REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 575

2019 INTERIM REPORT

PERFORMANCE OVERVIEW

A summary of the financial performance and other notable events for the six months ended 30 June 2019 includes:

- A loss attributable to shareholders of the Company of US$23.30 million, which was mainly attributable to: (i) an amortisation charge of approximately US$13.91 million on the intangible asset, being Fortacin™, a non-cash item; (ii) a settlement amount of A$9.50 million (or approximately of US$6.67 million) with the Australian Tax Office ("**ATO**") in respect of a capital gains tax dispute; and (iii) the Group's operating expenses; while being offset somewhat by: (iv) a marked-to-market profit in respect of the Company's equity portfolio of financial assets at fair value through profit or loss.
- Shareholders' equity of US$103.19 million, a decrease of approximately 18.50% as compared with that at 31 December 2018, with the decrease being mainly attributable to the loss attributable to shareholders of the Company.
- As announced by the Company on 29 May 2019, on that day the Company entered into two conditional subscription agreements with certain subscribers, including James Mellon, Galloway Limited (an associate of James Mellon) and Jamie Gibson (together, the "**Subscribers**"), pursuant to which the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to issue, convertible notes in the principal amount of US$17.50 million. Principal terms and conditions of the convertible notes are set out in paragraph (9) headed "Principal terms of the Convertible Notes" under the "Subscription Agreements" in the circular dated 11 July 2019 which are also briefly summarised in the paragraph headed "Main Activities" under the "Review and Prospect" section below. Both subscription agreements were interconditional upon each other and the issue of the convertible notes to James Mellon, Galloway Limited (an associate of James Mellon) and Jamie Gibson were connected transactions of the Company requiring approval of independent shareholders.
- Recordati S.p.A ("**Recordati**") launched Fortacin™ in the United Kingdom ("**UK"**) 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.
- In parallel with the European and Asian roll-out efforts of 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**"). In this respect, the Phase II validation study of Fortacin™ in respect of the FDA approval process has continued in the US and is now estimated to complete by the end of 2019. On the assumption that the trial is sufficient to convince the FDA that the Premature Ejaculation Bothersome Evaluation Questionnaire (the "**PEBEQ**") serves as an appropriate measure for support of a label claim, pivotal Phase III work could commence in Q1 of 2020, with New Drug Application ("**NDA**") submission possible in the second half of 2020, giving a Prescription Drug User Fee Act ("**PDUFA**") date in 2021.
- Wanbang Pharmaceutical Marketing and Distribution Co., Ltd. ("**Wanbang Pharmaceutical**"), a wholly-controlled company of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., has informed the Company that it is on course for submitting the investigational new drug ("**IND**") application for clinical trial approval ("**CTA**") in October 2019, to commence clinical trials in China. The IND review is expected to take approximately 60 working days. On the assumption that the IND can be filed per this timeframe, the CTA could be obtained as early as January 2020. As per the terms of the licence agreement executed with Wanbang Pharmaceutical, and announced on 3 December 2018, a payment of US$4,000,000 is payable to the Group upon obtaining Chinese regulatory approval to conduct a human clinical trial of a licensed product.

- As announced on 18 March 2019, the Company entered into a settlement agreement with the 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 settlement reached was in respect of a fixed amount of A$9.5 million (or approximately US$6.67 million), payable by 1 August 2019 (as extended per the announcement of the Company made on 27 May 2019). The settlement amount was well below the total potential amount payable to the ATO and facilitated the discontinuance of the litigation. On 12 August 2019, the ATO further agreed to extend the settlement date to 31 August 2019.
- As at 30 June 2019, the Company had cash and listed and unlisted securities of approximately US$7.35 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; and (ii) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare, wellness and life sciences sectors, including exciting and appropriate opportunities to enter into the hemp sector in China, with a particular focus on hemp cannabidiol ("**CBD**") infused products that will involve a licence for hemp cultivation and a licence for processing, together with the roll out of a hemp processing facility in China.

Following the end of the period and as announced on 18 July 2019, discussions in respect of the possible acquisition of Yooya terminated, effective as of 17 July 2019, on account of all the relevant parties being unable to reach agreement on the key terms of the acquisition. Importantly and while in discussions with Yooya, the management of the Company has been presented with a much more exciting and appropriate opportunity to enter into the hemp sector in China.

Also following the end of the period and as announced on 23 August 2019, on 20 August 2019, the Company received notification on behalf of certain third party Subscribers under the third party subscription agreement, that, in light of the discontinuance of the possible acquisition of Yooya, they no longer wished to participate in the convertible note issuance. The Company agreed to allow these third party Subscribers to withdraw from the convertible note issuance and decided to continue to close the financing with the remaining Subscribers, under both subscription agreements, in respect of US$6.45 million (or approximately HK$50.31 million), to be issued in one tranche on the same terms and conditions as previously disclosed. As the two subscription agreements were interconditional upon each other, from a technical standpoint, the Subscribers under the connected subscription agreement agreed to waive interconditionality with the third party subscription agreement to facilitate closing of the reduced financing.

On 23 August 2019, the Directors are also pleased to report that the issue of convertible notes to the Subscribers successfully closed.

RESULTS

The directors (the "**Directors**" or the "**Board**") of Regent Pacific Group Limited (the "**Company**" and collectively with its subsidiaries, the "**Group**") announce the unaudited results of the Group for the six months ended 30 June 2019, together with comparative figures for the six months ended 30 June 2018, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	(Unaudited) For the six months ended 30 June 2019 US$'000	30 June 2018 US$'000
Revenue:	3		
Milestone and royalty income		**107**	4,970
Corporate investment income		**87**	(188)
Other income		**—**	8
		194	4,790
Fair value gain/(loss) on financial instruments	4	**761**	(2,727)
Total income less fair value gain/(loss) on financial instruments		**955**	2,063
Expenses:			
Employee benefit expenses		**(1,977)**	(1,980)
Rental and office expenses		**(356)**	(377)
Information and technology expenses		**(93)**	(87)
Marketing costs and commissions		**(61)**	(54)
Professional and consulting fees		**(671)**	(488)
Research and development expenses		**(1,689)**	(642)
Amortisation of intangible asset (Fortacin™)		**(13,908)**	(13,908)
Other operating expenses		**(172)**	(214)
Operating loss	4	**(17,972)**	(15,687)
Finance costs	5	**(55)**	—
Loss before taxation		**(18,027)**	(15,687)
(Taxation)/Tax credit	6	**(5,278)**	1,391
Loss for the period		**(23,305)**	(14,296)

	Notes	(Unaudited) For the six months ended 30 June 2019 US$'000	30 June 2018 US$'000
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		**(1)**	70
Item that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		**(118)**	149
Other comprehensive income for the period, before and net of tax		**(119)**	219
Total comprehensive income for the period		**(23,424)**	(14,077)
Loss for the period attributable to:			
Shareholders of the Company		**(23,304)**	(14,291)
Non-controlling interests		**(1)**	(5)
		(23,305)	(14,296)
Total comprehensive income attributable to:			
Shareholders of the Company		**(23,423)**	(14,077)
Non-controlling interests		**(1)**	—
		(23,424)	(14,077)
Losses per share attributable to shareholders of the Company during the period	7	**US cents**	US cents
– Basic and Diluted		**(1.268)**	(0.778)
		HK cents	HK cents
– Basic and Diluted		**(9.945)**	(6.100)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	(Unaudited) As at 30 June 2019 US$'000	(Audited) As at 31 December 2018 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	**675**	77
Intangible asset	9	**123,176**	137,084
Interest in an associate		**1**	1
Financial assets at fair value through other comprehensive income		**281**	282
		124,133	137,444
Current assets			
Cash and bank balances		**1,529**	1,022
Financial assets at fair value through profit or loss		**5,544**	5,501
Trade receivables	10	**54**	297
Prepayments, deposits and other receivables		**743**	498
		7,870	7,318
Current liabilities			
Trade payables, deposits received, accruals and other payables	11	**(9,246)**	(4,487)
Lease liabilities	2(c)	**(578)**	—
Tax payable		**(6,669)**	—
		(16,493)	(4,487)
Net current (liabilities)/assets		**(8,623)**	2,831
Total assets less current liabilities		**115,510**	140,275
Non-current liabilities			
Lease liabilities	2(c)	**(50)**	—
Deferred tax liabilities		**(12,317)**	(13,708)
		(12,367)	(13,708)
NET ASSETS		**103,143**	126,567
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	13	**18,372**	18,372
Reserves		**84,820**	108,243
Equity attributable to shareholders of the Company		**103,192**	126,615
Non-controlling interests		**(49)**	(48)
TOTAL EQUITY		**103,143**	126,567
NAV per share:			
– US cents		**5.62**	6.89
– Hong Kong cents		**43.90**	53.96

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

2019	Share capital US$'000	Accumulated losses US$'000	Share premium US$'000	Investment revaluation reserve US$'000	Capital redemption reserve US$'000	Statutory reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
	Equity attributable to shareholders of the Company									
At 1 January 2019	18,372	(186,375)	283,534	(1,425)	8,228	176	4,105	126,615	(48)	126,567
Loss for the period	—	(23,304)	—	—	—	—	—	(23,304)	(1)	(23,305)
Other comprehensive income										
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	(1)	—	—	—	(1)	—	(1)
Foreign currency translation adjustment	—	—	—	—	—	—	(118)	(118)	—	(118)
Total comprehensive income for the period	—	(23,304)	—	(1)	—	—	(118)	(23,423)	(1)	(23,424)
At 30 June 2019	18,372	(209,679)	283,534	(1,426)	8,228	176	3,987	103,192	(49)	103,143

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Equity attributable to shareholders of the Company									
2018	Share capital US$'000	Accumulated losses US$'000	Share premium US$'000	Investment revaluation reserve US$'000	Capital redemption reserve US$'000	Statutory reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance as at 31 December 2017 as originally presented	18,372	(155,278)	283,534	—	8,228	176	3,790	158,822	(47)	158,775
Initial application of HKFRS 9	—	—	—	(1,410)	—	—	—	(1,410)	—	(1,410)
Restated balances at 1 January 2018	18,372	(155,278)	283,534	(1,410)	8,228	176	3,790	157,412	(47)	157,365
Loss for the period	—	(14,291)	—	—	—	—	—	(14,291)	(5)	(14,296)
Other comprehensive income										
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	70	—	—	—	70	—	70
Foreign currency translation adjustment	—	—	—	—	—	—	144	144	5	149
Total comprehensive income for the period	—	(14,291)	—	70	—	—	144	(14,077)	—	(14,077)
At 30 June 2018	18,372	(169,569)	283,534	(1,340)	8,228	176	3,934	143,335	(47)	143,288

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	(Unaudited) For the six months ended 30 June 2019 US$'000	30 June 2018 US$'000
Cash flows from operating activities:		
Loss before income tax	**(18,027)**	(15,687)
Adjustments for:		
Amortisation of intangible asset	**13,908**	13,908
Finance costs	**55**	—
Other net cash flows (used in)/generated from operating activities	**(424)**	2,536
Net cash (used in)/generated from operating activities	**(4,488)**	757
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	**718**	—
Purchase of property, plant and equipment	**(8)**	(67)
Net cash generated from/(used in) investing activities	**710**	(67)
Cash flows from financial activities:		
Proceeds from shareholders' loans	**4,720**	—
Repayment of shareholders' loans	**(20)**	—
Principal element of lease payments	**(275)**	—
Interest element of lease payments	**(22)**	—
Net cash generated from financial activities	**4,403**	—
Net increase in cash and cash equivalents	**625**	690
Cash and cash equivalents at the beginning of the period	**1,022**	2,251
Effect of foreign currency fluctuations	**(118)**	150
Cash and cash equivalents at the end of the period	**1,529**	3,091
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**1,529**	3,091

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 Company is engaged in investment holding, and the principal activities of the Group consist of investments in biopharma companies and other corporate investments.

The interim financial report has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on the HK Stock Exchange (the "**HK Listing Rules**") and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The interim financial report was authorised for issue on 23 August 2019.

The accounting policies used in the preparation of the interim financial report are consistent with those used in the annual financial statements for the year ended 31 December 2018, except for the adoption of the new or revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include individual Hong Kong Financial Reporting Standards, HKASs and interpretations) effective for the first time for periods beginning on or after 1 January 2019. This is the first set of the Group's financial statements in which HKFRS 16 has been adopted. Details of any changes in accounting policy are set out in note 2.

The interim financial report does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

In preparing the interim financial report, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to 2018 annual financial statements.

In preparing the interim financial report, the Directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of US$23,305,000 for the six months ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its current assets by US$8,623,000. The Directors of the Company have performed an assessment of the Group's future liquidity and cash flows including the convertible notes amounting to US$6.45 million to be issued to certain Subscribers by 31 August 2019 and discussing with James Mellon, the Chairman of the Company, his present intention to provide financial support for maintaining the Company's normal operation over the course of the next 12 months. The Directors of the Company consider that, taking into account the above-mentioned statement, the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next 12 months from the date of approval of the interim financial report. Accordingly, the interim financial report has been prepared on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to reclassify all non-current assets and non-current liabilities as current assets and current liabilities respectively, to reduce the carrying amounts of assets to their net realisable amounts and to provide for any further liabilities which might arise. The effect of these potential adjustments has not been reflected in the interim financial report.

2. ADOPTION OF NEW OR REVISED HKFRSs

In the current period, 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 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments

The impact of the adoption of HKFRS 16 "Leases" has been summarised below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any material impact on the Group's accounting policies.

HKFRS 16 – Leases ("HKFRS 16")

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) - Int 4, Determining whether an Arrangement contains a Lease, HK(SIC) - Int 15, Operating Leases – Incentives, and HK(SIC) - Int 27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and accordingly, has recognised the cumulative effect of initial application as an adjustment to the opening balance of accumulated losses at 1 January 2019, if any. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16.

Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

At the inception of a contract that contains a lease component, as a lessee, the Group should allocate the consideration in the contract to each lease component on the basis of their relative standalone price. The Group, as a lessee, assessed its leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically office equipment. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter of the asset's estimated useful life and the lease term on a straight-line basis.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) Transitional impact

At the date of transition to HKFRS 16, the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rate used by management for determination of the present value of the remaining lease payments was 6%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

– the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

– when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

The following table reconciles the operating lease commitments as disclosed in note 14 as at 31 December 2018 to the opening balance of lease liabilities recognised as at 1 January 2019:

	As at 1 January 2019 US$'000
Operating lease commitments at 31 December 2018	**1,063**
Less: Commitments relating to leases exempt for capitalisation:	
– Short-term leases with remaining lease term ending on or before 31 December 2019	**(16)**
– Leases of low-value assets	**(13)**
Less: Service charges not capitalised	**(89)**
Less: Total future interest expenses	**(42)**
Total lease liabilities recognised at 1 January 2019	**903**
Analysed as:	
Current	**560**
Non-current	**343**
	903

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets in line item "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

The following table summarises the impacts upon the adoption of HKFRS 16 on the Group's consolidated statement of financial position. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2018 US$'000	Impacts upon the adoption of HKFRS 16 US$'000	Carrying amount under HKFRS 16 at 1 January 2019 US$'000
Property, plant and equipment	77	903	980
Lease liabilities (current)	—	(560)	(560)
Net current assets	2,831	(560)	2,271
Total assets less current liabilities	140,275	343	140,618
Lease liabilities (non-current liabilities)	—	(343)	(343)

The analysis of the net book value of the Group's right-of-use assets and the movements during the period ended 30 June 2019 are as follows:

	Buildings US$'000
At 1 January 2019	**903**
Depreciation charge	**(285)**
Exchange differences	**1**
At 30 June 2019	**619**

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	As at 30 June 2019		As at 1 January 2019	
	Present value of the minimum lease payments US$'000	**Total minimum lease payments US$'000**	Present value of the minimum lease payments US$'000	Total minimum lease payments US$'000
Within 1 year	**578**	**598**	560	598
After 1 year but within 2 years	**50**	**50**	343	347
	628	**648**	903	945
Less: Total future interest expenses		**(20)**		(42)
Present value of lease liabilities		**628**		903

(d) Impact on the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

Impact on the unaudited consolidated statement of comprehensive income for the period ended 30 June 2019 (increase/(decrease)):

	US$'000
Operating lease charges in respect of property and equipment (included in rental and office expenses)	**(313)**
Operating lease charges in respect of short-term leases (included in rental and office expenses)	**14**
Operating lease charges in respect of low-value assets (included in rental and office expenses)	**1**
Depreciation of right-of-use assets (included in rental and office expenses)	**285**
Finance costs	**22**
Loss for the period	**9**

In the statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 results in a significant change in presentation of cash flows within the statement of cash flows.

Impact on the unaudited condensed consolidated statement of cash flows for the period ended 30 June 2019 (increase/(decrease)):

	US$'000
Net cash flows from operating activities	**297**
Net cash flows from financing activities	**(297)**

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayment 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.

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 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.

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.

At the date of authorisation of these financial statements, the following new or revised HKFRSs potentially relevant to the Group's financial statements, that have been published but are not yet effective and have not been adopted early by the Group:

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]

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

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

Amendments to 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 of other economic benefit 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 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 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 HKFRSs, 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.

3. REVENUE AND SEGMENT INFORMATION

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 management 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 were 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:

- taxation; and
- corporate income and expenses which are not directly attributable to the business activities of any operating segment

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

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

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

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

For the six months ended 30 June 2019

	(Unaudited)		
	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Revenue from external customers	107	87	194
Segment results and consolidated loss before taxation	(15,761)	(2,266)	(18,027)

As at 30 June 2019

	(Unaudited)		
	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Segment assets	124,247	7,474	131,721
Interest in an associate			1
FAFVOCI			281
Total assets			132,003
Segment liabilities	(793)	(9,081)	(9,874)
Tax payable			(6,669)
Deferred tax liabilities			(12,317)
Total liabilities			(28,860)

For the six months ended 30 June 2018

	(Unaudited)		
	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Revenue from external customers	4,970	(180)	4,790
Segment results and consolidated loss before tax credit	(9,866)	(5,821)	(15,687)

As at 31 December 2018

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

Disaggregation of revenue

Disaggregation of revenue from the Group's Biopharma segment is as follows:

	(Unaudited) For the six months ended 30 June 2019 US$'000	(Unaudited) For the six months ended 30 June 2018 US$'000
Timing of revenue recognition		
At a point in time		
Milestone and royalty income	**107**	4,970
By geographical location of external customers		
Republic of Ireland	**107**	4,970

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

Information about a major customer

Revenue from a single external customer of the Group's Biopharma segment amounted to US$107,000 for the six months ended 30 June 2019 (2018: US$4,970,000), which accounted for 10% or more of the Group's revenue.

4. OPERATING LOSS

	(Unaudited) For the six months ended	
	30 June 2019 US$'000	30 June 2018 US$'000
Operating loss is arrived at after charging:		
Auditors' remuneration		
– audit services	**—**	—
– review services	**48**	51
Depreciation of:		
– Property, plant and equipment	**20**	22
– Right-of-use assets	**285**	—
Amortisation of intangible asset, Fortacin™	**13,908**	13,908
Operating lease changes on:		
– property and equipment	**—**	356
– short-term leases	**14**	—
– low-value assets	**1**	—
Unrealised loss on financial assets at fair value through profit or loss@	**—**	2,727
Loss on disposal of property, plant and equipment	**9**	—
Foreign exchange losses, net*	**—**	195
and crediting:		
Realised gain on disposal of financial assets at fair value through profit or loss@	**150**	—
Unrealised gain on financial assets at fair value through profit or loss@	**611**	—
Foreign exchange gains, net*	**87**	—
Interest income on bank deposits*	**—**	7

@ These amounts constitute fair value gain on financial assets at fair value through profit or loss ("**FAFVPL**") of US$761,000 (2018: loss of US$2,727,000) in the consolidated statement of comprehensive income.

* This is included in revenue.

5. FINANCE COSTS

	(Unaudited) For the six months ended	
	30 June 2019 US$'000	30 June 2018 US$'000
Interest expense on shareholders' loans	**33**	—
Interest expense on lease liabilities	**22**	—
	55	—

6. (TAXATION)/TAX CREDIT

No provision for profits tax has been made in the interim financial report as all the Group's companies which were subject to such tax sustained losses for taxation purposes for the periods ended 30 June 2019 and 2018. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

A tax charge of US$6,669,000 for the period ended 30 June 2019 (2018: nil) represented the capital gains tax due to the settlement with the Australian Taxation Office in respect of the dispute arising from the disposal of an investment in BCI by the Group as announced on 18 March 2019 and 27 May 2019.

A tax credit of US$1,391,000 for the period ended 30 June 2019 (2018: US$1,391,000) represented the deferred tax credit arising on an amortisation charge for the period relating to the intangible asset of the patent Fortacin™.

7. LOSSES PER SHARE

The calculation of basic losses per share is based on the loss attributable to shareholders for the period ended 30 June 2019 of US$23,304,000 (2018: US$14,291,000) and on the weighted average number of ordinary shares of 1,837,251,182 (2018: 1,837,251,182) in issue during the period.

Diluted losses per share are the same as basic losses per share as there were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2019 and 2018.

8. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2019, the Group acquired computer equipment with a cost of US$8,000 (2018: US$67,000).

As mentioned in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17.

9. INTANGIBLE ASSET

	(Unaudited) As at 30 June 2019 US$'000	(Audited) As at 31 December 2018 US$'000
Net carrying amount as at 1 January	**137,084**	165,131
Amortisation charge for the period/year	**(13,908)**	(28,047)
Net carrying amount as at 30 June/31 December	**123,176**	137,084

As at 30 June 2019, the intangible asset of US$123,176,000 (31 December 2018: US$137,084,000) represented the patent Fortacin™, the principal asset of Plethora Solutions Holdings plc ("**Plethora**"), which was acquired by the Group in 2016.

During the period ended 30 June 2019, the Group determined that there was no impairment of the intangible asset, patent Fortacin™, in respect of the cash generating unit ("**CGU**"), Plethora (31 December 2018: nil). The recoverable amount of this CGU has been determined based on a value in use calculation with reference to a professional valuation performed by Grant Sherman Appraisal Limited, an independent expert valuation firm. The calculation was essentially the same basis/model as used to determine the fair value of the identifiable assets and liabilities of the CGU as at 9 March 2016, and covered a period representing the remaining estimated useful life of the patent, Fortacin™. The rates used to discount the cash flows forecast were in the range of 19% to 23% (31 December 2018: 20% to 24%). The key assumptions for the value in use calculations were those regarding the discount rates, exchange rates, growth rates, royalty rates and launch dates in respect of the eight (31 December 2018: eight) major regions identified in management's business model and the premature ejaculation prevalence rates from 20% to 30% (31 December 2018: 20% to 30%). The value in use figure determined as at 30 June 2019 was higher than the carrying amount of the CGU and accordingly, no impairment loss was recognised.

10. TRADE RECEIVABLES

At 30 June 2019 and 31 December 2018, the ageing analysis of trade receivables, based on invoice dates, was as follows:

	(Unaudited) As at 30 June 2019 US$'000	(Audited) As at 31 December 2018 US$'000
Within 1 month	**54**	297

The Group applies credit policies appropriate to the particular business circumstances concerned but generally requires outstanding amounts to be paid within 20 to 30 days (31 December 2018: 20 to 30 days) of invoice.

11. TRADE PAYABLES, DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	(Unaudited) As at 30 June 2019 US$'000	(Audited) As at 31 December 2018 US$'000
Trade payables	**712**	972
Deposits received, accruals and other payables#	**8,534**	3,515
	9,246	4,487

Loans from shareholders of US$4,850,000 (31 December 2018: US$150,000), included in the deposits received, accruals and other payables, are unsecured, interest bearing at 5% per annum and repayable on dates falling one year after the date of the loan agreements, unless the term is extended by mutual consent of the lenders and the Company.

At 30 June 2019 and 31 December 2018, the ageing analysis of trade payables, based on invoice dates, was as follows:

	(Unaudited) As at 30 June 2019 US$'000	(Audited) As at 31 December 2018 US$'000
Within 1 month or on demand	**366**	203
After 1 month but within 3 months	**331**	406
After 3 months but within 6 months	**15**	363
	712	972

The fair value of trade payables, deposits received, accruals and other payables approximates their respective carrying amounts at the reporting date.

12. DIVIDENDS

No interim dividend has been declared or paid in respect of the six months ended 30 June 2019 (2018: nil).

13. SHARE CAPITAL

Authorised:	Number of ordinary shares of US$0.01 each	US$'000	Number of unclassified shares*	US$'000	Total number of shares	Total US$'000
At 30 June 2019 and 31 December 2018	2,300,000,000	23,000	55,000,000	550	2,355,000,000	23,550

Issued and fully paid:	Number of ordinary shares of US$0.01 each	US$'000	Number of unclassified shares*	US$'000	Total number of shares	Total US$'000
At 1 January 2018, 31 December 2018 and 30 June 2019	1,837,251,182	18,372	—	—	1,837,251,182	18,372

* These are unclassified shares of US$0.01 each, which may be issued as ordinary shares or as non-voting convertible deferred shares of US$0.01 each.

(a) During the six months ended 30 June 2019, there were no changes in the authorised share capital of the Company.

(b) As at 1 January 2019, the total issued ordinary share capital of the Company consisted of 1,837,251,182 shares. During the six months ended 30 June 2019 and prior to the date of this report, no new shares were issued and allotted by the Company, and no shares were repurchased by the Company.

Accordingly, as at 30 June 2019 and the date of this report, the total issued ordinary share capital of the Company consisted/consists of 1,837,251,182 shares.

(c) Subsequent to the period end date and at the Company's extraordinary general meeting held on 30 July 2019, an ordinary resolution was duly passed to seek shareholders' approval for the increase in the Company's authorised share capital from US$23,550,000 comprising: (a) 2,300,000,000 ordinary shares of US$0.01 each; and (b) 55,000,000 unclassified shares of US$0.01 each (which may be issued as ordinary shares or non-voting convertible deferred shares) to US$143,550,000 by the creation of 12,000,000,000 additional ordinary shares of US$0.01 each so that the share capital comprises: (i) 14,300,000,000 ordinary shares of US$0.01 each; and (ii) 55,000,000 unclassified shares of US$0.01 each (which may be issued as ordinary shares or non-voting convertible deferred shares), in order to provide for the issue and allotment of the new shares to be issued and allotted to the Subscribers pursuant to the two subscription agreements entered into on 29 May 2019 (as noted below) upon conversion of the convertible notes and to provide the Company with greater flexibility to issue future equity capital.

(1) Share Option Scheme (2016)

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme (2016) shall not exceed 173,725,118 shares, being: (i) 10% of the total issued ordinary share capital of the Company as at the commencement of the scheme; (ii) 9.46% of the Company's issued share ordinary share capital as at 30 June 2019 and the date of this report; and (iii) 8.64% of the enlarged ordinary share capital.

Since the commencement of the Share Option Scheme (2016) (being 10 June 2016) and prior to the date of this report, no options were granted under the scheme. Accordingly, as at 1 January 2019, 30 June 2019 and the date of this report and at any time during the relevant period:

(i) no outstanding options were/are held by any Directors, the Chief Executive or any substantial shareholders of the Company (and their respective associates), entitling them to subscribe for the ordinary shares of the Company under the Share Option Scheme (2016);

(ii) no outstanding options were/are held by any full-time employees of the Group (excluding the Directors of the Company), entitling them to subscribe for the ordinary shares of the Company under the Share Option Scheme (2016);

(iii) no participants were granted with options under the Share Option Scheme (2016) in respect of an aggregate number of shares in the Company which was in excess of the individual limit referred to in the HK Listing Rules;

(iv) no outstanding options were/are held by any suppliers of goods or service of the Group, entitling them to subscribe for the ordinary shares of the Company under the Share Option Scheme (2016); and

(v) no options were/are granted to or held under the Share Option Scheme (2016) by any participants other than those referred to in sub-paragraphs (i) to (iv) above.

There were no charges to the consolidated statement of comprehensive income or liabilities recognised in respect of employee share-based payments or non-employee share-based payments in relation to the Share Option Scheme (2016) for the six months ended 30 June 2019 and 2018.

(2) Convertible notes

As detailed in the announcement issued by the Company on 29 May 2019, the Company entered into two subscription agreements on 29 May 2019 (the "**Subscription Agreement(s)**", being the "**Connected Subscription Agreement**" and the "**Third Party Subscription Agreement**") with various Subscribers (including the Company's Directors) in relation to the issue of 4% coupon unlisted convertible notes due 2022 in the principal amount of US$17.50 million (the "**Convertible Note(s)**"). The Subscription Agreement relating to the issuance of the Convertible Notes and the new shares in the Company to be issued and allotted upon conversion of the Convertible Notes to Jamie Gibson, James Mellon and Galloway Limited constituted a connected transaction of the Company under Chapter 14A of the HK Listing Rules. The two Subscription Agreements were inter-conditional upon each other and were subject to independent shareholders' approval.

Subsequent to the period end date, a shareholders' circular was issued on 11 July 2019. The independent shareholders' approval of the Subscription Agreements and the transactions contemplated thereunder were duly sought at the Company's extraordinary general meeting held on 30 July 2019, and an approval was duly received from the HK Stock Exchange on 31 July 2019 for the listing of, and permission to deal in, up to 719,435,294 new shares ("**Conversion Share(s)**") to be issued and allotted upon full conversion of the Convertible Notes together with the interest accrued on the Convertible Notes capitalised for the 3-year period.

As announced by the Company on 23 August 2019 and referred to in note 21 headed "Events after reporting date" and the paragraph headed "Main Activities" under the "Review and Prospects" section below, the Company allowed: (i) certain Subscribers to withdraw their subscriptions of the Convertible Notes; and (ii) Jamie Gibson to withdraw his subscription in respect of the New Funds (as defined in the Subscription Agreements) but continue to subscribe for the Convertible Notes in respect of the Previously Advanced Funds (as defined in the Connected Subscription Agreement), and given that the Subscribers under the Subscription Agreements, in accordance their rights under such agreements, agreed to waive the inter-conditionality with the other Subscription Agreement to facilitate closing of the reduced financing, the Company continued to close, on 23 August 2019, the reduced financing with the remaining Subscribers, under both Subscription Agreements, in respect of US$6.45 million (or approximately HK$50.31 million), to be issued in one single tranche on the same terms and conditions as previously disclosed.

The Convertible Notes are convertible into a maximum of 265,163,294 new shares in the capital of the Company (including the interest accrued on the Convertible Notes capitalised) at the conversion price of HK$0.2125 per Conversion Share during the 3-year period from 23 August 2019 (being their issue date) to 23 August 2022 (being their maturity date).

Details of the Subscription Agreements and the principal terms of the Convertible Notes are set out in the announcement and shareholders' circular issued by the Company on 29 May and 11 July 2019 respectively, a summary of which is set out in the paragraph headed "Main Activities" under the "Review and Prospects" section below.

Prior to the date of this report, no Convertible Notes were converted by any Subscribers.

14. OPERATING LEASE COMMITMENTS

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	(Audited) As at 31 December 2018 US$'000
Property:#	
– within one year	669
– in the second to fifth years, inclusive	381
	1,050
Equipment: #	
– within one year	3
– in the second to fifth years, inclusive	10
	13
	1,063

The amount only represented the operating lease commitment under HKAS 17 as at 31 December 2018.

The Group leased a number of properties under operating leases. The leases typically ran for an initial period of one to three years, with an option to renew the lease when all terms were renegotiated. None of the leases included contingent rentals.

15. CAPITAL COMMITMENTS

The Group had no material capital commitments as at 30 June 2019 and 31 December 2018.

16. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2019 and 31 December 2018.

17. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in note 11, the Company incurred total loan interest expenses of US$33,000 for the six months ended 30 June 2019 (2018: nil) payable to Jamie Gibson (the CEO and Director of the Company), James Mellon (Chairman and Director of the Company) and Galloway Limited (being a company indirectly wholly owned by James Mellon).

On 2 April 2019, the Company disposed of 1,217,684 shares and 1,217,685 shares in Venturex Resources Limited to James Mellon and Jamie Gibson respectively for an aggregate consideration of approximately A$535,000 (or approximately US$380,000), resulting in a gain on disposal of FAFVPL of approximately US$80,000 for the period ended 30 June 2019.

18. KEY MANAGEMENT COMPENSATION

Key management compensation amounted to US$911,000 for the six months ended 30 June 2019 (30 June 2018: US$911,000).

19. CHARGE ON ASSETS

As announced on 18 March 2019, the Company entered into a settlement agreement with the ATO in respect of a dispute as set out in note 6 for an amount of A$9.5 million (or approximately US$6.67 million), payable within 90 days of the date of the settlement.

As announced on 27 May 2019, the Company entered into a deed of instruction and release with the ATO, pursuant to which the previously charged securities have been released from security to permit their sale and apply the funds realised towards the settlement amount of A$9.5 million (or approximately US$6.67 million).

In addition, the Company entered into an amendment agreement with the ATO amending the settlement agreement to extend the due date for the payment of the settlement amount from 17 June 2019 to 1 August 2019. Such extension is necessary due to the length of time required to agree the above-mentioned deed of instruction and release.

On 12 August 2019, the ATO further agreed to extend the settlement date to 31 August 2019.

None of the Group's other assets was pledged as at 30 June 2019 (31 December 2018: nil).

20. FAIR VALUE ESTIMATION

Financial assets and liabilities measured at fair value

The fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of their immediate or short-term maturity.

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

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

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

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

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

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the Fair Value Hierarchy as follows:

		(Unaudited) As at 30 June 2019			
	Notes	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets measured at fair value					
Unlisted equity investments	(a)	—	—	**281**	**281**
Unlisted club debenture	(b)	—	**19**	—	**19**
Listed equity investments	(c)	**5,525**	—	—	**5,525**
		5,525	**19**	**281**	**5,825**

		(Audited) As at 31 December 2018			
	Notes	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets measured at fair value					
Unlisted equity investments	(a)	—	—	282	282
Unlisted club debenture	(b)	—	19	—	19
Listed equity investments	(c)	5,482	—	—	5,482
		5,482	19	282	5,783

There were no significant transfers among levels of the Fair Value Hierarchy during the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value were unchanged compared to the previous reporting periods.

(a) Unlisted equity investments

The unlisted equity investments are denominated in Australian and United States dollars. Their fair values were estimated by using valuation techniques with reference to multiples of comparable listed companies, prices of recent transactions or net asset value and were translated using the spot foreign currency rate at the end of the reporting period where appropriate.

(b) Unlisted club debenture

The unlisted club debenture is denominated in Hong Kong dollars. The fair value was determined by reference to the recent market price at the reporting date and was translated using the spot foreign currency rate at the end of the reporting period where appropriate.

(c) Listed equity investments

The listed equity securities are denominated in Canadian and Australian dollars. Fair values were determined by reference to the last quoted market prices at the reporting date and were translated using the spot foreign currency rates at the end of the reporting period where appropriate.

The movements in fair value measurement within Level 3 during the period were as follows:

FAFVOCI (unlisted equity investments)

	(Unaudited) As at 30 June 2019 US$'000	(Audited) As at 31 December 2018 US$'000
At 1 January	**282**	496
Disposal	**—**	(189)
Total loss recognised in other comprehensive income	**(1)**	(25)
At 30 June/31 December	**281**	282

21. EVENTS AFTER REPORTING DATE

Following the end of the period and as announced on 18 July 2019, discussions in respect of the possible acquisition of Yooya terminated, effective as of 17 July 2019, on account of all the relevant parties being unable to reach agreement on the key terms of the acquisition.

Also following the end of the period and as announced on 23 August 2019, on 20 August 2019 the Company received notification on behalf of certain third party Subscribers under the third party subscription agreement, that, in light of the discontinuance of the possible acquisition of Yooya, they no longer wished to participate in the convertible note issuance. The Company agreed to allow these third party Subscribers to withdraw from the convertible note issuance and decided to continue to close the financing with the remaining Subscribers, under both subscription agreements, in respect of US$6.45 million (or approximately HK$50.31 million), to be issued in one tranche on the same terms and conditions as previously disclosed.

On 23 August 2019, the issue of convertible notes to the Subscribers was successfully closed.

REVIEW AND PROSPECTS

MAIN ACTIVITIES

The six-month period ended 30 June 2019 was a significant one for the Group following the further progress made in respect of the commercialisation of Fortacin™, the convertible notes financing and the uncovering of potential investment and acquisition opportunities to enter into the hemp sector in China, with a particular focus on hemp CBD infused products that may involve a licence for hemp cultivation and a licence for processing, together with the roll out of a hemp processing facility in China.

During the period, and not surprisingly given the commercialisation efforts in respect of Fortacin™, the Group recorded a loss attributable to shareholders of the Company of US$23.30 million, which was mainly attributable to: (i) an amortisation charge of approximately US$13.91 million on the intangible asset, being Fortacin™, a non-cash item; (ii) a settlement amount of A$9.50 million (or approximately of US$6.67 million) with the ATO in respect of a capital gains tax dispute; and (iii) the Group's operating expenses; while being offset somewhat by: (iv) a marked-to-market profit in respect of the Company's equity portfolio of financial assets at fair value through profit or loss.

Shareholders' equity of US$103.19 million, a decrease of approximately 18.50% as compared with that at 31 December 2018, with the decrease being mainly attributable to the loss attributable to shareholders of the Company.

As announced by the Company on 29 May 2019, on that day the Company entered into two conditional subscription agreements with certain Subscribers, including James Mellon, Galloway Limited (an associate of James Mellon) and Jamie Gibson, pursuant to which the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to issue, convertible notes in the principal amount of US$17.50 million. Both subscription agreements were interconditional upon each other and the issue of the convertible notes to James Mellon, Galloway Limited (an associate of James Mellon) and Jamie Gibson were connected transactions of the Company requiring approval of independent shareholders. The principal terms of the convertible notes are set out in paragraph (9) headed "Principal terms of the Convertible Notes" under the "Subscription Agreements" in the circular dated 11 July 2019 which are also briefly summarised below:

(i) coupon of 4% per annum, maturing on the third anniversary of the closing of the subscription.

(ii) definitive certificates would be issued in registered form in amounts of US$50,000 and integral multiples thereof.

(iii) one single tranche in an aggregate principal amount of US$17,500,000.

(iv) closing to take place no later than five Business Days (as defined therein) after the date on which all the conditions precedent are satisfied or waived (as the case might be), with a long stop date of 31 August 2019.

(v) each convertible note would be subscribed for at a price equal to 100% of the principal amount of the relevant convertible note.

(vi) subject to the Company's right of rejection, the convertible notes would be convertible, following the submission to the Company of an irrevocable notice of conversion by and at the option of the holder thereof, into fully paid ordinary shares of the Company (the "**Share(s)**") at a conversion price which was equal to HK$0.2125, being a 15% discount to closing price of HK$0.2500 of the Shares as quoted on the Main Board of the HK Stock Exchange on 28 May 2019 (which was the date immediately preceding the date of the subscription agreements), being a day on which the Shares were freely available for trading.

(vii) A maximum of 719,435,294 conversion shares would be issued, representing:

- approximately 39.16% of the Company's existing issued share capital; and
- approximately 28.14% of the Company's issued share capital, as enlarged by the allotment and issue of the conversion shares.

(viii) (a) a Subscriber should not be entitled to exercise any conversion right if the conversion shares to be issued pursuant to a conversion notice could result in the Subscriber (and/or persons with whom that Subscriber might then be acting in concert, presumed or otherwise, under The Codes on Takeovers and Mergers and Share Repurchases in Hong Kong (the "**HK Takeovers Code**")) having to make a mandatory general offer (MGO) for the Shares pursuant to the HK Takeovers Code, with any such attempted conversion being deemed null and void.

(b) the Company might also reject a Subscriber's conversion request if the Shares held by the public, after the conversion shares were issued on the intended conversion of the convertible notes, would be less than the minimum public shareholding requirement under the HK Listing Rules.

(ix) Each of the Subscribers has also undertaken with the Company that it would not dispose or agree to dispose of any of the conversion shares that might be issued to it upon conversion of any convertible notes or any interest (as defined in Part XV of The Securities and Futures Ordinance (the "**SFO**") therein for a period of 6 months from the closing.

As announced on 29 May 2019, on that day the Company entered into a non-legally binding, indicative offer with Yooya in respect of the possible acquisition of Yooya by the Company for approximately US$15 million, to be satisfied by way of the issuance of new Shares. Following the transaction, if successful, the intention was for Yooya to expand its sector focus and become the first e-commerce marketing platform to focus on CBD infused products. The transaction was subject to a number of pre-conditions, including completion of due diligence, respective approvals of the Company's and Yooya's boards and formal acquisition documentation to be agreed between the Company and each of Yooya's shareholders.

Following the end of the period and as announced on 18 July 2019, discussions in respect of the possible acquisition of Yooya terminated, effective as of 17 July 2019, on account of all the relevant parties being unable to reach agreement on the key terms of the acquisition. Importantly and while in discussions with Yooya, the management of the Company has been presented with a much more exciting and appropriate opportunity to enter into the hemp sector in China, with a particular focus on hemp CBD infused products that will involve a licence for hemp cultivation and a licence for processing, together with the roll out of a hemp processing facility in China. This prospective acquisition, the Board believes, will be highly beneficial for shareholders in terms of long-term value creation and less dilutive for shareholders than the Yooya transaction. However, it is not possible to determine with accuracy the timing of completion of such investment or acquisition opportunity and no assurance can be given that negotiations will lead to a binding agreement in respect of the same as described above or at all. The Company hopes to be able to make further announcements during the course of 2019 relating to its targeted hemp investment strategy, which forms part of its broader wellness and life sciences sector focus. If and when an agreement is reached an announcement will be made in the normal manner in compliance with the HK Listing Rules.

Also following the end of the period and as announced on 23 August 2019, on 20 August 2019, the Company received notification on behalf of certain third party Subscribers under the third party subscription agreement, that, in light of the discontinuance of the possible acquisition of Yooya, they no longer wished to participate in the convertible note issuance. The Company agreed to allow these third party Subscribers to withdraw from the convertible note issuance and decided to continue to close the financing with the remaining Subscribers, under both subscription agreements, in respect of US$6.45 million (or approximately HK$50.31 million), to be issued in one tranche on the same terms and conditions as previously disclosed. As the two subscription agreements were interconditional upon each other, from a technical standpoint, the Subscribers under the connected subscription agreement agreed to waive interconditionality with the third party subscription agreement to facilitate closing of the reduced financing.

On 23 August 2019, the Directors are also pleased to report that the issue of convertible notes to the Subscribers successfully closed.

Recordati has informed the Company that it has relaunched Fortacin™ in its key countries of France, Germany, Italy, Portugal, Spain and the UK as uptake has been lower than expected. The key issue remains whereby a low number of premature ejaculation ("**PE**") patients are seeking advice and visiting a specialist for treatment (with key reasons being given due to the embarrassment and lack of awareness about treatments available for PE). However, preliminary feedback from physicians from Italy, Germany, Spain, Portugal and France has been very positive about Fortacin™. The initial feedback from physicians is that Fortacin™ is perceived as something that fills a prescription need and it is a definite improvement of what is currently available in the market place (e.g. EMLA cream, a topical anaesthetic cream frequently prescribed for PE although off-label, and Priligy, an SSRI). Recordati reported that many physicians are willing to use Fortacin™ and also in combination with an SSRI (declaring not for efficacy reasons, but to cope with the anxiety component of PE). In addition, the few collected patients' feedback were very positive as well, with the most frequently asked question is about how to use Fortacin™.

Recordati engaged Ipsos, a third party consulting group, to undertake a qualitative and quantitative analysis focused on PE patients in Italy in order to understand the image and the experience of living with PE and the patient's flow and to explore the patients' perception and experience with Fortacin™ since its launch including the specific objectives of:

- the impact of PE on self-perception, relationship and quality of life;
- attitude towards PE and related treatments/remedies in general;
- patient's journey from first occurrence of PE to today;
- awareness, perception and experience with PE products/drugs with a focus on Fortacin™, drivers and barriers and comparison between products/designs; and
- understanding who recommended/prescribed Fortacin™ and which information are provided upon recommendation/prescription; drivers and barriers to Fortacin™.

The qualitative analysis involved telephone interviews with patients affected by PE and who have received Fortacin™ as a prescription or the recommendation to use Fortacin™ from their physician. The quantitative analysis was conducted using a structured questionnaire with 250 interviews with PE sufferers in Italy. Overall approximately 40% of the patients that use Fortacin™ in Italy seems to be really intent to repurchase the drug. Recordati is currently analysing the data to determine how best to position Fortacin™ in the market-place such that it drives underlying sales. Each launch country is undertaking various promotional activities to increase the awareness of patients that there is a new treatment for PE.

New launches are expected in later this year in Greece and Romania by Recordati and in Hong Kong and Macau by Orient EuroPharma Co., Ltd.

During the period, no efficacy or safety issues were reported to Recordati.

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 has continued in the US and is now estimated to complete by the end of 2019. On the assumption that the trial is sufficient to convince the FDA that the PEBEQ serves as an appropriate measure for support of a label claim, pivotal Phase III work could commence in Q1 of 2020, with NDA submission possible in the second half of 2020, giving a PDUFA date in 2021. 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.

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

Wanbang Pharmaceutical has informed the Company that it is on course for submitting the IND application for the CTA in October 2019, to commence clinical trials in China. The IND review is expected to take approximately 60 working days. On the assumption that the IND can be filed per this timeframe, the CTA could be obtained as early as January 2020. As per the terms of the licence agreement executed with Wanbang Pharmaceutical, and announced on 3 December 2018, a payment of US$4,000,000 is payable to the Group upon obtaining Chinese regulatory approval to conduct a human clinical trial of a licensed product.

The Company is in discussions with our commercial strategic partners for the Middle East, India, North America and Latin America (LATAM) region. However, it is not possible to determine with accuracy the timing of completion of such agreements, and no assurance can be given that negotiations will lead to a binding licencing agreement(s) in the aforementioned jurisdictions or at all. Plethora will continue to work closely and diligently with its commercial partners and will keep shareholders and potential investors informed of any new developments as and when they occur.

Plethora recorded an operating loss of GBP 1.44 million (or approximately US$1.86 million) for the six months ended 30 June 2019 (2018: profit of GBP 2.82 million (or approximately US$3.88 million)), excluding the amortisation cost of an intangible asset, Fortacin™, and the tax credit in respect of the deferred tax liability.

The operating loss of Plethora for the six months ended 30 June 2019, mainly included: (i) R&D costs related to the US clinical trial activities of Fortacin™ of GBP 1.31 million (or approximately US$1.69 million) (2018: GBP 0.47 million (or approximately US$0.64 million)); and (ii) administrative expenses of GBP 0.22 million (or approximately US$0.28 million) (2018: GBP 0.29 million (or approximately US$0.40 million)), which being offset somewhat by the milestone and royalty income received from Recordati of GBP 84,000 (or approximately US$107,000) (2018: profit of GBP 3.60 million (or approximately US$4.96 million)).

On the basis that all R&D expenditure is expensed, there were no significant balance sheet movements to comment upon during the six months ended 30 June 2019. As at 30 June 2019, Plethora had cash resources of GBP 564,000 (or approximately US$716,000) (31 December 2018: GBP 716,000 (or approximately US$913,000)), with ongoing financial support being provided by the Group.

As noted in the Company's announcement dated 22 March 2019, 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 sought and obtained the approval of shareholders, by way of a special resolution at the Annual General Meeting of the Company on 6 June 2019, to amend the existing Articles of Association.

As announced on 18 March 2019, the Company entered into a settlement agreement with the ATO in respect of its 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$11.85 million (or approximately US$8.39 million), which, together with the interest also claimed, amounted to A$19.12 million (or approximately of 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$6.67 million), payable by 1 August 2019 (as extended per the announcement of the Company made on 27 May 2019). 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. On 12 August 2019, the ATO further agreed to extend the settlement date to 31 August 2019.

As at 30 June 2019, the Company had cash and listed and unlisted securities of US$7.35 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; and (ii) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare, wellness and life sciences sectors, including exciting and appropriate opportunities to enter into the hemp sector in China, with a particular focus on hemp CBD infused products that will involve a licence for hemp cultivation and a licence for processing, together with the roll out of a hemp processing facility in China.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend in respect of the six months ended 30 June 2019.

OUTLOOK

Halfway through 2019, economists and investors are once again facing the macroeconomic threat posed by the US-China trade war and a potential no deal BREXIT. This time, however, they are doing so without simultaneous monetary policy tightening at the Federal Reserve. So while economic momentum clearly slowed in late 2018, as evident in weaker global trade flows, and global growth projections for 2019 had to be scaled back, there have been multiple signs of stabilization in the first half that should, under the right conditions, prevent a dramatic deceleration in world growth. Indeed, given that first-quarter GDP growth surprised to the upside in China, the US and the European Union, we expect that, subject to a de-escalation in the US-China dispute and the BREXIT negotiations, our baseline outlook for global growth of approximately 3.5% in 2019 will remain intact.

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

Our strategy remains the same and our balance sheet 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, wellness and life sciences sectors. With the ongoing commercialisation of Fortacin™ across targeted markets, our progress with the FDA and corresponding regulators in China, 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 period.

TRADING RECORD OVER LAST FIVE YEARS

	Six months ended 30 June	Year ended 31 December				
	2019 US$'000	2018 US$'000	2017 US$'000	2016 US$'000	2015 US$'000	2014 US$'000
Total income	**955**	2,843	9,493	3,436	(5,685)	(11,007)
Income less expenses before impairment losses and provision	**(17,972)**	(33,971)	(27,403)	(31,902)	(14,715)	(17,738)
Reversal of impairment	**—**	—	—	364	1,386	250
Impairment losses	**—**	—	(1,875)	(97)	(194)	(267)
Operating loss	**(17,972)**	(33,971)	(29,278)	(31,635)	(13,523)	(17,755)
Gain on disposal of an associate	**—**	209	—	—	8,938	—
Loss on deemed disposal of associate(s)	**—**	—	—	(5,805)	(3,560)	(6,017)
Gain from bargain purchase of an associate	**—**	—	—	1,356	—	25,809
Gain from bargain purchase of a subsidiary	**—**	—	—	31,686	—	—
Share of results of associates	**—**	—	(1,067)	(831)	(1,193)	(10,604)
Finance costs	**(55)**	—	—	—	—	—
Loss before taxation	**(18,027)**	(33,762)	(30,345)	(5,229)	(9,338)	(8,567)
(Taxation)/Tax credit	**(5,278)**	2,669	2,982	2,765	—	—
Loss for the period/year	**(23,305)**	(31,093)	(27,363)	(2,464)	(9,338)	(8,567)
Non-controlling interests	**1**	6	4	4	5	4
Loss attributable to shareholders of the Company	**(23,304)**	(31,087)	(27,359)	(2,460)	(9,333)	(8,563)

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$23.30 million for the six months ended 30 June 2019 (2018: US$14.29 million).

The corporate division (revenue and fair value gain on financial instruments) recorded a profit of US$0.90 million for the six months ended 30 June 2019 (2018: loss of US$2.06 million).

The main elements of the loss are analysed as follows:

	US$ (million)
Milestone and royalty income	0.11
Amortisation of an intangible asset, Fortacin™	(13.91)
Research and development expenses incurred by Plethora	(1.68)
Fair value gain on financial instruments	0.76
Tax payment - settlement amount with the ATO	(6.67)
Tax credit	1.39
Operational expenses	(3.30)
Total loss attributable to shareholders of the Company	(23.30)

FINANCIAL POSITION

Shareholders' equity decreased by 18.50% to US$103.19 million as at 30 June 2019 from US$126.62 million as at 31 December 2018. The decrease was mainly due to: (i) loss attributable to shareholders of the Company of US$23.30 million for the six months ended 30 June 2019; and (ii) the decrease of foreign currency exchange reserve of US$0.12 million.

The Group's assets also comprised: (i) an intangible asset of US$123.18 million, being Fortacin™; (ii) listed and unlisted investments of US$5.83 million; (iii) cash and bank balances of US$1.53 million; (iv) trade receivables of US$0.05 million; and (v) property, plant and equipment and other receivables of US$1.42 million.

The Group's liabilities comprised: (i) deferred tax liabilities of US$12.32 million; (ii) payables and accruals of US$9.25 million; (iii) tax payable of US$6.67 million; and (iv) long-term and short-term lease liabilities of US$0.63 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 an agreed approach for the Company to generate and preserve its long-term value was determined, while agreeing shorter term priorities and objectives. In addition, the risks associated with the current operations and strategy of the Company are currently being tested by way of an internal audit process conducted through an independent service provider, with the aim of identifying ways in which the Company can better identify and manage its risks.

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

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

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

FUNDING

As at 30 June 2019, the Group had US$1.53 million in cash that represented 1.48% of its total shareholders' equity, which does not take into account the Group's holding of securities of FAFVPL that amounted to US$5.54 million.

GEARING RATIO

The gearing ratio (being total interest-bearing debts over total equity) was approximately 5.31% (31 December 2018: nil).

MANAGEMENT OF RISK

The most significant risks affecting the profitability and viability in respect of the Group are the performance of the Group's interest in Plethora and, to a lesser extent, its investment portfolio.

CHARGE ON ASSETS

Save as those disclosed in note 19 to the interim financial report, the Group had no other charges on assets as at 30 June 2019.

FINANCIAL INSTRUMENTS

The Group operates 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 not significant.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2019.

CHANGES SINCE 30 JUNE 2019

Save as those disclosed in note 21 to the interim financial report (Events after reporting date), there were no significant changes in the Group's financial position and from the information disclosed under Management's Discussion and Analysis of the Group's Performance in the interim financial report for the six months ended 30 June 2019.

EMPLOYEES

The Group, including subsidiaries but excluding an associate, employed 19 employees at 30 June 2019. 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.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend in respect of the six months ended 30 June 2019.

UPDATES ON DIRECTORS' BIOGRAPHIES

The Directors' biographies have been updated by the following since the Company's last annual report published for the year ended 31 December 2018:

(i) Port Erin Biopharma Investments Limited (AIM: PEBI, a company listed on the Alternative Investment Market ("**AIM**") of the London Stock Exchange), of which James Mellon was the non-executive chairman of its board, changed its name to Agronomics Limited (AIM: ANIC) on 16 April 2019, and James Mellon stepped down as the chairman of its board on 31 May 2019 and remains as a non-executive director.

(ii) James Mellon is in fact the non-executive chairman of the board of FastForward Innovations Limited (AIM: FFWD, an AIM-listed company), which was said to be the executive co-chairman of its board. In addition, it is noted that the name of the company should be "FastForward Innovations Limited" (instead of "Fast Forward Innovations Limited").

(iii) Following a group re-structuring in March 2017, SalvaRx Group Limited (AIM: SALV, an AIM-listed company), of which James Mellon was the non-executive chairman of its board, disposed of all its investments and business interests to its subsidiary, namely SalvaRx Limited, and is therefore classified as an AIM Rule 15 cash shell.

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS

As at 30 June 2019, the Directors of the Company had the following beneficial interests in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company or of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which were otherwise notified to the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the HK Listing Rules:

1. Securities of the Company

a. Ordinary shares of US$0.01 each

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % holding*
James Mellon		Beneficial owner	Long position	361,594,306	19.68%
	A	Interests held by controlled corporation	Long position	25,791,905	1.40%
Jamie Gibson		Beneficial owner	Long position	69,208,513	3.77%
David Comba		—	—	—	—
Julie Oates	B	Interests held jointly with another person	Long position	1,000,000	0.05%
Mark Searle		Beneficial owner	Long position	471,228	0.03%
	C	Beneficiary of a trust	Long position	2,070,760	0.11%
	C	Family interest	Long position	628,304	0.03%
Jayne Sutcliffe		Beneficial owner	Long position	1,716,046	0.09%

* The total issued ordinary share capital of the Company as at 30 June 2019 consisted of 1,837,251,182 shares. There were no changes in the Company's issued share capital subsequent to the period end date and prior to the date of this report.

b. Options under Share Option Scheme (2016)

Please refer to note 13(1) to the interim financial report as to the details of the Share Option Scheme (2016).

Since the commencement of the Share Option Scheme (2016) on 10 June 2016, no options were granted under the scheme. Accordingly, as at 30 June 2019 and the date of this report, none of the Directors of the Company had/has any personal interests in options granted under the Share Option Scheme (2016), entitling him/her to subscribe for ordinary shares of US$0.01 each in the capital of the Company in accordance with, and subject to, the terms of the scheme.

2. Securities of associated corporations

– Ordinary shares of US$0.01 of AstroEast.com Limited (note D)

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

Notes:

A. The 25,791,905 ordinary shares in the Company are held by a company indirectly wholly owned by James Mellon.

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

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

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

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

Save as disclosed herein, as at 30 June 2019, none of the Directors had any beneficial interests or short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or of any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which would have to be otherwise notified to the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code.

Subsequent to the period end date and on 23 August 2019, the Company issued 4% coupon unlisted convertible notes due 2022 in the principal amount of US$6.45 million, as reduced (the "**Convertible Note(s)**", as referred to in note 13(2) to the interim financial report above), which are convertible into the shares in the capital of the Company at the conversion price of HK$0.2125 per share, pursuant to two subscription agreements dated 29 May 2019 (being the "**Subscription Agreement(s)**" referred to in note 13(2) to the interim financial report above), which were duly approved by the independent shareholders by ordinary resolutions at the Company's extraordinary general meeting held on 30 July 2019.

Please refer to note 13(2) to the interim financial report as to the details of the Convertible Notes.

Pursuant to the relevant Subscription Agreement, the Directors of the Company have the following beneficial interests in the shares to be issued upon full conversion of the Convertible Notes:

Name of Director	Capacity in which the Convertible Notes are held	Principal amount of Convertible Notes held (US$)	Number of shares to subscribe for upon full conversion of the Convertible Notes held#	Subscription price per share (HK$)	Conversion period
James Mellon	Beneficial owner	1,650,000	67,832,471	0.2125	23 August 2019 – 23 August 2022
	Interests held by controlled corporation##	3,000,000	123,331,765	0.2125	23 August 2019 – 23 August 2022
Jamie Gibson	Beneficial owner	850,000	34,944,000	0.2125	23 August 2019 – 23 August 2022

\# These numbers include the numbers of new shares to be issued upon conversion of the interest accrued on the Convertible Notes capitalised for the 3-year period.

\## The Convertible Notes in the principal amount of US$3,000,000, which entitles the holder to subscribe for 123,331,765 new shares upon full conversion, are held by a company indirectly wholly owned by James Mellon.

Prior to the date of this report, no Convertible Notes were converted by the Directors or other Subscribers.

Save as disclosed herein, as at 30 June 2019 and as at the date of this report, none of the Directors had/has any beneficial interests or short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or of any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which would have to be otherwise notified to the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors were/are deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code.

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

SUBSTANTIAL SHAREHOLDERS

The Directors are not aware of any persons (other than James Mellon and Jamie Gibson, whose interests are set out in details under the section headed "Directors' Interests in Securities and Options") who, as at 30 June 2019, had beneficial interests and short positions in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company, which would have to be recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which would have to be otherwise notified to the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests which they were deemed or taken to have under such provisions of the SFO).

However, as referred to in note 13(2) to the interim financial report above, two Subscription Agreements were entered into on 29 May 2019 by the Company with various Subscribers in relation to the issue of Convertible Notes. Accordingly, the following Subscribers (not being the Directors of the Company) filed returns on 3 June 2019 in respect of their respective beneficial interests in the shares to be issued upon full conversion of the Convertible Notes, which had to be recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO and which had to be notified to the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests which they were deemed or taken to have under such provisions of the SFO):

Name of subscriber	Capacity in which the Convertible Notes are held	Principal amount of Convertible Notes held (US$)	Number of shares to subscribe for upon full conversion of the Convertible Notes held#	Subscription price per share (HK$)
2464344 Ontario Inc.	Beneficial owner	2,700,000	110,998,588	0.2125
Caravel DS Fund Ltd.	Beneficial owner	2,700,000	110,998,588	0.2125

These numbers include the numbers of new shares to be issued upon conversion of the interest accrued on the Convertible Notes capitalised for the 3-year period.

Subsequent to the period end date and also as referred to in note 13(2) to the interim financial report above, certain Subscribers withdrew their subscriptions of the Convertible Notes, which included the above two Subscribers. However, prior to the date of this report, no returns were received from these Subscribers in respect of the cessation of their interests.

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 six months ended 30 June 2019 and prior to the date of this report.

In compliance with Code Provision A.3.2 of the CG Code, details of the composition of the various committees of the Board are available from the "List of Directors" on the websites of the Company (*www.regentpac.com*) and the HK Stock Exchange (*www.hkexnews.hk*).

THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

In compliance with Code Provision A.5.4 of The Code on Corporate Governance Practices (the "**Code on CG Practices**"), which was re-stated as Code Provision A.6.4 of the CG Code with effect from 1 April 2012, the Group adopted, on 31 March 2004, its code for securities transactions by Directors and employees (the "**Group's Code**"), on exactly the terms and required standard contained in the Model Code.

The Group's Code was last revised on 10 December 2012 (to take effect from 1 January 2013) in order to comply with the amendments made to the Model Code consequential to the introduction of the statutory disclosure regime in respect of inside information under Part XIVA of the SFO.

Having made specific enquiries, all Directors of the Company confirmed that they have complied with the Group's Code during the six months ended 30 June 2019 and prior to the date of this report.

Directors' interests in securities and options of the Company are set out in details under the section headed "Directors' Interests in Securities and Options" in this report.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

(ii) that he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person (as such term is defined in the HK Listing Rules) of the Company;

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

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

(v) that there are no other factors that may affect his/her independence at the same time as the submission of his/her Declaration and Undertaking in Form B of Appendix 5 to the HK Listing Rules.

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

Each of the non-independent Directors has confirmed that he/she considers that each of the Independent Non-Executive Directors continues to be independent under the independence criteria referred to in Rule 3.13(1) to (8) and has proved to be capable of efficiently exercising independent judgement. Among them, Julie Oates has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). Julie Oates and Mark Searle serve on the audit committee, connected transactions committee, nomination committee and remuneration committee of the Company, while Julie Oates is the Chairlady of the first two committees and Mark Searle is the Chairman of the remuneration committee. And, David Comba is a member of the technical committee of the Company.

In compliance with Code Provision A.3.2 of the CG Code, details of the composition of the various committees of the Board are available from the "List of Directors" on the websites of the Company (*www.regentpac.com*) and the HK Stock Exchange (*www.hkexnews.hk*).

REMUNERATION COMMITTEE

The Remuneration Committee was established on 5 November 2004, with its specific written terms of reference which deal with its authority and duties first adopted on 18 March 2005 in compliance with the code provisions in B.1 of the former Code on CG Practices. Its terms of reference were recently revised on 12 December 2018 in order to incorporate the amendments brought about by The Consultation Conclusions on "Review of the Corporate Governance Code and Related Listing Rules" (the "**CG Code Consultation Conclusions**"), which were designated to take effect on 1 January 2019.

In compliance with Rule 3.25 of the HK Listing Rules, the committee currently comprises the Non-Executive Chairman of the Board (James Mellon) and two Independent Non-Executive Directors, namely Julie Oates and Mark Searle, and is responsible to review and approve the remuneration packages of the Directors and the employees. The committee is chaired by Mark Searle.

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

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established on 13 March 2012, with its specific written terms of reference which deal with its authority and duties, in compliance with the code provisions in A.5 of the CG Code. Its terms of reference were recently revised on 11 December 2018 in order to incorporate the amendments brought about by the CG Code Consultation Conclusions, which were designated to take effect on 1 January 2019.

In compliance with Code Provision A.5.1 of the CG Code, the committee currently comprises the Non-Executive Chairman of the Board (James Mellon) and two Independent Non-Executive Directors, namely Julie Oates and Mark Searle, and is responsible for the nomination of Directors of the Company and the review of the composition of the Board. The committee is chaired by James Mellon.

In compliance with Code Provision B.5.3 of the CG Code, the terms of reference of the Nomination Committee are available on the websites of the Company (*www.regentpac.com*) and the HK Stock Exchange (*www.hkexnews.hk*).

CORPORATE GOVERNANCE FUNCTIONS

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.

REVIEW BY THE AUDIT COMMITTEE

The interim financial report of the Company for the six months ended 30 June 2019 has been reviewed by the audit committee of the Company (the "**Audit Committee**").

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

(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*).

CONNECTED TRANSACTIONS COMMITTEE

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

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

INSIDE INFORMATION COMMITTEE

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

INTERNAL CONTROL

Pursuant to Code Provision C.2.1 of the Code on CG Practices and later the CG Code, the Audit Committee has engaged an independent professional firm to undertake the role of the internal audit function and conduct reviews of the Group's risk management and internal control systems, including the financial, operational and compliance functions of the Group. During the six months ended 30 June 2019, a formal risk assessment was conducted by management with reference to the Group's business objectives and strategies, to identify and assess enterprise risks, the corresponding control measures and management actions. The internal audit function conducted reviews of the risk assessment framework and results of the Group. Review of internal controls of prioritised processes are concluded on a rotational basis according to the internal audit plan. Observations and recommendations were communicated with management such that risk mitigation plans were developed and executed by management to address the issues identified. Key findings were reported to and reviewed by the Audit Committee on a timely basis.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

A general mandate was granted to the Directors at the Company's annual general meeting held on 14 June 2018 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, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2018 Repurchase Mandate.

The 2018 Repurchase Mandate expired upon close of the Company's annual general meeting held on 6 June 2019, 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 "**2019 Repurchase Mandate**"). Since 6 June 2019 and prior to the date of this report, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2019 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 six months ended 30 June 2019 or subsequent to the period end date and prior to the date of this report.

FINANCIAL REPORTING

The interim financial report of the Company for the six months ended 30 June 2019 has been reviewed by the Audit Committee. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern (please refer to note 1 to the interim financial report). An explanation of the basis on which the Company generates or preserves value over the longer term (the business model) and the strategy for delivering the Company's objectives is set out in the paragraph headed "Strategic Plan" under the "Management's Discussion and Analysis of the Group's Performance" section in this report.

PUBLICATION ON WEBSITES

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

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, 23 August 2019