REGENT PACIFIC
GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 575

2020
INTERIM REPORT

PERFORMANCE OVERVIEW

A summary of the financial performance and other notable events for the six months ended 30 June 2020 include:

- A loss attributable to shareholders of the Company of approximately US$27.16 million, which was mainly attributable to: (i) an impairment loss on Fortacin™, the intangible asset, of US$13.30 million, a non-cash item; (ii) an amortisation charge of approximately US$10.66 million on Fortacin™, the intangible asset, a non-cash item; (iii) the unrealised marked-to-market loss in respect of the Company's equity portfolio of financial assets at fair value through profit or loss of approximately US$1.10 million; and (iv) the Group's operating expenses.

- Shareholders' equity of approximately US$35.37 million, a decrease of approximately 43.42%, as compared with that at 31 December 2019, with the decrease being mainly attributable to the loss attributable to shareholders of the Company.

- Recordati S.p.A ("**Recordati**") continues to work towards switching Fortacin™ to "Over-the-Counter" ("**OTC**") status from prescription ("**Rx**"), with a decision expected from the European Commission ("**EC**") on 23 September 2020 thereby allowing Fortacin™ to be sold OTC. Recordati anticipates that OTC sales will start from January 2021. The OTC switch is a move designed to significantly increase sales and consequently uplift the royalty payments to the Group.

- Recordati and Pharmaserve (North West) Limited ("**PSNW**") are in discussions on issues faced by PSNW, the manufacturer, in relation to unreliable lack of supply experienced from the latter half of 2019 and ways in which to ensure that Recordati receives continuous and uninterrupted supply of Fortacin™, including options at scaling up the manufacturing process such that larger manufacturing batches can be supplied.

- The Group has continued to make steady progression with the approval process with the Food and Drug Administration of the United States (the "**US**") Department of Health and Human Services (the "**FDA**") with regards to its Phase II validation study of Fortacin™. In this respect, as of 3 August 2020, 108 subjects have been screened (37 subjects having failed visit 1), 108 subjects received a diary, 69 subjects randomised at visit 2 (with 20 subjects having failed visit 2) and 54 subjects completed (being visit 3). The Group's target is to enrol a further 22 subjects by end of September 2020 with the aim of randomising 33 additional and completed subjects by end of October 2020, bringing the total to the study's target of approximately 101 randomised and completed subjects for the Phase II validation study. The slight delay is due to the novel coronavirus disease of 2019 ("**COVID-19**") surging again in the high enrolling sites in Florida and Georgia and the hurricane Isaias that recently went through Florida. However, if the site centres are successful in completing the randomisation, as mentioned, the Group remains on target to complete the Phase II validation study of Fortacin™ by the end of 2020. However, any delay in recruiting and randomising the required subjects, whether as a result of COVID-19 or other reasons, would delay the completion of the study. On the assumption that the trial is sufficient to convince the FDA that the Premature Ejaculation Bothersome Evaluation Questionnaire ("**PEBEQ**") serves as an appropriate measure for support of a label claim, the pivotal Phase III study could commence in the latter half of 2020, with New Drug Application ("**NDA**") submission possible in the first half of 2021, giving a Prescription Drug User Fee Act ("**PDUFA**") date in Q1 2023. These dates remain as stated in the Company's last announcement of 5 August 2020 on "Operations Update". Despite the difficulties presented by COVID-19, particularly as it relates to securing face-to-face meetings, the Group's strategy remains to continue negotiations with potential commercial strategic partners for the US market while we undertake the clinical work with the aim of securing a partner just ahead of or while we conduct the Phase III trial.

- 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 now on course for submitting the investigational new drug application for clinical trial approval ("**CTA**") by Q3 2020, to commence clinical trials in The People's Republic of China (the "**PRC**"), meaning that the CTA could be obtained between Q4 2020 and Q1 2021, triggering, as per the terms of the licence agreement with Wanbang Pharmaceutical and announced on 3 December 2018, a payment of US$4 million to the Group.

- The Group continues to work closely with Orient EuroPharma Co., Ltd. ("**Orient EuroPharma**"), a company registered in Taiwan, in respect of the rights to commercialise Fortacin™ in Hong Kong and Macau, where it has been granted licensing permission from the appropriate regulatory bodies to market and distribute Fortacin™ in such territories. Select other territories in Asia, being Taiwan, Malaysia, Brunei, Singapore, Philippines, Thailand and Vietnam, but excluding the PRC, are expected to grant necessary permissions over the coming months and years. Pursuant to the licence agreement with Orient EuroPharma, the Group will be eligible to receive the remaining payments of up to US$1.45 million, excluding royalties after achieving certain milestones related to the roll out in each market. We remain hopeful that Orient EuroPharma can launch Fortacin™ in Hong Kong and Macau in 2020, but this is very much dependent on whether COVID-19 further complicates or impedes the planned launch and whether PSNW is able to deliver product to Orient EuroPharma from Recordati's batch orders, as the minimum purchase order is 13,000 units per batch order and Orient EuroPharma requires significantly less than that for its launch.

- From a business development standpoint, during the first half of the 2020 financial year, the Group continues to look closely at a number of acquisition and investment opportunities in the healthcare, life sciences and wellness sectors, including opportunities to enter into the longevity sector, with a particular focus on patented technology to help identify individual biological aging markers. The Group will, of course, keep shareholders and the market more generally informed of any significant developments in this respect.

- Actively monitoring its existing and strategic investment in Venturex Resources Limited ("**Venturex**"), representing approximately 7.51% of the total issued share capital of the company as at 30 June 2020.

- Actively monitoring its existing and strategic investment in West China Coking & Gas Company Limited, representing approximately 25% of the registered capital of the company as at 30 June 2020.

- As at 30 June 2020, the Group has paid almost half of the settlement amount owing to the Australian tax authorities in respect of its dispute in connection with a disposal by the Group of an investment in BC Iron Limited ("**BCI**"). The Group anticipates paying the remaining portion of A$4.94 million (or approximately US$3.47 million) in late 2020.

With a streamlined focus and sensible capital structure, the Company remains excited about the future prospects for the Group and its shareholders and will: (i) continue to pursue the successful commercialisation of Fortacin™ as quickly as possible, with the OTC roll out with Recordati expected from January 2021, as well as in the remaining key markets of the US, the PRC, Asia, Latin America and the Middle East; and (ii) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

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 2020, together with comparative figures for the six months ended 30 June 2019, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		(Unaudited) For the six months ended	
	Notes	**30 June 2020 US$'000**	30 June 2019 US$'000
Revenue:	3		
Milestone and royalty income		**85**	107
Corporate investment income		**(33)**	87
Other income	4(b)	**46**	—
		98	194
Fair value (loss)/gain on financial instruments	4(a)	**(1,095)**	761
Total income less fair value (loss)/gain on financial instruments		**(997)**	955
Expenses:			
Employee benefit expenses		**(1,726)**	(1,977)
Rental and office expenses		**(359)**	(356)
Information and technology expenses		**(78)**	(93)
Marketing costs and commissions		**(39)**	(61)
Professional and consulting fees		**(218)**	(671)
Research and development expenses		**(1,155)**	(1,689)
Amortisation of intangible asset (Fortacin™)		**(10,657)**	(13,908)
Other operating expenses		**(251)**	(172)
Operating loss	4(a)	**(15,480)**	(17,972)
Impairment loss on an intangible asset (Fortacin™)	9	**(13,300)**	—
Finance costs	5	**(772)**	(55)
Loss before taxation		**(29,552)**	(18,027)
Tax credit/(Taxation)	6	**2,396**	(5,278)
Loss for the period		**(27,156)**	(23,305)

	Notes	(Unaudited) For the six months ended 30 June 2020 US$'000	30 June 2019 US$'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)
Item that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		**17**	(118)
Other comprehensive income for the period, before and net of tax		**17**	(119)
Total comprehensive income for the period		**(27,139)**	(23,424)
Loss for the period attributable to:			
Shareholders of the Company		**(27,155)**	(23,304)
Non-controlling interests		**(1)**	(1)
		(27,156)	(23,305)
Total comprehensive income attributable to:			
Shareholders of the Company		**(27,138)**	(23,423)
Non-controlling interests		**(1)**	(1)
		(27,139)	(23,424)
Losses per share attributable to shareholders of the Company during the period	7	**US cents**	US cents
— Basic and Diluted		**(1.478)**	(1.268)
		HK cents	HK cents
— Basic and Diluted		**(11.471)**	(9.945)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	(Unaudited) 30 June 2020 US$'000	(Audited) 31 December 2019 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	**90**	397
Intangible asset (Fortacin™)	9	**59,080**	83,037
Interest in an associate		**1**	1
		59,171	83,435
Current assets			
Financial assets at fair value through profit or loss		**956**	2,051
Trade receivables	10	**33**	15
Prepayments, deposits and other receivables		**555**	574
Cash and bank balances		**161**	206
		1,705	2,846
Current liabilities			
Trade payables, deposits received, accruals and other payables	11	**(3,855)**	(4,137)
Bank borrowings	14	**(1)**	—
Lease liabilities		**(65)**	(359)
Tax payable		**(3,471)**	(3,471)
		(7,392)	(7,967)
Net current liabilities		**(5,687)**	(5,121)
Total assets less current liabilities		**53,484**	78,314
Non-current liabilities			
Bank borrowings	14	**(39)**	—
Lease liabilities		**(4)**	(11)
Convertible notes	15	**(4,331)**	(3,981)
Shareholder's loans	16	**(7,837)**	(3,514)
Deferred tax liabilities		**(5,908)**	(8,304)
		(18,119)	(15,810)
NET ASSETS		**35,365**	62,504

	Notes	(Unaudited) 30 June 2020 US$'000	(Audited) 31 December 2019 US$'000
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	13	**18,372**	18,372
Reserves		**16,993**	44,131
Equity attributable to shareholders of the Company		**35,365**	62,503
Non-controlling interests		**—**	1
TOTAL EQUITY		**35,365**	62,504
NAV per share:			
– US cents		**1.92**	3.40
– Hong Kong cents		**14.88**	26.48

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

2020	Equity attributable to shareholders of the Company										
	Share capital US$'000	Accumulated losses* US$'000	Share premium* US$'000	Convertible notes equity reserve* US$'000	Investment revaluation reserve* US$'000	Capital redemption reserve* US$'000	Statutory and other reserves* US$'000	Foreign currency exchange reserve* US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2020	18,372	(252,423)	283,534	2,657	(1,707)	8,228	215	3,627	62,503	1	62,504
Loss for the period	–	(27,155)	–	–	–	–	–	–	(27,155)	(1)	(27,156)
Other comprehensive income											
Foreign currency translation adjustment	–	–	–	–	–	–	–	17	17	–	17
Total comprehensive income for the period	–	(27,155)	–	–	–	–	–	17	(27,138)	(1)	(27,139)
At 30 June 2020	18,372	(279,578)	283,534	2,657	(1,707)	8,228	215	3,644	35,365	–	35,365

* As at 30 June 2020, the total of these reserves amount to a surplus of US$16,993,000 (31 December 2019: US$44,131,000).

	Equity attributable to shareholders of the Company									
2019	Share capital US$'000	Accumulated losses US$'000	Share premium US$'000	Investment revaluation reserve US$'000	Capital redemption reserve US$'000	Statutory and other reserves US$'000	Foreign currency exchange reserve US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	(Unaudited) For the six months ended 30 June 2020 US$'000	(Unaudited) For the six months ended 30 June 2019 US$'000
			(Re-presented)
Cash flows from operating activities:			
Loss before taxation		**(29,552)**	(18,027)
Adjustments for:			
Amortisation of intangible asset		**10,657**	13,908
Impairment loss on an intangible asset	9	**13,300**	—
Unrealised loss/(gain) on financial assets at financial assets at fair value through profit or loss	4(a)	**1,095**	(611)
Finance costs	5	**772**	55
Other net cash flows (used in)/generated from operating activities		**(188)**	187
Net cash used in operating activities		**(3,916)**	(4,488)
Cash flows from investing activities:			
Purchase of property, plant and equipment	8	**(1)**	(8)
Proceeds from disposal of financial assets at fair value through profit or loss		**—**	718
Net cash (used in)/generated from investing activities		**(1)**	710
Cash flows from financing activities:			
Proceeds from shareholder's loans	16	**4,303**	4,720
Proceeds from bank borrowings		**40**	—
Repayment of shareholder's loans		**—**	(20)
Interest paid on shareholder's loans		**(89)**	—
Interest paid on convertible notes		**(91)**	—
Principal element of lease payments		**(302)**	(275)
Interest element of lease payments		**(6)**	(22)
Net cash generated from financing activities		**3,855**	4,403
Net (decrease)/increase in cash and cash equivalents		**(62)**	625
Cash and cash equivalents at the beginning of the period		**206**	1,022
Effect of foreign currency fluctuations		**17**	(118)
Cash and cash equivalents at the end of the period		**161**	1,529
Analysis of balances of cash and cash equivalents:			
Cash and bank balances		**161**	1,529

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2020

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 statements have 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 statements were authorised for issue on 24 August 2020.

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019, except for the adoption of the new or revised Hong Kong Financial Reporting Standards ("**HKFRS(s)**") (which include individual Hong Kong Financial Reporting Standards, HKASs and interpretations) effective for the first time for periods beginning on or after 1 January 2020 as disclosed in note 2 to the interim financial statements and the inclusion of the following additional accounting policy of "Government grants" as adopted by the Group:

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The interim financial statements do 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 2019.

In preparing the interim financial statements, 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 its 2019 annual financial statements.

The Group has incurred a loss of US$27,156,000 (2019: US$23,305,000) for the six months ended 30 June 2020 and, as of that date, its current liabilities exceeded its current assets by US$5,687,000 (31 December 2019: US$5,121,000). These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. The Directors have prepared the consolidated financial statements based on the assumption that the Group can continue as a going concern and are of the view that the Group will have sufficient working capital and financial resources to finance its operations for the next twelve months from the end of the reporting period, after taking into consideration that Galloway Limited ("**Galloway**") (a private limited liability company indirectly wholly-owned by James Mellon, a substantial shareholder who is also a director and Chairman of the Company) has undertaken, in March 2020, to provide a loan facility of US$6.80 million to the Group to enable it to meet all current obligations as they fall due in the coming twelve months after the end of the reporting period.

After the end of the reporting period, and in accordance with the loan facility of US$6.80 million, the Company has drawn down from the loan facility and entered into two further shareholder's loan agreements with Galloway, with summary terms described below:

(i) A shareholder's loan agreement with principal amount of US$630,000 was entered into and executed in July 2020. This loan was unsecured, interest bearing at 5% per annum and repayable on the date falling three years after the date of the agreement.

(ii) A shareholder's loan agreement with principal amount of US$450,000 was entered into and executed in August 2020. This loan was unsecured, interest bearing at 5% per annum and repayable on the date falling three years after the date of the agreement.

The Directors of the Company consider that, taking into account the above-mentioned undertaking from Galloway, the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of the reporting period. Accordingly, the interim financial statements have been prepared on a going concern basis.

Should the Group be unable to continue in business 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 estimated 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 statements.

2. ADOPTION OF NEW OR REVISED HKFRSS

In the current period, the Group has applied for the first time the following amendments to 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 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting 2018	Conceptual Framework for Financial Reporting (Revised)

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The initial adoption of the amendments to HKFRS 3 did 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 and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

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

Conceptual Framework for Financial Reporting 2018 – Conceptual Framework for Financial Reporting (Revised)

The revised Framework is not a Standard nor an Accounting Guideline. It does not override any Standard, any requirement in a Standard or Accounting Guideline. The revised Framework includes: new chapters on measurement and reporting financial performance; new guidance on derecognition of assets and liabilities; updated definitions of asset and liability; and clarifications in the roles of stewardship, prudence and measurement uncertainty in financial reporting.

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 16	COVID-19-Related Rent Concessions[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

[1] Effective for annual periods beginning on or after 1 June 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.

Amendment to HKFRS 16 – COVID-19-Related Rent Concessions

The amendment is effective for annual reporting periods beginning on or after 1 June 2020, with early application permitted.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions in the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in profit or loss in the period in which the event occurs.

The Directors of the Company anticipate that this amendment would have no material impact on the Group's financial statements.

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.

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:

- impairment loss on an intangible asset;
- tax credit/(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.

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 2020

	(Unaudited)		
	Biopharma US$'000	**Corporate Investment US$'000**	**Total US$'000**
Revenue from external customers	131	(33)	98
Segment results	(11,988)	(4,264)	(16,252)
Impairment loss on an intangible asset (Fortacin™) (note 9)	(13,300)	–	(13,300)
Consolidated loss before tax credit	(25,288)	(4,264)	(29,552)

As at 30 June 2020

	(Unaudited)		
	Biopharma US$'000	**Corporate Investment US$'000**	**Total US$'000**
Segment assets	59,262	1,613	60,875
Interest in an associate			1
Total assets			60,876
Segment liabilities	(310)	(15,822)	(16,132)
Tax payable			(3,471)
Deferred tax liabilities			(5,908)
Total liabilities			(25,511)

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 31 December 2019

	(Audited)		
	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Segment assets	83,290	2,990	86,280
Interest in an associate			1
Total assets			86,281
Segment liabilities	(566)	(11,436)	(12,002)
Tax payable			(3,471)
Deferred tax liabilities			(8,304)
Total liabilities			(23,777)

Disaggregation of revenue

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

	(Unaudited) For the six months ended 30 June 2020 US$'000	30 June 2019 US$'000
Timing of revenue recognition		
At a point in time		
Milestone and royalty income	**85**	107
Other income		
Government grant	**13**	—
Others	**33**	—
	46	—
	131	107
By geographical location of external customers		
Europe	**85**	107

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$85,000 for the six months ended 30 June 2020 (2019: US$107,000), which accounted for 10% or more of the Group's revenue.

4. OPERATING LOSS AND OTHER INCOME

(a) Operating loss

	(Unaudited) For the six months ended 30 June 2020 US$'000	(Unaudited) For the six months ended 30 June 2019 US$'000
Operating loss is arrived at after charging:		
Auditors' remuneration		
– audit services	**—**	—
– review services	**46**	48
Depreciation of:		
– Property, plant and equipment	**14**	20
– Right-of-use assets	**295**	285
Amortisation of intangible asset, Fortacin™	**10,657**	13,908
Short-term lease expenses	**15**	14
Low-value assets lease expenses	**1**	1
Unrealised loss on financial assets at fair value through profit or loss@	**1,095**	—
Loss on disposal of property, plant and equipment	**—**	9
Foreign exchange losses, net*	**33**	—
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

@ These amounts constitute the marked-to-market fair value loss on financial assets at fair value through profit or loss ("**FAFVPL**") of US$1,095,000 (2019: gain of US$761,000) in the consolidated statement of comprehensive income.

* These amounts are included in revenue.

(b) Other income

	(Unaudited) For the six months ended 30 June 2020 US$'000	30 June 2019 US$'000
Government grant	**13**	—
Others	**33**	—
	46	—

During the six months ended 30 June 2020, a government grant has been received by the Group from the Government of the United Kingdom (the "**UK**") as financial support to its wholly-owned England based subsidiary during the COVID-19 pandemic. There are no unfulfilled conditions relating to the grant.

5. FINANCE COSTS

	(Unaudited) For the six months ended 30 June 2020 US$'000	30 June 2019 US$'000
Imputed interest expenses on interest-free shareholder's loan (note 16)	**20**	—
Interest expenses on shareholder's loans (note 16)	**130**	33
Interest expense on lease liabilities	**6**	22
Interest expense on tax payable (note 21)	**137**	—
Implicit interest expense on convertible notes (note 15)	**479**	—
	772	55

6. TAX CREDIT/(TAXATION)

No provision for profits tax has been made in the interim financial statements as all the Group's companies which are subject to such tax have sustained losses for taxation purposes for the periods ended 30 June 2020 and 2019. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

A tax credit of US$2,396,000 (2019: US$1,391,000) for the period ended 30 June 2020 represented the deferred tax credit arising on the amortisation charge for the period relating to the intangible asset of the patent Fortacin™.

The tax charge of US$6,669,000 for the period ended 30 June 2019 represented the capital gains tax ("**CGT**") due to the settlement with the Australian Taxation Office ("**ATO**") in respect of the dispute arising from CGT payable on the disposal in 2013 of an investment in BCI by the Group as announced on 18 March 2019 and 27 May 2019. Further details of the settlement with the ATO are set out in note 21.

7. LOSSES PER SHARE

The calculation of basic losses per share is based on the loss attributable to the shareholders for the period ended 30 June 2020 of US$27,155,000 (2019: US$23,304,000) and on the weighted average number of ordinary shares of 1,837,251,182 (2019: 1,837,251,182) in issue during the period.

The computation of diluted loss per share for the period ended 30 June 2020 does not assume the conversion of the Company's outstanding convertible notes as they are anti-dilutive. Accordingly, diluted loss per share is the same as the basic loss per share for the period ended 30 June 2020. Diluted loss per share was the same as basic loss per share for the period ended 30 June 2019 as there were no potential dilutive ordinary shares outstanding for the period.

8. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2020, the Group acquired computer equipment with a cost of US$1,000 (2019: US$8,000).

9. INTANGIBLE ASSET

	(Unaudited) As at 30 June 2020 US$'000	(Audited) As at 31 December 2019 US$'000
Net carrying amount as at 1 January	**83,037**	137,084
Amortisation charge for the period/year	**(10,657)**	(28,047)
Impairment loss for the period/year	**(13,300)**	(26,000)
Net carrying amount as at 30 June/31 December	**59,080**	83,037

As at 30 June 2020, the intangible asset of US$59,080,000 (31 December 2019: US$83,037,000) represented the patent Fortacin™, the principal asset of Plethora Solutions Holdings plc ("**Plethora**"), which was acquired by the Group in 2016.

During the six months ended 30 June 2020, the Group determined that there was an impairment loss of US$13.30 million (2019: nil) on the intangible asset, patent Fortacin™, in respect of the cash generating unit ("**CGU**"), Plethora, as the value in use figure determined as at 30 June 2020 was lower than the carrying value of the CGU. The recoverable amount of this CGU has been determined based on a value in use calculation with reference to a professional valuation performed by Grant Sherman Appraisal Limited ("**Grant Sherman**"), an independent expert valuation firm. The calculation was essentially the same basis/model as used to determine the fair value ("**FV**") of the identifiable assets and liabilities of the CGU on its initial recognition at 9 March 2016 and covered a period either up to 2023 representing the remaining estimated useful life of the patent Fortacin™ or the licensing period estimated by management. The rates used to discount the cash flows forecast were in the range of 22% to 25% (31 December 2019: 21% 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 five (31 December 2019: five) major regions identified in management's business model and the premature ejaculation prevalence rates from 20% to 30% (31 December 2019: 20% to 30%).

The breakdown of the impairment loss on the FV of Fortacin™ is set out below:

	Increase/ (decrease) US$ million
FV decrease in the European market	(22.03)
FV decrease in the United States market	(3.21)
FV increase in the PRC market	1.06
Others	0.22
Decrease in FV of Fortacin™	(23.96)
Amortisation of Fortacin™ in 1H 2020	10.66
Impairment loss on FV of Fortacin™	(13.30)

As at 30 June 2020, Grant Sherman, the independent valuation expert, performed the valuation using the income approach technique known as the discounted cash flow ("**DCF**") method. The DCF model performed for the European market was assessed on the basis that the "OTC switch" of Fortacin™ was obtained from the European Commission (which is expected on or before around 23 September 2020). From this DCF model, the expected nets sales, adjusted royalties and sales milestone payments are less than the corresponding figures in the DCF model as at 31 December 2019, which combined with the other factors stated above have resulted in an impairment loss of US$13.30 million.

10. TRADE RECEIVABLES

At 30 June 2020 and 31 December 2019, the ageing analysis of trade receivables, based on invoice dates, was as follows:

	(Unaudited) As at 30 June 2020 US$'000	(Audited) As at 31 December 2019 US$'000
Within 1 month	**33**	15

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 2019: 20 to 30 days) of invoice.

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

	(Unaudited) As at 30 June 2020 US$'000	(Audited) As at 31 December 2019 US$'000
Trade payables	**147**	426
Deposits received, accruals and other payables	**3,708**	3,711
	3,855	4,137

At 30 June 2020 and 31 December 2019, the ageing analysis of trade payables, based on invoice dates, was as follows:

	(Unaudited) As at 30 June 2020 US$'000	(Audited) As at 31 December 2019 US$'000
Within 1 month or on demand	**132**	241
After 1 month but within 3 months	**15**	40
After 3 months but within 6 months	**—**	145
	147	426

The FV 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 2020 (2019: 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 2020 and 31 December 2019	14,300,000,000	143,000	55,000,000	550	14,355,000,000	143,550

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 2019, 31 December 2019 and 30 June 2020	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.

(1) Share capital

(a) During the six months ended 30 June 2020, there were no changes in the authorised share capital of the Company.

(b) As at 1 January 2020, the total issued ordinary share capital of the Company consisted of 1,837,251,182 shares. During the six months ended 30 June 2020 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 2020 and the date of this report, the total issued ordinary share capital of the Company consisted/consists of 1,837,251,182 shares.

(2) Share Option Scheme (2016)

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme (2016) 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 2020 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 2020, 30 June 2020 and the date of this report and at any time during the relevant period:

(a) 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);

(b) 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);

(c) 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;

(d) 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

(e) 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 (a) to (d) 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-month periods ended 30 June 2020 and 2019.

(3) Convertible Notes

(a) On 23 August 2019, the Company issued and allotted 4% coupon unlisted convertible notes due 2022 in the principal amount of US$6.45 million (the "**Convertible Note(s)**"), as detailed in the announcements issued by the Company on 29 May 2019, 30 July 2019 and 23 August 2019, the shareholders' circular dated 11 July 2019 and note 21(3) to the financial statements set out in the Company's annual report for the year ended 31 December 2019, pursuant to two conditional subscription agreements entered into by the Company on 29 May 2019 with various subscribers (including the Company's Directors) (the "**Subscription Agreement(s)**"), entitling the subscribers to subscribe for a maximum number of 265,163,294 new shares in the Company ("**Conversion Share(s)**") (assuming that all Convertible Notes were converted on the maturity date and that any and all interest that would accrue was capitalised for the three-year period) at the conversion price of HK$0.2125 per share.

(b) On 31 December 2019, all noteholders elected to receive cash in respect of the accrued interest on the Convertible Notes for the period from 23 August 2019 to 31 December 2019, and accordingly, as at 1 January 2020, the maximum number of Conversion Shares to be issued and allotted upon full conversion of the Convertible Notes (assuming that all Convertible Notes were converted on the maturity date and that any and all interest that would accrue was capitalised for the remaining period from 1 January 2020 to 23 August 2022) reduced to 261,816,342 Conversion Shares, representing approximately 14.25% of the then issued share capital of the Company and approximately 12.47% of the issued share capital of the Company as to be enlarged by the issue and allotment of the said maximum number of Conversion Shares.

(c) As noted in note 21(3) to the financial statements set out in the Company's annual report for the year ended 31 December 2019, in respect of the money raised from the subscribers, which included:

(i) the actual cash of US$0.95 million raised by issuance of the Convertible Notes; and

(ii) the releasing of US$5.5 million from shareholders' loans and accrued salaries,

and as intended (as referred to in the announcement issued on 23 August 2019), the Group spent approximately US$3.3 million on the United States Phase II validation study of Fortacin™ in respect of the Food and Drug Administration approval process which is being continued in the United States, and the balance of approximately US$3.15 million was spent on supporting the normal operations of the Group for the year ended 31 December 2019.

(d) During the six months ended 30 June 2020 and subsequent to the period end date and prior to the date of this report, none of the noteholders converted their Convertible Notes and subscribed for shares in the Company.

Accordingly, as at 30 June 2020 and the date of this report, the maximum number Conversion Shares to be issued and allotted upon full conversion of the Convertible Notes (assuming that all Convertible Notes were converted on the maturity date and that any and all interest that would accrue was capitalised for the remaining period from 1 January 2020 to 23 August 2022) remained/remains at 261,816,342 Conversion Shares, representing approximately 14.25% of the then/existing issued share capital of the Company and approximately 12.47% of the issued share capital of the Company as to be enlarged by the issue and allotment of the said maximum number of Conversion Shares. Details of the Convertible Notes outstanding as at 30 June 2020 are also set out in note 15 below.

(e) Principal terms of the Convertible Notes are as follows:

(1) Issuer:

The Company.

(2) Principal amount:

US$6,450,000, in one tranche (which includes the Convertible Notes to be issued against relinquishment of the Previously Advanced Funds (as defined and detailed in the announcement issued on 29 May 2019)).

(3) Denomination:

The Convertible Notes are in registered form in the denomination of US$50,000 each.

(4) Issue price:

100% of the principal amount of the Convertible Notes.

(5) Maturity date (the "**Maturity Date**"):

The date falling on the third anniversary of the date of issue (being 23 August 2022).

(6) Status:

The Convertible Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by mandatory provisions of applicable laws or regulations, at all times rank at least equally with all of its other present and future unsubordinated and unsecured obligations.

(7) Redemption:

(i) Redemption on Maturity Date: the Company will redeem each Convertible Note at 100% of its principal amount, together with any accrued interest thereon on the Maturity Date, unless previously redeemed, converted or purchased and cancelled as provided by the terms and conditions of the Convertible Notes.

(ii) Early redemption at the option of the Company: on giving not less than seven business days' notice to the noteholders, the Convertible Notes may be redeemed by the Company in whole or in part (if in part, in authorised holdings only), at 100% of their principal amount, together with interest accrued to the date fixed for redemption.

(iii) Redemption for Relevant Event: following the occurrence of any of the following events (the "**Relevant Event(s)**"), each noteholder will have the option to require the Company to redeem all or in part (if in part, in authorised holdings only) of its Convertible Notes at 100% of their principal amount, together with interest accrued to the date fixed for redemption, on giving not less than seven business days' notice to the Company:

(a) the trading of the shares is suspended, or has been suspended on the HK Stock Exchange for at least 10 consecutive trading days at any time, during the previous 60 days, unless such suspension is related to a positive event for the Company, as determined by the calculation agent (as appointed in the Subscription Agreements);

(b) the shares cease to be listed on the HK Stock Exchange;

(c) there has been a change of control of the Company; or

(d) the Company fails to deliver any of the shares converted in accordance with the terms and conditions of the Convertible Notes.

(8) Conversion:

Subject to and upon compliance with the terms and conditions of the Convertible Notes and the Subscription Agreements made between the subscribers and the Company, each Convertible Note entitles the noteholder to convert the Convertible Note into Conversion Shares at any time during the conversion period at the conversion price of HK$0.2125 per share (as detailed in sub-paragraph (9) below).

Notwithstanding the above, if:

(i) the Convertible Notes have become due and payable prior to the Maturity Date by reason of the occurrence of any Event of Default (as defined in sub-paragraph (10) below); or

(ii) any Convertible Note is not redeemed on the Maturity Date in accordance with the terms and conditions of the Convertible Notes,

the conversion rights attached to the Convertible Notes will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the certificate(s) evidencing the Convertible Notes are deposited for conversion) on the date upon which the full amount of the moneys payable in respect of the Convertible Notes have been duly received by the noteholders, in each case and at all times subject to the conditions set out in the Subscription Agreements made between the noteholders and the Company.

A noteholder may not request a conversion if:

(a) the number of Conversion Shares to be issued pursuant to a conversion notice results in a noteholder (and/or persons with whom that noteholder might then be acting in concert, presumed or otherwise, under The Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission (the "**HK Takeovers Code**") having to make a mandatory general offer for the shares pursuant to the HK Takeovers Code; or

(b) the shares of the Company held by the public, after Conversion Shares are issued on the intended conversion of Convertible Notes, would be less than the minimum public shareholding requirement under the HK Listing Rules.

(9) Conversion price:

The conversion price is HK$0.2125 per share, which is subject to adjustments in the following conditions (with the formulae of the respective adjustments detailed in the shareholders' circular issued on 11 July 2019):

(i) consolidation, sub-division or re-classification;

(ii) capitalisation of profits or reserves;

(iii) distributions (except to the extent that the conversion price falls to be adjusted under sub-paragraph (ii) above);

(iv) rights issues of shares or options over shares;

(v) rights issues of other securities;

(vi) issues at less than current market price (otherwise than the rights issues referred to in sub-paragraph (iv) above);

(vii) other issues at less than current market price (otherwise than the issues referred to in sub-paragraphs (iv), (v) and (vi) above);

(viii) modification of rights of conversion etc. (as are referred to in sub-paragraph (vii) above); and

(ix) other offers to shareholders.

The Company undertakes and agrees not to do any corporate actions other than those listed in (i) to (ix) above.

If a conversion date falls on the date on which an adjustment becomes effective, but the relevant adjustment has not been reflected in the then conversion price, the conversion price in respect of the conversion date shall be adjusted by using the same formulae and methods as set out in (i) to (ix) above. References to conversion price in adjustment related provisions in these conditions shall be deemed to include such conversion price as appropriate. In such case, for the avoidance of doubt, the conversion price in respect of such conversion and conversion date shall be the resultant conversion price after adjustment.

The Company shall, in consultation with the calculation agent (as appointed in the Subscription Agreements), adjust the maximum number of shares accordingly in a similar manner as it adjusts the conversion price, with a view to maintaining the economics of the Convertible Notes.

Note: Subsequent to the date of the Subscription Agreements, a supplemental letter was executed on 10 March 2020 by the Company with each of the subscribers of the Convertible Notes, pursuant to which both parties acknowledged and confirmed that the applicable exchange rate of United States dollars to Hong Kong dollars to be used when calculating the number of shares to be issued upon valid exercise of any rights under the Convertible Notes should be US$1.00 = HK$7.80.

(10) Events of default ("**Event(s) of Default**"):

If, among others, any of the following events occurs and is continuing, the noteholders at their discretion may give notice to the Company that the Convertible Notes are, and they shall accordingly thereby become, immediately due and payable at their principal amount (with the details of the respective Events of Default set out in the shareholders' circular issued on 11 July 2019):

(i) non-payment; or

(ii) failure to deliver shares; or

(iii) breach of other obligations; or

(iv) cross-default; or

(v) enforcement proceedings; or

(vi) security enforced; or

(vii) winding-up; or

(viii) insolvency; or

(ix) authorisation and consents; or

(x) illegality; or

(xi) anti-money laundering; or

(xii) sanctions; or

(xiii) environmental and social risk; or

(xiv) analogous events.

14. BANK BORROWINGS

In May 2020, the Group's wholly-owned England based subsidiary borrowed a bank loan through the Bounce Back Loan Scheme launched by the Government of the UK, which was designed to support small and medium-sized businesses affected by COVID-19. The government guarantees 100% of the loan. There is no repayments and interest charges in the first twelve months of the loan. The bank loan, which is denominated in GBP, is unsecured, interest bearing at 2.5% per annum for the following five years and repayable in May 2026.

The amounts payable based on the maturity terms of the bank loan is analysed as follows:

	(Unaudited) As at 30 June 2020 US$'000	(Audited) As at 31 December 2019 US$'000
Within one year	**1**	—
More than one year, but not exceeding two years	**8**	—
More than two years, but not exceeding five years	**24**	—
After five years	**7**	—
Balance at 30 June 2020	**40**	—
Less: Amount due within one year shown under current liabilities	**(1)**	—
Amount shown under non-current liabilities	**39**	—

15. CONVERTIBLE NOTES

As explained in note 13(3), the Group issued a 4% coupon convertible notes with a principal amount of US$6,450,000 on 23 August 2019 (being the "**Convertible Notes**" referred to in note 13(3)). The Convertible Notes are denominated in United States dollars and are unsecured. The Convertible Notes mature three years from the issue date at their principal amount or can be converted with accrued interests into ordinary shares of the Company at the note holder's option at a fixed price of HK$0.2125 (or approximately US$0.0272) per share on the outstanding principal. The Company may, having given not less than 7 business days' notice to the note holders, redeem the Convertible Notes in whole or in part in an authorised holding only, at 100% of the principal amount together with interest accrued to the date fixed for redemption.

The fair values of the liability component and the equity conversion component were determined at the issuance of the Convertible Notes based on the valuation conducted by Grant Sherman on the Convertible Notes as at 23 August 2019. The FV of the liability component, include in non-current financial liabilities, was calculated using a market interest rate for an equivalent non-convertible notes. The residual amount, representing the value of the equity conversion component, is included in equity as Convertible Notes equity reserve. The redemption option of the Company is not separated from the host debt because its economic characteristics and risks are closely related to those of the host debt and accordingly, is included in the liability component of the Convertible Notes.

The Convertible Notes recognised in the consolidated statement of financial position is as follows:

	(Unaudited) As at 30 June 2020 US$'000	(Audited) As at 31 December 2019 US$'000
Equity conversion component:		
Equity component of Convertible Notes at 1 January 2020/ 23 August 2019 (initial recognition)	**2,657**	2,685
Transaction costs incurred	**—**	(28)
Equity component of Convertible Notes at 30 June 2020/ 31 December 2019	**2,657**	2,657
Liability component:		
Liability component of Convertible Notes at 1 January 2020/ 23 August 2019 (initial recognition)	**3,981**	3,765
Transaction costs incurred	**—**	(40)
Implicit interest expense recognised for the period/year (note 5)	**479**	347
Interest payable	**(129)**	(91)
Liability component at 30 June 2020/31 December 2019	**4,331**	3,981
Categories as:		
Current liabilities	**—**	—
Non-current liabilities	**4,331**	3,981
	4,331	3,981

The interest expense on the Convertible Notes is calculated using the effective interest method by applying the effective interest rate of 25.16% (31 December 2019: 25.16%) per annum to the liability component.

16. SHAREHOLDER'S LOANS

	(Unaudited) As at 30 June 2020 US$'000	(Audited) As at 31 December 2019 US$'000
Non-current		
Loan from Galloway (unsecured)	**7,837**	3,514

The movements in shareholder's loans during the period are as below:

	Note	(Unaudited) For the six months ended 30 June 2020 US$'000	30 June 2019 US$'000
Balance at 1 January		**3,514**	150
Loans advanced from shareholders	(i)	**4,303**	4,720
Repayment of shareholder's loans		**—**	(20)
Imputed interest expenses on interest-free shareholder's loan (note 5)		**20**	—
Interest expense (note 5)		**130**	33
Interest payable		**(130)**	(33)
Balance at 30 June		**7,837**	4,850

Note:

(i) These loans were unsecured, interest bearing at 5% (2019: 5%) per annum and repayable on the date falling three years (2019: one year) after the date of the respective loan agreement.

During the six months ended 30 June 2020, loans with aggregate amounts of US$1,453,000 were drawn down from the credit facility provided by Galloway as detailed in note 1.

During the six months ended 30 June 2020, the effective interest rates of the loans were in the range of 5.000% to 6.457% (31 December 2019: 5.000% to 5.123%) per annum.

17. CAPITAL COMMITMENTS

The Group had no material capital commitments as at 30 June 2020 and 31 December 2019.

18. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2020 and 31 December 2019.

19. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties:

	Unaudited For the six months ended	
	2020 US'000	2019 US$'000
Interest expenses on Convertible Notes to Galloway^	**60**	—
Interest expenses on Convertible Notes to James Mellon	**33**	—
Interest expenses on Convertible Notes to Jamie Gibson	**17**	—
Interest expenses on shareholders' loan to Galloway^	**130**	11
Interest expenses on shareholders' loan to James Mellon	**—**	18
Interest expenses on shareholders' loan to Jamie Gibson	**—**	4
Imputed interest expense on interest-free shareholder's loan from Galloway^	**20**	—
Management service fee charge by a related company, Burnbrae Limited#	**7**	6

The above transactions were conducted on mutually agreed terms.

Mr. James Mellon, a Non-executive Director and Chairman of the Company, has beneficial interest in Burnbrae Limited.

^ Galloway, being a company indirectly wholly-owned by the trustee of a settlement, of which Mr. James Mellon (a substantial shareholder who is also a director and chairman of the Company) is the sole beneficiary.

On 2 April 2019, the Company disposed of 1,217,684 shares and 1,217,685 shares in Venturex 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.

Save as disclosed above, the Group has no other material related party transactions for the period.

20. KEY MANAGEMENT COMPENSATION

Key management compensation amounted to US$774,000 for the six months ended 30 June 2020 (30 June 2019: US$911,000).

21. 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$9.50 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$9.50 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, after which penalty interest will apply to any unpaid portion of the settlement amount.

Up to 30 June 2020, the Company has repaid approximately A$4.56 million (or approximately US$3.20 million) to the ATO, and the remaining balance of approximately A$4.94 million (or approximately US$3.47 million) remained unsettled and interest expenses on overdue tax of approximately A$202,000 (or approximately US$137,000) has been provided for during the six months ended 30 June 2020 (31 December 2019: A$183,000 (or approximately US$129,000)) (note 5). The Company anticipates paying the remaining portion of approximately A$4.94 million (or approximately US$3.47 million) and any accrued interests in late 2020.

None of the Group's assets was pledged as at 30 June 2020 (31 December 2019: nil).

22. FAIR VALUE ESTIMATION

Financial assets and liabilities measured at fair value

The FV 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 FV measurement of the Group's financial assets and liabilities utilised market observable inputs and data as far as possible. Inputs used in determining FV 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 FV measurement of the item. Transfers of items between levels are recognised in the period they occur.

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

		(Unaudited) As at 30 June 2020			
	Notes	**Level 1 US$'000**	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Financial assets measured at FV					
Unlisted club debenture	(a)	**—**	**19**	**—**	**19**
Listed equity investments	(b)	**937**	**—**	**—**	**937**
		937	**19**	**—**	**956**

		(Audited) As at 31 December 2019			
	Notes	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets measured at FV					
Unlisted club debenture	(a)	—	19	—	19
Listed equity investments	(b)	2,032	—	—	2,032
		2,032	19	—	2,051

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 FV were unchanged compared to the previous reporting periods.

(a) Unlisted club debenture

The unlisted club debenture is denominated in Hong Kong dollars. The FV 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.

(b) 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 FV measurement within Level 3 during the period were as follows:

Financial assets at fair value through other comprehensive income (unlisted equity investments)

	(Unaudited) As at 30 June 2020 US$'000	(Audited) As at 31 December 2019 US$'000
At 1 January	**—**	282
FV change recognised in other comprehensive income	**—**	(282)
At 30 June/31 December	**—**	—

23. IMPACT OF COVID-19 PANDEMIC

The six-month period ended 30 June 2020 was an obviously challenging one for the Group, together with the global economy, being dominated by the devastating global impact of the COVID-19 pandemic. Like most organisations, the COVID-19 pandemic has impacted the Group in a variety of ways, including:

1. Its licensee, Recordati, where its affiliates had to cease activities engaged by their sales representatives during the "lock down", with such sales activities now going back to normality in countries where "lock down" restrictions are easing. While complying with all the measures necessary to ensure the health and safety of its employees, Recordati did not interrupt its production and distribution activities and adopted all necessary measures to guarantee the continued availability on the market of its products. During COVID-19, Recordati has experienced the cessation of activities by its sales representatives and the fact that patients stopped visiting their physician while "lock down" was in place. Given the dynamic circumstances and uncertainties surrounding the pandemic, the Group is unable to predict the possible future impacts it may have on the Group's operations.

2. While the Group has made steady progression with its Phase II validation study in the US, there has been a slower patient recruitment process in certain sites in Florida and other Southern and South Western US States with the recent flare up in COVID-19 in these areas.

3. COVID-19 has caused just over a month delay in arranging the filing of the Drug Master File ("**DMF**") for prilocaine by Siegfried Evionnaz SA ("**Siegfried**"), the manufacturer of prilocaine (which is one of the active pharmaceutical ingredients ("**API(s)**") of Fortacin™) in respect of the Group's investigational new drug ("**IND**") submission with National Medical Products Administration ("**NMPA**") in the PRC.

This has caused the Group to review and manage its costs and, in this regard, has implemented certain cost cutting measures, including an across the board 30% reduction in fees and salaries of its Directors, employees and consultants, furloughing staff where appropriate and implementing general and administrative ("**G&A**") expenses and research and development ("**R&D**") expenses cost cuts, on an aggregated basis, of approximately US$1.19 million when comparing with the corresponding period in 2019.

The Group will continue to pay close attention to the development and evaluate the impact of COVID-19 on the financial position and operating results of the Group.

24. EVENTS AFTER REPORTING DATE

There were no material events requiring disclosure after the period end date.

25. COMPARATIVE FIGURES

Certain comparative amounts in the condensed consolidated statement of cash flows have been reclassified to conform to the current period's presentation. The Directors consider that such reclassification better reflects the nature of the transactions.

REVIEW AND PROSPECTS

MAIN ACTIVITIES

During the period, the Group recorded a loss attributable to shareholders of the Company of approximately US$27.16 million, which was mainly attributable to: (i) an impairment loss on Fortacin™, the intangible asset, of US$13.30 million, a non-cash item; (ii) an amortisation charge of approximately US$10.66 million on Fortacin™, the intangible asset, a non-cash item; (iii) the unrealised marked-to-market loss in respect of the Company's equity portfolio of financial assets at fair value through profit or loss of approximately US$1.10 million; and (iv) the Group's operating expenses.

Shareholders' equity of US$35.37 million, a decrease of approximately 43.42% as compared at 31 December 2019, with the decrease being mainly attributable to the loss attributable to shareholders of the Company.

US Approval and Commercialisation Progress

Further to our last operations update of 5 August 2020, the Group has continued to make steady progression with the approval process with the US FDA with regards to its Phase II validation study of Fortacin™. In this respect, as of 3 August 2020, 108 subjects have been screened (with 37 subjects having failed visit 1), 108 subjects received a diary, 69 subjects randomised at visit 2 (with 20 subjecst having failed visit 2) and 54 subjects completed (being visit 3). The Group's target is to enroll a further 22 subjects by the end of September 2020 with the aim of randomising 33 additional and completed subjects by the end of October 2020, bringing the total to the study's target of approximately 101 randomised and completed subjects for the Phase II validation study. The slight delay is due to COVID-19 resurging in the high enrolling sites in Florida and Georgia and the hurricane Isaias that recently went through Florida. However, if the site centres are successful in completing the randomisation, as mentioned, the Group remains on target to complete the Phase II validation study of Fortacin™ by the end of 2020. However, any delay in recruiting and randomising the required subjects, whether as a result of COVID-19 or other reasons, would delay the completion of the study. 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, the pivotal Phase III study could commence in the latter half of 2020, with NDA submission possible in the first half of 2021, giving a PDUFA date in Q1 2023. These dates remain as stated in our last operations update announcement of 5 August 2020. Despite the difficulties presented by COVID-19, particularly as it relates to securing face-to-face meetings, the Group's strategy remains to continue negotiations with potential commercial strategic partners for the US market while we undertake the clinical work with the aim of securing a partner just ahead of or while we conduct the Phase III trial.

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.

Chinese Approval and Commercialisation Progress

As mentioned in our last operations update announcement of 5 August 2020, the Group is continuing to progress regulatory approval with Wanbang Pharmaceutical, its commercial strategic partner for the PRC. In this respect, Siegfried, the manufacturer of prilocaine, one of the APIs of Fortacin™, has completed its technical work (being the API structural identification and chemical characterization together with the M7 genotoxic assessment) required for submitting its DMF to the NMPA in the PRC. Siegfried has now completed the translation of the file into Chinese and is now finishing the redaction of the DMF. Once this is completed, the entire submission will be subjected to a final review to ensure all information is included so as to avoid any deficiency letter from NMPA. The aim remains to complete the submission with the NMPA in August 2020, which, as previously mentioned, is a month behind schedule due to work issues it has faced as a result of COVID-19 as Siegfried's manufacturing site in Switzerland is hampered by off-site working.

However, despite this slight delay we understand that Wanbang Pharmaceutical remains on course for submitting the IND application for CTA by the end of Q3 2020 Fortacin™. On the assumption that the IND can be filed per this timeframe, the CTA could be obtained between Q4 2020 and Q1 2021. As per the terms of the licence agreement executed with Wanbang Pharmaceutical, and announced on 3 December 2018, a payment of US$4 million (or approximately HK$31.20 million) is payable to the Group upon obtaining Chinese regulatory approval to conduct a human clinical trial of a licensed product.

Progress Relating to Change of Status of Fortacin™ to OTC from Rx

Recordati has informed the Company that it has received a positive opinion from Committee for Medicinal Products for Human Use (CHMP) on 23 July 2020 for switching Fortacin™ to OTC status from Rx, with the European Commission Decision expected on or around 23 September 2020. The OTC switch is a move designed to significantly increase sales from their current position and consequently uplift the royalty payments to the Group. If this approval process is achieved, Recordati has mentioned that it would look to start the OTC launch from January 2021, provided that PSNW, the manufacturer, can meet the anticipated increased demand and that COVID-19 does not further complicate or impede the planned launch.

Recordati, PSNW and the Group are looking into options at scaling up the manufacturing process to meet the anticipated demand in OTC with the aim of manufacturing approximately 50,000 units per batch order and reducing the risk of supply chain shortage and unreliability.

Taiwanese, Hong Kong and Macau Approval and Commercialisation Progress

Orient EuroPharma, the Group's commercial strategic partner for Taiwan, Hong Kong, Macau and certain other countries in South East Asia, has received the first deficiency letter from the Taiwan FDA ("**TFDA**") in respect of its application for Fortacin™ and it has completed and sent back its response and supporting documents on 16 June 2020. TFDA has recently approved the DMFs for lidocaine and prilocaine, the APIs of Fortacin™. On the assumption that TFDA does not have any further questions/deficiencies, Orient EuroPharma anticipates approval around January 2021, which would trigger a payment of US$300,000 (or approximately HK$2.34 million) to the Group.

Further to our operations update announcement of 5 August 2020, we remain hopeful that Orient EuroPharma can launch Fortacin™ in Hong Kong and Macau in 2020 but this is very much dependent on whether COVID-19 further complicates or impedes the planned launch and whether PSNW is able to deliver product to Orient EuroPharma from Recordati's batch orders, as the minimum purchase order is 13,000 units per batch order and Orient EuroPharma requires significantly less than that for its launch.

Other Out-Licensing Opportunities

The Company remains 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.

Since the Group's European marketing and distribution partner for its lead product Fortacin™ is based in Italy, the Group has been in dialogue with Recordati to assess the situation and its impact on the continued roll-out of Fortacin™. In this respect, Recordati has informed the Group that during the first quarter of 2020 it saw the onset of the COVID-19 pandemic in all geographical areas in which Recordati operates. As we all know, restrictions were imposed on the movement of people, transport, production and commerce, some of which may be in place in certain of its countries in which it operates. While Recordati's pharmaceutical operations were allowed to continue in order to ensure the availability of drugs for patients, all its affiliates had to cease activities engaged by their sales representatives during the "lock down", with such sales activities now going back to normality. While complying with all the measures necessary to ensure the health and safety of its employees, Recordati did not interrupt its production and distribution activities and adopted all necessary measures to guarantee the continued availability on the market of its products.

The Group will continue to work closely and diligently with its current and prospective commercial partners and will keep shareholders and potential investors informed of any new developments as and when they occur.

COVID-19

The outbreak of COVID-19 has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. The outbreak has caused disruption across our business lines as highlighted in this report. A number of countries in which we operate have implemented severe restrictions on the movement of populations, with a resultant significant impact on economic activity. These restrictions are being determined by the governments of individual jurisdictions, including through the implementation of emergency powers. The impacts of these restrictions, including the subsequent lifting of restrictions, may vary from jurisdiction to jurisdiction. We have invoked certain plans at our offices in Hong Kong and the UK to help ensure the safety and wellbeing of our staff, as well as our ability to support our customers and maintain our business operations. Many of our staff have continued to provide continuity of work while working remotely. It remains unclear how this will evolve through the remainder of 2020 and into 2021 and we continue to monitor the situation closely.

Plethora's Financial Results

Plethora recorded an operating loss of GBP 1.06 million (or approximately US$1.33 million) for the six months period ended 30 June 2020 (2019: GBP 1.44 million (or approximately US$1.86 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 2020, mainly included: (i) R&D expenses related to the US clinical trial activities of Fortacin™ of GBP 0.92 million (or approximately US$1.15 million) (2019: GBP 1.31 million (or approximately US$1.69 million)) and (ii) G&A expenses of GBP 0.25 million (or approximately US$0.31 million) (2019: GBP 0.22 million (or approximately US$0.28 million)) which being offset somewhat by the milestone and royalty income of GBP 68,000 (or approximately US$85,000) (2019: GBP 84,000 (or approximately US$107,000)).

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 2020. As at 30 June 2020, Plethora had cash resources of GBP 45,000 (or approximately US$56,000) (31 December 2019: GBP 52,000 (or approximately US$69,000)), with ongoing financial support being provided by the Group.

Australian Tax

As announced on 18 March 2019, the Group successfully negotiated and executed 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 settlement reached was in respect of a fixed amount of A$9.50 million (or approximately US$6.67 million), which was well below the total potential amount payable to the ATO and facilitated the discontinuance of the litigation. The Group has paid almost half of the settlement amount and anticipates paying the remaining portion of A$4.94 million (or approximately US$3.47 million) in late 2020.

Venturex

Maintaining and actively monitoring its existing and strategic investment in Venturex, representing approximately 7.51% of the share capital of the company as at 30 June 2020.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend in respect of the six months ended 30 June 2020.

OUTLOOK

The world is grappling with the enormous scale and human impact of the COVID-19 pandemic, as it continues to spread across the globe at an alarming rate. Stock markets across the world are experiencing significant swings and volatility, and the Group expects that shares will continue to be subject to extraordinary price volatility.

There is a significant risk that the outbreak of COVID-19 could have a significant adverse effect on the Group's operations, including the manufacturing and distribution capacity of its European partners. Given the complex and constantly evolving situation around COVID-19, it is not possible to predict the possible future impacts, a protracted uncertainty and a lack of containment of the virus could have several negative consequences for the Group, including negatively impacting the Group's efforts to achieve a timely and successful commercialisation of Fortacin™ in the PRC and elsewhere, as well as subsequent impact on the Group's cash flow, net sales, profitability and prospects. Moreover, should outbreaks continue in the US, completion of the Phase II pivotal study in the US could be delayed due to the inability to recruit the final patients to the study in the event that test centres are required to close their offices.

Depending on the spread of COVID-19, it is also reasonable to assume that stock exchanges over the world will be very volatile and shares may be subject to extraordinary swings. There is thus a risk that the price of the Company's shares might follow general market volatility, regardless of results and performance of the Group and decline significantly in value.

Global growth was projected at 2.5% in 2020, just above the post-crisis low registered last year, however, this has now been thrown in doubt with COVID-19, with the leading economies now expected to go into recession. While growth could be stronger if reduced trade tensions mitigate uncertainty, the balance of risks is to the downside. Downside risks predominate with COVID-19, the possibility of a re-escalation of global trade tensions, sharp downturns in major economies and financial disruptions. A steep productivity growth slowdown has been underway in emerging and developing economies since the global financial crisis, despite the largest, fastest and most broad-based accumulation of debt since the 1970s. These circumstances add urgency to the need to rebuild macro-economic policy space and undertake reforms to rekindle productivity. In particular, emerging market and developing economies need to rebuild macro-economic policy space to enhance resilience to adverse shocks and pursue decisive reforms to bolster long-term growth.

Strong macro-economic stimulus is warranted. I expect that Central banks will have to step up to the plate with combining general stimulus, targeted liquidity support, and an easing of regulatory requirements.

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

Our strategy remains the same and our balance sheet has us 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, life sciences and wellness sectors. With the ongoing commercialisation of Fortacin™ across targeted markets, our progress with the FDA and ongoing discussions with other possible commercial partners, we remain tremendously excited about the future prospects for the Group.

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

TRADING RECORD OVER LAST FIVE YEARS

	Six months ended 30 June	Year ended 31 December				
	2020	2019	2018	2017	2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Total income less fair value (loss)/gain on financial instruments	**(997)**	(313)	2,843	9,493	3,436	(5,685)
Operating loss	**(15,480)**	(38,114)	(33,971)	(27,403)	(31,902)	(14,715)
Reversal of impairment	**—**	—	—	—	364	1,386
Impairment losses	**(13,300)**	(26,000)	—	(1,875)	(97)	(194)
Gain on disposal of an associate	**—**	—	209	—	—	8,938
Loss on deemed disposal of associate(s)	**—**	—	—	—	(5,805)	(3,560)
Gain from bargain purchase of an associate	**—**	—	—	—	1,356	—
Gain from bargain purchase of a subsidiary	**—**	—	—	—	31,686	—
Share of results of associates	**—**	—	—	(1,067)	(831)	(1,193)
Finance costs	**(772)**	(620)	—	—	—	—
Loss before taxation	**(29,552)**	(64,734)	(33,762)	(30,345)	(5,229)	(9,338)
Tax credit/(Taxation)	**2,396**	(1,265)	2,669	2,982	2,765	—
Loss for the period/year	**(27,156)**	(65,999)	(31,093)	(27,363)	(2,464)	(9,338)
Non-controlling interests	**1**	(49)	6	4	4	5
Loss attributable to shareholders of the Company	**(27,155)**	(66,048)	(31,087)	(27,359)	(2,460)	(9,333)

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$27.16 million for the six months ended 30 June 2020 (2019: US$23.30 million).

The Group recorded a loss (revenue and fair value loss on financial instruments) of US$1.00 million for the six months ended 30 June 2020 (2019: profit of US$0.96 million).

The main elements of the loss are analysed as follows:

	Notes	For the six months ended 30 June 2020 US$ million	30 June 2019 US$ million	Increase/ (decrease) in absolute value %
Milestone and royalty income		**0.08**	0.11	(27.27)
Corporate and other income		**0.01**	0.09	(88.89)
Fair value (loss)/gain on financial instruments		**(1.10)**	0.76	N/A
Amortisation of an intangible asset, Fortacin™	i	**(10.66)**	(13.91)	(23.36)
R&D expenditure incurred by Plethora	ii	**(1.16)**	(1.69)	(31.36)
G&A expenditure incurred	iii	**(2.66)**	(3.32)	(19.88)
Impairment loss on an intangible asset Fortacin™	iv	**(13.30)**	—	N/A
Finance costs	v	**(0.77)**	(0.06)	1,183.33
Tax settlement amount with the ATO		**—**	(6.67)	(100.00)
Tax credit	vi	**2.40**	1.39	72.66
Total loss attributable to shareholders of the Company		**(27.16)**	(23.30)	16.57

(i) The amortisation of an intangible asset, Fortacin™ decreased by 23.36% to approximately US$10.66 million for the six months ended 30 June 2020 from US$13.91 million for the six months ended 30 June 2019. This is because the Company recorded an impairment loss of US$26 million on the intangible asset, Fortacin™ for the year ended 31 December 2019, thereby reducing the net carrying amount to be amortised over its remaining useful life. For details of the impairment loss, please refer to note 9 of this report.

(ii) The R&D expenditure decreased by 31.36% to approximately US$1.16 million for the six months ended 30 June 2020 from US$1.69 million for the six months ended 30 June 2019. This is mainly because the Phase II study of Fortacin™ in respect of the FDA approval process was delayed by a slower take up in patient recruitment during COVID-19.

(iii) The G&A expenditure decreased by 19.88% to approximately US$2.66 million for the six months ended 30 June 2020 from US$3.32 million for the six months ended 30 June 2019. The reduction is due in part to an across the board 30% reduction in fees and salaries of Directors, employees and consultants, furloughing staff where appropriate and implementing certain G&A and R&D cost cuts.

(iv) During the period ended 30 June 2020, the Group determined that there was an impairment loss of US$13.30 million on the intangible asset, Fortacin™, in respect of the CGU, Plethora. 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, an independent expert valuation firm. For details of the impairment loss, please refer to note 9 of this report.

(v) The finance cost increased by around 11.8 times to approximately US$0.77 million for the six months ended 30 June 2020 from approximately US$0.06 million for the six months ended 30 June 2019. This is mainly because (i) the principal amount of shareholder's loan increased to US$7.93 million as at 30 June 2020 (30 June 2019: US$4.85 million); and (ii) the principal amount of Convertible Notes increased to US$6.45 million as at 30 June 2020 (30 June 2019: nil).

(vi) The tax credit increased by 72.66% to approximately US$2.40 million for the six months ended 30 June 2020 from US$1.39 million for the six months ended 30 June 2019. This is because the deferred tax liabilities on the intangible asset, Fortacin™ was decreased proportionally with the impairment losses of US$26 million and US$13.30 million on the intangible asset, Fortacin™ as at 31 December 2019 and 30 June 2020 respectively. Thus, the amortisation of the deferred tax liabilities (the tax credit) would be increased accordingly.

FINANCIAL POSITION

Shareholders' equity decreased by 43.42% to US$35.37 million as at 30 June 2020 from US$62.50 million as at 31 December 2019. The decrease was mainly due to the loss attributable to shareholders of the Company of US$27.16 million for the six months ended 30 June 2020.

The Group's assets comprised: (i) an intangible asset of US$59.08 million, being Fortacin™; (ii) listed and unlisted investments of US$0.96 million and (iii) cash and bank balances of US$0.16 million; (iv) trade receivables of US$0.03 million, and (v) property, plant and equipment and other receivables of US$0.65 million.

The Group's liabilities comprised: (i) deferred tax liabilities of US$5.91 million; (ii) bank borrowings and shareholder's loans of US$7.88 million; (iii) Convertible Notes (liability portion) of US$4.33 million; (iv) payables and accruals of US$3.86 million; (v) tax payable of US$3.47 million and (vi) long-term and short-term lease liabilities of US$0.07 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 managed 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 2020, the Group had US$0.16 million in cash that represented 0.46% of its total shareholders' equity, which does not take into account the Group's holding of securities of FAFVPL that amounted to US$0.96 million.

GEARING RATIO

As at 30 June 2020, the gearing ratio (being long-term debts over total equity and long-term debts) was approximately 25.67% (31 December 2019: 10.72%).

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.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2020.

CHANGES SINCE 30 JUNE 2020

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 2020.

EMPLOYEES

The Group, including subsidiaries but excluding an associate, employed 19 employees at 30 June 2020. 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 2020.

In compliance with Code Provision E.1.5 of The Corporate Governance Code (the "**CG Code**"), the policy on the payment of dividends of the Company is set out in details in the Directors' Report in the Company's annual report for the year ended 31 December 2019.

UPDATES ON DIRECTORS' BIOGRAPHIES

There are no updates on the Directors' biographies since the Company's last annual report published for the year ended 31 December 2019.

DIRECTORS' INTERESTS IN SECURITIES, OPTIONS AND DERIVATIVES

As at 30 June 2020, 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 Securities and Futures Ordinance of Hong Kong (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%

* These numbers do not include the number of shares to be issued upon conversion of the Convertible Notes (as defined in sub-paragraph (c) below) held by the Directors, which are disclosed below.

** The total issued ordinary share capital of the Company as at 30 June 2020 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(2) 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 2020 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.

c. *Convertible Notes*

On 23 August 2019, the Company issued 4% coupon unlisted convertible notes due 2022 in the principal amount of US$6.45 million (being the "**Convertible Note(s)**" referred to in note 13(3) to the interim financial report), which are convertible into new 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(3) to the interim financial report), 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(3) to the interim financial report as to the details of the Convertible Notes.

As at 30 June 2020, pursuant to the relevant subscription agreement, the following Directors of the Company had the following beneficial interests in the shares to be issued upon full conversion of the Convertible Notes:

Name of Director	Note	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	66,976,270	0.2125	23 August 2019 – 23 August 2022
	D	Interests held by controlled corporation	3,000,000	121,775,032	0.2125	23 August 2019 – 23 August 2022
Jamie Gibson		Beneficial owner	850,000	34,502,942	0.2125	23 August 2019 – 23 August 2022

These numbers assumed that all Convertible Notes were converted on the maturity date (being 23 August 2022) and that any and all interest that would accrue was capitalised for the remaining period from 1 January 2020 to 23 August 2022.

During the six months ended 30 June 2020 and subsequent to the period end date and prior to the date of this report, none of the above Directors converted their Convertible Notes and subscribed for shares in the Company.

2. Securities of associated corporations

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

Notes:

A. The 25,791,905 ordinary shares in the Company are held by a private limited liability 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. The Convertible Notes in the principal amount of US$3,000,000, which entitles the holder to subscribe for an aggregate of 121,775,032 new shares upon full conversion, are held by a private limited liability company indirectly wholly-owned by James Mellon.

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

Pursuant to the Certificate of Dissolution issued by the Registrar of Companies of the Cayman Islands on 31 December 2019, AstroEast.com Limited was struck off from the Register of Companies on 31 March 2020.

Save as disclosed herein, as at 30 June 2020 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, Options and Derivatives") who, as at 30 June 2020 or as at the date of this report, had/have 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/are deemed or taken to have under such provisions of the SFO).

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 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 2020 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 2014, 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 2020 and prior to the date of this report.

Directors' interests in securities, options and convertible notes of the Company are set out in details under the section headed "Directors' Interests in Securities, Options and Derivatives" 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 (2) 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.

(1) Confirmation of independence

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 by a semi-annual confirmation:

(a) 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);

(b) 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;

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

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

(e) 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 by a semi-annual confirmation 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 (the "**Audit Committee**"), the connected transactions committee (the "**Connected Transactions Committee**"), the nomination committee (the "**Nomination Committee**") and the 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.

(2) Code Provision A.4.3

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

In this particular regard, it was noted that David Comba, who was appointed as an Independent Non-Executive Director on 27 October 2005 and was last re-elected as a Director of the Company at the Company's annual general meeting held for Year 2017, retired by rotation pursuant to Article 87 of the Company's Articles of Association and stood for re-election at the Company's annual general meeting held for Year 2020 (the "**2020 Annual General Meeting**"). At its meeting held in March 2020, the Nomination Committee of the Company resolved that for the reasons as noted in the sub-paragraph (1) headed "Confirmation of independence" above and subject to shareholders' approval, David Comba should be re-elected as an Independent Non-Executive Director at the 2020 Annual General Meeting. Such view was noted at a Board meeting held in March 2020.

Such reasoning, accompanied by the details of the Directors proposed to be re-elected, as required under Rule 13.51(2) and Code Provision A.4.3, were duly set out in the shareholders' circular issued by the Company on 29 April 2020.

In accordance with Code Provision E.1.1 of the CG Code, each of the retiring Directors (including David Comba) was duly re-elected as a Director of the Company by a separate resolution at the 2020 Annual General Meeting.

Pursuant to Code Provision A.2.7 of the CG Code, the Chairman of the Board conducted, in March 2020, a private meeting with the Independent Non-Executive Directors, without the presence of other Directors.

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.

Since its establishment, the Remuneration Committee has adopted the model where the committee should determine, with delegated responsibility, remuneration packages of individual Executive Directors and senior management, being the model referred to in Code Provision B.1.2(c) of the CG Code. No Directors or any of their associates are involved in deciding their own remuneration.

The Remuneration Committee held a meeting in March 2020, where it resolved that a 30 per cent salary cut be implemented for all Directors, consultants and employees with effect from 1 April 2020 until further notice.

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

(1) Nomination Committee

The Nomination Committee was established on 13 March 2012, with its specific written terms of reference which deal with its authority and duties, in compliance with the code provisions in A.5 of the CG Code. 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.

Pursuant to Code Provision A.5.2(a) of the CG Code, the Nomination Committee reviewed, in March 2020, the structure, size and composition (including the skills, knowledge and experience) of the Board, which concluded that there were no issues requiring any changes to the current size and composition of the Board.

During the six months ended 30 June 2020 and prior to the date of this report, there were no changes in the directorate.

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)*.

(2) Board Diversity Policy

In anticipation of the new provisions of the CG Code concerning board diversity taking effect on 1 September 2013, the Nomination Committee adopted the "Board Diversity Policy" of the Company on 20 March 2013, a summary of which is set out in the Corporate Governance Report in the Company's annual report for the year ended 31 December 2019 in compliance with Rule 13.92 of the HK Listing Rules.

In compliance with Code Provision A.5.2 of the CG Code, the Nomination Committee reviews the policy on Board diversity annually, which includes an assessment of the effectiveness of the policy. The Nomination Committee discusses any revisions that may be required and recommends any such revisions to the Board for approval.

An annual review of the Board Diversity Policy was conducted in March 2020. The Nomination Committee was of the view that the Company's Board Diversity Policy was suitable for the size of the Company.

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 2020 has been reviewed by the Audit Committee.

The Audit Committee was established on 11 March 1999 with its specific written terms of reference which deal with its authority and duties. Its terms of reference were recently revised on 12 December 2018 in order to incorporate the amendments brought about by the 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 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*.

However, an independent board committee, comprising the Independent Non-Executive Directors who do not have interests in a contemplated connected transaction which is subject to independent shareholders' approval at a general meeting, will be established in compliance with Chapter 14A of the HK Listing Rules.

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.

RISK MANAGEMENT AND 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 2020, 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 prioritized 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.

In compliance with the code provisions in C.2 of the CG Code, an annual review was conducted by the Audit Committee in March 2020:

(i) on the effectiveness of the Group's risk management and internal control systems (covering all material controls, including financial, operational and compliance controls and the risks related to the environmental, social and governance aspects), with a statement of confirmation having been given by the Management on such effectiveness; and

(ii) on the adequacy of, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting function, with a report having been presented by the Management.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

A general mandate was granted to the Directors at the Company's annual general meeting held on 6 June 2019 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, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2019 Repurchase Mandate.

The 2019 Repurchase Mandate expired upon close of the Company's annual general meeting held on 17 June 2020, 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 "**2020 Repurchase Mandate**"). Since 17 June 2020 and prior to the date of this report, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2020 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 2020 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 2020 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. The Directors draw shareholders' attention to note 1 to the interim financial report, which indicates that the Group incurred a loss of US$27,156,000 for the six months ended 30 June 2020, and as at that date, the Group had net current liabilities of US$5,687,000. As stated in the said note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Apart from this item, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. An explanation of the basis on which the Company generates or preserves value over the longer term (the business model) and the strategy for delivering the Company's objectives are set out in the paragraph headed "Strategic Plan" in the Management's Discussion and Analysis of the Group's Performance 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, 24 August 2020

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