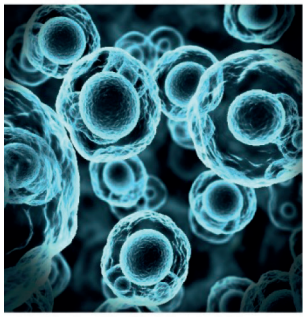
REGENT PACIFIC GROUP LIMITED



(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 0575

24 August 2018

ANNOUNCEMENT

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UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

PERFORMANCE OVERVIEW

- A loss attributable to shareholders of the Company of US$14.29 million, which was mainly attributable to: (i) an amortisation charge of US$13.91 million on the intangible asset, being Fortacin™, a non-cash item; (ii) the operating expenses of US$3.84 million; and (iii) a marked-to-market loss of US$2.73 million in respect of the Company's equity portfolio of financial assets at fair value through profit or loss; while being offset somewhat by the milestone and royalty income from Recordati S.p.A. ("**Recordati**") of US$4.97 million.

- Shareholders' equity of US$143.34 million, a decrease of approximately 9.75% as compared at 31 December 2017, with the decrease being mainly attributable to the loss attributable to shareholders of the Company.

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

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- The first commercial sale of Fortacin™ took place on schedule (as noted in the announcement issued on 23 March 2018) in Italy, France, Spain, Germany and Portugal. A total of EUR 4 million (or approximately US$4.91 million or HK$38.30 million) was duly received by the Group from Recordati (being EUR 800,000 (or approximately US$0.98 million or HK$7.64 million) for each of these 5 countries) during the period from 5 March 2018 to 23 March 2018. This was without any withholding as the three manufactured batches at 340 litre (circa 50,000 canisters) scale have come back within specification, as previously reported.

- The Group is continuing to work closely with Recordati towards the planned commercialisation of Fortacin™ in Greece, Romania, Czech Republic, Slovak Republic and Poland in the second half of 2018, with commercialisation efforts to target the rest of Europe, Russia, the Commonwealth of Independent States (CIS) and selected countries of North Africa in the coming years.

- The Group is pleased to report that it has made significant progress with the Hong Kong Department of Health - Drug Office and the Macau Government - Health Bureau and has now acquired a valid import licence to allow for the sale of Fortacin™ in Macau, with the Hong Kong licence now only subject to public gazetting before its release.

- The Group remains in active discussions with possible commercial partners for the sale and distribution of Fortacin™ in the remaining key markets of China, North America, Latin America and the Asia Pacific regions.

- In parallel with the European roll-out effort of Fortacin™, the Group has further progressed the preparation of the New Drug Application ("**NDA**") to the Food and Drug Administration of the United States ("**FDA**").

- Maintaining and actively monitoring its existing and strategic investment in The Diabetic Boot Company Limited ("**Diabetic Boot**"), representing approximately 22% of the share capital of the company as at 30 June 2018.

- Maintaining and actively monitoring its existing and strategic investment in Venturex Resources Limited ("**Venturex**"), representing approximately 16.32% of the share capital of the company as at 30 June 2018.

- As at 30 June 2018, the Company had no debt, having cash and listed and unlisted securities of US$9.73 million.

On 6 July 2018, the Phase II validation study of Fortacin™ in respect of the FDA approval process was officially registered, with the study estimated to complete by October 2019. On the assumption that the trial is sufficient to convince the FDA that the Premature Ejaculation Bothersome Evaluation Questionnaire (the "**PEBEQ**") serves as an appropriate measure for support of a label claim, the pivotal Phase III work could commence in the second half of 2019, with NDA submission possible in the second half of 2020, giving a Prescription Drug User Fee Act (the "**PDUFA**") date in 2021. Formal registration of the Phase II validation study of Fortacin™ in the United States ("**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.

Going forward and following on from the commercial launch of Fortacin™ in Italy, Spain, France, Germany and Portugal earlier this year, the Group will continue: (i) together with its commercial partners, to work towards the successful commercialisation of Fortacin™ as quickly as possible in the rest of Europe, Russia, the Commonwealth of Independent States (CIS) and selected countries of North Africa, together with the remaining key markets of China, North America, Latin America and the Asia Pacific regions; and (ii) 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**" or "**Regent**" and collectively with its subsidiaries, the "**Group**") announce the unaudited results of the Group for the six months ended 30 June 2018, together with comparative figures for the six months ended 30 June 2017, as follows:

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2018

	Notes	(Unaudited) For the six months ended 30 June 2018 US$'000	30 June 2017 US$'000
Revenue:	3		
Milestone and royalty income		4,970	—
Corporate investment income		(188)	(126)
Other income		8	3
		4,790	(123)
Fair value loss on financial instruments	4	(2,727)	(1,350)
Total income less fair value loss on financial instruments		2,063	(1,473)
Expenses:			
Employee benefit expenses		(1,980)	(1,933)
Rental and office expenses		(377)	(343)
Information and technology expenses		(87)	(91)
Marketing costs and commissions		(54)	(75)
Professional and consulting fees		(488)	(497)
Research and development expenses		(642)	(1,289)
Amortisation of intangible asset (Fortacin™)		(13,908)	(13,908)
Other operating expenses		(214)	(204)
Operating loss	4	(15,687)	(19,813)
Share of results of associates		—	(595)
Loss before taxation		(15,687)	(20,408)
Tax credit	5	1,391	1,391
Loss for the period		(14,296)	(19,017)

	Notes	(Unaudited) For the six months ended 30 June 2018 US$'000	30 June 2017 US$'000
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		70	—
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		149	(30)
Share of other comprehensive income of associates		—	(72)
		149	(102)
Other comprehensive income for the period		219	(102)
Total comprehensive income for the period		(14,077)	(19,119)
Loss for the period attributable to:			
Shareholders of the Company		(14,291)	(19,015)
Non-controlling interests		(5)	(2)
		(14,296)	(19,017)
Total comprehensive income attributable to:			
Shareholders of the Company		(14,077)	(19,117)
Non-controlling interests		—	(2)
		(14,077)	(19,119)
Losses per share attributable to shareholders of the Company during the period	6	US cent	US cents
- Basic and Diluted		(0.778)	(1.066)
		HK cents	HK cents
- Basic and Diluted		(6.100)	(8.287)

Consolidated Statement of Financial Position
As at 30 June 2018

	Notes	(Unaudited) As at 30 June 2018 US$'000	(Audited) As at 31 December 2017 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		107	63
Intangible asset		151,223	165,131
Interests in associates		2	2
Financial assets at fair value through other comprehensive income		566	—
Available-for-sale financial assets		—	1,925
		151,898	167,121
Current assets			
Cash and bank balances		3,091	2,251
Financial assets at fair value through profit or loss		6,070	8,778
Trade receivable	7	14	—
Prepayments, deposits and other receivables		609	681
		9,784	11,710
Current liabilities			
Trade payables, deposits received, accruals and other payables	8	(3,272)	(3,543)
Net current assets		6,512	8,167
Total assets less current liabilities		158,410	175,288
Non-current liabilities			
Deferred tax liabilities		(15,122)	(16,513)
NET ASSETS		143,288	158,775
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital		18,372	18,372
Reserves		124,963	140,450
Equity attributable to shareholders of the Company		143,335	158,822
Non-controlling interests		(47)	(47)
TOTAL EQUITY		143,288	158,775

Notes:

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 have been authorised for issue on 24 August 2018.

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 2017, except for the adoption of the new or revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include individual Hong Kong Financial Reporting Standards, HKASs and interpretations) effective for the first time for periods beginning on or after 1 January 2018. This is the first set of the Group's financial statements in which HKFRS 9 and HKFRS 15 have been adopted. Details of any changes in accounting policies are set out in note 2.

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 2017.

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 2017 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in note 2 below.

2. Adoption of new or revised HKFRSs

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

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

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

HKFRS 9 – Financial Instruments ("HKFRS 9")

(i) *Classification and measurement of financial instruments*

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

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

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

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

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

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

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

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

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

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

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

(b) In addition to (a) above, the Group's unlisted club debenture was reclassified from AFS financial assets at cost to FAFVPL as the club debenture has a quoted price in an active market. Accordingly, the club debenture with a fair value of US$19,000 was reclassified from AFS financial assets to FAFVPL on 1 January 2018. There was no significant difference between the fair value and the carrying amount of the investment as at 1 January 2018.

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

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

(ii) *Impairment of financial assets*

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

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

Measurement of ECLs

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

The Group has elected to measure loss allowances of trade receivables using HKFRS 9 simplified approach and has calculated the ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment on deposits and other receivables is measured as either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, impairment is measured as lifetime ECLs. The Group has considered these balances to be of low credit risk and impairment provision recognised, if any, for the current period was limited to 12-month ECLs. The 12-month ECLs of these balances is immaterial for the current period.

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

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

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

Presentation of ECLs

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

(iii) *Hedge accounting*

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

(iv) *Transition*

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

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

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

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

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

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively. The Group assessed the impact of adopting HKFRS 15 on its financial statements. Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's previous accounting policies in relation to the recognition of milestone income, dividend income and interest income under HKAS 18 other than more extensive disclosures are required to disclose as follows:

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for goods or services transferred to a licencing partner. The Group recognises revenue when it transfers control over a product or service to the counterparty (licencing partner).

The Group enters into licence agreements for research, development, manufacturing and commercialisation services. The terms of these arrangements typically include payments to the Group of one or more of the following: non-refundable upfront fees, milestone payments for development and regulatory application and royalty on net sales of licensed products. A milestone payment is a variable consideration which is constrained until it is probable that the revenue is not at a significant risk of reversal in a future period when the uncertainty is resolved. The contracts into which the Group enters do not include significant financing components.

As part of the accounting for these arrangements, the Group must use significant judgement to determine: (a) the performance obligations; (b) the transaction price; and (c) the timing of revenue recognition, including the appropriate measure of progress.

At contract inception, the Group assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct.

The Group uses judgement to determine whether milestones or other variable consideration, (except for royalty), should be included in the transaction price. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognises revenue as or when the performance obligations under the contract are satisfied. If a milestone or other variable consideration relates specifically to the Group's efforts to satisfy a single performance obligation or to a specific outcome from satisfying the performance obligation, the Group generally allocates that milestone amount entirely to that performance obligation once it is probable that a significant revenue reversal would not occur.

The Group recognises revenue only when it satisfies a performance obligation by transferring control of the promised goods or services. The transfer of control can occur over time or at a point in time. A performance obligation is satisfied over time if it meets one of the following criteria:

- The counterparty simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- The Group's performance creates or enhances an asset that the counterparty controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The portion of the transaction price that is allocated to performance obligations satisfied at a point in time is recognised as revenue when control of the goods or services transfers to the counterparty. If the performance obligation is satisfied over time, the portion of the transaction price allocated to that performance obligation is recognised as revenue as the performance obligation is satisfied. The Group adopts an appropriate method of measuring progress for purposes of recognising revenue. The Group evaluates the measure of progress at the end of each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Milestone payments

At the inception of each arrangement that includes milestone payments, the Group evaluates whether the milestones are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant reversal of cumulative revenue would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Group, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. The Group evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment. There is considerable judgement involved in determining whether it is probable that a significant reversal of cumulative revenue would not occur. At the end of the subsequent reporting period, the Group re-evaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

During the six months ended 30 June 2018, the milestone payments were recognised as revenue when the performance obligation was satisfied at the point in time.

Royalty income

A sales-based royalty promised in exchange for a license of intellectual property is recognised as revenue only when (or as) the later of the following events occurs: (a) the subsequent sale occurs; and (b) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

Any unconditional rights to consideration are presented separately as trade receivable.

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

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

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

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

		Effective for accounting periods beginning on or after
HKFRSs (Amendments)	Annual Improvements 2015-2017 Cycle	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]	
HKFRS 17	Insurance Contracts	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019

[1] 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 continues to be permitted.

HKFRS 16 – Leases ("HKFRS 16")

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

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

Total operating lease commitments of the Group in respect of leased premises as at 30 June 2018 amounted to US$1,403,000. Upon the adoption of HKFRS 16, the Directors of the Company anticipate that the commitments in the future in respect of leased premises with terms more than 12 months will be required to recognise as the right-of-use assets and lease liabilities in the consolidated financial statements of the Group in future. Accordingly, the Directors of the Company consider the adoption of HKFRS 16, as compared with the current accounting policy, would not result in significant impact on the Group's financial performance and financial position.

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

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

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

Amendments to HKFRS 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.

The Group's two product and service lines are identified by management 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:

- tax credit;
- corporate income and expenses which are not directly attributable to the business activities of any operating segment; and
- share of results of associates accounted for using the equity method

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

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

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

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

For the six months ended 30 June 2018

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

As at 30 June 2018

	(Unaudited)		
	Biopharma	Corporate Investment	Total
	US$'000	US$'000	US$'000
Segment assets	151,828	9,286	161,114
Interests in associates			2
FAFVOCI			566
Total assets			161,682
Segment liabilities	(224)	(3,048)	(3,272)
Deferred tax liabilities			(15,122)
Total liabilities			(18,394)

For the six months ended 30 June 2017

	(Unaudited)		
	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Revenue from external customers	—	(123)	(123)
Segment results	(15,384)	(4,429)	(19,813)
Share of results of associates	(595)	—	(595)
Consolidated loss before tax credit	(15,979)	(4,429)	(20,408)

As at 31 December 2017

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

Disaggregation of revenue

The Group's milestone and royalty income of US$4,970,000 for the six months ended 30 June 2018 (2017: nil) were derived from the amended and restated licence agreement with its European out-licencing and commercial partner which took over the distribution, marketing and sale of Fortacin™ product for Europe including the United Kingdom, Russia, the Commonwealth of Independent States and selected countries of North Africa upon the transfer of the European Marketing Authorisation in November 2017.

Information about a major customer

Revenue from a single external customer of the Group's Biopharma segment amounted to US$4,970,000 for the six months ended 30 June 2018 (2017: nil), which accounted for 10% or more of the Group's revenue.

4. Operating loss

	(Unaudited)	
	For the six months ended	
	30 June2018	30 June2017
	US$'000	US$'000
Operating loss is arrived at after charging:		
Auditors' remuneration		
– audit services	—	—
– review services	51	68
Depreciation of property, plant and equipment	22	17
Amortisation of intangible asset, Fortacin™	13,908	13,908
Operating lease charges on property and equipment	356	323
Realised loss on disposal of financial assets at fair value through profit or loss[@(1)]	—	42
Unrealised loss on financial assets at fair value through profit or loss[@(1)]	2,727	1,308
Foreign exchange losses, net	195	125
and crediting:		
Interest income on bank deposits[*]	7	—

[@] These amounts constitute fair value loss on financial instruments of US$2,727,000 (2017: US$1,350,000) in the consolidated statement of comprehensive income.

[(1)] During the period ended 30 June 2018, net losses on financial assets at fair value through profit or loss amounted to US$2,727,000 (2017: US$1,350,000), of which a net unrealised loss of US$2,727,000 (2017: US$1,308,000) was incurred.

[*] This is included in revenue.

5. Tax credit

No provision for profits tax has been made in the interim financial statements as all the Group's companies which were subject to such tax have sustained losses for taxation purposes for the periods ended 30 June 2018 and 2017. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

A tax credit of US$1,391,000 for the period ended 30 June 2018 (2017: US$1,391,000) represented the deferred tax credit arising on an amortisation charge for the period relating to the intangible asset of the patent Fortacin™.

Share of associates' tax credit for the six months ended 30 June 2018 of nil (2017: US$37,000) is included in the consolidated statement of comprehensive income as share of results of associates.

6. Losses per share

The calculation of basic losses per share is based on the loss attributable to shareholders for the period ended 30 June 2018 of US$14,291,000 (2017: US$19,015,000) and on the weighted average number of ordinary shares of 1,837,251,182 in issue during the period (2017: 1,784,212,508).

There were no share options outstanding as at 30 June 2018. The share options outstanding had an anti-dilutive effect on the basic losses per share of the Group for the period ended 30 June 2017. Accordingly, the effect of the share options was not included in the calculation of diluted losses per share for the period ended 30 June 2017.

7. Trade receivable

At 30 June 2018 and 31 December 2017, the ageing analysis of a trade receivable, based on its invoice date, was as follows:

	(Unaudited) As at 30 June 2018 US$'000	(Audited) As at 31 December 2017 US$'000
Within 1 month	14	—

The Group applies credit policies appropriate to the particular business circumstances concerned but generally requires outstanding amounts to be paid within 20 days of invoice.

8. Trade payables, deposits received, accruals and other payables

As at 30 June 2018 and 31 December 2017, the ageing analysis of the trade payables, based on their invoice dates, was as follows:

	(Unaudited) As at 30 June 2018 US$'000	(Audited) As at 31 December 2017 US$'000
Within 1 month	24	—
After 3 months but within 6 months	—	182
	24	182

9. Dividends

No interim dividend has been declared or paid in respect of the six months ended 30 June 2018 (2017: nil).

10. Charge on assets

As announced by the Company on 28 January 2013, 18 April 2013 and 23 August 2013 and as further explained under the paragraph headed "Australian Tax" under the section headed "Review and Prospects" in this interim announcement, the Company received orders from the Federal Court of Australia in relation to an assessment issued by the Commissioner of Taxation (the "**COT**") in the amount of A$12.78 million following completion of the sale of its securities in BC Iron Limited ("**BCI**") for gross proceeds of A$81.61 million (the "**Assessment**" referred to below). The amount of potential Capital Gains Tax assessed was due and payable on 2 December 2013. On 7 September 2016, the Australian Taxation Office considered that capital gains tax was amended down and payable in the amount of approximately A$11.85 million.

Following consultation with the COT and pursuant to the terms of the Settlement Deed (as defined in the announcement dated 18 April 2013), the Company agreed to grant The Commonwealth of Australia, represented by the COT, a specific security deed (as amended by way of a deed of amendment dated 27 November 2013) (together, the "**Specific Security Deed**") in respect of certain of the Company's holding of 518,103,930 shares in Venturex, 10,854,568 shares in Bannerman Resources Limited and 12,700,000 shares in Tigers Realm Coal Limited, of which the aggregate market value (as at 30 June 2018) was approximately A$7.32 million (or approximately US$5.42 million), as security against the Assessment, in consideration of which the COT stayed recovery action in respect of the Assessment until the matter is resolved within the time provided for in any relevant law following the Final Determination of Objection (as defined in the announcement dated 18 April 2013).

None of the Group's other assets was pledged as at 30 June 2018 (31 December 2017: nil).

REVIEW AND PROSPECTS

MAIN ACTIVITIES

The Group's principal activities during the period were:

- The six-month ended 30 June 2018 was a significant and potentially transformational one for the Group following the commercial launch of Fortacin™ in Italy, France, Germany, Portugal and Spain.

- During the period, and not surprisingly given the commercialisation efforts towards the commercial launch of Fortacin™ in Europe, the Group recorded a loss attributable to shareholders of the Company of US$14.29 million, which was mainly attributable to: (i) an amortisation charge of US$13.91 million on the intangible asset, being Fortacin™, a non-cash item; (ii) the operating expenses of US$3.84 million; and (iii) a marked-to-market loss of US$2.73 million in respect of the Company's equity portfolio of financial assets at fair value through profit or loss; while being offset somewhat by the milestone and royalty income from Recordati of US$4.97 million.

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

- The first commercial sale of Fortacin™ took place on schedule (as noted in the announcement issued on 23 March 2018) in Italy, France, Spain, Germany and Portugal. A total of EUR 4 million (or approximately US$4.91 million or HK$38.30 million) was duly received by the Group from Recordati (being EUR 800,000 (or approximately US$0.98 million or HK$7.64 million) for each of these 5 countries) during the period from 5 March 2018 to 23 March 2018. This was without any withholding as the three manufactured batches at the 340 litre (circa 50,000 canisters) scale have come back within specification, as previously reported.

- The Group is continuing to work closely with Recordati towards the planned commercialisation of Fortacin™ in Greece, Romania, Czech Republic, Slovak Republic and Poland in the second half of 2018, with commercialisation efforts to target the rest of Europe, Russia, the Commonwealth of Independent States (CIS) and selected countries of North Africa in the coming years.

- The Group looks forward to receiving future milestone and royalty-based income from Recordati under the licence agreement it has in place with it.

- The Group is also pleased to report that it has made significant progress with the Hong Kong Department of Health - Drug Office and the Macau Government - Health Bureau and has now acquired a valid import licence to allow for the sale of Fortacin™ in Macau, with the Hong Kong licence now only subject to public gazetting before its release. The Group is in discussions with a possible marketing and distribution partner to help facilitate the Macau and Hong Kong roll-out.

- In parallel with the European roll-out effort of Fortacin™, the Group has further progressed the preparation of the NDA to the FDA in the United States. To this end, on 6 July 2018, the Phase II validation study of Fortacin™ in respect of the FDA approval process was officially registered, with the study estimated to complete by October 2019. The study is being conducted to test the effect of Fortacin™ (the study medication) compared to placebo in subjects with premature ejaculation ("**PE**"). Fortacin™ is a topical (applied to skin) anaesthetic spray containing a mixture of two drugs called lidocaine and prilocaine that will be applied to the penis. Half of the subjects will receive Fortacin™ and half will receive placebo. The study will also measure the effect of Fortacin™ on the Intravaginal Ejaculatory Latency Time (IELT). 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, a pivotal Phase III work could commence in the second half of 2019, with NDA submission possible in the second half of 2020, giving a PDUFA date in 2021. These dates update all previous dates given by the Company in its announcements, annual and interim reports and investor presentations. Formal registration of the Phase II validation study of Fortacin™ in the US is a critical and positive step towards making the NDA submission and ultimately achieving all necessary FDA and other US regulatory approvals needed to commercialise Fortacin™ in the US, its most significant potential market.

- The Group remains in active discussions with possible commercial partners for the sale and distribution of Fortacin™ in the remaining key markets of China, North America, Latin America and the Asia Pacific regions.

- While there was no further investment made or any planned divestments executed during the period, the Group is continuing to maintain and actively monitoring its existing and strategic investments in: (i) The Diabetic Boot; and (ii) Venturex, representing approximately 22% and 16.32% of the share capital of the respective companies as at 30 June 2018.

- As at 30 June 2018, the Company had no debt, having cash and listed and unlisted securities of US$9.73 million.

- Shareholders' equity decreased by 9.75% to US$143.34 million as at 30 June 2018 from US$158.82 million as at 31 December 2017.

Going forward and following on from the commercial launch of Fortacin™ in Italy, Spain, France, Germany and Portugal earlier this year, the Group will continue: (i) together with its commercial partners, to work towards the successful commercialisation of Fortacin™ as quickly as possible in the rest of Europe, Russia, the Commonwealth of Independent States (CIS) and selected countries of North Africa, together with the remaining key markets of China, North America, Latin America and the Asia Pacific regions; and (ii) its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

A review of the Group's associated investments, together with the results of its main listed investments, are set out below.

Plethora Solutions Holdings plc ("Plethora")

Highlights

- Fortacin™ was launched by Recordati in Italy, France, Germany, Portugal and Spain during the first half of 2018.
- The Company, on behalf of Plethora, has formally received approval from the Macau Government - Health Bureau for an import licence thereby allowing for the sale of Fortacin™ in Macau. The Company is awaiting approval from the Hong Kong Department of Health - Drug Office and expects a positive response within the next few months.
- Progress being made for the filing of the NDA with the FDA in the US.
- Discussions with a new potential licencing partner for Fortacin™ in the PRC is at an advanced stage and discussions are progressing for other jurisdictions. However, it is not possible to determine with accuracy the timing of completion of any such agreement, and no assurance can be given that negotiations will lead to a binding licencing agreement(s) in respect of the PRC or elsewhere or at all.
- For the six months ended 30 June 2018, Plethora made a profit of GBP 2.82 million (or approximately US$3.88 million) (2017: loss of GBP 1.37 million (or approximately US$1.72 million)), excluding the amortisation cost of an intangible asset, Fortacin™, and the tax credit in respect of the deferred tax liability.

Operations Update

Management's focus remains squarely on the commercialisation of Fortacin™. Recordati commenced the launch of Fortacin™ in Italy, France, and Spain in February 2018 and thereafter rolled out the launch of Fortacin™ in Portugal and Germany from March 2018.

- Total net sales for the first half were: EUR 494,376
- Royalty income for the first half were: EUR 74,156
- 20,975 canisters sold.

Recordati has informed the Company that the sales of Fortacin™ uptake was lower than expected for the period, with the key issue being the low number of PE patients seeking advice and visiting a specialist for treatment (with key reasons being given due to the embarrassment and lack of awareness about treatments available for PE). However, preliminary feedback from physicians from Italy, Germany, Spain, Portugal and France has been very positive about Fortacin™. The initial feedback from physicians is that Fortacin™ is perceived as something that fills a prescription need and it is a definite improvement of what is currently available in the market place (e.g. EMLA cream, a topical anaesthetic cream frequently prescribed for PE although off-label, and Priligy, an SSRI). Recordati reported that many physicians are willing to use Fortacin™ and also in combination with an SSRI (declaring not for efficacy reasons, but to cope with the anxiety component of PE). In addition, the few collected patients feedback were very positive as well, with the most frequently asked question is about how to use Fortacin™. However, a full picture of patients' feedback is not yet available. During the period, no efficacy or safety issues were reported to Recordati. Each launch country is undertaking various promotional activities to increase the awareness of patients that there is a new treatment for PE.

Commercial Manufacturing Scale Up to 340L (circa 50,000 canisters)

Plethora commenced additional manufacturing process development at Pharmaserve (North West) Limited ("**Pharmaserve**") with the goal of increasing the commercial batch size for Fortacin™ by approximately threefold to circa 50,000 canisters per manufacturing run. The increased number of units produced per batch should offer benefits of a lower unit price and enable the anticipated increase in demand following the European Union commercial launch by Recordati to be met.

The change in batch size, together with amendment of associated in-process limits or minor changes to the manufacturing process, would require preparation, submission and approval of a variation application by Recordati.

The manufacture of 3 x process validation ("**PV**") batches of the 12-dose product at the circa 50,000 canister scale has been completed. Stability studies on the three PV batches has been initiated by Recordati, with the aim of completing the necessary regulatory submission to European Medicines Agency ("**EMA**") in 2018 to support the wider sale and distribution of Fortacin™ in Europe by Recordati. Long-term stability data at the 6-month timepoint remains within specification and comparable to batches manufactured at the current commercial scale, with the exception of results for impurities. These are higher than expected and are currently the subject of ongoing assessment by Pharmaserve, Plethora and Recordati.

Stability studies for PV batches of the 12-dose product manufactured at the current 100L commercial month's scale (circa 13,000 canisters) and process have concluded. The data generated continues to support the registered shelf life of 18 months.

Regulatory Submissions

On 2 November 2017, Plethora received a favourable Commission Implementing Decision from the European Commission on the proposed transfer of the European Marketing Authorisation ("**EU MA**") of Fortacin™ to Recordati, from Plethora. After receipt of the European Commission Decision, a six-month implementation period followed in which all responsibilities transferred from Plethora to Recordati as the new EU MA Holder.

Regulatory submissions to update the commercial manufacturing process and controls, with the aim of improving the process and ensure continuity of commercial supply, will be completed by Recordati in 2018.

Recordati completed submission of the renewal application in advance of the deadline of 19 February 2018, 9 months prior to the 5-year anniversary of the date of notification of the European Commission ("**EC**") decision granting the original marketing authorisation ("**MA**"). The assessment of the renewal application completed with a favourable opinion from the EMA Committee for Medicinal Products for Human Use ("**CHMP**") in July 2018, concluding that the overall benefit/risk profile of the product remains positive. The final procedural step will be an EC Decision endorsing the favourable opinion issued by CHMP and resulting in an extension in validity of the MA.

Marketing Authorisation in Hong Kong and Macau

The Group has received approval from the Macau Government - Health Bureau and has been granted an import licence to allow for the sale of Fortacin™ in Macau. The Company is awaiting approval from the Hong Kong Department of Health - Drug Office and expects a positive response within the next few months. The Company is now in active discussions for out-licensing Fortacin™ in these territories.

Update on Commercial Partners in the PRC and Other Key Markets

Plethora remains in advanced active discussions with a possible commercial partner for the sale of Fortacin™ in the PRC and is in discussions for the other remaining key markets of North America, Latin America and the Asia Pacific regions. However, it is not possible to determine with accuracy the timing of completion of such agreements, and no assurance can be given that negotiations will lead to a binding licencing agreement(s) in the aforementioned jurisdictions or at all. Plethora will continue to work closely and diligently with its commercial partners and will keep shareholders and potential investors informed of any new developments as and when they occur.

Update on New Drug Application with FDA in the United States

Plethora continues to make positive progress with the FDA on its NDA for Fortacin™ with the Phase II validation study of Fortacin™ in respect of the FDA approval process being officially registered on 6 July 2018. Recruitment of subjects (100) for the trial is expected to commence in August 2018, with the study estimated to complete by October 2019.

The study is being conducted to test the effect of Fortacin™ (the study medication) compared to placebo in subjects with premature ejaculation. Fortacin™ is a topical (applied to skin) anaesthetic spray containing a mixture of two drugs called lidocaine and prilocaine that will be applied to the penis. Half of the subjects will receive Fortacin™ and half will receive placebo. The study will also measure the effect of Fortacin™ on the Intravaginal Ejaculatory Latency Time (IELT).

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, a pivotal Phase III work could commence in the second half of 2019, with NDA submission possible in the second half of 2020, giving a PDUFA date in 2021. These dates update all previous dates given by the Company in its announcements, annual and interim reports and investor presentations.

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

Trading Update for the Six Months to 30 June 2018

Plethora recorded an operating profit of GBP 2.82 million (or approximately US$3.88 million) for the six months ended 30 June 2018 (2017: loss of GBP 1.37 million (or approximately US$1.72 million)), excluding the amortisation cost of an intangible asset, Fortacin™, and the tax credit in respect of the deferred tax liability.

The operating profit for the six months ended 30 June 2018, mainly included the milestone income and royalty income of GBP 3.61 million (or approximately US$4.97 million) (2017: nil), which being offset somewhat by: (i) R&D costs related to the regulatory and commercial manufacturing scale up activities of Fortacin™ of GBP 0.47 million (or approximately US$0.64 million) (2017: GBP 1.02 million (or approximately US$1.29 million)); and (ii) administrative expenses of GBP 0.29 million (or approximately US$0.40 million) (2017: GBP 0.22 million (or approximately US$0.28 million)).

Underlying R&D costs and administrative expenses for the six months ended 30 June 2018 were broadly lower than the Board's expectations as the costs for clinical work for the NDA will start to be incurred from the second half onwards. R&D costs were driven by the project to complete the development and commercial manufacturing scale up activities with the Company's manufacturing partner. Manufacturing set up costs are expected to fall significantly following the year ended 31 December 2017, but the overall level of R&D expenditure is expected to increase as the FDA approval process begins to gather pace in the second half of 2018 and 2019.

On the basis that all R&D expenditure was expensed, there were no significant balance sheet movements to comment upon during the six months ended 30 June 2018. As at 30 June 2018, Plethora had cash resources of GBP 378,000 (or approximately US$500,000) (31 December 2017: GBP 57,000 (or approximately US$77,000)), with ongoing financial support being provided by the Group.

Outlook

Despite Fortacin™ sales being lower than Recordati expected, we expect that sales will increase due to Recordati's increased promotional activities, including their drive to increase awareness of Fortacin™ as being a safe and reliable remedy for PE sufferers. Management is devoting its efforts to completing our clinical trial work in the US and submitting our NDA with the FDA and bringing Fortacin™ to market through other new strategic commercial partners in the remaining key markets of China, the Asia Pacific region, the US and Latin America.

Diabetic Boot

For the six months ended 30 June 2018, Diabetic Boot aimed to sell the existing stocks and the company incurred a loss of GBP 0.46 million (2017: GBP 1.48 million). In addition, the management of Diabetic Boot are making progress in their efforts to sign licence agreements with appropriate distributors in the US, Europe, Asia and Middle East.

Venturex

The Company actively monitored and maintained its strategic position in Venturex, representing approximately 16.32% of its issued share capital, which for the six months ended 30 June 2018, booked a marked-to-market loss of US$2.58 million.

During 2017 and the H1 2018, Venturex has taken several positive steps toward demonstrating a definitive project development pathway with improved economics, reduced risk profile and lower capital cost compared to previous work done on the company's core project at Sulphur Springs, Western Australia. If developed on a stand-alone basis, the Sulphur Springs project could produce the first copper and zinc concentrate by FY 2020 and have a pre-tax net present value of A$338 million.

Key milestones for 2018 include:

- Continued strong progress towards the company's goal of advancing the Sulphur Springs Copper-Zinc Project in Western Australia towards production.
- Environmental review document ("**ERD**") submitted to the Environmental Protection Authority ("**EPA**"), representing a key milestone in the approvals process and the EPA has six weeks to review the ERD and request additional information.
- Sulphur Springs feasibility study progressed with: (i) metallurgical test work nearing completion; (ii) plant design, mine design and scheduling works well advanced; (iii) long-lead items identified and discussions with contractors and equipment manufacturers underway with a view to developing an early contractor engagement strategy; (iv) new drilling program underway focused on three high-priority EM targets (X6, X8 and DHEM target) located on western flank of the Sulphur Springs VMS deposit; (v) leading independent advisory group BurnVoir Corporate Finance engaged to assist with securing project finance; and (vi) agreement to purchase the Spinifex Ridge camp, delivering a significant capital saving for the project compared to the cost estimate contained in the Value Engineering Study completed in February 2017.

A number of milestones were delivered during the six months ended 30 June 2018 towards the completion of the Sulphur Springs Definitive Feasibility Study ("**DFS**"). The DFS is aimed at providing a clear pathway to development at Sulphur Springs, with detailed technical work providing the foundation for near-term project execution. Metallurgical test work on the open pit transitional and supergene material from Sulphur Springs is continuing with copper and zinc test work entering the final stages. All test work on the fresh material which makes up the underground component of Sulphur Springs is complete. Plant design is well advanced with strategies being developed to minimise capital cost and construction timelines. Design and scheduling works on the mine are continuing with multiple opportunities identified to maximise both the efficiency and profitability of the project. Mining contractors have been invited to offer quotations against the mining schedules which will lead in to a formal tender process once the DFS is complete. Tailings dam design is being completed and will be based on the design works and tailings management strategy outlined in the Venturex's ERD (see above). Opportunities to reduce pre-production capital costs are currently being evaluated and a number of cost reduction measures are being incorporated into the study. Long-lead items have been identified and discussions with contractors and equipment manufacturers have already begun with a view to developing an early contractor engagement strategy. A number of contractor engagement methodologies and contract types are still being evaluated to minimise project construction timelines, reduce risk and maximise project returns. As part of the DFS, an Operations Management and Implementation Strategy is being completed, which will feed into a Project Implementation Plan following completion of the study. This will also dovetail with Venturex's recent environmental submission to provide a clear pathway for the project's fast-tracked development. Utilising the 2017 Value Engineering Study as a base, and with the addition of significant detailed data gained through the ongoing DFS work, Venturex is working to further optimise the mine plan and production schedule to add additional value to financial models. Leading independent advisory group, BurnVoir Corporate Finance, has been appointed as corporate advisor to assist with securing funding for the Sulphur Springs Project. Venturex's management expects to fund the Sulphur Springs Project on a simple debt:equity basis (60:40), which would see the company access approximately A$120 million in debt and A$80 million via equity markets to satisfy estimated capital requirements. Other options that exist regarding funding include avenues such as prepayments, offtake finance and hybrids. Each of these are actively being investigated as part of the funding process. Strategic partners and financiers are also possible given the relative scarcity of new base metals projects both in the Australia and globally.

AUSTRALIAN TAX

As has been previously disclosed, the Company is currently in dispute with the Australian tax authorities in connection with a disposal by the Group of an investment in BCI, a company listed on the Australian Securities Exchange. The Australian Taxation Office considered that capital gains tax was payable in the amount of approximately A$11,845,454 (as amended down by way of an amended assessment on 7 September 2016 so as to include some additional costs associated with the Group's investment in BCI). This excludes interest that has accrued on this amount since 2 December 2013 (which, as at 2 July 2018, was approximately A$6.17 million). On 24 January 2013, the Company received orders from the Federal Court of Australia in relation to a notice of assessment issued by the Australian Taxation Office (as amended, the "**Assessment**"), which stated that the tax was due and payable on 2 December 2013 and provided that the Company could not remove from Australia or dispose of, deal with or diminish the value of its assets in Australia up to the unencumbered value of the amount assessed.

Following orders from the Federal Court of Australia, the Company granted a specific security deed to the Commonwealth of Australia in respect of certain of the Company's holding of 518,103,930 shares in Venturex, 10,854,568 shares in Bannerman Resources Limited and 12,700,000 shares in Tigers Realm Coal Limited, of which the aggregate market value (as at 30 June 2018) was approximately A$7.32 million (or approximately of US$5.42 million) as security against the Assessment. In consideration for granting this security, the Commissioner of Taxation stayed recovery action in respect of the Assessment until the matter is resolved.

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

As previously disclosed, the Company had envisaged entering into a formal dispute resolution process with the Commissioner of Taxation. This process has now taken place, and the parties have, to date, been unable to reach agreement as to an appropriate way in which to resolve the matter, culminating in the Commissioner of Taxation determining the Company's previously lodged objection against it on 1 September 2016. The Company's position has not changed and it remains resolute in that it will continue to challenge the assessment in its entirety, consistent with expert and independent Australian advice received throughout, and has lodged an appeal against the Commissioner of Taxation's determination of the objection in the Australian Federal Court. A trial date of 11 March 2019 has now been set, with the matter set down to be heard over three (3) days in the Australian Federal Court. The Company is continuing to take advice as to the next appropriate steps from its Australian advisers and how best to prepare for the trial next year. The aforementioned security over the above mentioned Australian securities held by the Company, previously granted to the Commissioner of Taxation, remains.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend in respect of the six months ended 30 June 2018.

OUTLOOK

While global growth continues and is projected to reach approximately 3.9% in 2018 and 2019, it is clear that the expansion is becoming less even, and risks to the outlook are mounting. The rate of expansion appears to have peaked in some major economies and growth has become less synchronized. In the United States, near-term momentum is strengthening and the US dollar has continued to appreciate in recent weeks. Growth projections have been revised down for the Euro area, Japan, and the United Kingdom, reflecting negative surprises to activity in early 2018. Among emerging market and developing economies, growth prospects are also becoming more uneven, amid rising oil prices, higher yields in the United States, escalating trade tensions, and market pressures on the currencies of some economies with weaker fundamentals.

The balance of risks has shifted further to the downside, not helped by the recently announced and anticipated tariff increases by the US and retaliatory measures by trading partners. These actions have increased the likelihood of escalating and sustained trade actions that have the potential to derail the recovery and impede medium-term growth prospects, both through their direct impact on resource allocation and productivity and by creating uncertainty and therefore negatively influencing investment. Financial market conditions remain accommodative for advanced economies, but this could change rapidly. Possible triggers include rising trade tensions and conflicts, geopolitical concerns, and mounting political uncertainty. Higher inflation readings in the United States, where unemployment is below 4%, could also lead to a sudden reassessment of fundamentals and risks by investors, particularly in light of the shallower path of interest rate increases predicted. Tighter financial conditions could potentially cause disruptive portfolio adjustments, sharp exchange rate movements, and further reductions in capital inflows to emerging markets, particularly those with weaker fundamentals or higher political risks.

For the remainder of 2018, we are hopeful that the focus of the global economy will be to avoid protectionist measures and to find a cooperative solution that promotes continued growth in goods and services trade, which we believe remain essential to preserve the global expansion. However, with downside risks appearing to mount, we believe that many countries will need to rebuild fiscal buffers to create policy space for the next downturn and to strengthen their financial resilience to an environment of possibly higher market volatility. As such, we expect continued growth globally, albeit at the existing slow, gradual pace, with risks to the downside driven largely from trade tensions, in the short term, and growing signs of market volatility, in the medium to longer term.

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

We remain committed to our strategy of investing in companies engaged in the health care and life sciences sectors, and our balance sheet has us well positioned to deliver on this. With the ongoing commercialisation of Fortacin™ globally in the coming years, our progress with the FDA and ongoing discussions with other possible commercial partners, we remain tremendously excited about the long-term 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				
	2018	2017	2016	2015	2014	2013
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Total income	4,790	9,493	3,436	(5,685)	(11,007)	(16,024)
Income less expenses before impairment losses and provision	(15,687)	(27,403)	(31,902)	(14,715)	(17,738)	(29,930)
Reversal of impairment	—	—	364	1,386	250	—
Impairment losses	—	(1,875)	(97)	(194)	(267)	(1,710)
Operating loss	(15,687)	(29,278)	(31,635)	(13,523)	(17,755)	(31,640)
Gain on disposal of an associate	—	—	—	8,938	—	—
Loss on deemed disposal of associate(s)	—	—	(5,805)	(3,560)	(6,017)	—
Gain from bargain purchase of an associate	—	—	1,356	—	25,809	—
Gain from bargain purchase of a subsidiary	—	—	31,686	—	—	—
Share of results of associates	—	(1,067)	(831)	(1,193)	(10,604)	(420)
Loss before taxation	(15,687)	(30,345)	(5,229)	(9,338)	(8,567)	(32,060)
Tax credit	1,391	2,982	2,765	—	—	6,334
Loss for the period/year	(14,296)	(27,363)	(2,464)	(9,338)	(8,567)	(25,726)
Non-controlling interests	5	4	4	5	4	90
Loss attributable to shareholders of the Company	(14,291)	(27,359)	(2,460)	(9,333)	(8,563)	(25,636)

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$14.29 million for the six months ended 30 June 2018 (2017: US$19.02 million).

The corporate division (revenue and fair value loss on financial instruments) recorded a profit of US$2.06 million for the six months ended 30 June 2018 (2017: loss of US$1.47 million).

The main elements of the loss are analysed as follows:

	US$ (million)
Milestone and royalty income	4.97
Amortisation of an intangible asset, Fortacin™	(13.91)
Research and development expenses incurred by Plethora	(0.64)
Fair value loss on financial instruments	(2.73)
Other/Office general and administrative expenses	(1.98)
Total loss attributable to shareholders of the Company	(14.29)

Financial Position

Shareholders' equity decreased by 9.75% to US$143.34 million as at 30 June 2018 from US$158.82 million as at 31 December 2017. The decrease was mainly due to: (i) the net loss attributable to shareholders of the Company of US$14.29 million for the six months ended 30 June 2018; and (ii) the decrease of investment revaluation reserve of US$1.34 million due to the unrealised loss of FAFVOCI; and these were offset against: (iii) the increase of foreign currency exchange reserve of US$0.14 million.

The Group's assets comprised: (i) an intangible asset of US$151.22 million; (ii) cash and cash balances of US$3.09 million; (iii) listed and unlisted investments of US$6.64 million; and (iv) other assets and receivables of US$0.73 million.

The Group's liabilities comprised: (i) deferred tax liabilities of US$15.12 million; and (ii) payables and accruals of US$3.27 million.

Strategic Plan

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

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

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

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

Funding

As at 30 June 2018, the Group held cash of US$3.09 million, representing 2.16% of shareholders' equity, which did not take into account the Group's holding of securities of FAFVPL that amounted to US$6.07 million as valued at 30 June 2018.

Gearing Ratio

No gearing ratio (being long-term debts over total equity and long-term debts) was calculated as there was no long-term debts as at 30 June 2018 and 31 December 2017.

Management of Risk

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

Charge on Assets

Save as those disclosed in note 10 and as further explained under the paragraph headed "Australian Tax" under the section headed "Review and Prospects" in this announcement, the Group had no other charges on assets as at 30 June 2018.

Financial Instruments

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

In terms of the total operations of the Group, activities of this nature are not significant.

Contingent Liabilities

Save as those disclosed in note 10 and the paragraph headed "Australian Tax" under "Review and Prospects" in this announcement, the Group had no other material contingent liabilities as at 30 June 2018.

Employees

The Group, including subsidiaries but excluding associates, employed 19 employees at 30 June 2018. 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 2018.

THE CORPORATE GOVERNANCE CODE

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

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

As far as the Directors are aware, the Company has complied with the code provisions set out in the CG Code during the six months ended 30 June 2018 and prior to the date of this announcement.

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*).

REVIEW BY THE AUDIT COMMITTEE

The interim financial report of the Company for the six months ended 30 June 2018 has been reviewed by the audit committee of the Company (the "**Audit Committee**").

The Audit Committee was established on 11 March 1999 with its specific written terms of reference which deal with its authority and duties. Its terms of reference were subsequently amended in order to incorporate the amendments made from time to time to the relevant code provisions of the former Code on Corporate Governance Practices and were recently amended on 17 April 2015 in order to comply with the code provisions in the CG Code relevant to risk management and internal control systems, which were designated to take effect on 1 January 2016. The committee's purpose is to assist the Board in:

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

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

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

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

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

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

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

Save for the above, the Company or its subsidiaries did not purchase, sell or redeem any of their listed securities, whether on the HK Stock Exchange or otherwise, during the six months ended 30 June 2018 or subsequent to the period end date and prior to the date of this announcement.

PUBLICATION ON WEBSITES

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

DESPATCH OF INTERIM REPORT

The interim report containing full details of the Company's unaudited results for the six months ended 30 June 2018 will be despatched to all its shareholders and be published on the aforesaid websites before 30 September 2018.

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 2018