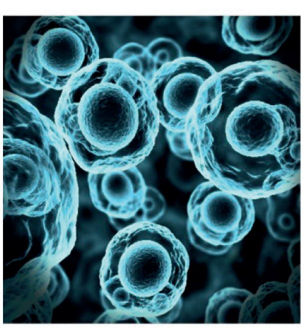
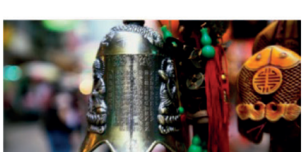
REGENT PACIFIC GROUP LIMITED





(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 0575 22 March 2019

ANNOUNCEMENT

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND PROPOSED ADOPTION OF THE AMENDED AND RE-STATED ARTICLES OF ASSOCIATION

CHAIRMAN'S STATEMENT

2018 was a significant year for the Group and one marked by a number of significant achievements, including the successful launch of Fortacin™ in France, Germany, Italy, Spain and Portugal. This was a notable and critical achievement for the Group and one that we hope will help create a steady stream of recurring cash flow for the years to come. Against this backdrop I now report the Group's results for the year ended 31 December 2018.

Financial Highlights and Review

The Group recorded a loss attributable to shareholders of the Company of US$31.09 million, which was mainly attributable to: (i) a non-cash amortisation charge of US$28.05 million on the intangible asset, being Fortacin™; (ii) the operating expenses of US$8.77 million; and (iii) a marked-to-market loss of US$3.30 million in respect of the Company's equity portfolio of financial assets at fair value through profit or loss ("**FAFVPL**"); while being offset somewhat by the signature payment, milestone and royalty income from Recordati S.p.A. ("**Recordati**"), Wanbang Pharmaceutical Marketing and Distribution Co., Ltd. ("**Wanbang Pharmaceutical**") and Orient EuroPharma Co., Ltd ("**Orient EuroPharma**") of US$6.24 million.

Regent Pacific Group Limited
8th Floor, Henley Building
5 Queen's Road Central
Hong Kong

Tel: (852) 2514 6111
Fax: (852) 2810 4792 | (852) 2509 0827
Email: info@regentpac.com
Website: www.regentpac.com

Disappointing that profitability could not be achieved for 2018, this was due to the investment and resources allocated to the commercial launch of Fortacin™ in certain countries in the European Union earlier in the year coupled with the large amortisation cost of US$28.05 million. While Fortacin™ has only now been in the market for a relatively short period of time, we see its potential to create a steady stream of recurring cash flow leading to profitability for the Group in the years to come. We are continuing to work diligently with our partners, on the further commercial roll-out of Fortacin™.

Following the first commercial sale of Fortacin™ in each of France, Germany, Italy, Portugal and Spain, a total of EUR 4.12 million (or approximately US$4.72 million) was paid from Recordati to the Group for the year ended 31 December 2018, including royalty income, without any withholding, and the Group now looks forward to working towards receiving further payments under its licence agreement with Recordati, pursuant to which the Group is eligible to receive remaining payments of up to EUR 33 million (or approximately US$37.79 million) plus royalties after hitting certain milestones related to the European roll-out.

The Group's portfolio of FAFVPL incurred a net realised and unrealised loss of approximately US$3.30 million for the year ended 31 December 2018. The total value of our portfolio of FAFVPL was approximately US$5.50 million as at 31 December 2018, down from approximately US$8.78 million in 2017, which was mainly a result of the correction experienced in the global stock markets in the latter half of 2018.

Healthcare and Life Sciences Focus

The Group's healthcare and life sciences investments portfolio remain its core focus and the Group believes that investments in this sector will create substantial returns for our shareholders in the medium to longer term. As part of this focus, we have worked diligently to further strengthen our relationships with key commercial partners and stakeholders in this sector.

The Group's efforts are now starting to bear fruit, with the Group having teamed with Recordati, its commercial partner for the successful launch of Fortacin™ in France, Germany, Italy, Spain and Portugal in Q1 2018, ahead of schedule. Subsequent to year end, Recordati launched Fortacin™ in the United Kingdom in February 2019 with planned launches in Romania and Greece to follow later in 2019 and it will be rolled out in their other countries over the coming years, which is fantastic news.

Through strengthening relationships within the sector, the Group was also able to enter into exciting new out-licensing deals in respect of out-licensing Fortacin™ into previously untapped markets, being to: (i) Wanbang Pharmaceutical, a wholly controlled company of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., in respect of the rights to commercialise Fortacin™ in The People's Republic of China, excluding Taiwan, Hong Kong Special Administrative Region ("**HK**") and Macau Special Administrative Region ("**Macau**"); and (ii) Orient EuroPharma, a company registered in Taiwan, in respect of the rights to commercialise Fortacin™ in select territories in Asia, being Taiwan, HK, Macau, Malaysia, Brunei, Singapore, Philippines, Thailand and Vietnam, but excluding The People's Republic of China. Pursuant to these licence agreements, the Group will be eligible to receive payments of up to: (i) US$38 million, excluding royalties after hitting certain milestones related to the Wanbang Pharmaceutical roll-out; and (ii) US$1.45 million, excluding royalties after hitting certain milestones related to the Orient EuroPharma roll-out.

In parallel with the business development efforts across Europe and Asia in respect of commercialising Fortacin™, the Group has further progressed the approval process with The Food and Drug Administration of the United States (the "**US**") Department of Health and Human Services (the "**FDA**"), with the commencement of clinical trials in US test centres in December 2018. Currently, there are 12 test centres open for recruitment of patients in the US, with eight more test centres to be opened for facilitating recruitment. In this respect, the Group remains hopeful that pivotal Phase III work could commence in the Q1 2021, with New Drug Application submission possible in Q1 2022, giving a Prescription Drug User Fee Act date in 2022. Ultimately achieving all necessary FDA and other US regulatory approvals needed to commercialise Fortacin™ in the US, the market with the most significant potential, is a primary commercial objective of the Group and is being pursued vigorously.

Additionally, the Group was also able to make positive progress with the Hong Kong Department of Health-Drug Office and the Macau Government-Health Bureau. Fortacin™ has now been successfully registered in both Hong Kong and Macau with the relevant authorities, paving the way for Fortacin™ to be sold, offered for sale and distributed in these regions by Orient EuroPharma, which is expected in 2019.

Other Existing Investments

Looking at the Group's existing and legacy investments in natural resources (which are non-core and are the focus of its existing divestment programme), energy related investments have stabilised and the Group's not insignificant exposure to base metals (copper and zinc in particular) continues to enjoy a recovery of note. While commodity markets remain volatile, there has been a noticeable shift of investment activity towards exploration and not just producers. We remain confident that on a fundamental basis, demand will be underpinned by urbanisation of emerging and recovery of developed economies globally. We see the potential for the Company's investment in Venturex Resources Limited ("**Venturex**") to see further increases (on a marked-to-market basis), principally due to Venturex de-risking its copper-zinc project at Sulphur Springs and the distinct lack of comparable projects in Australia.

Outlook

The global economy is projected to grow at 3.5% in 2019, having been revised downward in part because of the negative effects of tariff increases enacted in the US and China and also to reflect the effects of softer momentum from the second half of 2018.

If anything, risks to global growth seemingly tilt to the downside. An escalation of trade tensions beyond those already factored in remain a key source of risk to the outlook as does a further tightening of financial conditions, especially given the high levels of public and private debt. These potential triggers include a "no-deal" withdrawal of the United Kingdom from the European Union and a greater-than-envisaged slowdown in China.

Measures to boost potential output growth, enhance inclusiveness, and strengthen fiscal and financial buffers in an environment of high debt burdens and tighter financial conditions are imperatives.

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

Our strategy remains the same and our balance sheet means we are well positioned to deliver on this. The Company has every intention of continuing with its existing business of investing in companies engaged in the health care and life sciences sectors. With the ongoing commercialisation of Fortacin™ across targeted markets, our progress with the FDA and ongoing discussions with other possible commercial partners, we remain tremendously excited about the future prospects for the Group.

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

PERFORMANCE OVERVIEW

A summary of the financial performance and other notable events for 2018 include:

- A loss attributable to shareholders of the Company of US$31.09 million, which was mainly attributable to: (i) a non-cash amortisation charge of US$28.05 million on the intangible asset, being Fortacin™; (ii) the operating expenses of US$8.77 million; and (iii) a marked-to-market loss of US$3.30 million in respect of the Company's equity portfolio of FAFVPL; while being offset somewhat by the signature payment, milestone and royalty income from Recordati, Wanbang Pharmaceutical and Orient EuroPharma of US$6.24 million.

- Shareholders' equity of US$126.62 million, a decrease of approximately 20.27% as compared at 31 December 2017, with the decrease being mainly attributable to the loss attributable to shareholders of the Company.

- As announced on 13 February 2018, Recordati, the Group's European commercial partner, informed the Company on 12 February 2018 that Fortacin™ was officially launched, by way of first commercial sales from Recordati to wholesalers in Italy on 9 February 2018, with first Fortacin™ sales following in France and Spain on 16 and 19 February 2018, respectively, and thereafter in Germany and Portugal from March 2018.

- The first commercial sale of Fortacin™ took place on schedule in Italy, France, Spain, Germany and Portugal. A total of EUR 4.12 million (or approximately US$4.72 million) was duly received by the Group from Recordati for the year ended 31 December 2018. This was without any withholding and the Group now looks forward to working towards receiving further payments under its licence agreement with Recordati, pursuant to which the Group is eligible to receive remaining payments of up to EUR 33 million (or approximately US$37.79 million) plus royalties after hitting certain milestones.

- Subsequent to year end, Recordati launched Fortacin™ in the United Kingdom in February 2019, with planned launches in Romania and Greece to follow later in 2019 and it will be rolled out in their other countries over the coming years.

- From a business development standpoint and as announced on 3 and 21 December 2018, respectively, exciting new out-licensing deals were also signed in respect of out-licensing Fortacin™ to: (i) Wanbang Pharmaceutical, a wholly controlled company of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., in respect of the rights to commercialise Fortacin™ in The People's Republic of China, excluding Taiwan, HK and Macau; and (ii) Orient EuroPharma, a company registered in Taiwan, in respect of the rights to commercialise Fortacin™ in select territories in Asia, being Taiwan, HK, Macau, Malaysia, Brunei, Singapore, Philippines, Thailand and Vietnam, but excluding The People's Republic of China. Pursuant to these licence agreements, the Group will be eligible to receive payments of up to: (i) US$38 million, excluding royalties after hitting certain milestones related to the Wanbang Pharmaceutical roll-out; and (ii) US$1.45 million excluding royalties after hitting certain milestones related to the Orient EuroPharma roll-out.

- As announced on 6 November 2018, the Group is pleased to report that on 4 November 2018 the Company was advised by its regulatory agent that it had successfully registered Fortacin™ in Hong Kong with the Hong Kong Department of Health-Drug Office. The Hong Kong registration will run for an initial period of five years expiring on 18 October 2023 and thereafter for periods of five years at a time on renewal. This registration, together with the import licence already obtained in Macau from the Macau Government-Health Bureau, will allow Fortacin™ to be sold, offered for sale and distributed in these regions by our partner Orient EuroPharma, which is expected in 2019.

- In parallel with the European and Asian roll-out efforts of Fortacin™, the Group has further progressed the approval process with the FDA. In this respect the Phase II validation study of Fortacin™ in respect of the FDA approval process was officially registered on 6 July 2018, with patients being enrolled into the study from December 2018. Currently, there are 12 test centres open for recruitment of patients in the US, with eight more test centres to be opened for facilitating recruitment. The phase II clinical trial is estimated to complete by Q1 2020. On the assumption that the trial is sufficient to convince the FDA that the Premature Ejaculation Bothersome Evaluation Questionnaire (PEBEQ) serves as an appropriate measure for support of a label claim, pivotal Phase III work could commence in the Q1 2021, with New Drug Application ("**NDA**") submission possible in Q1 2022, giving a Prescription Drug User Fee Act (PDUFA) date in 2022. These dates are the most recent guidance received and update all previous estimates on the FDA process set out by the Company in its announcements, annual and interim reports and investor presentations but are ultimately dependent for example on the timing it takes to enrol patients in the trials, the feedback received from the FDA and time to taken to address any issues that have been received from the FDA. Formal commencement of the Phase II validation study of Fortacin™ in the US in December 2018 was a critical and positive step towards making the NDA submission and ultimately achieving all necessary FDA and other US regulatory approvals needed to commercialise Fortacin™ in the US, its most significant potential market.

- Maintaining and actively monitoring its existing and strategic investment in Venturex, representing approximately 15.16% of the share capital of the company as at 31 December 2018.

- As at 31 December 2018, the Company had no long-term debt, having cash and listed and unlisted securities of US$6.81 million.

- With a streamlined focus and sensible capital structure, the Company remains excited about the future prospects for the Group and its shareholders, and will: (i) continue to pursue the successful commercialisation of Fortacin™ as quickly as possible, with the European roll-out with Recordati successfully launched in March 2018, as well as in the remaining key markets for 'out licensing' Fortacin™ of the US, the Middle East and Latin America; and (ii) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

Following year end and as announced on 18 March 2019, the Company entered into a settlement agreement with the Australian Taxation Office ("**ATO**") in respect of its dispute with the Australian tax authorities in connection with a disposal by the Group of an investment in BC Iron Limited ("**BCI**"), a company listed on the Australian Securities Exchange. The ATO considered that capital gains tax was payable in the amount of approximately A$11.85 million (or approximately US$8.39 million), which, together with the interest also claimed, amounted to A$19.12 million (or approximately US$13.55 million) as of 1 March 2019. The settlement reached was in respect of a fixed amount of A$9.5 million (or approximately US$6.73 million), payable within 90 days of the date of the settlement agreement. While the expert and independent Australian advice received did not change throughout the dispute and at no stage did the Directors consider that any tax was payable (and therefore no provision for taxation regarding this matter was previously provided within the audited financial statements of the Company and the Group), as part of the dispute resolution process the Board was compelled to consider the inherent litigation risk associated with pursuing the matter through the Australian courts. Consequently, it was decided that the aforementioned settlement was in the best interests of the Group and its shareholders as a whole. The settlement amount was well below the total potential amount payable to the ATO and facilitated the discontinuance of the litigation.

RESULTS

The directors (the "**Directors**" or the "**Board**") of Regent Pacific Group Limited (the "**Company**" or "**Regent**" and collectively with its subsidiaries, the "**Group**") announce the audited results of the Group for the year ended 31 December 2018, together with comparative figures for the year ended 31 December 2017, as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Revenue:	3		
Signature payment, milestone and royalty income		6,235	5,272
Corporate investment income		(115)	(40)
Other income		19	5
		6,139	5,237
Fair value (loss)/gain on financial assets at fair value through profit or loss and derivatives, net	4	(3,296)	4,256
Total income including fair value (loss)/gain on financial assets at fair value through profit or loss and derivatives, net		2,843	9,493
Expenses:			
Employee benefit expenses	5	(3,958)	(3,900)
Rental and office expenses		(744)	(706)
Information and technology expenses		(167)	(177)
Marketing costs and commissions		(101)	(143)
Professional and consulting fees		(1,054)	(1,011)
Research and development expenses		(2,347)	(2,455)
Amortisation of intangible asset		(28,047)	(28,047)
Other operating expenses		(396)	(457)
Operating loss before impairment loss		(33,971)	(27,403)
Impairment loss on interest in an associate	9(iv)	—	(1,875)
Operating loss	4	(33,971)	(29,278)
Gain on disposal of an associate	9(iii)	209	—
Share of results of associates	9(ii)	—	(1,067)
Loss before income tax		(33,762)	(30,345)
Tax credit	6	2,669	2,982
Loss for the year		(31,093)	(27,363)

	Notes	2018 US$'000	2017 US$'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		191	(25)
Share of other comprehensive income of an associate		—	(111)
Reclassification to profit or loss on disposal of an associate	9(iii)	129	—
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		(25)	—
Other comprehensive income for the year, before and net of tax		295	(136)
Total comprehensive income for the year		(30,798)	(27,499)
Loss for the year attributable to:			
Shareholders of the Company		(31,087)	(27,359)
Non-controlling interests		(6)	(4)
		(31,093)	(27,363)
Total comprehensive income attributable to:			
Shareholders of the Company		(30,797)	(27,495)
Non-controlling interests		(1)	(4)
		(30,798)	(27,499)
Losses per share attributable to shareholders of the Company during the year	8		
		US cents	US cents
– Basic and Diluted		(1.69)	(1.51)
		HK cents	HK cents
– Basic and Diluted		(13.25)	(11.80)

Consolidated Statement of Financial Position
As at 31 December 2018

	Notes	2018 US$'000	2017 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		77	63
Intangible asset		137,084	165,131
Interests in associates	9	1	2
Financial assets at fair value through other comprehensive income	10	282	—
Available-for-sale financial assets	11	—	1,925
		137,444	167,121
Current assets			
Financial assets at fair value through profit or loss		5,501	8,778
Trade receivables	12	297	—
Prepayments, deposits and other receivables		498	681
Cash and bank balances		1,022	2,251
		7,318	11,710
Current liabilities			
Trade payables, deposits received, accruals and other payables	13	(4,487)	(3,543)
Net current assets		2,831	8,167
Total assets less current liabilities		140,275	175,288
Non-current liabilities			
Deferred tax liabilities		(13,708)	(16,513)
NET ASSETS		126,567	158,775
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital		18,372	18,372
Reserves		108,243	140,450
Equity attributable to shareholders of the Company		126,615	158,822
Non-controlling interests		(48)	(47)
TOTAL EQUITY		126,567	158,775

Notes:

1. General Information

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

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

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

The Company is engaged in investment holding, and the principal activities of the Company and its subsidiaries (collectively defined as the "**Group**") consist of investments in biopharma companies and other corporate investments. The principal place of business of the Group is 8th Floor, Henley Building, 5 Queen's Road, Central, Hong Kong.

The consolidated financial statements for the year ended 31 December 2018 were approved and authorised for issue by the Board of Directors on 22 March 2019.

2. Adoption of New or Revised HKFRSs

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2018

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("**new HKFRSs**") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2018:

HKFRSs (Amendments)	Annual Improvements 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" has been summarised below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

HKFRS 9 – Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of investment revaluation reserve as at 1 January 2018 (increase/(decrease)):

	US$'000
Investment revaluation reserve	
Reserve balance as at 31 December 2017	—
Reclassify investments from available-for-sale ("**AFS**") financial assets to financial assets at fair value through other comprehensive income ("**FAFVOCI**")	(1,410)
Restated reserve balance as at 1 January 2018	(1,410)

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and AFS financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**FAAC**"); (ii) FAFVOCI; or (iii) FAFVPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if both of the following conditions are met and it has not been designated as at FAFVPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FAFVOCI as described above are classified as FAFVPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FAFVOCI or FAFVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets including trade receivables, deposits and other receivables, and cash and bank balances as follows:

FAFVPL	FAFVPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
FAAC	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FAFVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

The Group did not designate or de-designate any financial asset or financial liability at fair value through profit or loss at 1 January 2018.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 US$'000	Carrying amount as at 1 January 2018 under HKFRS 9 US$'000
Listed equity investments	Held-for-trading	FAFVPL	8,778	8,778
Unlisted club debenture	Available-for-sale (at cost)	FAFVPL	19	19
Unlisted equity investments	Available-for-sale (at cost)	FAFVOCI	1,906	496
Deposits and other receivables	Loans and receivables	FAAC	454	454
Cash and bank balances	Loans and receivables	FAAC	2,251	2,251

As at 1 January 2018, certain unquoted equity investments were reclassified from AFS financial assets at cost to FAFVOCI. These unquoted equity investments have no quoted price in the market. The Group intends to hold these unquoted equity investments for long term strategic purposes. In addition, the Group has designated these unquoted equity investments at the date of initial application as measured at FAFVOCI. Accordingly, the difference between the previous carrying amount and the fair value of US$1,410,000 has been included in the opening investment revaluation reserve.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognise the ECLs for trade receivables, deposits and other receivables, earlier than HKAS 39. Cash and bank balances are subject to the ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated the ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Management has closely monitored the credit qualities and the collectability of the trade receivables. The adoption of the simplified approach under HKFRS 9 has not resulted in any impairment loss for trade receivables as at 1 January 2018.

For other financial assets carried at amortised cost, the ECL is measured as either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, impairment is measured as lifetime ECLs. The Group has considered that there has not been a significant increase in credit risk of such financial assets since initial recognition as at 1 January 2018 and therefore the ECL is based on the 12-month ECL. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and consider that the ECL is immaterial.

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

The Group considers a financial asset to be in default when: (1) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating the ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss; and
- The designation of certain investments in equity investments not held for trading as at FAFVOCI.

If an investment in a debt investment had low credit risk at the DIA, the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15 – Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively. The Group assessed the impact of adopting HKFRS 15 on its financial statements. Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's previous accounting policies in relation to the recognition of milestone income, dividend income and interest income under HKAS 18. Accordingly, there is no material impact of transition to HKFRS 15 on accumulated losses and the related tax as at 1 January 2018.

HK(IFRIC) – Int 22 – Foreign Currency Transactions and Advance Consideration

The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The initial adoption of the interpretation would not have any significant impact on the Group's financial performance and financial position.

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

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

HKFRS 16	Leases[1]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]

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

2 Effective for annual periods beginning on or after 1 January 2020

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

HKFRS 16 – Leases

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

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

Total operating lease commitments of the Group in respect of leased premises as at 31 December 2018 amounted to US$1,063,000. Upon the adoption of HKFRS 16, the Directors of the Company anticipate that the commitments in the future in respect of leased premises with terms more than 12 months will be required to recognise as the right-of-use assets and lease liabilities in the consolidated financial statements of the Group in future. Accordingly, the Directors of the Company consider the adoption of HKFRS 16, as compared with the current accounting policy, would not result in significant impact on the Group's financial performance and financial position.

HK(IFRIC) – Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The initial adoption of the interpretation would not have any significant impact on the Group's financial performance and financial position.

Amendments to HKFRS 3 – Definition of a Business

The amendments improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, supplementary guidance has been provided.

Distinguishing between a business and a group of assets is important because an acquirer recognises goodwill only when acquiring a business.

The initial adoption of the amendments to HKFRS 3 would not have any significant impact on the Group's financial performance and financial position.

Amendments to HKFRS 9 - Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

The initial adoption of the amendments to HKFRS 9 would not have any significant impact on the Group's financial performance and financial position.

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

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

The initial adoption of the amendments to HKFRS 10 and HKAS 28 would not have any significant impact on the Group's financial performance and financial position.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition of material to make it easier for entities to make materiality judgements. The definition of material, an important accounting concept in HKFRS Standards, helps entities decide whether information should be included in their financial statements.

The initial adoption of the amendments to HKAS 1 and HKAS 8 would not have any significant impact on the Group's financial performance and financial position.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

3. Revenue and Segment Information

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

	2018 US$'000	2017 US$'000
Signature payment, milestone and royalty income		
Signature payment	1,300	—
Milestone and royalty income	4,935	5,272
	6,235	5,272
Corporate investment income		
Bank interest income	16	—
Foreign exchange losses, net	(131)	(40)
	(115)	(40)
Other income		
Sundry income	19	5
	6,139	5,237

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

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

Biopharma	:	Research, development, manufacturing, marketing and sale of pharmaceutical products
Corporate Investment	:	Investment in corporate entities, both listed and unlisted

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

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

- impairment loss on interest in an associate;
- tax credit;
- corporate income and expenses which are not directly attributable to the business activities of any operating segment; and
- share of results of associates accounted for using the equity method; and gain on disposal of an associate

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

Segment assets include all assets except for interests in associates and FAFVOCI (2017: AFS financial assets).

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

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

For the year ended 31 December 2018

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Revenue from external customers	6,235	(96)	6,139
Segment results	(24,732)	(9,239)	(33,971)
Gain on disposal of an associate			209
Consolidated loss before tax credit			(33,762)

As at 31 December 2018

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Segment assets	138,388	6,091	144,479
Interests in associates			1
FAFVOCI			282
Total assets			144,762
Segment liabilities	(1,091)	(3,396)	(4,487)
Deferred tax liabilities			(13,708)
Total liabilities			(18,195)

For the year ended 31 December 2018

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Depreciation	(26)	(26)	(52)
Amortisation	(28,047)	—	(28,047)
Net loss on FAFVPL	—	(3,296)	(3,296)
Capital expenditure	—	(68)	(68)

For the year ended 31 December 2017

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Revenue from external customers	5,272	(35)	5,237
Segment results	(25,657)	(1,746)	(27,403)
Impairment loss on interest in an associate			(1,875)
Share of results of associates			(1,067)
Consolidated loss before tax credit			(30,345)

As at 31 December 2017

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Segment assets	165,514	11,390	176,904
Interests in associates			2
AFS financial assets			1,925
Total assets			178,831
Segment liabilities	(375)	(3,168)	(3,543)
Deferred tax liabilities			(16,513)
Total liabilities			(20,056)

For the year ended 31 December 2017

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Net losses on derivatives	—	(186)	(186)
Depreciation	(22)	(14)	(36)
Amortisation	(28,047)	—	(28,047)
Net gains on FAFVPL	—	4,442	4,442
Capital expenditure	(7)	(2)	(9)

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

	Revenue from external customers		Non-current assets	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
The People's Republic of China (the "**PRC**")	1,000	—	1	1
Hong Kong (domicile)	50	79	59	17
Republic of Ireland	4,789	5,158	137,102	165,178
Taiwan	300	—	—	—
	6,139	5,237	137,162	165,196

The geographical location of revenue from external customers is based on the location of customers of the Group's Biopharma segment or the location of exchange on which the Group's investments are traded. The geographical location of the non-current assets is based on the physical location of the assets.

Disaggregation of revenue

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

	2018 US$'000	2017 US$'000
Timing of revenue recognition		
At a point of time		
Signature payment	1,300	—
Milestone and royalty income	4,935	5,272
	6,235	5,272

The Group has applied the practical expedient under HKFRS 15 for not disclosing an estimate of the transaction price which would not include any estimated amounts of variable consideration that are constrained.

Information about major customers

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

	2018 US$'000	2017 US$'000
Customer A	4,935	5,272
Customer B	1,000	—
	5,935	5,272

4. Operating Loss

	2018	2017
	US$'000	US$'000
Operating loss is arrived at after charging:		
Auditors' remuneration		
– audit services	208	213
– review services	51	68
Depreciation of property, plant and equipment	52	36
Amortisation of intangible asset	28,047	28,047
Operating lease charges on property and equipment	702	666
Impairment loss on interest in an associate (note 9(iii))	—	1,875
Realised loss on disposal of FAFVPL[@]	—	42
Unrealised loss on derivatives [@]	—	186
Unrealised loss on FAFVPL[@]	3,296	—
Foreign exchange losses, net[*]	131	40
and crediting:		
Interest income on bank deposits[*]	16	—
Unrealised gain on FAFVPL[@]	—	4,484

@ These amounts constitute the marked-to-market fair value loss on FAFVPL and derivatives of US$3,296,000 (2017: gain of US$4,256,000) in the consolidated statement of comprehensive income.

* Included in revenue.

5. Employee Benefit Expenses (Including Directors' and Chief Executive's Emoluments)

	2018 US$'000	2017 US$'000
Salaries, discretionary bonuses and benefits in kind (note)	3,915	3,858
Pension costs – defined contribution plans	43	42
	3,958	3,900

Note: No bonuses were paid in the financial years ended 31 December 2018 and 2017.

6. Tax Credit

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

	2018 US$'000	2017 US$'000
The PRC		
– Current year	106	—
Taiwan		
– Current year	30	—
United Kingdom		
– Current year	—	(177)
Deferred tax credit	(2,805)	(2,805)
Tax credit	(2,669)	(2,982)

No provision for profits tax has been made in these financial statements as all the Group's companies which are subject to such tax have sustained losses for taxation purposes for the years ended 31 December 2018 and 2017. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

A tax credit of US$2,805,000 (2017: US$2,805,000) represents the deferred tax credit arising on the amortisation charge for the year relating to the intangible asset of the patent Fortacin™.

Share of associates' tax credit for the year ended 31 December 2018 is nil (2017: US$75,000) is included in profit or loss as share of results of associates.

7. Dividends

No dividend was paid or proposed during the year of 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

8. Losses per Share

The calculation of basic losses per share is based on the loss attributable to the shareholders for the year of US$31,087,000 (2017: US$27,359,000) and on the weighted average number of ordinary shares of 1,837,251,182 (2017: 1,810,949,812) in issue during the year.

Diluted losses per share are the same as basic losses per share as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2018 and 2017.

9. Interests in Associates

(i) At 31 December 2018, the Group's associates and their carrying value comprised the following:

	2018 US$'000	2017 US$'000
The Diabetic Boot Company Limited ("**Diabetic Boot**")	—	1
West China Coking & Gas Company Limited ("**West China Coke**")	1	1
	1	2

Share of associates' tax credit for the year ended 31 December 2018 of nil (2017: US$75,000) is included in profit or loss as share of results of associates.

Particulars of the associates as at 31 December 2018 and 2017 are as follows:

Name of associate	Country of incorporation/ continuation/ operation	Type of legal entity	Issued and fully paid share capital held in associate	Percentage of equity interest attributable to the Company 2018	2017	Principal activities
Held directly:						
Diabetic Boot	United Kingdom	UK Limited Liability Company	Ordinary shares of GBP 133.23	N/A	22%	Design, promotion and production of medical products
Held indirectly:						
West China Coke	The People's Republic of China	Sino-foreign Joint Venture Company	Injected capital of RMB 79,910,000	25%	25%	Production, processing and sale of coal, coke, gas and coal chemicals

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

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

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

	2018 US$'000	2017 US$'000
As at 1 January	2	3,055
Disposal of an associate (note 9(iii))	(1)	—
Impairment loss of Diabetic Boot (note 9(iv))	—	(1,875)
Share of results of associates	—	(1,067)
Exchange loss on translation of financial statements of associates	—	(111)
As at 31 December	1	2

(iii) Disposal of interest in Diabetic Boot

On 7 December 2018, the Group disposed all of its shareholding of 133,231 ordinary shares in Diabetic Boot for an aggregate consideration of GBP266,000 (or approximately US$339,000) to Galloway Limited (a company wholly-owned by the trustee of a settlement, of which Mr. James Mellon (a director of the Company) is the sole beneficiary). This transaction resulted in a gain on disposal of an associate of US$209,000 recognised in profit or loss for the year ended 31 December 2018 as set out below:

	2018 US$'000
Aggregate consideration	339
Net carrying amount of the Group's interest in Diabetic Boot disposed (note 9(ii))	(1)
Reclassification adjustment resulting from disposal:	
– foreign currency exchange reserve	(129)
Gain on disposal of an associate	209

(iv) Assessment for impairment of associates

During the year ended 31 December 2017, the application of a new product specific code from the U.S. Centers for Medicare & Medicaid Services ("**Medicare**") for PulseFlowDF by Diabetic Boot was rejected. As management expected Medicare to require additional clinical data and justification of product need in the US market before granting a code, there was no definite timeline to do so. In addition, in view of the recurring operating losses of Diabetic Boot, the Directors of the Company considered that indicators of impairment existed in respect of the investment in Diabetic Boot and accordingly, an impairment loss of US$1,875,000 was recognised in profit or loss for the Group's interests in Diabetic Boot for the year ended 31 December 2017.

(v) Summarised financial information of associates

The following table illustrates the summarised aggregate financial information of the associates, West China Coke (2017: Diabetic Boot and West China Coke), which is not material to the Group.

	West China Coke 2018 US$'000	Diabetic Boot and West China Coke 2017 US$'000
For the year ended 31 December		
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	1	2
Aggregate amount of the Group's share of those associates		
Loss for the year	—	(1,067)
Other comprehensive income for the year	—	(111)
Total comprehensive income for the year	—	(1,178)

10. Financial Assets at Fair Value Through Other Comprehensive Income

	31 December 2018 US$'000	(note 2.1(i)) 1 January 2018 US$'000	31 December 2017 US$'000
Unlisted equity securities	282	496	—

Movements in FVFVOCI are summarised as follows:

	2018 US$'000	2017 US$'000
As at 1 January (note 2.1(i))	496	—
Disposal	(189)	—
Total loss recognised in other comprehensive income	(25)	—
As at 31 December	282	—

FAFVOCI include investments in unlisted securities, which are measured at fair value. The Group plans to hold these investments for the foreseeable future.

During the year ended 31 December 2018, the Group has sold its equity interest in one of its unlisted securities with a fair value of US$189,000 (2017: nil) at a cash consideration of US$189,000 (2017: nil), as the Company's directors considered to focus on investing in operating businesses that had a potential to generate near term cashflow in Biopharma sector and therefore disposed of this investment. The cumulative losses of US$10,000 was recorded under other comprehensive income, which was transferred to accumulated losses.

11. Available-for-sale Financial Assets

	31 December 2018 US$'000	(note 2.1(i)) 1 January 2018 US$'000	31 December 2017 US$'000
Unlisted securities			
Club debenture, at cost	—	—	19
Equity securities, at cost	—	—	1,906
	—	—	1,925

Movement in available-for-sale financial assets are summarised as follows:

	2018 US$'000	2017 US$'000
As at 1 January (note 2.1(i))	—	1,726
Additions	—	199
As at 31 December	—	1,925

AFS financial assets included investments in certain unlisted securities, which were measured at cost less impairment as there was no quoted market price in active markets for the investments and the variability in the range of reasonable fair value estimates of the investments was so significant that the Directors were of the opinion that their fair values could not be measured reliably. The Group planned to hold these investments for the foreseeable future.

During the year ended 31 December 2017, there was no impairment on the Group's investment in AFS financial assets.

12. Trade Receivables

As at 31 December 2018 and 2017, the ageing analysis of trade receivables, based on our invoice date, was as follows:

	2018 US$'000	2017 US$'000
Within 1 month	297	—

13. Trade Payables, Deposits Received, Accruals and Other Payables

At 31 December 2018 and 2017, the ageing analysis of the trade payables, based on their invoice date, was as follows:

	2018 US$'000	2017 US$'000
Within 1 month or on demand	203	—
After 1 month but within 3 months	406	—
After 3 months but within 6 months	363	182
	972	182

14. Charge on Assets

As announced by the Company on 28 January 2013, 18 April 2013 and 23 August 2013 and as further disclosed in the Company's half yearly and annual reports since 2013, the Company received orders from the Federal Court of Australia in relation to an assessment issued by the Commissioner of Taxation ("**COT**") in the amount of A$12.78 million (or approximately US$13.49 million at the then exchange rate between A$ and US$) following completion of the sale of its securities in BCI for gross proceeds of A$81.61 million (or approximately US$84.73 million at the then exchange rate between A$ and US$). The amount of potential capital gain tax ("**CGT**") assessed was due and payable on 2 December 2013. On 7 September 2016, the ATO considered that capital gains tax was amended down and payable in the amount of approximately A$11.85 million (or approximately US$8.54 million at the then exchange rate between A$ and US$).

Following consultation with the COT and pursuant to the terms of the Settlement Deed (as defined in the announcement dated 18 April 2013), the Company agreed to grant The Commonwealth of Australia, represented by the COT, a specific security deed (as amended by way of a deed of amendment dated 27 November 2013) (together, the "**Specific Security Deed**") in respect of certain of the Company's holding of 34,540,262 shares (after the 15:1 share consolidation effective in August 2018) in Venturex, 10,854,568 shares in Bannerman Resources Limited ("**Bannerman**") and 12,700,000 shares in Tigers Realm Coal Limited ("**Tigers Realm**"), of which the aggregate market value (as at 31 December 2018) was A$6.97 million (or approximately US$4.91 million), as security against the Assessment, in consideration of the COT taking steps to discontinue the Court orders within 7 days of the date of the Specific Security Deed and stayed recovery action in respect of the Assessment until the matter is resolved within the time provided for in any relevant law following the Final Determination of Objection (as defined in the announcement dated 18 April 2013). Please refer to note 15 for the development of the matter after the reporting period.

The aforementioned security over the above-mentioned Australian securities held by the Company, previously granted to the ATO, will remain unless such securities are sold to discharge the settlement amount as set out in the section "Litigation" below or the settlement is otherwise paid in full.

None of the Group's other assets was pledged as at 31 December 2018 (2017: nil).

15. Event after the reporting period

As announced on 18 March 2019, the Company entered into a settlement agreement with the ATO in respect of the dispute (as further explained under the section titled "Litigation" in the Management's Discussion and Analysis of the Group's Performance below) for an amount of A$9.5 million (or approximately US$6.73 million), payable within 90 days of the date of the settlement agreement. The settlement amount was well below the total potential amount payable to the ATO of A$19.12 million (or approximately US$13.55 million) and facilitated the discontinuance of the litigation. For details, please refer to the announcement dated on 18 March 2019.

The expert and independent Australian advice did not change throughout the dispute and at no stage did the Directors consider that any tax was payable, and therefore no provision for taxation regarding this matter was previously provided within the audited financial statements of the Company and the Group.

Save as disclosed above, there were no other material events requiring disclosure after the year end date.

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

Revenue and Profit

The Group recorded a loss attributable to the shareholders of the Company of US$31.09 million in 2018 (2017: US$27.36 million).

The corporate division (revenue and fair value gain on financial assets at fair value through profit or loss and derivatives) recorded a gain of US$2.84 million (2017: US$9.49 million).

The main elements of the loss are analysed as follows:

	US$ million
– Signature payment, milestone and royalty income	6.24
– Amortisation of an intangible asset, Fortacin™	(28.05)
– Research and development expenditure incurred by Plethora Solutions Holdings plc ("**Plethora**")	(2.35)
– Fair value loss on financial assets at fair value through profit or loss and derivatives	(3.30)
– Tax credit	2.67
– Operational expenses	(6.30)
– Total loss attributable to shareholders of the Company	(31.09)

Financial Position

Shareholders' equity decreased by 20.27% to US$126.62 million as at 31 December 2018 from US$158.82 million as at 31 December 2017. The decrease was mainly due to: (i) loss attributable to shareholders of the Company of US$31.09 million for the year ended 31 December 2018; and (ii) the decrease of investment revaluation reserve of US$1.43 million due to the unrealised loss of FAFVOCI; and these were offset against the increase of foreign currency exchange reserve of US$0.32 million.

The Group's assets comprised: (i) an intangible asset of US$137.08 million, being Fortacin™; (ii) listed and unlisted investments of US$5.78 million; (iii) cash and bank balances of US$1.02 million; (iv) trade receivables of US$0.3 million; and (v) property, plant and equipment and other receivables of US$0.58 million.

The Group's liabilities comprised: (i) deferred tax liabilities of US$13.71 million; and (ii) payables and accruals of US$4.49 million.

Strategic Plan

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

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

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

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

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

Funding

As at 31 December 2018, the Group had US$1.02 million in cash that represented 0.81% of its total shareholders' equity, which does not take into account the Group's holding of securities of financial assets at fair value through profit or loss that amounted to US$5.50 million.

Gearing Ratio

No gearing ratio (being long-term debts over total equity and long-term debts) is calculated as there was no long-term debt as at 31 December 2018.

Contingent Liabilities

Save as those disclosed in “Litigation” below, the Group has no other material contingent liabilities as at 31 December 2018.

Litigation

As at 31 December 2018 and as has been previously disclosed, the Company was in dispute with the Australian tax authorities in connection with a disposal by the Group of an investment in BCI, a company listed on the Australian Securities Exchange. The ATO considered that capital gains tax was payable in the amount of approximately A$11,845,454 (as amended down by way of an amended assessment on 7 September 2016 so as to include some additional costs associated with the Group’s investment in BCI). This excluded interest that had accrued on this amount since 2 December 2013 (which, as at 7 January 2019, was approximately A$7 million). On 24 January 2013, the Company received orders from the Federal Court of Australia in relation to a notice of assessment issued by the ATO (as amended, the “**Assessment**”), which stated that the tax was due and payable on 2 December 2013 and provided that the Company could not remove from Australia or dispose of, deal with or diminish the value of its assets in Australia up to the unencumbered value of the amount assessed.

Following orders from the Federal Court of Australia, the Company granted a specific security deed to the ATO in respect of certain of the Company’s holding of 518,103,930 shares (later representing 34,540,262 shares after the 15:1 share consolidation effective in August 2018) in Venturex, 10,854,568 shares in Bannerman and 12,700,000 shares in Tigers Realm, of which the aggregate market value (as at 31 December 2018) was approximately A$6.97 million (or approximately of US$4.91 million), as security against the Assessment. In consideration for granting this security, the ATO stayed recovery action in respect of the Assessment until the matter is resolved.

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

As previously disclosed, the Company had envisaged entering into a formal dispute resolution process with the ATO. As at 31 December 2018 this process has now taken place, and the parties had been unable to reach agreement as to an appropriate way in which to resolve the matter, culminating in the ATO determining the Company's previously lodged objection against it on 1 September 2016. As at 31 December 2018, the Company's position had not changed and it remained resolute in that it would continue to challenge the assessment in its entirety, consistent with expert and independent Australian advice received throughout, and had lodged an appeal against the ATO's determination of the objection in the Australian Federal Court.

A trial date of 18 March 2019 had been set, with the matter set down to be heard over three days in the Australian Federal Court.

As announced on 18 March 2019, the Company entered into a settlement agreement with the ATO in respect of the aforementioned dispute for an amount of A$9.5 million (or approximately US$6.73 million), payable within 90 days of the date of the settlement agreement.

While the expert and independent Australian advice received did not change throughout the dispute and at no stage did the Directors consider that any tax was payable (and therefore no provision for taxation regarding this matter was previously provided within the audited financial statements of the Company and the Group), as part of the dispute resolution process the Board was compelled to consider the inherent litigation risk associated with pursuing the matter through the Australian courts. Consequently, it was decided that the aforementioned settlement was in the best interests of the Group and its shareholders as a whole. Having reached the settlement, the Group is now able to divert more resources to our exciting operational matters referred to below.

In light of the above, no tax liability in respect of this matter has been recognised as at 31 December 2018 and 2017.

Charge on Assets

As announced by the Company on 28 January 2013, 18 April 2013 and 23 August 2013 and as further disclosed in the Company's half yearly and annual reports since 2013, the Company received orders from the Federal Court of Australia in relation to an assessment issued by the ATO in the amount of A$12.78 million (or approximately US$13.49 million at the then exchange rate between A$ and US$) following completion of the sale of its securities in BCI for gross proceeds of A$81.61 million (or approximately US$84.73 million at the then exchange rate between A$ and US$). The amount of potential CGT assessed was due and payable on 2 December 2013. On 7 September 2016, the ATO considered that capital gains tax was amended down and payable in the amount of approximately A$11.85 million (or approximately US$8.54 million at the then exchange rate between A$ and US$).

Following consultation with the ATO and pursuant to the terms of the Settlement Deed (as defined in the announcement dated 18 April 2013), the Company agreed to grant The Commonwealth of Australia, represented by the ATO, a specific security deed (as amended by way of a deed of amendment dated 27 November 2013) (together, the "**Specific Security Deed**", as referred to in note 14 to the financial statements above) in respect of certain of the Company's holding of 34,540,262 shares (after the 15:1 share consolidation effective in August 2018) in Venturex, 10,854,568 shares in Bannerman and 12,700,000 shares in Tigers Realm, of which the aggregate market value (as at 31 December 2018) was A$6.97 million (or approximately US$4.91 million), as security against the Assessment, in consideration of the ATO taking steps to discontinue the Court orders within 7 days of the date of the Specific Security Deed and stayed recovery action in respect of the Assessment until the matter is resolved within the time provided for in any relevant law following the Final Determination of Objection (as defined in the announcement dated 18 April 2013). Please refer to note 15 to the financial statements above for the development of the matter after the reporting period.

The aforementioned security over the above-mentioned Australian securities held by the Company, previously granted to the ATO, will remain unless such securities are sold to discharge the settlement amount as set out in the section "Litigation" above or the settlement is otherwise paid in full.

None of the Group's other assets were pledged as at 31 December 2018 (2017: nil).

Management of Risk

In 2018, the most significant risk affecting the profitability and viability in respect of the Group is the continued success and revenue derived from its listed equity portfolio and in respect of the Group's interest in Plethora. Risks relating to the Group's interests include:

Equity Markets

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

Foreign Exchange Risk

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

Interest Rate Risk

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

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

1. The timing and quantum of receipt of upfront, milestone and royalty income from strategic commercial marketing partners, which in itself is dependent on the successful partnering and the commercial launch of Fortacin™;

2. The management of Plethora's cost base and maintaining adequate working capital and ensuring sufficient funds are made available to complete the ongoing work with Pharmaserve (North West) Limited and Catalent Pharma Solutions, LLC and regulatory approval processes and bringing Fortacin™ to market;

3. The retention of key employees to complete the commercialisation process;

4. Delays and other unforeseen disruptions to the manufacturing and regulatory approval projects which could have an adverse impact on the commercial launch of Fortacin™ and future revenues; and

5. The exposure to competition from new generic entrants into the market.

Financial Instruments

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

In terms of the total operations of the Group, activities of this nature are of limited materiality.

Foreign Currency

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

Material Acquisitions and Disposals

There were no material acquisitions or disposals for the year ended 31 December 2018.

Segmental Information

For details of the segment information, please refer to note 3 to this announcement.

Employees

The Group, including subsidiaries but excluding associates, employed 19 employees at 31 December 2018 (2017: 19 employees). The remuneration policy is to reward key employees by a combination of salaries, profit related discretionary bonuses and share options and share awards, where appropriate. For employees below Board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by the remuneration committee of the Board (the "**Remuneration Committee**"). In all cases, profit related discretionary bonuses and grants of share rewards will be agreed by the Remuneration Committee.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

THE CORPORATE GOVERNANCE CODE

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

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

As far as the Directors are aware, the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2018 and prior to the date of this announcement.

REVIEW BY THE AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2018 have been reviewed by the Audit Committee.

The Audit Committee was established on 11 March 1999 with its specific written terms of reference which deal with its authority and duties. Its terms of reference were recently revised on 12 December 2018 in order to incorporate the amendments brought about by the Consultation Conclusions on "Review of The Corporate Governance Code and Related Listing Rules", which were designated to take effect on 1 January 2019. The committee's purpose is to assist the Board in:

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

(ii) evaluating and determining the nature and extent of the risks the Board is willing to take in achieving the Company's strategic objectives and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems; and

(iii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

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

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

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

A general mandate was granted to the Directors at the Company's annual general meeting held on 2 June 2017 to repurchase, on the HK Stock Exchange, shares up to a maximum of 183,725,118 shares (the "**2017 Repurchase Mandate**"). Since 2 June 2017, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2017 Repurchase Mandate.

The 2017 Repurchase Mandate expired upon close of the Company's annual general meeting held on 14 June 2018, at which a new general mandate was granted to the Directors to repurchase, on the HK Stock Exchange, shares up to a maximum of 183,725,118 shares (the "**2018 Repurchase Mandate**"). Since 14 June 2018 and prior to the date of this announcement, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2018 Repurchase Mandate.

Save for the above, the Company or its subsidiaries did not purchase, sell or redeem any of their listed securities, whether on the HK Stock Exchange or otherwise, during the year ended 31 December 2018 or subsequent to the year end date and prior to the date of this announcement.

PROPOSED ADOPTION OF THE AMENDED AND RE-STATED ARTICLES OF ASSOCIATION

To keep abreast of updates to the HK Listing Rules and the normal standard required from a listed issuer on the HK Stock Exchange, the Directors propose to seek the approval of the Shareholders to amend the existing Articles of Association. The Directors have therefore proposed a special resolution at the annual general meeting to be held by the Company for Year 2019 (the "**2019 Annual General Meeting**") to adopt a new set of Articles of Association (the "**Amended and Re-stated Articles of Association**") to update various provisions contained in the existing Articles of Association of the Company.

A shareholders' circular containing, among other things, the details of the proposed amendments to be incorporated in the Amended and Re-stated Articles of Association (the "**Circular**"), accompanied by the notice of the 2019 Annual General Meeting and the related proxy form, will be despatched to all its shareholders and will be published on certain websites (see below).

The existing Articles of Association of the Company are available in both English and Chinese languages on the websites of the Company (www.regentpac.com) and the HK Stock Exchange (www.hkexnews.hk).

PUBLICATION ON WEBSITES

This announcement is published on the websites of the Company (www.regentpac.com) and the HK Stock Exchange (www.hkexnews.hk).

DESPATCH OF ANNUAL REPORT AND CIRCULAR

The annual report containing full details of the Company's audited final results for year ended 31 December 2018, accompanied by the Circular, will be despatched to all its shareholders and be published on the aforesaid websites before 30 April 2019.

On Behalf of the Board of
Regent Pacific Group Limited

James Mellon
Chairman

Directors of the Company:
James Mellon *(Chairman)**
Jamie Gibson *(Chief Executive Officer)*
David Comba#
Julie Oates#
Mark Searle#
Jayne Sutcliffe*

* non-executive Directors
\# independent non-executive Directors

Hong Kong, 22 March 2019