develops, manufactures, and markets high technology transdermal and topical delivery systems for the pharmaceutical and cosmetics industries. The company's other subsidiaries manufacture products utilizing technologies for laminating or coating fabrics and materials.
United-Guardian, Inc.	UG.US	United States	United-Guardian, Inc. researches, develops, manufactures, and markets pharmaceuticals, cosmetics, health care products, medical devices, and proprietary industrial products. The company also distributes a line of fine organic chemicals, research chemicals, test solutions, indicators, dyes, and reagents. The company's products are sold in the United States and internationally.
Hydromer, Inc.	HYDI.US	United States	Hydromer, Inc. researches and develops, manufactures, and commercializes specialized polymer and hydrogel products. The company's products are manufactured for medical device, cosmetic, personal care, and industrial uses.
Amyris, Inc.	AMRS.US	United States	Amyris, Inc. produces and distributes chemical products. The company serves the specialty and performance chemicals, flavors and fragrances, cosmetics ingredients, pharmaceuticals, and nutraceuticals markets. The company serves customers worldwide.

Source: *Bloomberg*

The P/E multiples of the aforementioned comparable companies were listed as follows:

Company Name	Stock Code	P/E Multiple
Rejuvel Bio-Sciences Inc.,	NUUU.US	N/A
Skinvisible, Inc.	SKVI.US	N/A
Scott's Liquid Gold-Inc.	SLGD.US	9.452
Tristar Wellness Solutions, Inc.	TWSI.US	N/A
Procyon Corporation	PCYN.US	17.935
Teligent, Inc.	TLGT.US	N/A
Imagenetix, Inc.	IAGX.US	N/A
Ascendia Brands, Inc.	ASCBQ.US	N/A
Edgewell Personal Care Company	EPC.US	10.103
Ulta Beauty, Inc.	ULTA.US	24.176
Prestige Consumer Healthcare Inc.	PBH.US	11.620
The Stephan Co.	SPCO.US	8.841
Health-Chem Corporation	HCLC.US	N/A
United-Guardian, Inc.	UG.US	18.273
Hydromer, Inc.	HYDI.US	N/A
Amyris, Inc.	AMRS.US	N/A
Maximum		**24.176**
Minimum		**8.841**
Average excl. maximum and minimum		**13.476**

Notes: The P/E multiple of Health-Chem Corporation (HCLC.US) was unavailable due to its insufficient data as at the Date of Valuation. The P/E multiple of While Rejuvel Bio-Sciences Inc., (NUUU.US), Skinvisible, Inc. (SKVI.US), Tristar Wellness Solutions, Inc. (TWSI.US), Teligent, Inc. (TLGT.US), Imagenetix, Inc. (IAGX.US), Ascendia Brands, Inc. (ASCBQ.US), Hydromer, Inc. (HYDI.US), Amyris, Inc. (AMRS.US) were unavailable due to its negative net profit for the trailing 12 months as at the Date of Valuation.

The P/E multiple adopted was the average excludes maximum and minimum of the P/E multiples of the above comparable companies as at the Date of Valuation. Then we obtained the estimated market value of the Fund as at 31 December 2018 by applying the average excludes maximum and minimum P/E multiple to the normalized net profit of USD13,735,702 of Obagi Holdings for the period from 1 January 2018 to 31 December 2018. The market value of the Fund was then arrived by adjusting with the marketability discount and its non-operating assets/liabilities.

8.1.2 Marketability Discount

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. With reference to the result of the restricted stock study published in "Stout Restricted Stock Study 2018" by Stout Risius Ross, LLC, a discount for lack of marketability of 20.70% was adopted in arriving at the market value of Obagi Holdings as at the Date of Valuation.

8.2 Valuation of the Fund

By adopting Market Approach with the assumptions and parameter above, the equity value of the 100% equity interest of Obagi Holdings was USD130,000,000.

Since as at the Date of Valuation, the information regarding the assets and liabilities of the Fund was unavailable, we have therefore adopted the fair value of Obagi Holdings to the contingent claim method under different scenarios.

9. CALCULATION ON DISTRIBUTABLE EQUITY VALUE

The following illustrates the redemption prices of the shares under liquidation/sale scenario.

Share Class	**Redemption Price** *(USD)* *(Rounded)*
Class A	35,000,000
Class B	51,800,000
Class C	35,000,000

Source: Management

According to the Terms and Conditions, in the event of any liquidation, the Class A shares shall have the priority to Class B shares, the Class A shares shall have priority to Class B shares and Class C to receive the dividends by the Fund.

With reference to the terms and conditions of the fund agreement, the 1.6% per annum management fee (hereinafter referred to as "**Management Fee**") and annual return to Class A shares (hereinafter refer to as the "**Class A Distribution**") collectively referred to as "**Cash Outflow**") would be distributed before the occurrence of Liquidation/Sales scenario. Weighted average cost of capital ("**WACC**") and after-tax cost of debt have been applied to discount Class A Distribution and Management Fee respectively in arriving at the respective market value of

Class A Distribution and Management Fee as at the Date of Valuation. The market value of Cash Outflow has been excluded from the market value of the Fund to arrive at the distributable equity value.

Below is the summary of the key parameters of the WACC for Class A Distribution adopted as at the Date of Valuation:

Key Parameters		**31 December 2018**
(a)	Risk-free Rate	2.68%
(b)	Market Risk Premium	8.03%
(c)	Beta Coefficient	1.16
(d)	Size Premium	3.48%
(e)	Firm Specific Risk Premium	5.00%
(f)	Cost of Equity	20.49%
(g)	Cost of Debt	5.50%
(h)	Weight of Equity Value to Enterprise Value	55.92%
(i)	Weight of Debt Value to Enterprise Value	44.08%
(j)	Corporate Tax Rate	21.00%
WACC		**13.37%**

Notes:

(a) The risk-free rate adopted was the yield rate of the United States government 10-year note as at the Date of Valuation as extracted from Bloomberg.

(b) The market risk premium adopted was the United States equity risk premium as extracted from Bloomberg.

(c) The beta coefficient adopted was the median adjusted beta of the comparable companies as sourced from Bloomberg.

(d) The size premium adopted was made reference to the 2018 size premium study published by Duff & Phelps, LLC.

(e) The firm specific risk premium adopted was to reflect the business risks of Obagi Holdings, the future competition within the skin care industry in United States.

(f) The cost of equity was determined based on CAPM plus size premium and firm specific risk premium.

(g) The cost of debt adopted was the United States prime rate as at the Date of Valuation as sourced from Bloomberg.

(h) The adopted weight of equity value to enterprise value derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

(i) The derived weight of debt value to enterprise value adopted from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

(j) The corporate tax rate adopted was the corporate tax rate in United States.

Accounting for the above items, we arrived at the WACC of 13.37% for the Class A Distribution as at the Date of Valuation.

The after tax cost of debt as at the Date of Valuation is calculated based on United States prime rate times (1-corporate tax rate in United States), we have therefore arrived at 4.35% for the discount rate adopted for Management Fee.

By using the after tax cost of debt of the Fund of 4.35% and WACC of 13.37%, we have therefore arrived a market value of USD7,439,675 for the market value of Management Fee and USD11,551,121 for Class A Distribution respectively.

10. ASSUMPTIONS AND SOURCES OF INFORMATION

10.1 Risk Free Rate

We have made reference to the yields of United States government bonds and treasury bills with matching maturity terms, which were quoted in Bloomberg.

10.2 Terms and Conditions

The Terms and Conditions provided by the Management have been considered in the valuation and included but not limited to the initial purchase price and the redemption premium of the shares and other terms and conditions.

10.3 Valuation of the Fund

We have adopted certain specific assumptions in the valuation of the Fund and the major ones are as follows:

- As advised by the Management, the Fund did not have any assets and liabilities other than its holdings in Obagi Holdings as at the Date of Valuation, and the information relating to other assets and liabilities of the Fund was unavailable as at the Date of Valuation;
- The unaudited management accounts of Obagi Holdings as at 31 December 2018 can reasonably represent its financial position since an audited financial account was not available;
- Obagi Holdings will be operated and developed as planned by the Management;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which Obagi Holdings operates or intends to operate would be officially obtained and renewable upon expiry;

- There will be sufficient supply of technical staff in the industry in which Obagi Holdings operates, and Obagi Holdings will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major changes in the current taxation laws in the localities in which Obagi Holdings operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which Obagi Holdings operates or intends to operate, which would adversely affect the revenues attributable to and profitability of Obagi Holdings; and

- Interest rates and exchange rates in the localities for the operation of Obagi Holdings will not differ materially from those presently prevailing.

10.4 Key Assumptions and Parameters

Calculation for Listed Scenario:

		As at 31 December 2018
(a)	Probability of Listed *(%)*	20
(b)	Value of the Fund Before Marketability Discount *(USD)*	163,396,015
(c)	Total Subscription Price of Class A Shares *(USD)*	35,000,000
(d)	Total Subscription Price of Class B shares *(USD)*	35,000,000
(e)	Total Subscription Price of Class C Shares *(USD)*	35,000,000

Notes:

(a)	Probability of Listed	:	The probability of Listed was estimated by the Management.
(b)	Value of the Fund Before Marketability Discount	:	The market value of the Fund before applying marketability discount as at the Date of Valuation determined by adopting the aforementioned approach.
(c)	Total Subscription Price of Class A Shares	:	With reference to the Terms and Conditions and information provided by the Management.

(d)	Total Subscription Price of Class B shares	:	With reference to the Terms and Conditions and information provided by the Management.
(e)	Total Subscription Price of Class C Shares	:	With reference to the Terms and Conditions and information provided by the Management.

Calculation for Liquidation/Sales Scenario:

		As at 31 December 2018
(f)	Probability of Liquidation/Sales *(%)*	80
(g)	Expected Liquidation/Sales Date	6 November 2023
(h)	Equity Value after Distribution of Cash Outflow *(USD)*	111,009,204
(i)	Time Lapsed between Expected Liquidation/Sales Date and Date of Valuation (Years)	4.852
(j)	Continuous Risk Free Rate *(%)*	2.477
(k)	Expected Volatility *(%)*	35.764
(l)	Expected Dividend Yield *(%)*	4.577

Notes:

(f)	Probability of Liquidation/Sales	:	The probability of Liquidation/Sales was estimated by the Management.
(g)	Expected Liquidation/Sales Date	:	The expected Liquidation/Sales date was estimated by the Management.
(h)	Equity Value after Distribution of Cash Outflow *(USD)*	:	The market value of the Fund as at the Date of Valuation determined by adopting the aforementioned approach after deducting the market value of Cash Outflow.
(i)	Time Lapsed between Expected Liquidation/Sales Date and Date of Valuation	:	Calculated based on the Terms and Conditions and expected Liquidation/Sales date provided by the Management.
(j)	Continuous Risk Free Rate	:	The rate was determined with reference to the yields of United States government bonds and treasury bills as extracted from Bloomberg.
(k)	Expected Volatility	:	Reference was made to the historical price volatilities of comparable companies, namely Scott's Liquid Gold-Inc. (SLGD.US), Teligent Inc/NJ (TLGT.US), Edgewell Personal Care Co (EPC.US), Ulta Beauty Inc (ULTA.US), Prestige Consumer Healthcare Inc (PBH.US), United-Guardian Inc (UG.US) and Amyris Inc (AMRS.US) that have similar business nature to the Fund.
(l)	Expected Dividend Yield	:	With reference to the historical and expected dividend payout of the Fund as provided by the Management.

11. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Fund. The factors considered included, but were not necessarily limited to the following:

- Management accounts of Obagi Holdings as at the Date of Valuation;
- Subscription Agreement relating to the Fund;
- Amendment to the Subscription Agreement Between China Regenerative Medicine Limited and Haitong International ZhongHua Finance GP Ltd. Dated 6 November 2017;
- Second Amended and Restated Agreement of Exempted Limited Partnership of the Fund dated 6 November 2017;
- Business licenses of Obagi Holdings;
- Historical financial statements of Obagi Holdings; and
- General descriptions in relation to Obagi Holdings.

We have discussed the details with the Management on the information provided and assumed that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

12. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background and business nature of the Fund provided to us.

To the best of our knowledge, all data set forth in this report are assumed to be reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on the historical and/or prospective information provided by the Management and other third parties to a considerable extent in arriving at our opinion of value. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the Fund was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the market value of the Investment.

We have not investigated the title to or any legal liabilities of the Fund and have assumed no responsibility for the title to the Investment appraised.

Our conclusion of the Market Value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

13. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in United States Dollars (USD).

We hereby confirm that we have neither present nor prospective interests in the Company, Obagi Holdings, the Fund and their associated companies, or the values reported herein.

14. OPINION OF VALUE

Based on the investigation stated above and the valuation method employed, the market value of the Investment as at the Date of Valuation, in our opinion, was reasonably stated as **USD38,243,000 (UNITED STATES DOLLARS THIRTY EIGHT MILLION TWO HUNDRED AND FORTY THREE THOUSAND ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

China Regenerative Medicine International Limited
Rooms 3006–10, 30/F.
China Resources Building
26 Harbour Road
Wan Chai, Hong Kong

Case Ref: KY/FI5965/JAN20/GW

Dear Sir/Madam,

Re: Valuation of investment in ZhongHua Finance Acquisition Fund I, L.P. by China Regenerative Medicine International Limited

In accordance with the instructions from China Regenerative Medicine International Limited (hereinafter referred to as the "**Company**") to us to conduct a valuation on Class B shares ("**Class B shares**") in relation to 85% capital contribution of USD35,000,000 (hereinafter referred to as the "**Capital Contribution**") in ZhongHua Finance Acquisition Fund I, L.P. (hereinafter referred to as the "**Fund**") by the Company (the "**Disposed Interest**"), we are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of the Disposed Interest as at 31 December 2019 (hereinafter referred to as the "**Date of Valuation**").

This report states the purpose of valuation, scope of work, economic and industry overview, an overview of the Fund, basis of valuation, investigation, valuation methodology, business valuation, major assumptions, information reviewed, limiting conditions, remarks and opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as "**Roma Appraisals**") acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Fund and/or their representative(s) (together referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Fund. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Fund as provided by the Management to a considerable extent.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

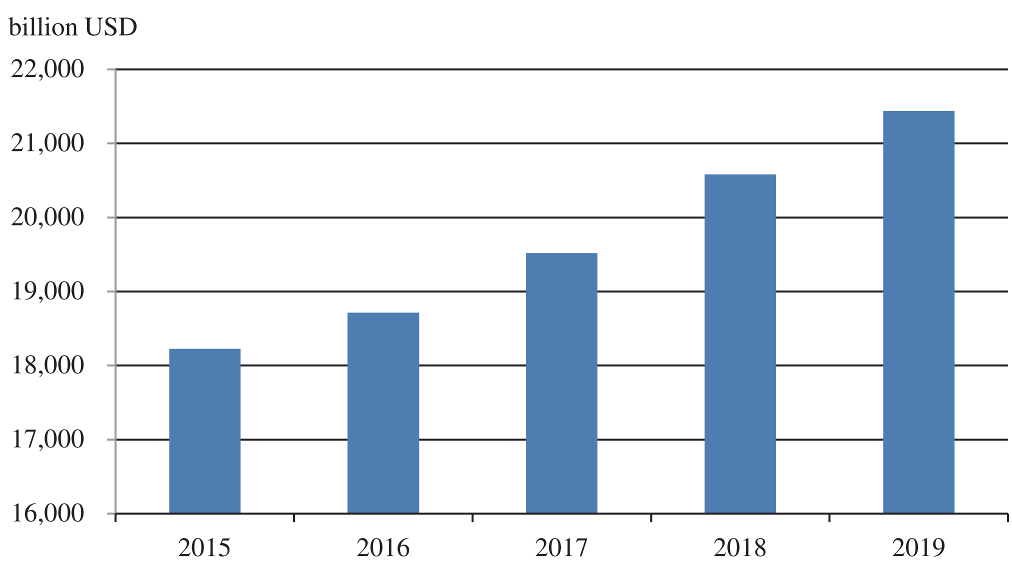
We do not express an opinion as to whether the actual results of the business operation of the Fund will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation.

3. ECONOMIC OVERVIEW

3.1 Overview of the Economy in the United States

The United States ("**U.S.**") is by far the world's largest economy. According to the International Monetary Fund ("**IMF**"), nominal gross domestic product ("**GDP**") showed a steady increase from USD18.2 trillion in 2015 to USD21.4 trillion in 2019. The U.S. maintained a steady annual nominal GDP growth of approximately 4.1% between 2015 and 2019. Figure 1 shows the nominal GDP of the U.S. from 2015 to 2019.

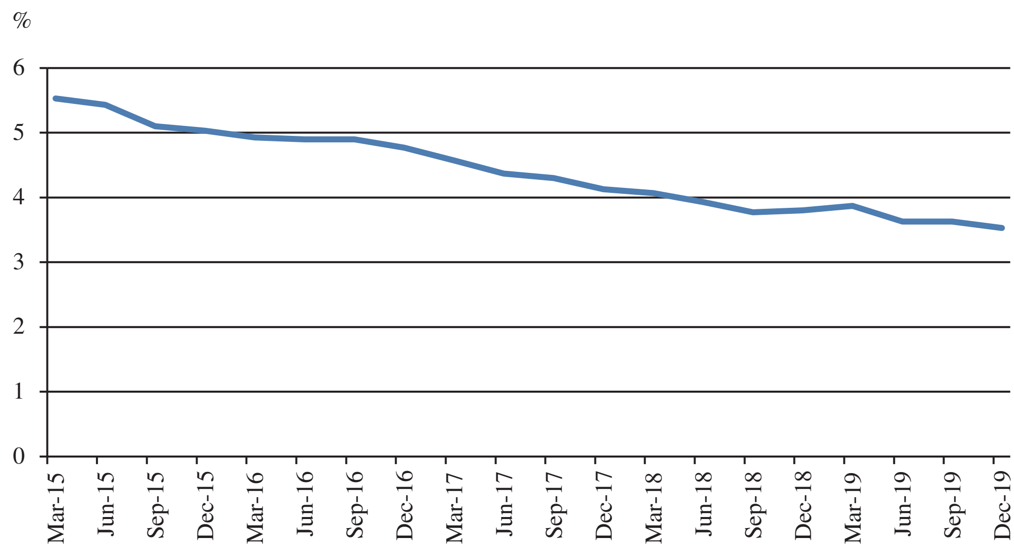
Figure 1 – Nominal GDP of the U.S. from 2015 to 2019



Source: International Monetary Fund

With blooming economy across sectors in the U.S., the unemployment rate dropped continuously from 5.53% in the first quarter of 2015 to 3.5% in 2019. Figure 2 shows the unemployment rate of U.S. from March 2015 to December 2019 as extracted from U.S. Bureau of Labor Statistic*s*.

Figure 2 – Unemployment Rate of the U.S. from March 2015 to December 2019

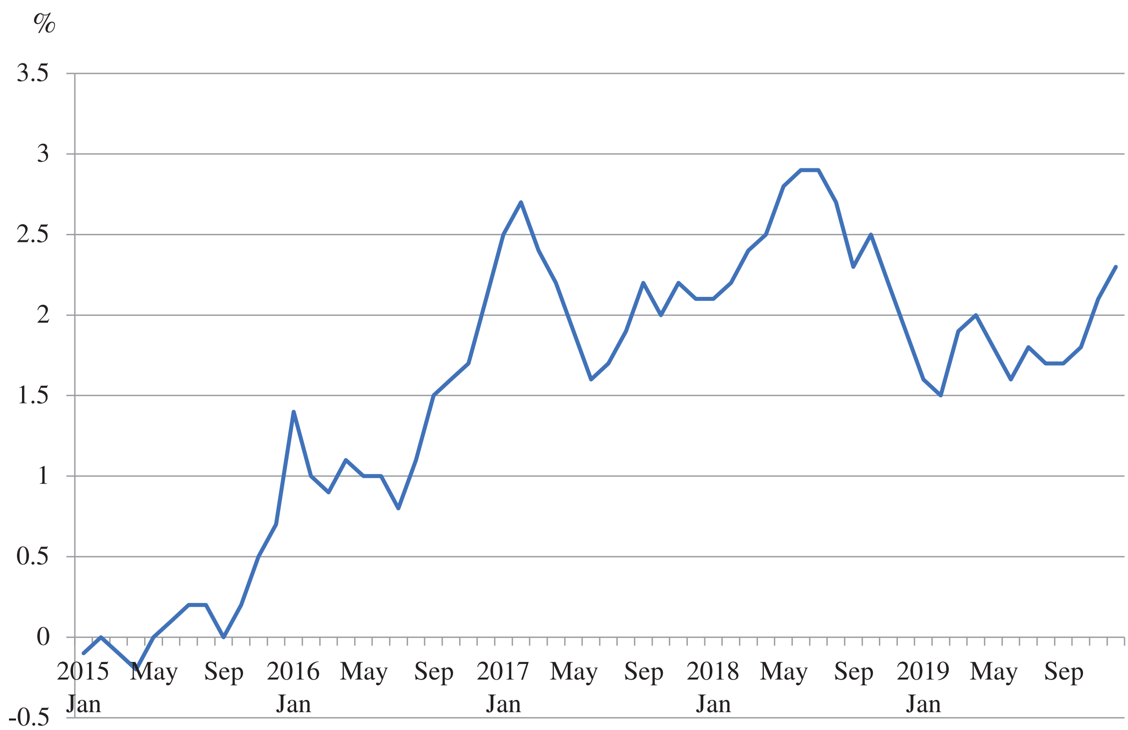


Source: U.S. Bureau of Labor Statistics

3.2 Inflation in the United States

According to the U.S. Bureau of Labor Statistics, the consumer price index ("**CPI**") for all urban consumers keeps rising from January 2015 to July 2018, it started to decrease afterward. Also, the inflation rate demonstrated a upward trend as well from 0.73% in 2015 to 2.22% in 2019. Figure 3 illustrates the year-over-year change in the CPI of the U.S. from 2015 to 2019.

Figure 3 – Year-over-year Change in CPI of the U.S. from January 2015 to December 2019



Source: U.S. Bureau of Labor Statistics

4. INDUSTRY OVERVIEW

4.1 Skincare Industry in United States

According to the research conducted by NPD Group, the size of skincare market was with USD5.9 billion in 2019, with around 5% growth compare with 2018. Natural skincare brands represented 30% of total skincare and sales grew by 14% over 2018. Looking at the by-product market, staples such as cleansers and moisturizers grew and more targeted treatments were with increasing revenue, including acne treatments, brighteners, exfoliators, and lip treatments.

It is expected that the customers will have higher interest in natural and organic ingredients for skincare, and increasing discussion on social media for these products. The skincare market is expected in an upward trend, according to Statista, the revenue for skincare market is expected to grow steadily at 3.5% from 2019–2023.

5. THE OVERVIEW OF THE FUND

The Fund holds 100% equity interest in Obagi Holdings Company Limited (hereinafter referred to as the "**Obagi Holdings**"). The Obagi Holdings is a complete skincare company, designing transformational products that promote skin health in United States.

The following table illustrates the capital structure of the Fund as at the Date of Valuation as provided by the Management.

Capital Contribution of Class A shares *(USD)*	Capital Contribution of Class B shares *(USD)*	Capital Contribution of Class C shares *(USD)*
35,000,000	35,000,000	41,600,000

Source: Management

On 6 January 2020, China Regenerative Medicine Limited, a wholly-owned subsidiary of the Company, has entered into an agreement to dispose 15% of the Capital Contribution in the Fund.

6. BASIS OF VALUATION

Our valuation is conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2017, **market value** is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. VALUATION METHODOLOGY

We adopted the contingent claim method in determining the percentage of equity value allocated to the general partner, Class A shares, Class B shares and the Class C shares under different scenarios, namely initial public offering (hereinafter referred to as "**Listed**") and liquidation/sales (hereinafter referred to as "**Liquidation/Sales**").

Under Listed scenario, the percentage of equity interest of each type of shares were determined by the subscription price of that type of shares divided by the total subscription price.

Under Liquidation/Sales scenario, we split the equity value of the Fund into different layers that shareholders of different classes would receive. The Market Value of each layer could be regarded as the difference between two call options with strike prices of lower bound and upper bound of the layer respectively. Then we adopted the Black-Scholes option pricing model to obtain the Market Values of the call options required to arrive at the Market Values of all layers. We then arrived at the Market Value of each type of shares by summing up the proportion of interest to be received by holder of each type of shares at each layer.

In determining the equity value of the Fund as input in the Black-Scholes option pricing model, there are generally three accepted approaches, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

7.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

7.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

7.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("**equity and long term debt**"). Under the Asset-Based Approach, the Market Value of equity of a business entity/group refers to the Market Values of various assets and liabilities on the statement of financial position of the business entity/group as at the measurement date, in which the Market Value of each asset and liability was determined by reasonable valuation approaches based on its nature.

8. BUSINESS VALUATION

8.1 Valuation of Obagi Holdings

Since the major held by the Fund as at the Date of Valuation is Obagi Holdings, in the process of valuing the Fund, we have taken into account of the operation, financial information and nature of the Fund.

The Income-Based Approach was not adopted in this case since a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of Obagi Holdings and therefore it could not reflect the Market Value of Obagi Holdings. We have therefore considered the adoption of the Market-Based Approach in arriving at the Market Value of Obagi Holdings.

By adopting the guideline public company method under the Market-Based Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered price-to-book ("**P/B**"), price-to-earnings ("**P/E**") and price-to-sales ("**P/S**") multiples. However, P/S multiple was not adopted since it could not capture the difference in cost structure. P/B multiple was not adopted because it cannot reflect the true value of companies which do not possess significant fixed assets. Therefore, we have adopted P/E multiple in the valuation of Obagi Holdings.

We adopted several listed companies with business scopes and operations similar to those of Obagi Holdings as comparable companies.

8.1.1 Comparable Companies

The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in skin care products manufacturing in United States;
- The companies have sufficient listing and operating histories; and
- The financial information of the companies is available to the public.

Details of the comparable companies were listed as follows:

Company Name	Stock Code	Listing Location	Business Description
The Stephan Co.	SPCO.US	United States	The Stephan Co. manufactures hair care products for sale by its subsidiaries and manufactures products marketed under the STEPHAN brand name. The company also manufactures, markets, and distributes hair and skin care products under various trade names. In addition, the company markets a full line of cosmetics through re-tail and mail-order channels.
Teligent, Inc.	TLGT.US	United States	Teligent, Inc. manufactures and distributes pharmaceutical products. The company offers creams, ointments, injections, and other medical products. The company markets its products in the United States.
Procyon Corporation	PCYN.US	United States	Procyon Corporation is a holding company for Amerx Health Care Corp. The company produces medical products for the treatment of various skin problems. Amerx markets its products to health care institutions and retailers.

Company Name	Stock Code	Listing Location	Business Description
Tristar Wellness Solutions, Inc.	TWSI.US	United States	Tristar Wellness Solutions, Inc. is a holding company. The company, through its subsidiary, develops, markets and sells, a product line, which is a line of skincare and other products specifically targeted for pregnant women.
Scott's Liquid Gold-Inc.	SLGD.US	United States	Scott's Liquid Gold-Inc. develops, manufactures, and markets household and consumer products. The company's products include Scott's Liquid Gold wood cleaners/preservatives, Touch of Scent air fresheners, and Alpha Hydrox skin care products.
Skinvisible, Inc.	SKVI.US	United States	Skinvisible, Inc. develops and manufactures polymer-based topical delivery system technologies and formulations. The company markets its products to the pharmaceutical, over-the-counter, person skincare, and cosmetic industries.
Rejuvel Bio-Sciences Inc.,	NUUU.US	United States	Rejuvel Bio-Sciences Inc., whose primary business through its subsidiary, is the production, distribution, marketing and sales of skincare products.
Ulta Beauty, Inc.	ULTA.US	United States	Ulta Beauty, Inc. operates a chain of beauty stores. The company offers cosmetics, fragrance, skin and hair care products, and salon services. The company serves customers throughout the United States.

Company Name	Stock Code	Listing Location	Business Description
Imagenetix, Inc.	IAGX.US	United States	Imagenetix, Inc. develops natural and proprietary bioceutical skin care and nutritional products. The company develops its products in various forms of delivery including soft gels, hard shell capsules, tablets, creams, and liquids.
Ascendia Brands, Inc.	ASCBQ.US	United States	Ascendia Brands, Inc. operates as a consumer product company. The company offers branded bath, baby, oral, skin and hair care products.
Prestige Consumer Healthcare Inc.	PBH.US	United States	Prestige Consumer Healthcare Inc. manufactures and distributes over-the-counter health care and household cleaning products to retail stores. The company distributes products for oral, eye and skin care cough, cold, allergy, and sinus, as well as household cleansers, sponges, scrubbers, and cleaning pads. The company serves clients worldwide.
Edgewell Personal Care Company	EPC.US	United States	Edgewell Personal Care Company operates as a personal care company. The company manufactures and distributes feminine, infant, skin, pet, and sun care products, as well as shaving products. The company serves customers worldwide.

Source: Bloomberg

The P/E multiples of the aforementioned comparable companies were listed as follows:

Company Name	Stock Code	P/E Multiple
The Stephan Co.	SPCO.US	8.538
Teligent, Inc.	TLGT.US	N/A
Procyon Corporation	PCYN.US	108.940
Tristar Wellness Solutions, Inc.	TWSI.US	N/A
Scott's Liquid Gold-Inc.	SLGD.US	N/A
Skinvisible, Inc.	SKVI.US	N/A
Rejuvel Bio-Sciences Inc.,	NUUU.US	N/A
Ulta Beauty, Inc.	ULTA.US	21.027
Imagenetix, Inc.	IAGX.US	N/A
Ascendia Brands, Inc.	ASCBQ.US	N/A
Prestige Consumer Healthcare Inc.	PBH.US	14.072
Edgewell Personal Care Company	EPC.US	8.406
Maximum		**108.940**
Minimum		**8.406**
Average excl. maximum and minimum		**14.546**

Note: The P/E multiple of Teligent, Inc. (TLGT.US), Tristar Wellness Solutions, Inc. (TWSI.US), Scott's Liquid Gold-Inc. (SLGD.US), Skinvisible, Inc. (SKVI.US), Rejuvel Bio-Sciences Inc., (NUUU.US), Imagenetix, Inc. (IAGX.US), Ascendia Brands, Inc. (ASCBQ.US), were unavailable due to its negative net profit for the trailing 12 months as at the Date of Valuation.

The P/E multiple adopted was the average excludes maximum and minimum of the P/E multiples of the above comparable companies as at the Date of Valuation. Then we obtained the estimated Market Value of the Fund as at 31 December 2019 by applying the average excludes maximum and minimum P/E multiple to the net operating profit of USD9,891,511 of Obagi Holdings based on the income statement for the period from 1 January 2019 to 31 December 2019. The Market Value of Obagi Holdings was then arrived by adjusting with its non-operating assets/liabilities.

8.2 Valuation of the Fund

By adopting Market Approach with the assumptions and parameter above, the equity value of the 100% equity interest of Obagi Holdings was USD144,634,647.

We have adopted the Asset-Based Approach in arriving at the market value of the Fund. Under the Asset Based Approach, we have discussed with the Management on the nature of the assets and liabilities of the Fund as at the Date of Valuation. After discussion with the Management and analyzing the nature of amounts due from holding company, cash and cash equivalent, amount due to a subsidiary, amount due to a holding company, annual return payable to partners, management fee payable, loan interest payable and accruals, we have adopted the book values as the market values as at the Date of Valuation.

8.2.1 Marketability Discount

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. With reference to the result of the restricted stock study published in "Stout Restricted Stock Study 2019" by Stout Risius Ross, LLC, a discount for lack of marketability of 20.60% was adopted in arriving at the Market Value of the Fund as at the Date of Valuation.

8.2.2 Calculation Details

Details of the assets and liabilities of the Fund as at the Date of Valuation are as follows:

	Market Value
	USD
Non-Current Assets	
Investment in a Subsidiary	144,634,647
Total Non-Current Assets	144,634,647
Current Assets	
Amounts due from Holding Company	20,188
Cash and Cash Equivalent	7,550
Total Current Assets	27,738
Total Assets	144,662,385
Current Liabilities	
Amount due to a Subsidiary	3,636,037
Amount due to a Holding Company	72,296
Annual Return Payable to partners	10,161,986
Management Fee Payable	4,147,068
Loan Interest Payable	3,500,000
Accruals	103,885
Total Current Liabilities	**21,621,272**
Total Liabilities	**21,621,272**
Net Asset Value	**123,041,113**

The calculation details of the market value of the Fund were illustrated as follows:

Net Asset Value (USD)	123,041,113
Marketability Discount	20.60%
Market Value of Fund (USD)	**97,694,643**

The Market Value of the 100% equity interest of the Fund was USD97,694,643 would be applied to the contingent claim method under different scenarios.

9. CALCULATION ON DISTRIBUTABLE EQUITY VALUE

The following illustrates the redemption prices of the shares under liquidation/sale scenario.

Share Class	**Redemption Price** *(USD)* (Rounded)
Class A	35,000,000
Class B	45,785,753
Class C	35,000,000

Source: Management

According to the Terms and Conditions, in the event of any liquidation, the Class A shares shall have the priority to Class B shares, the Class A shares shall have priority to Class B shares and Class C to receive the dividends by the Fund.

With reference to the terms and conditions of the fund agreement, the 1.6% per annum management fee (hereinafter referred to as "**Management Fee**") and annual return to Class A shares (hereinafter refer to as the "**Class A Distribution**") collectively referred to as "**Cash Outflow**") would be distributed before the occurrence of Liquidation/Sales scenario. Weighted average cost of capital ("**WACC**") and after-tax cost of debt have been applied to discount Class A Distribution and Management Fee respectively in arriving at the respective Market Value of Class A Distribution and Management Fee as at the Date of Valuation. The Market Value of Cash Outflow has been excluded from the Market Value of the Fund to arrive at the distributable equity value.

Below is the summary of the key parameters of the WACC for Class A Distribution adopted as at the Date of Valuation:

Key Parameters		**31 December 2019**
(a)	Risk-free Rate	1.92%
(b)	Market Risk Premium	6.49%
(c)	Beta Coefficient	1.58
(d)	Size Premium	3.39%
(e)	Firm Specific Risk Premium	5.00%
(f)	Cost of Equity	20.58%
(g)	Cost of Debt	4.75%
(h)	Weight of Equity Value to Enterprise Value	42.40%
(i)	Weight of Debt Value to Enterprise Value	57.60%
(j)	Corporate Tax Rate	21.00%
	WACC	**10.89%**

Notes:

(a) The risk-free rate adopted was the yield rate of the United States government 10-year note as at the Date of Valuation as extracted from Bloomberg.

(b) The market risk premium adopted was the United States equity risk premium as extracted from Bloomberg.

(c) The beta coefficient adopted was the median adjusted beta of the comparable companies as sourced from Bloomberg.

(d) The size premium adopted was made reference to the 2018 size premium study published by Duff & Phelps, LLC.

(e) The firm specific risk premium adopted was to reflect the business risks of Obagi Holdings, the future competition within the skin care industry in United States.

(f) The cost of equity was determined based on CAPM plus size premium and firm specific risk premium.

(g) The cost of debt adopted was the United States prime rate as at the Date of Valuation as sourced from Bloomberg.

(h) The adopted weight of equity value to enterprise value derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

(i) The derived weight of debt value to enterprise value adopted from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

(j) The corporate tax rate adopted was the applicable corporate tax rate as advised by the Management.

Accounting for the above items, we arrived at the WACC of 10.89% for the Class A Distribution as at the Date of Valuation.

The after tax cost of debt as at the Date of Valuation is calculated based on United States prime rate multiplied by (1-corporate tax rate in United States), we have therefore arrived at 3.75% for the discount rate adopted for Management Fee.

By using the after tax cost of debt of the Fund of 3.75% and WACC of 10.89%, we have therefore arrived a present value of USD6,084,857 for the Management Fee and USD10,212,972 for Class A Distribution respectively.

10. ASSUMPTIONS AND SOURCES OF INFORMATION

10.1 Risk Free Rate

We have made reference to the yields of United States government bonds and treasury bills with matching maturity terms, which were quoted in Bloomberg.

10.2 Terms and Conditions

The Terms and Conditions provided by the Management have been considered in the valuation and included but not limited to the initial purchase price and the redemption premium of the shares and other terms and conditions.

10.3 Valuation of the Fund

We have adopted certain specific assumptions in the valuation of the Fund and the major ones are as follows:

- The management accounts of the Fund as at 31 December 2019 can reasonably represent its financial position;
- The management accounts of Obagi Holdings as at 31 December 2019 can reasonably represent its financial position since an audited financial statement of Obagi Holdings as at the Date of Valuation is not available;
- The Fund will be operated and developed as planned by the Management;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Fund operates or intends to operate would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industry in which the Fund operates, and the Fund will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major changes in the current taxation laws in the localities in which the Fund operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Fund operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Fund; and
- Interest rates and exchange rates in the localities for the operation of the Fund will not differ materially from those presently prevailing.

10.4 Key Assumptions and Parameters

Calculation for Listed Scenario:

		As at 31 December 2019
(a)	Probability of Listed *(%)*	20
(b)	Value of the Fund Before Marketability Discount *(USD)*	123,041,113
(c)	Total Subscription Price of Class A Shares *(USD)*	35,000,000
(d)	Total Subscription Price of Class B shares *(USD)*	35,000,000
(e)	Total Subscription Price of Class C Shares *(USD)*	41,600,000

Notes:

(a)	Probability of Listed	:	The probability of Listed was estimated by the Management.
(b)	Value of the Fund Before Marketability Discount	:	The Market Value of the Fund before applying marketability discount as at the Date of Valuation determined by adopting the aforementioned approach.
(c)	Total Subscription Price of Class A Shares	:	With reference to the Terms and Conditions and information provided by the Management.
(d)	Total Subscription Price of Class B shares	:	With reference to the Terms and Conditions and information provided by the Management.
(e)	Total Subscription Price of Class C Shares	:	With reference to the Terms and Conditions and information provided by the Management.

Calculation for Liquidation/Sales Scenario:

		As at 31 December 2019
(f)	Probability of Liquidation/Sales *(%)*	80
(g)	Expected Liquidation/Sales Date	6 November 2023
(h)	Equity Value after Distribution of Cash Outflow *(USD)*	81,396,815
(i)	Time Lapsed between Expected Liquidation/Sales Date and Date of Valuation *(Years)*	3.852
(j)	Continuous Risk Free Rate *(%)*	1.632
(k)	Expected Volatility *(%)*	36.294
(l)	Expected Dividend Yield *(%)*	6.259

Notes:

(f)	Probability of Liquidation/Sales	:	The probability of Liquidation/Sales was estimated by the Management.
(g)	Expected Liquidation/Sales Date	:	The expected Liquidation/Sales date was estimated by the Management.
(h)	Equity Value after Distribution of Cash Outflow *(USD)*	:	The Market Value of the Fund as at the Date of Valuation determined by adopting the aforementioned approach after deducting the Market Value of Cash Outflow
(i)	Time Lapsed between Expected Liquidation/Sales Date and Date of Valuation	:	Calculated based on the Terms and Conditions and expected Liquidation/Sales date provided by the Management.
(j)	Continuous Risk Free Rate	:	The rate was determined with reference to the yields of United States government bonds and treasury bills as extracted from Bloomberg.
(k)	Expected Volatility	:	Reference was made to the historical price volatilities of comparable companies, namely Scott's Liquid Gold-Inc. (SLGD.US), Teligent Inc/NJ (TLGT.US), Edgewell Personal Care Co (EPC.US), Ulta Beauty Inc (ULTA.US) and Prestige Consumer Healthcare Inc (PBH.US) that have similar business nature to the Fund.
(l)	Expected Dividend Yield	:	With reference to the historical and expected dividend payout of the Fund as provided by the Management.

11. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the Market Value of the Fund. The factors considered included, but were not necessarily limited to the following:

- Management accounts of Obagi Holdings as at the Date of Valuation;
- Management accounts of the Fund as at the Date of Valuation;
- Subscription Agreement relating to the Fund;
- Amendment to the Subscription Agreement Between China Regenerative Medicine Limited and Haitong International ZhongHua Finance GP Ltd. Dated 6 November 2017;
- Second Amended and Restated Agreement of Exempted Limited Partnership of the Fund dated 6 November 2017;
- Business licenses of the Fund;
- Historical financial statements of the Fund; and
- General descriptions in relation to the Fund.

We have discussed the details with the Management on the information provided and assumed that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

12. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background and business nature of the Fund provided to us.

To the best of our knowledge, all data set forth in this report are assumed to be reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on the historical and/or prospective information provided by the Management and other third parties to a considerable extent in arriving at our opinion of value. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the Fund was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the Market Value of the Disposed Interest.

We have not investigated the title to or any legal liabilities of the Fund and have assumed no responsibility for the title to the Disposed Interest appraised.

Our conclusion of the Market Value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

13. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in United States Dollars (USD).

We hereby confirm that we have neither present nor prospective interests in the Company, the Fund and their associated companies, or the values reported herein.

14. OPINION OF VALUE

Based on the investigation stated above and the valuation method employed, the Market Value of the Disposed Interest as at the Date of Valuation, in our opinion, was reasonably stated as **USD25,204,000 (UNITED STATES DOLLARS TWENTY FIVE MILLION TWO HUNDRED AND FOUR THOUSAND ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors and chief executives

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares and underlying Shares of the Company

Name	Capacity and Nature of interest	Number of Shares	Approximate percentage of the Company's issued share capital
Mr. Wang Chuang	Beneficial owner	25,140,000	2.86%
Mr. Wu Weiliang	Beneficial owner	22,620,000	2.57%

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had, or was deemed to have, any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(ii) Substantial Shareholders

As at the Latest Practicable Date, so far as known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executives of the Company as disclosed above) had, or were deemed to have, interests or short position in the Shares or underlying Shares or debentures of the Company (i) which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Capacity and Nature of interest	Number of Shares	Approximate percentage of the Company's issued share capital
China Orient Asset Management Co., Ltd *(Notes 1)*	Held by controlled corporation	157,794,659	17.95%
China Orient Alternative Investment Fund *(Notes 1)*	Held by controlled corporation	157,744,659	17.94%
All Favour *(Notes 2)*	Beneficial owner	262,907,765	29.90%
Mr. Dai Yumin *(Notes 2)*	Held by controlled corporation	262,907,765	29.90%
	Beneficial owner	875,000 *(Note 3)*	0.10%
Mr. Xu Yi *(Note 2)*	Held by controlled corporation	262,907,765	29.90%

Notes:

1. Based on the disclosure of interests form both filed on 25 January 2018 by China Orient Asset Management Co., Ltd ("**COAMC**") and China Orient Alternative Investment Fund ("**COAIF**"), Optimus has a security interest in 262,907,765 Shares and China Orient Asset Management (International) Holding Limited ("**COAMI**") has an interest in 19,200,000 Shares. Optimus is wholly-owned by COAIF. COAIF is owned to 45% by COAMI. COAMI is owned as to (i) 50% by Wise Leader Assets Ltd. ("**Wise Leader**") which is wholly-owned by Dong Yin Development (Holdings) Limited ("**Dong Yin**"); and (ii) 50% by Dong Yin which is wholly-owned by COAMC.

   By virtue of the SFO, Wise Leader, Dong Yin and COAMC are deemed to be interested in 19,200,000 Shares held by COAMI, and COAIF, COAMI, Wise Leader, Dong Yin and COAMC are deemed to be interested in 262,907,765 Shares held by Optimus as security interest. As a result, Wise Leader, Dong Yin and COAMC are deemed to be interested in an aggregate of 262,907,765 Shares. Based on the disclosure of interests form both filed on 7 January 2020 by COAMC and COAIF, Optimus has decreased its security interest to 157,744,659 Shares and COAMI has remained its interest of 19,200,000 Shares. Based on the disclosure of interests form filed on 24 January 2020 by COAMC, COAMC has an interest of 157,794,659 Shares and COAMI ceased to have an interest in 19,200,000 Shares.

2. All Favour is beneficially owned as to (i) 40% by Nat-Ace Wood Industry Ltd. ("**Nat-Ace Wood Industry**") and 20% by Honour Top Holdings Limited, of which Nat-Ace Wood Industry is ultimately and wholly-owned by Mr. Xu Yi ("**Mr. Xu**") and Honour Top Holdings Limited is ultimately wholly-owned by Mr. Dai Yumin ("**Mr. Dai**"), and (ii) 40% by Mr. Dai. Moreover, All Favour has been the beneficial owner of 262,907,765 Shares. By virtue of the SFO, Mr. Dai, Mr. Xu and Nat-Ace Wood Industry are deemed to be interested in 262,907,765 Shares in which All Favour is interested in.

   On 16 September 2015, Mr. Dai was granted 17,500,000 Share Options by the Company under the Share Option Scheme entitling him to subscribe for 17,500,000 Shares at the exercise price of HK$0.45 per Share, subject to the terms and conditions of the Share Option Scheme. The number of Shares to be issued upon full exercise of the said Share Options and the exercise price per Share were adjusted to 875,000 Shares and HK$9.00 per Share with effect from 16 May 2019 as a result of the share consolidation of the Company, details of which were disclosed in the announcement of the Company dated 15 May 2019. Assuming the Share Options granted to Mr. Dai has been exercised in full, Mr. Dai shall hold an aggregate of 875,000 Shares as beneficial owner. By virtue of the SFO, Mr. Dai, together with his deemed interests in All Favour, was deemed to be interested in an aggregate of 263,782,765 shares of the Company. All Favour has pledged its interests in 157,744,659 Shares in favour of Optimus Prime Management Ltd.

3. Mr. Dai was granted 875,000 Share Options by the Company under the share option scheme adopted by the Company on 14 September 2011 entitling him to subscribe for 875,000 Shares at the exercise price of HK$9.00 per Share of which 700,000 are Exercisable Share Options

Save as disclosed above, as at the Latest Practicable Date, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their close associates had any interests in any business which competes or may compete either directly or indirectly with the business of the Group.

4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in the assets which had been, since 31 December 2018, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors and their respective associates was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, there is no service contract or proposed service contract between the Directors and any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

6. MATERIAL CONTRACTS

Save for the following, there were no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by any member of the Group within the two years immediately preceding the date of this Circular and up to the Latest Practicable Date:

(i) the placing agreement dated 26 April 2019 entered into between the Company and Chung Lee Securities Company Limited in relation to the placing of up to 3,517,158,000 Shares under general mandate at the placing price of HK$0.025 per placing share (the "**Previous Placing**");

(ii) the mutual termination agreement of the placing agreement effective on 20 May 2019 and entered into between Chung Lee Securities Company Limited, the Placing Agent and the Company to terminate the Previous Placing;

(iii) the co-operation agreement dated 21 August 2019 entered into between BioCell Technology Limited, a wholly-owned subsidiary of the Company and Miskawaan Biotech Limited ("**Miskawaan**") in relation to the lab assets of BioCell Technology Limited at a consideration of rental amount of HK$1 per annum, the put option for an exercise price of HK$30 million, 15% of Miskawaan's issued share capital, having value of HK$1 and rental amount of the premises of HK$700,000, which has lapsed on 17 December 2019;

(iv) the Deed of Transfer;

(v) the underwriting agreement dated 27 November 2019 entered into between SBI China Capital Financial Services Limited ("**SBI**"), a company incorporated in Hong Kong with limited liability as an underwriter and the Company in relation to the open offer for 1,758,579,000 offer shares on the basis of two offer shares for every one share held on the record date (the "**Open Offer**"), pursuant to which the underwriter agreed to underwrite the maximum of 1,245,318,670 offer shares at a subscription price of HK$0.2 per offer shares at a total amount of HK$249,063,734, and this agreement was terminated on 18 February 2020;

(vi) the placing agreement dated 27 November 2019 entered into between Chung Lee Securities Company Limited as a placing agent and the Company in relation to the Open Offer, pursuant to which the placing agent agreed to place the Company's shares to the places at HK$0.2 per Share, and this agreement was terminated on 18 February 2020;

(vii) the Further Deed of Transfer;

(viii) the placing agreement dated 2 March 2020 entered into between SBI and Grand Partners Securities Limited as joint placing agents and the Company in relation to the placing of up to 500,000,000 Shares under specific mandate at the placing price of HK$0.2 per placing share; and

(ix) the subscription and settlement agreement dated 2 March 2020 entered into between All Favour as subscriber and the Company in relation to subscription of convertible bonds in the principal amount of HK$120 million under specific mandate, which upon conversion, a maximum number of 600,000,000 conversion shares with of HK$0.20 each will be allotted and issued by the Company.

7. LITIGATION

As at the Latest Practicable Date, save for the followings, no member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to the Directors to be pending or threatened by or against any member of the Group:

(i) On 24 September 2019, Aokai (Suzhou) Biotechnology Co., Ltd.* (奥凱(蘇州)生物技術有限公司) ("**Suzhou Aokai**"), a 90% owned subsidiary of the Company, entered to a settlement agreement with Shanghai Dongfulong Dehui Air Conditioning Equipment Co., Ltd.* (上海東富龍德惠空調設備有限公司) ("**Shanghai Dongfulong**") in relation to a claim by Shanghai Dongfulong against Suzhou Aokai for an outstanding balance for purchase of air-conditioning equipment plus legal expenses in the total amount of RMB1,038,579.

(ii) On 10 September 2019, an arbitral award was made by Shenzhen Court of International Arbitration in favour of Jiangsu Xiangke Technology Co., Ltd.* (江蘇翔科科技有限公司) against Shenzhen Aimier Corneal Engineering Co. Ltd.* (深圳艾尼爾角膜工程有限公司), a wholly-owned subsidiary of the Company, for the refund of a security deposit in the amount of RMB1,000,000. On 4 December 2019, the Group has received an enforcement ruling for the payment of the said sum plus interest and costs.

(iii) Pursuant to a mediation agreement dated 12 November 2019, Yuanli Zhuocheng Medical Technology (Beijing) Co., Ltd.* (源力卓成醫學科技(北京)有限公司), a wholly-owned subsidiary of the Company, is liable to pay for an amount of up to RMB2,265,978.66, being damages payable for early termination of an tenancy agreement of an office premises, to Dongjiang Mixiang Garden (Beijing) Catering Co., Ltd.* (東江米巷花園(北京)餐飲有限公司).

(iv) On 29 November 2019, a Final Judgement was made by the District Court of the Hong Kong (DCCJ 4597 of 2019) in favour of Moore Stephens CPA Limited ("**Moore Stephens**") against the Company for the payment of: (1) the sum of HK$1,675,000.00, being professional fees due and owing by the Company to Moore Stephens for services rendered; (2) interest accrued thereon at the rate of 8.125% per annum from 26 August 2019 to 29 November 2019 and thereafter at judgement rate until payment; and (3) fixed costs of HK$7,130.00.

8. EXPERT'S CONSENT AND QUALIFICATION

The following is the qualification of the expert who has given opinion or advice which is contained in this Circular:

Name	Qualification
BDO Limited	Certified public accountants
Roma Appraisals Limited	Independent qualified valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter or advice, and references to its name in the forms and context in which they respectively appear.

As at the Latest Practicable Date, neither of the above experts had any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, neither of the above experts had any direct nor indirect interest in any assets which had been, since 31 December 2018, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board comprised three independent non-executive Directors, namely, Dr. Fang Jun, Ms. Yang Ying and Ms. Huo Chunyu. The audit committee of the Board is chaired by Ms. Yang Ying. The primary duties of the audit committee are to act independently from the executive of the Company to ensure that the interests of the Shareholders are properly protected in relation to financial reporting, risk management and internal control and to act as the key representative body for overseeing the Company's relations with the external auditors. The background, directorship and past directorship (if any) of each of the members of the audit committee of the Board are set out below.

(a) Dr. Fang Jun ("**Dr. Fang**"), aged 57, is an independent nonexecutive Director. He is also the chairman of each of the nomination committee and the remuneration committee of the Company and a member of the audit committee. Dr. Fang joined the Group in December 2017. He served as an executive member and the executive vice-chairman of the Cross-straits Medicine Exchange Association* (海峽兩岸醫藥衛生交流協會), an executive member and the vice-chairman of China Sexology Association* (中國性學會), the publisher and the executive chief editor of the China Sexology Journal* (《中國性科學》) and the deputy head of the Sexology Research Center of Peking University Health Science Center* (北京大學醫學部性學研究中心). Dr. Fang also assumed various positions such as the executive member and the secretary general of Wu Jieping Medical Foundation* (吳階平醫學基金會). Dr. Fang graduated from Peking University Health Science Center with a master's degree in Social Medicine and Health Service Management and a doctorate degree in Epidemiology and Health Statistics. Dr. Fang also served as an independent non-executive director of HongDa Financial Holding Limited, a company listed on the Stock Exchange (1822.HK) from July 2014 to May 2018.

(b) Ms. Yang Ying ("**Ms. Yang**"), aged 48, has been a member of the Beijing Institute of Certified Public Accountants since 1999 and is a certified public accountant of the People's Republic of China. Since August 2014, Ms. Yang has served as the managing partner of the Beijing branch of Shanghui Certified Public Accountants (Special General Partnership)* (上會會計師事務所 (特殊普通合夥)). Between September 2005 and September 2011, Ms. Yang was a shareholder, the chairlady and the chief accountant of Beijing Jiuzhou Haotian Accounting Firm Co., Ltd.* (北京九州昊天會計師事務所有限責任公司). Ms. Yang obtained a master's degree in business administration from Asia International Open University (Macau) in December 2010.

(c) Ms. Huo Chunyu ("**Ms. Huo**"), aged 45, obtained a bachelor degree from Hebei University of Economics and Business (河北經貿大學). She has over 20 years of commercial and professional experience with companies including the Industrial and Commercial Bank of China Hebei Branch (中國工商銀行河北省分行), Shijiazhuang Haowei Optoelectronic Thin Film Technology Co., Ltd* (石家莊豪威光電子薄膜技術有限公司) and Hebei Youyuan Certified Public Accountants* (河北有源會計師事務所). Since September 2012, she has been a Partner of Ruihua Certified Public Accountants* (瑞華會計師事務所).

10. COMPLIANCE ADVISER

In accordance with Rule 6A.20 of the GEM Listing Rules, the Company has appointed Octal Capital Limited ("**Octal Capital**") as its compliance adviser, which provides advices and guidance to the Company in respect of compliance with the GEM Listing Rules including various requirements relating to Directors' duties. As notified by Octal Capital, except for the compliance adviser agreement entered into between the Company and Octal Capital on 12 August 2019, neither Octal Capital nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the Latest Practicable Date.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (excluding Saturdays and public holidays) from 9:00 a.m. to 5:00 p.m. on any Business Day and at the head office and principal place of business in Hong Kong of the Company at Rooms 3006–10 30/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong from the date of this Circular up to and including the date of EGM, being a period of not less than 14 days:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for the financial year ended 30 April 2017, for the period from 1 May 2017 to 31 December 2017, for the financial year ended 31 December 2018, unaudited annual results announcement for the year ended 31 December 2019;

(iii) the letter from the Board, the text of which is set out on pages 6 to 21 of this Circular;

(iv) the report from BDO Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this Circular;

(v) the valuation report from Roma Appraisals Limited on the Investment as at 31 December 2018, the text of which is set out in Appendix IVA to this Circular;

(vi) the valuation report from Roma Appraisals Limited on the Disposed Interest as at 31 December 2019, the text of which is set out in Appendix IVB to this Circular;

(vii) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(viii) the written consents referred to in the section headed "Expert's consent and Qualification" in this appendix; and

(ix) this Circular.

12. MISCELLANEOUS

(a) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(b) The head office and principal place of business in Hong Kong of the Company is situated at Rooms 3006–10, 30/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(c) The principal share registrar and transfer office of the Company is Maples Fund Services (Cayman) Limited at P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

(d) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(e) The company secretary of the Company is Mr. Lee Pak Chung, who is a member of the Hong Kong Institute of Certified Public Accountants, the American Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Chinese Institute of Certified Public Accountants.

(f) The compliance officer of the Company is Mr. Wang Xuejun, who is also an executive Director and the chief executive officer of the Company.

(g) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

(h) The English text of this Circular shall prevail over the Chinese text in the case of inconsistency.

China Regenerative Medicine International Limited
中國再生醫學國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8158)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of China Regenerative Medicine International Limited (the "**Company**") will be held at Rooms 3006–10, 30/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong at 2:30 p.m. on Thursday, 7 May 2020 to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the deed of transfer dated 21 February 2020 (the "**Further Deed of Transfer**") entered into among Mr. Xiong Qiangen as the purchaser, China Regenerative Medicine Limited as the vendor, and ZhongHua Finance GP Ltd. as the general partner of ZhongHua Finance Acquisition Fund I, L.P., in relation to the very substantial disposal of the Company (a copy of which has been produced to the EGM marked "A" and initialled by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one of the directors of the Company be and is hereby authorised to do all such acts and things and to execute all such documents for and on behalf of the Company as such director of the Company may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Further Deed of Transfer."

By Order of the Board
China Regenerative Medicine International Limited
Wang Chuang
Chairman and Executive Director

Hong Kong, 20 April 2020

Registered office:
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Head office and principal of business in Hong Kong:
Rooms 3006–10, 30/F,
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Notes:

1. Any shareholder of the Company entitled to attend and vote at the above meeting may appoint if he is the holder of two or more Shares, one or more proxies to attend and to vote in his stead. A proxy need not be a shareholder of the Company.

2. Where there are joint registered holders of any share, any one such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4. In order to determine the entitlement of shareholders of the Company to attend and vote at the Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged at the Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 29 April 2020.

5. Delivery of a form of proxy shall not preclude a member from attending and voting in person at the meeting and in such event, the form of proxy shall be deemed to be revoked.

6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 8:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.crmi.hk and on the GEM website of the Stock Exchange at www.hkgem.com.hk to notify Shareholders of the date, time and venue of the rescheduled meeting.

As at the date of this notice, the executive Directors are Mr. Wang Chuang (Chairman) and Mr. Wang Xuejun (Chief Executive Officer); the non-executive Directors are Mr. Wu Weiliang and Mr. Tsang Ho Yin; and the independent non-executive Directors are Dr. Fang Jun, Ms. Huo Chunyu and Ms. Yang Ying.