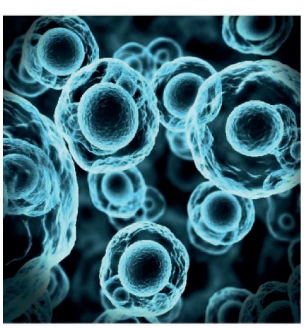
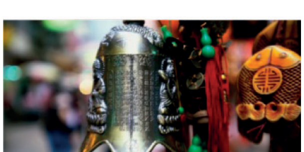
REGENT PACIFIC GROUP LIMITED





(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 0575 23 March 2018

ANNOUNCEMENT

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AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

CHAIRMAN'S STATEMENT

Despite challenging global markets in 2017, the Group continued to make good progress on its strategic transformation to shift investment focus to healthcare and life sciences sectors and divest legacy and non-core assets. I am pleased to report the Group's results for the year ended 31 December 2017.

Financial Highlights and Review

The Group's balance sheet remains strong and nimble, with cash balances and listed and unlisted securities of approximately US$11.03 million, with no external debt. Our net asset value per share was approximately US cents 8.642 (HK cents 67.53) at the end of 2017.

The Group recorded a loss attributable to shareholders of the Company of US$27.36 million, which was mainly attributable to: (i) an amortisation charge of US$28.05 million on the intangible asset, being Fortacin™, a non-cash item; and (ii) operating expenses of US$8.85 million; while being offset somewhat by: (iii) a milestone payment from Recordati S.p.A. ("**Recordati**") of US$5.27 million; and (iv) a marked-to-market gain of US$4.48 million in respect of the Company's equity portfolio of financial assets at fair value through profit or loss ("**FAFVPL**").

While it was disappointing that profitability could not be achieved for 2017, we are continuing to work diligently, with our partners, on the commercial roll-out of Fortacin™ and great strides have been taken and significant milestones achieved, with a view to creating a steady stream of recurring cash flow for the Group in the years to come.

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The Group's portfolio of FAFVPL incurred a net realised and unrealised gain of approximately US$4.44 million for the year ended 31 December 2017. The total value of our portfolio of FAFVPL was approximately US$8.78 million as at 31 December 2017, up from approximately US$7.39 million in 2016.

As announced on 29 March 2017, the Company successfully undertook a sensible and measured capital raising, by way of a placing and top-up subscription with BOCI Asia Limited, as placing agent, and James Mellon, as vendor, to raise approximately HK$40.5 million (or approximately US$5.21 million), gross proceeds, and approximately HK$38.48 million (or approximately US$4.95 million), net proceeds. The funds raised were sufficient to cover the costs involved in the continued commercial manufacturing scale up of Fortacin™, as well as further progress the ever important New Drug Application ("**NDA**") process with the US Food and Drug Administration ("**FDA**") and, more generally, provide general working capital for the Group. This capital raising put the Group in a strong and robust financial position ahead of the launch of Fortacin™ in Europe, scheduled for February and March 2018.

The Group was then able to successfully conclude negotiations with commercial partner, Recordati, regarding certain revisions to the commercial terms set out in the previous licence agreement in respect of the rights to commercialise Fortacin™. As a result, as at 31 December 2017, the Group was eligible to receive remaining payments of up to EUR 37 million (or approximately US$44.42 million) plus royalties after hitting certain milestones related to the European roll-out.

Healthcare and Life Sciences Focus

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

A key milestone for the Group will be the commercial launch of Fortacin™ in Europe. We are pleased to report that Recordati has placed its initial purchase order and manufacturing has been completed, with launch supplies released to the distributors in early February 2018. Launches have been scheduled in France, Germany, Italy, Spain and Portugal for February and March 2018, followed by the scheduled launch in Greece, Romania, Czech Republic, Slovak Republic and Poland in the second half of 2018 and in the rest of Europe, Russia, the Commonwealth of Independent States (CIS) and select countries of North Africa in the coming years.

In parallel with the European roll-out effort of Fortacin™, the Group has further progressed the preparation of the NDA to the FDA, and 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. The Group is continuing to make positive progress with the Hong Kong Department of Health Drug Office and the Macau Government Health Bureau to acquire import licences to allow for the sale of Fortacin™ in Hong Kong and Macau.

Other Existing Investments

During the period, the Company also continued to successfully execute its stated divestment programme of non-core legacy investments as and when acceptable opportunities arose. In this respect, the Company successfully disposed of its entire interest in Condor Gold plc ("**Condor**") for an aggregate consideration of approximately US$2.51 million in cash, which was a discloseable transaction of the Group.

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

Outlook

Around the world, central banks have struggled to stoke consumer price inflation, including in the United States. We believe that a number of one-off factors that have been holding back inflation should begin to fade away in 2018, which should result in gradual upward momentum for prices.

Despite the challenges with inflation, the unemployment rates continue to improve, being at its lowest level in the United States since 2001 with the number of job openings at a record high. On that basis, we expect interest rates to rise in the United States, with other economies to follow suit in due course.

For the first time in a long time just about every corner of the global economy is expanding at the same time. We are not bracing for recession in Europe as we were in 2010-2012 after the sovereign debt crisis there, nor are we expecting another great moderation in China and the associated knock-on effects for emerging markets as we have seen over the course of recent years. Instead, we are seeing slow, steady growth, all of which is positive.

While global growth begins to firm, central banks around the world are beginning to dial back policy accommodation. As a result, we are entering a period of monetary policy "convergence" which, we acknowledge, could be affected by a number of factors including high government debt levels in Japan and China, the potential for a hard Brexit and of course geopolitical risks, especially with North Korea.

As this economic cycle continues to approach records for duration, financial markets similarly extend uninterrupted gains. With major stock indices routinely breaking all-time highs, investors are positioned for economic perfection. That may not be what we get, but aside from asset prices themselves, it is difficult to point to a sector that has over-extended itself so much that recession is right around the corner.

For 2018, we expect continued growth globally, albeit at the existing slow, gradual pace, with growth in consumer spending to continue based on the gains in jobs and wages as well as a wealth effect given the gains in financial markets and home prices.

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

Our strategy remains the same and our balance sheet 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 and life sciences sectors. 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 future prospects for the Group.

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

PERFORMANCE OVERVIEW

Jamie Gibson, CEO of Regent said, *"We have made good progress on our transformation strategy to create a focused healthcare investment company which delivers real value for shareholders. 2017 has been a year of investing for future growth, as a large amortisation charge on the Fortacin™ asset and costs related to the global commercialisation of Fortacin™ have weighed heavily on profitability.*

The European launch of Fortacin™ in February this year and subsequent global launches will, we hope, generate long-term recurring royalty revenues from our commercial sales partners, further fuelling the Group's future growth."

A summary of the financial performance and other notable events for 2017 include:

- A loss attributable to shareholders of the Company of US$27.36 million, which was mainly attributable to: (i) an amortisation charge of US$28.05 million on the intangible asset, being Fortacin™ a non-cash item; and (ii) the operating expenses of US$8.85 million; while being offset somewhat by: (iii) a milestone payment from Recordati of US$5.27 million; and (iv) a marked-to-market gain of US$4.48 million in respect of the Company's equity portfolio of financial assets at fair value through profit or loss.

- Shareholders' equity of US$158.82 million, a decrease of approximately 12.43% as compared with that as at 31 December 2016, with the decrease being mainly attributable to the loss attributable to shareholders of the Company.

- As announced on 29 March 2017, the Company successfully undertook a placing and top-up subscription with BOCI Asia Limited, as placing agent, and James Mellon, as vendor, pursuant to which: (i) the placing agent, as the placing agent of the vendor, procured placees to purchase 100,000,000 shares at the placing price of HK$0.405 (or approximately US$0.052) per share; and (ii) the vendor subscribed for the equivalent number of shares at the same price of HK$0.405 (or approximately US$0.052) per share, raising approximately HK$40.5 million (or approximately US$5.21 million), gross proceeds, and approximately HK$38.48 million (or approximately US$4.95 million), net proceeds. It was announced that the net proceeds would be used to: (i) fund the NDA process with the FDA, together with the continued commercial manufacturing scale up of Fortacin™; (ii) fund the build out of the Group's healthcare and life sciences platform by investing in further identified and unidentified investments in the sector; and, in respect of the balance: (iii) provide general working capital for the Group. The placing and top-up subscription closed on 3 and 7 April 2017, respectively.

- As announced on 3 October 2017, the Group concluded negotiations with Recordati and agreed certain revisions to the commercial terms set out in the previous licence agreement entered into with Recordati on 16 September 2014 and effective from 26 September 2014, in respect of the rights to commercialise Fortacin™, including making the Group (as at 31 December 2017) eligible to receive remaining payments of up to EUR 37 million (or approximately US$44.42 million) plus royalties after hitting certain milestones related to the Continental European roll-out.

- Manufacturing was completed for Recordati's initial purchase order, in respect of the upcoming commercial launch of Fortacin™ in France, Germany, Italy, Spain and Portugal in February and March 2018.

- The Group, together with Recordati, its commercial partner, has made tremendous progress during the period towards bringing Fortacin™ to market in France, Germany, Italy, Spain and Portugal in February and March 2018, followed by the launch in Greece, Romania, Czech Republic, Slovak Republic and Poland in the second half of 2018 and in the rest of Europe, Russia, the Commonwealth of Independent States (CIS) and select countries of North Africa in the coming years.

- In parallel with the European roll-out effort of Fortacin™, the Group has further progressed the preparation of the NDA to the FDA, and 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.

- The Group is continuing to make positive progress with the Hong Kong Department of Health Drug Office and the Macau Government Health Bureau to acquire import licences to allow for the sale of Fortacin™ in Hong Kong and Macau.

- The successful disposal of the Group's entire interest in Condor for an aggregate consideration of approximately US$2.51 million in cash, which was a discloseable transaction of the Group.

- Maintaining and actively monitoring its existing and strategic investment in The Diabetic Boot Company Limited ("**Diabetic Boot**"), together with the continued equity accounting of the investment.

- Maintaining and actively monitoring its existing and strategic investment in Venturex, representing approximately 16.32% of the share capital of the company as at 31 December 2017.

- As at 31 December 2017, the Company had no debt, having cash and listed and unlisted securities of US$11.03 million.

Going forward, the Group will continue with: (i) the successful commercialisation of Fortacin™ as quickly as possible, not only in Europe with Recordati, but also in 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 audited results of the Group for the year ended 31 December 2017, together with comparative figures for the year ended 31 December 2016, as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Revenue:	3		
Milestone income		5,272	—
Corporate investment income		(40)	137
Other income		5	175
		5,237	312
Fair value gain on financial instruments, net	4	4,256	3,124
Total income including fair value gain on financial instruments, net		9,493	3,436
Expenses:			
Employee benefit expenses	5	(3,900)	(3,906)
Rental and office expenses		(706)	(720)
Information and technology expenses		(177)	(266)
Marketing costs and commissions		(143)	(130)
Professional and consulting fees		(1,011)	(2,754)
Research and development expenses		(2,455)	(3,241)
Amortisation of intangible asset	4	(28,047)	(22,887)
Other operating expenses		(457)	(1,434)
Operating loss before impairment loss		(27,403)	(31,902)
Impairment loss on interest in an associate	9(v)	(1,875)	(97)
Reversal of impairment on loan receivables	4	—	364
Operating loss	4	(29,278)	(31,635)
Loss on deemed disposal of associates	9(iii)	—	(5,805)
Gain from bargain purchase of a subsidiary	13	—	31,686
Gain from bargain purchase of an associate	9(iv)	—	1,356
Share of results of associates	9(ii)	(1,067)	(831)
Loss before income tax		(30,345)	(5,229)
Tax credit	6	2,982	2,765
Loss for the year		(27,363)	(2,464)

	Notes	2017 US$'000	2016 US$'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		(25)	390
Share of other comprehensive income of associates		(111)	(605)
Reclassification to profit or loss on disposal of an associate	9(iii)	—	3,127
Reclassification to profit or loss on disposal of available-for-sale financial assets		—	(1,232)
Other comprehensive income for the year, before and net of tax		(136)	1,680
Total comprehensive income for the year		(27,499)	(784)
Loss for the year attributable to:			
Shareholders of the Company		(27,359)	(2,460)
Non-controlling interests		(4)	(4)
		(27,363)	(2,464)
Total comprehensive income attributable to:			
Shareholders of the Company		(27,495)	(780)
Non-controlling interests		(4)	(4)
		(27,499)	(784)
Losses per share attributable to shareholders of the Company during the year	8	US cent	US cent
– Basic and Diluted		(1.51)	(0.17)
		HK cent	HK cent
– Basic and Diluted		(11.80)	(1.32)

Consolidated Statement of Financial Position
As at 31 December 2017

	Notes	2017 US$'000	2016 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		63	84
Intangible asset		165,131	193,178
Interests in associates	9	2	3,055
Available-for-sale financial assets	10	1,925	1,726
		167,121	198,043
Current assets			
Financial assets at fair value through profit or loss		8,778	7,386
Prepayments, deposits and other receivables		681	614
Cash and bank balances		2,251	291
Derivative financial instruments		—	186
		11,710	8,477
Current liabilities			
Trade payables, deposits received, accruals and other payables	11	(3,543)	(5,874)
Net current assets		8,167	2,603
Total assets less current liabilities		175,288	200,646
Non-current liabilities			
Deferred tax liabilities		(16,513)	(19,318)
NET ASSETS		158,775	181,328
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital		18,372	17,372
Reserves		140,450	163,999
Equity attributable to shareholders of the Company		158,822	181,371
Non-controlling interests		(47)	(43)
TOTAL EQUITY		158,775	181,328

Notes:

1. General Information

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

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

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

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

The consolidated financial statements for the year ended 31 December 2017 were approved and authorised for issue by the Board of Directors on 23 March 2018.

2. Adoption of New or Revised HKFRSs

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments had no impact on these financial statements as the Group did not have any changes in liabilities arising from financing activities for the year ended 31 December 2017.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the amendments had no impact on these financial statements as the clarified treatment was consistent with the manner in which the Group had previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 had no impact on these financial statements as the latter treatment was consistent with the manner in which the Group had previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

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

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

HKFRSs (Amendments)	Annual Improvements 2014-2016 Cycle[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018

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

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

Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured as FAFVPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FAFVPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group anticipates that the application of the expected credit loss model will result in earlier recognition of credit losses in relation to the Group's financial assets measured at amortised costs. The Group is unable to estimate the impact until a more detailed assessment is completed.

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

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

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

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

In 2016, the HKICPA issued Amendments to HKFRS 15 - Revenue from Contracts with Customers (Clarifications to HKFRS 15), in relation to the clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The Directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. However, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 – Leases

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

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

Total operating lease commitments of the Group in respect of leased premises as at 31 December 2017 amounted to US$1,731,000. 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 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.

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.

3. Revenue and Segment Information

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

	2017 US$'000	2016 US$'000
Milestone income	5,272	—
Corporate investment income		
Dividend income from listed and unlisted equity investments	—	11
Bank interest income	—	5
Other interest income	—	30
Foreign exchange (losses)/gains, net	(40)	91
	(40)	137
Other income		
Consultancy fee income	—	18
Derecognition of long outstanding trade and other payables	—	149
Sundry income	5	8
	5	175
	5,237	312

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 are no sales between the reportable segments.

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

- impairment loss on interest in an associate;
- tax credit;
- reversal of impairment on loan receivables;
- 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, gain from bargain purchase of a subsidiary and an associate, and loss on deemed disposal of an associate

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

Segment assets include all assets except for interests in associates and available-for-sale ("**AFS**") financial assets.

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

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

For the year ended 31 December 2017

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

As at 31 December 2017

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

For the year ended 31 December 2017

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

For the year ended 31 December 2016

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Revenue from external customers	—	312	312
Segment results	(26,737)	(5,165)	(31,902)
Reversal of impairment on loan receivables			364
Loss on deemed disposal of an associate			(5,805)
Impairment loss on interest in an associate			(97)
Gain from bargain purchase of a subsidiary			31,686
Gain from bargain purchase of an associate			1,356
Share of results of associates			(831)
Consolidated loss before tax credit			(5,229)

As at 31 December 2016

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Segment assets	193,593	8,146	201,739
Interests in associates			3,055
AFS financial assets			1,726
Total assets			206,520
Segment liabilities	1,970	3,904	5,874
Deferred tax liabilities			19,318
Total liabilities			25,192

For the year ended 31 December 2016

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Interest income on bank deposits	5	—	5
Reversal of impairment on loan receivables	—	364	364
Net losses on derivative financial instruments	—	602	602
Depreciation	(21)	(49)	(70)
Amortisation	(22,887)	—	(22,887)
Net gains on FAFVPL	—	3,049	3,049
Capital expenditure	(2)	(30)	(32)

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

	Revenue from external customers		Non-current assets	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
China	—	—	1	1
Hong Kong (domicile)	79	1	17	29
United Kingdom	5,158	311	165,178	196,287
	5,237	312	165,196	196,317

The geographical location of customers is based on the location of exchange on which the Group's investments are traded. The geographical location of the non-current assets is based on the physical location of the assets.

4. Operating Loss

	2017 US$'000	2016 US$'000
Operating loss is arrived at after charging:		
Auditors' remuneration		
– audit services	213	208
– review services	68	56
– other services	—	114
Depreciation of property, plant and equipment	36	70
Amortisation of intangible asset	28,047	22,887
Operating lease charges on property and equipment	666	633
Impairment loss of interest in an associate (note 9(v))	1,875	97
Realised loss on disposal of FAFVPL@ (1)	42	—
Realised loss on derivative financial instruments@ (2)	—	459
Unrealised loss on derivative financial instruments@ (2)	186	143
Foreign exchange losses, net*	40	431
and crediting:		
Interest income on bank deposits and loan receivables*	—	5
Other interest income*	—	30
Realised gain on disposal of FAFVPL@ (1)	—	175
Realised gain on disposal of AFS financial assets@	—	677
Unrealised gain on FAFVPL@ (1)	4,484	2,874
Dividend income from listed securities*	—	11
Reversal of impairment on loan receivables#	—	364

@ These amounts constitute the fair value gain on financial instruments of US$4,256,000 (2016: US$3,124,000) in the consolidated statement of comprehensive income.

(1) During the year ended 31 December 2017, net gains on financial assets at fair value through profit or loss amounted to US$4,442,000 (2016: US$3,049,000), of which a net unrealised gain of US$4,484,000 (2016: US$2,874,000) was recorded.

(2) During the year ended 31 December 2017, net losses on derivative financial instruments amounted to US$186,000 (2016: US$602,000), of which a net unrealised loss of US$186,000 (2016: US$143,000) was incurred.

* Included in revenue.

During the year ended 31 December 2016, an impairment on loan receivables of US$364,000 from Blue Pacific Coal Pte. Ltd. was reversed as an aggregate amount of US$364,000 was received during the year.

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

	2017 US$'000	2016 US$'000
Salaries, discretionary bonuses and benefits in kind (note)	3,858	3,788
Pension costs - defined contribution plans	42	118
	3,900	3,906

Note: No bonuses were paid in the financial years ended 31 December 2017 and 2016.

6. Tax Credit

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

	2017 US$'000	2016 US$'000
United Kingdom		
– current year	(177)	(483)
Deferred tax credit	(2,805)	(2,282)
Tax credit	(2,982)	(2,765)

No provision for profits tax has been made in these financial statements as all the Group's companies which are subject to such tax have sustained losses for taxation purposes for the years ended 31 December 2017 and 2016. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

A tax credit of US$2,805,000 (2016: US$2,282,000) represents the deferred tax credit arising on the amortisation charge for the year relating to the intangible asset of the patent Fortacin™.

Share of associates' tax credit for the year ended 31 December 2017 of US$75,000 (2016: US$86,000) is included in profit or loss as share of results of associates.

7. Dividends

No dividend was paid or proposed during the year of 2017, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

8. Losses per Share

The calculation of basic losses per share is based on the loss attributable to the shareholders for the year of US$27,359,000 (2016: US$2,460,000) and on the weighted average number of ordinary shares of 1,810,949,812 (2016: 1,479,245,409) in issue during the year.

There were no share options outstanding as at 31 December 2017. The share options outstanding had an anti-dilutive effect on the basic losses per share of the Group for the year ended 31 December 2016, and accordingly, the effect of the share options was not included in the calculation of diluted losses per share for the year ended 31 December 2016.

9. Interests in Associates

(i) At 31 December 2017, the Group's associates and their carrying value comprised the following:

	2017 US$'000	2016 US$'000
The Diabetic Boot Company Limited	1	3,054
West China Coking & Gas Company Limited ("**West China Coke**")	1	1
	2	3,055

Share of associates' tax credit for the year ended 31 December 2017 of US$75,000 (2016: US$86,000) is included in profit or loss as share of results of associates.

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

Name of associate	Country of incorporation/ continuation/ operation	Type of legal entity	Issued and fully paid share capital held in associate	Percentage of equity interest attributable to the Company		Principal activities
				2017	2016	
Held directly:						
Diabetic Boot	United Kingdom	UK Limited Liability Company	Ordinary shares of GBP 133.23	22%	22%	Design, promotion and production of medical products
Held indirectly:						
West China Coke	The People's Republic of China	Sino-foreign Joint Venture Company	Injected capital of RMB 79,910,000	25%	25%	Production, processing and sale of coal, coke, gas and coal chemicals

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

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

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

	2017 US$'000	2016 US$'000
As at 1 January	3,055	17,295
Loss on deemed disposal of an associate, Plethora Solutions Holdings plc ("**Plethora**") (note 9(iii))	—	(2,678)
Reclassification of the interest in Plethora to subsidiary (note 9(iii))	—	(14,046)
Reclassification of the interest in Diabetic Boot from AFS financial assets (note 9(iv))	—	2,661
Gain from bargain purchase of Diabetic Boot (note 9(iv))	—	1,356
Impairment loss of Diabetic Boot (note 9(v))	(1,875)	(97)
Share of results of associates	(1,067)	(831)
Exchange loss on translation of financial statements of associates	(111)	(605)
As at 31 December	2	3,055

(iii) Loss on deemed disposal of an associate arising from Plethora reclassified as a subsidiary as of 9 March 2016

As explained in more detail in note 13, the Group acquired all of Plethora's issued and to be issued ordinary share capital that it did not already own by way of a scheme of arrangement on 9 March 2016. Plethora subsequently became a wholly-owned subsidiary of the Group. Under HKFRS 3 (Revised) "Business Combinations" ("**HKFRS 3**"), the Group was required to re-measure its previously held equity interest in Plethora (amounting to 86,799,490 shares) at its acquisition date fair value and recognise the resulting gain or loss in profit or loss.

	2016 US$'000
Carrying value of interest in Plethora at 1 January 2016	17,294
Add: Share of Plethora's profit to 9 March 2016	17
Less: Share of current period exchange reserve movement	(587)
Carrying value of interest in Plethora at 9 March 2016	16,724
Less: Fair value of equity interest in Plethora at 9 March 2016	(14,046)
Loss on deemed disposal	2,678
Add: Release of foreign currency translation reserve related interest in Plethora	3,127
Loss on deemed disposal of an associate (Plethora) recognised in profit or loss	5,805

(iv) Diabetic Boot reclassified as an associate from available-for-sale financial assets as of 11 May 2016

Diabetic Boot is a private limited company incorporated in the United Kingdom. It is essentially a single product medical device company focused on the treatment of diabetic foot ulcers ("**DFUs**"), which are a comorbidity of diabetes mellitus. Currently, the treatment options available for DFUs are very narrow and have limited efficacy. Diabetic Boot has a unique and patented technology offering to treat DFUs under the trade name "PulseFlowDF".

This cutting–edge technology combines two proven treatment strategies – offloading and intermittent pneumatic compression, in an innovative Class II medical device. The device features a biomechanically active but unobtrusive design and state-of-the–art construction materials to simultaneously increase blood flow, offload the wound and protect the foot from further injury.

The Company first acquired an interest in Diabetic Boot in 2015, purchasing 89,753 shares for a consideration of US$1,842,000. This investment represented an interest of 16.79% of Diabetic Boot's then issued share capital, and was accounted for as an available-for-sale financial asset in the Group's consolidated statement of financial position at 31 December 2015.

On 19 April 2016, the Company entered into a Binding Term Sheet (the "**Agreement**") with Diabetic Boot to potentially acquire a further 130,434 new Diabetic Boot shares at GBP 23 per share (US$32.84 per share) in cash and 65,217 warrants each exercisable at GBP 26.45 per share (or approximately US$37.76 per share) for an aggregate consideration of GBP 2,999,982 (or approximately US$4,283,074). The Agreement provided for these additional shares to be acquired and paid over three equal tranches. The three tranches had final dates at which the relevant conditions/performance obligations for each such tranche had to be satisfied by Diabetic Boot or waived by the Company, being 31 May 2016, 30 September 2016 and 31 December 2016 respectively. The Company essentially had: (i) a conditional obligation to acquire the Tranche 1 and 2 shares and warrants upon Diabetic Boot fulfilling or satisfying its Tranche 1 and 2 conditions/performance obligations set out under the Agreement or such conditions/performance obligations being waived by the Company; and (ii) a right (option) to acquire Tranche 3 shares and warrants irrespective of whether Diabetic Boot was able to fulfill its conditions/performance obligations set out under the Agreement. Diabetic Boot fulfilled the conditions/performance obligations of Tranche 1 on 11 May 2016, and the Company accordingly acquired the Tranche 1 shares and warrants. At 11 May 2016, the Company's interest in Diabetic Boot increased to approximately 23%, which was subsequently diluted to 22% by way of a further placement of shares to third parties on 2 June 2016. The Tranche 2 and 3 conditions/performance obligations were not satisfied within the stipulated timeframes and, consequently, the Company had no obligation to subscribe to these tranches, and the Company elected not to take up its option to acquire these shares/warrants. Further details of the terms and conditions in the Agreement are set out in the Company's announcement to shareholders dated 20 April 2016.

Under the Agreement, upon the purchase of Tranche 1 shares, the Company also acquired the right to nominate two persons to Diabetic Boot's board of directors. Under HKAS 28 "Investments in Associates and Joint Ventures" ("**HKAS 28**"), an investor equity accounts for its interest in an investee as an associate when it has significant influence. As the Company held more than a 20% equity interest in Diabetic Boot and had the ability to influence Diabetic Boot's policies and operations via its ability to nominate persons to its board of directors, the Group considered it had significant influence and accordingly equity accounted for its interest in Diabetic Boot as an associate as of 11 May 2016.

Under HKAS 28 and the Group's accounting policies, when Diabetic Boot was first accounted for as an associate: (i) the Group was required to calculate goodwill based on the consideration paid and the share of fair value of net assets acquired. If the sum of this consideration was lower than the fair value of the net assets acquired, the difference was recognised in profit or loss as a gain from bargain purchase; (ii) a critical component of the fair value of Diabetic Boot's assets and liabilities on the date it became an associate, being the fair value of its "PulseFlowDF" patented technology, was not reflected in the financial statements of Diabetic Boot. To assist the Directors to fair value this intangible asset, the Company engaged an independent expert valuation firm, Grant Sherman Appraisal Limited ("**Grant Sherman**"), to determine the fair value of that asset. Key assumptions underlying that valuation, which the Directors reviewed and adopted are set out below; and (iii) in respect of the previously held interest in Diabetic Boot which was accounted for as an available-for-sale financial asset, under HKAS 28/HKFRS 3 it was treated as if it was disposed of and reacquired at fair value at the acquisition date.

Fair value of Diabetic Boot's assets and liabilities as of 11 May 2016 are set out below:

	Fair value US$'000	Carrying value US$'000
Property, plant and equipment	80	80
Intangible asset- PulseFlowDF*	19,405	—
Inventories	427	427
Trade and other receivables	467	467
Cash and cash equivalents	1,011	1,011
Trade and other payables	(447)	(447)
Income tax payable	(16)	(16)
Deferred tax liability (arising from the intangible asset)	(3,493)	—
	17,434	1,522

* *The valuation of PulseFlowDF was based on the "Relief-from-Royalty method", whereby the value of the patent is based on the present worth of future economic benefits to be derived from the projected royalty income. This method is widely accepted and commonly used valuation method to value intangible assets, including patents and trademarks. Key assumptions underlying the valuation were Diabetic Boot's market penetration rate, the rate at which the diabetic population would grow, a discount rate of 31.8%, a royalty rate and life of the patent. A corresponding deferred tax liability of US$3,493,000 was determined based on the valuation of the patent under the "Relief-from-Royalty method" using the expected corporate tax rate at which the royalty income from this intangible asset would be taxed.*

Calculation of bargain purchase gain of Diabetic Boot as at 11 May 2016 is set out below:

	US$'000
Carrying value of previously held interest in Diabetic Boot carried forward at 1 January 2016	1,842
Add: Attributable costs of additional 43,478 shares acquired in Diabetic Boot under Tranche 1	819
Total cost	2,661
Less: Attributable shares of Diabetic Boot's net assets at fair value (23.04% of US$17,434,000)	4,017
Gain from Bargain purchase on Diabetic Boot interest recognised in profit or loss	1,356

(v) Assessment for impairment of associates

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

During the year ended 31 December 2016, the Directors carried out an impairment assessment by determining whether the recoverable amount of the interest in Diabetic Boot was greater than its carrying value. To determine the recoverable amount, the Directors carried out a value in use calculation using essentially the same basis/model as used in the exercise to determine the fair value of the associate's net assets on acquisition date (as set out in (iv) above). The recoverable amount of the Group's interest in Diabetic Boot was calculated based on cash flow forecasts covering a period up to 2026 representing the remaining estimated useful life of the patent. The rate used to discount the forecast cash flows was 30.63%. The key assumptions for the value in use calculations were Diabetic Boot's market penetration rate, the rate at which the diabetic population would grow, royalty rate and life of the patent. The value in use figure determined as at 31 December 2016 was lower than the carrying value of the interest in the associate and accordingly, an impairment loss of US$97,000 was recognised in profit or loss for the year ended 31 December 2016.

(vi) Summarised financial information of associates

The following table illustrates the summarised aggregate financial information of the Group's material associate, Diabetic Boot, as at 31 December 2016/for the year ended 31 December 2016 prepared in accordance with International Financial Reporting Standards which are equivalent to HKFRSs and adjusted for the effect of the fair value adjustments at the dates Diabetic Boot became an associate of the Group.

	2016 US$'000
As at 31 December	
Non-current assets^	17,825
Current assets	1,377
Current liabilities	(554)
Non-current liabilities	(4,766)
Net assets	13,882
Included in the above amounts are:	
Cash and cash equivalents	59
For the year ended 31 December	
Revenue	156
Loss for the year	(3,855)
Other comprehensive income for the year	(82)
Total comprehensive income for the year	(3,937)
Dividend received from an associate	—
Included in the above amounts are:	
Depreciation and amortisation	(1,247)
Interest income	1
Interest expense	—
Tax credit	224

^ It comprises primarily of the intangible asset, PulseFlowDF, as explained in note 9(iv).

Reconciliation to the carrying amount of the Group's interests in associates:

	Diabetic Boot
	2016
	US$'000
Net assets attributable to the equity holders of the associate	14,321
Group's effective interest	22%
Group's share of net assets of the associate	3,151
Impairment loss (note 9(v))	(97)
Goodwill	—
Carrying amount of the Group's interest in the associate in the consolidated financial statements (note 9(i))	3,054

The following table illustrates the summarised aggregate financial information of the associates, Diabetic Boot and West China Coke (2016: West China Coke), which is not material to the Group.

	Diabetic Boot and West China Coke	West China Coke
	2017	2016
	US$'000	US$'000
For the year ended 31 December		
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	2	1
Aggregate amount of the Group's share of those associates		
Loss for the year	(1,067)	—
Other comprehensive income for the year	(111)	—
Total comprehensive income for the year	(1,178)	—

10. Available-for-sale Financial Assets

	2017 US$'000	2016 US$'000
As at 1 January	1,726	5,367
Additions	199	819
Disposals	—	(1,799)
Reclassified to interest in associates (note 9(iv))	—	(2,661)
As at 31 December	1,925	1,726

Available-for-sale financial assets include the following:

	2017 US$'000	2016 US$'000
Unlisted securities		
Club debenture, at cost	19	19
Equity securities, at cost	1,906	1,707
	1,925	1,726

Available-for-sale financial assets include investments in certain unlisted securities, which are measured at cost less impairment as there is no quoted market price in active markets for the investments and the variability in the range of reasonable fair value estimates of the investments is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group plans to hold these investments for the foreseeable future.

During the year ended 31 December 2017, there was no impairment on the Group's investment in available-for-sale financial assets (2016: Nil).

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

At 31 December 2017 and 2016, the ageing analysis of the trade payables was as follows:

	2017 US$'000	2016 US$'000
Due within 1 month or on demand	—	98
Due after 3 months but within 6 months	182	592
More than 6 months	—	901
	182	1,591

12. Charge on Assets

As announced by the Company on 28 January 2013, 18 April 2013 and 23 August 2013 and as further disclosed in the Company's half yearly and annual reports since 2013, the Company received orders from the Federal Court of Australia in relation to an assessment issued by the Commissioner of Taxation ("**COT**") in the amount of A$12.78 million (or approximately US$13.49 million at the then exchange rate between A$ and US$) following completion of the sale of its securities in BC Iron Limited ("**BCI**") for gross proceeds of A$81.61 million (or approximately US$84.73 million at the then exchange rate between A$ and US$) (the "**Assessment**"). The amount of potential tax assessed was expressed to be 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 (or approximately US$8.54 million at the then exchange rate between A$ and US$).

Following consultation with the COT and pursuant to the terms of the Settlement Deed (as defined in the announcement dated 18 April 2013), the Company agreed to grant The Commonwealth of Australia, represented by the COT, a specific security deed (as amended by way of a deed of amendment dated 27 November 2013) (together, the "**Specific Security Deed**") in respect of certain of the Company's holding of 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 31 December 2017) was A$10.04 million (or approximately US$7.84 million), as security against the Assessment, in consideration of the COT taking steps to discontinue the Court orders within 7 days of the date of the Specific Security Deed and staying 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 31 December 2017 (2016: Nil).

13. Business Combination

On 9 March 2016, the Group acquired the entire issued and to be issued ordinary share capital of Plethora (other than Plethora's shares held by the Group) by means of a scheme of arrangement. Plethora is a UK-based specialty pharmaceutical company dedicated to the development and marketing of products for the treatment and management of urological disorders. The acquisition was made to pursue strategic and value-led investments in the healthcare and life sciences sectors. The Group obtained control over Plethora on the date of completion of the acquisition, which has been accounted for using the step acquisition method.

The fair value of identifiable assets and liabilities of Plethora as at the date of acquisition were as follows:

	US$'000	US$'000
Net assets acquired:		
Intangible asset (Fortacin™)	216,000	
Deferred tax liabilities	(21,600)	
Property, plant and equipment	85	
Cash and bank balances	564	
Prepayments and other receivables	742	
Accounts payable, accruals and other payables	(3,276)	
		192,515
Satisfied by:		
Fair value of consideration shares issued	(143,067)	
Fair value of 86,799,490 Plethora shares originally held by the Group (note 9(iii))	(14,046)	
Intangible assets – Sharwood promissory note	(3,376)	
Derivative financial instruments (Plethora's fundraising warrants)	(340)	
		(160,829)
Gain from bargain purchase recognised in profit or loss		31,686
Net cash inflow arising on acquisition:		
Cash and bank balances acquired		564

The Group measured Plethora's intangible asset (Fortacin™) at the acquisition date fair value to be GBP 175 million (equivalent to approximately US$216 million), which was estimated with reference to a valuation report prepared by Grant Sherman, an independent expert valuation firm. The fair value was determined by applying an income approach technique known as a discounted cash flow method with an assumed discount rate of between 15% and 18%. Other key assumptions underlying the valuation were the premature ejaculation prevalence rates in Plethora's target markets (estimated at 25% or 1:4 men) and the growth rates and royalty rates in each of the five major geographic regions/markets that Fortacin™ would be marketed and sold in. The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent asset with similar risk.

The fair value of the consideration shares issued was determined by reference to the Company's share price of HK$0.08 per share at 9 March 2016. Under the scheme of arrangement, each registered Plethora shareholder received 15.7076 Regent shares in exchange for each share they held as at 9 March 2016 (the acquisition date). In aggregate, the Company issued 13,886,781,298 new Regent shares to effect the scheme of arrangement, rendering Plethora a wholly-owned subsidiary of the Group, resulting in gain from bargain purchase of US$31,686,000, which was recognised in profit or loss for the year ended 31 December 2016.

The acquisition-related costs of approximately US$2.20 million, which comprised primarily professional and consulting fees, were charged to profit or loss for the year ended 31 December 2016.

The fair value of other receivables at the date of acquisition amounting to US$672,000 was also the gross contractual amounts of these receivables. None of the contractual cash flow of these amounts was estimated to be uncollectable.

The acquired business did not contribute any revenue for 2016 and generated loss after tax of approximately US$23,753,000 (excluding gain from bargain purchase of US$31,686,000) to the Group for the period from 9 March 2016 to 31 December 2016.

Had the acquisition occurred on 1 January 2016, the Group's revenue and loss after tax would have been approximately US$312,000 and US$12,335,000 respectively for the year ended 31 December 2016.

This pro forma information is for illustrative purpose and is not necessarily an indication of revenue and the results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

14. Event after the Reporting Period

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

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

Revenue and Profit

The Group recorded a loss attributable to the shareholders of the Company of US$27.36 million in 2017 (2016: US$2.46 million).

The Group (revenue and fair value gain on financial instruments) recorded a gain of US$9.49 million (2016: US$3.44 million).

The Group's associate, Diabetic Boot, recorded a share of loss of US$1.07 million for the year ended 31 December 2017.

The main elements of the loss are analysed as follows:

	US$ million
Milestone income	5.27
Amortisation of an intangible asset, Fortacin™	(28.05)
Research and development expenditure incurred by Plethora	(2.46)
Fair value gain on financial instruments	4.26
Impairment loss on interest in an associate	(1.88)
Tax credit	2.98
Operational expenses	(7.48)
Total loss attributable to shareholders of the Company	(27.36)

Financial Position

Shareholders' equity decreased by 12.43% to US$158.83 million as at 31 December 2017 from US$181.37 million as at 31 December 2016. The decrease was mainly due to: (i) the net loss attributable to shareholders of the Company of US$27.36 million for the year ended 31 December 2017; and (ii) the decrease of foreign currency exchange reserve of US$0.14 million; and this was offset against: (iii) the increase of share capital and share premium of US$4.95 million by issuing shares through a placing and top-up subscription.

The Group's assets comprised: (i) an intangible asset of US$165.13 million; (ii) listed and unlisted investments of US$10.70 million; (iii) cash and bank balances of US$2.25 million; and (iv) property, plant and equipment and other receivables of US$0.74 million.

The Group's liabilities comprised: (i) deferred tax liabilities of US$16.51 million; and (ii) payables and accruals of US$3.54 million.

Strategic Plan

The Board and the Company's senior management play an active role in the Company's strategy development and planning process. The CEO regularly interacts with the Board in respect of the strategic plan and direction of the Company, during which meetings the CEO seeks and is provided input in respect of the proposed priorities and initiatives previously discussed and agreed with senior management, aiming at developing an agreed approach for the Company to generate and preserve its long-term value, while agreeing shorter term priorities and objectives. In addition, the risks associated with the current operations and strategy of the Company are 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:

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

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

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

Funding

As at 31 December 2017, the Group had US$2.25 million in cash that represented 1.42% of its total shareholders' equity, which does not take into account the Group's holding of securities of financial assets at fair value through profit or loss that amounted to US$8.78 million.

Gearing Ratio

No gearing ratio (being long term debts over total equity and long term debts) is calculated as there was no long term debt as at 31 December 2017.

Contingent Liabilities

Save as those disclosed in "Litigation" below, the Group has no other material contingent liabilities as at 31 December 2017.

Litigation

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$11.85 million (or approximately US$8.54 million at the then exchange rate between A$ and US$) (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), which excludes interest that has accrued on this amount since 2 December 2013 (which, as at 2 January 2018, was approximately A$5.41 million (or approximately US$4.14 million at the then exchange rate between A$ and US$)). 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**" referred to above), 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 has 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 31 December 2017) was approximately A$10.04 million (or approximately US$7.84 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. While a trial date has not yet been set, the matter is now set to be litigated through the Australian court system. The Company is continuing to take advice as to the next appropriate steps from its Australian advisers. The aforementioned security over the above mentioned Australian securities held by the Company, previously granted to the Commissioner of Taxation, remains.

Charge on Assets

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

Following consultation with the Commissioner of Taxation 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 Commissioner of Taxation, a specific security deed (as amended by way of a deed of amendment dated 27 November 2013) (together, the "**Specific Security Deed**" referred to above) 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 aggregate market value (as at 31 December 2017) was approximately A$10.04 million (or approximately US$7.84 million) as at 31 December 2017 respectively, as security against the Assessment, in consideration of the Commissioner of Taxation taking steps to discontinue the Court orders within 7 days of the date of the Specific Security Deed and staying 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 were pledged as at 31 December 2017 (2016: Nil).

Management of Risk

In 2017, the most significant risk affecting the profitability and viability in respect of the Group is the continued success and revenue derived from its listed equity portfolio and in respect of the Group's interest in Plethora. Risks relating to the Group's interests include:

Equity Markets

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

Foreign Exchange Risk

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

Interest Rate Risk

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

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

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

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

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

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

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

Financial Instruments

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

In the course of the Group's normal operations, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 December 2017, the amount of these margin deposits was nil (2016: Nil). In terms of the total operations of the Group, activities of this nature are of limited materiality.

Foreign Currency

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

Material Acquisitions and Disposals

As previously announced, during the year the Group disposed of its entire interest in Condor for an aggregate consideration of approximately US$2.51 million in cash.

Segmental Information

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

Employees

The Group, including subsidiaries but excluding associates, employed approximately 19 employees at 31 December 2017 (2016: 19 employees). The remuneration policy is to reward key employees by a combination of salaries, profit related discretionary bonuses and share options and share awards, where appropriate. For employees below Board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by the remuneration committee of the Board (the "**Remuneration Committee**"). In all cases, profit related discretionary bonuses and grants of share rewards will be agreed by the Remuneration Committee.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

THE CORPORATE GOVERNANCE CODE

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

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

As far as the Directors are aware, the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2017 and prior to the date of this announcement.

REVIEW BY THE AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2017 have 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 8 June 2016 to repurchase, on the HK Stock Exchange, as adjusted for the 10 for 1 share consolidation which took effect on 10 June 2016, shares up to a maximum of 173,725,118 shares (the "**2016 Repurchase Mandate**"). Since 8 June 2016, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2016 Repurchase Mandate.

The 2016 Repurchase Mandate expired upon close of the Company's annual general meeting held on 2 June 2017, 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 "**2017 Repurchase Mandate"**). Since 2 June 2017 and prior to the date of this announcement, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2017 Repurchase Mandate.

Save for the above, the Company or its subsidiaries did not purchase, sell or redeem any of their listed securities, whether on the HK Stock Exchange or otherwise, during the year ended 31 December 2017 or subsequent to the year 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 ANNUAL REPORT

The annual report containing full details of the Company's audited final results for year ended 31 December 2017 will be despatched to all its shareholders and be published on the aforesaid websites before 30 April 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, 23 March 2018