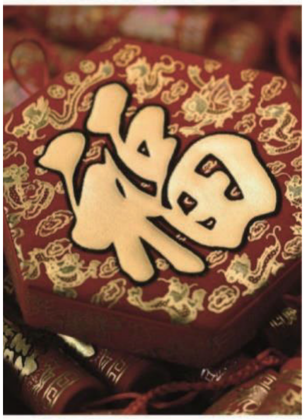
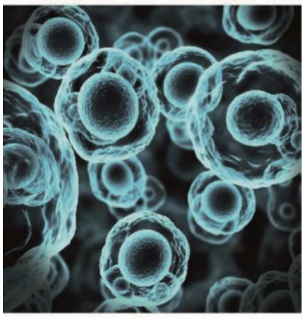
REGENT PACIFIC GROUP LIMITED





(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 0575 31 March 2020

ANNOUNCEMENT

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AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

PERFORMANCE OVERVIEW

A summary of the financial performance and other notable events for 2019 includes:

- A loss attributable to shareholders of the Company of approximately US$66.05 million, which was mainly attributable to: (i) an impairment loss on Fortacin™, the intangible asset, of US$26 million, a non-cash item; (ii) an amortisation charge of approximately US$28.05 million on Fortacin™, the intangible asset, a non-cash item; (iii) a settlement amount of A$9.50 million (or approximately of US$6.67 million) with the Australian Tax Office ("**ATO**") in respect of a capital gain tax dispute; (iv) the unrealised marked-to-market loss in respect of the Company's equity portfolio of financial assets at fair value through profit or loss ("**FAFVPL**") of approximately US$1.27 million; and (v) the Group's operating expenses.

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- Shareholders' equity of approximately US$62.50 million, a decrease of approximately 50.64% as compared with that at 31 December 2018, with the decrease being mainly attributable to the impairment and amortisation charges totalling approximately US$54.05 million as described above.

- Recordati S.p.A ("**Recordati**") launched Fortacin™ in the United Kingdom (the "**UK**") in February 2019, with planned launches in Romania to follow later in 2020 and it may be rolled out in their other countries over the coming years, subject to the status of the COVID-19 pandemic and the anticipated switch of Fortacin™ to "over-the-counter" ("**OTC**") status from prescription ("**Rx**").

- In parallel with the European and Asian roll-out efforts of Fortacin™, the Group has further progressed the approval process with The Food and Drug Administration of the United States (the "**US**") Department of Health and Human Services (the "**FDA**"), with a view to completing the Phase II validation by the end of 2020, commencing Phase III work in the latter half of 2021, making a New Drug Application ("**NDA**") in the first half of 2022, giving a Prescription Drug User Fee Act ("**PDUFA**") date in Q1 2023, subject to the status of the COVID-19 pandemic.

- Wanbang Pharmaceutical Marketing and Distribution Co., Ltd. ("**Wanbang Pharmaceutical**"), a wholly-controlled company of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., has informed the Company that it is now on course for submitting the investigational new drug ("**IND**") application for clinical trial approval ("**CTA**") by Q3 2020, to commence clinical trials in China, meaning that the CTA could be obtained between Q4 2020 and Q1 2021, triggering, as per the terms of the licence agreement with Wanbang Pharmaceutical and announced on 3 December 2018, a payment of US$4 million to the Group.

- Licensee of Plethora Solutions Limited ("**Plethora**"), Orient EuroPharma Co., Ltd. ("**Orient EuroPharma**"), a company registered in Taiwan, in respect of the rights to commercialise Fortacin™, was granted licensing permission from the Hong Kong Department of Health – Drug Office to market and distribute Fortacin™ in the Hong Kong Special Administrative Region ("**HK**"). Also, during the year ended 31 December 2019, Orient EuroPharma was granted permission from the Macau Special Administrative Region – Health Bureau to market and distribute Fortacin™ in the Macau Special Administrative Region ("**Macau**"). Select other territories in Asia, being Taiwan, Malaysia, Brunei, Singapore, Philippines, Thailand and Vietnam, but excluding The People's Republic of China, are expected to grant import, distribution and licensing permission as and when the application process is satisfied for each jurisdiction over the coming months and years. Pursuant to the licence agreement, the Group, acting through Plethora, will be eligible to receive the remaining payments of up to US$1.45 million, excluding royalties after achieving certain milestones related to the roll-out in each market.

- From a business development standpoint, during the 2019 financial year, the Group looked closely at a number of acquisition and investment opportunities in the wellness sector, mainly opportunities to enter into the hemp sector in China, with a particular focus on hemp cannabidiol ("**CBD**") infused products and opportunities around cultivation and commercialisation associated with such products. Unfortunately, the Group's investment objectives were not achievable with any of the diligenced opportunities, largely due to valuation concerns.

- As announced by the Company on 29 May 2019 and 23 August 2019, the Company entered into two conditional subscription agreements with certain subscribers, including James Mellon, Galloway Limited ("**Galloway**") (an associate of James Mellon) and Jamie Gibson (together, the "**Subscribers**"), pursuant to which the Company issued convertible notes in the principal amount of US$6.45 million, in one tranche. Both subscription agreements were inter-conditional upon each other and the issue of the convertible notes to James Mellon, Galloway and Jamie Gibson were connected transactions of the Company requiring approval of independent shareholders. While a larger capital raise had initially been envisaged, in light of the discontinuance of a possible acquisition in the hemp sector in China, with a particular focus on hemp CBD infused products, the Company agreed to allow certain Subscribers to withdraw from or reduce their subscription of the convertible note issuance and decided to continue to close the financing with the remaining Subscribers, under both subscription agreements, in respect of US$6.45 million, to be issued in one tranche on the same terms and conditions as previously disclosed. As the two subscription agreements were inter-conditional upon each other, from a technical standpoint, the Subscribers under the connected subscription agreement agreed to waive inter-conditionality with the third party subscription agreement to facilitate closing of the reduced financing. On 23 August 2019, the issue of convertible notes to the Subscribers successfully closed.

- Actively monitoring its existing and strategic investment in Venturex Resources Limited ("**Venturex**"), representing approximately 8.44% of the share capital of the company as at 31 December 2019.

- As announced on 18 March 2019, during the year, the Group successfully negotiated and executed a settlement agreement with the ATO in respect of its dispute with the Australian tax authorities in connection with a disposal by the Group of an investment in BC Iron Limited ("**BCI**"), a company listed on the Australian Securities Exchange. The settlement reached was in respect of a fixed amount of A$9.5 million (or approximately US$6.67 million), which was well below the total potential amount payable to the ATO and facilitated the discontinuance of the litigation.

With a streamlined focus and sensible capital structure, the Company remains excited about the future prospects for the Group and its shareholders and will: (i) continue to pursue the successful commercialisation of Fortacin™ as quickly as possible, with the European roll-out with Recordati launched in March 2018 and in the UK in February 2019, as well as in the remaining key markets of the US, China, Asia, Latin America and the Middle East; and (ii) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

CHAIRMAN'S STATEMENT

2019 was a challenging year for the Group. While the group has successfully teamed with its commercial partners, including Recordati, for the launch of Fortacin™ in France, Germany, Italy, Spain, Portugal and, as of February 2019, the UK, the roll out has been stifled somewhat by two key factors being: (i) a low number of premature ejaculation ("**PE**") patients seeking advice and visiting a specialist for treatment (with the key reasons being given due to the embarrassment factor and lack of awareness about treatments available for PE); and (ii) certain manufacturing issues being experienced by Pharmaserve North West Limited ("**PSNW**"), which has led to the delay of product being delivered to Recordati in a timely manner. While our commercial partners are refining the commercialisation strategy of Fortacin™, we are continuing to work diligently towards creating a steady stream of recurring cash flow for the years to come. Against this backdrop, I report the Group's results for the year ended 31 December 2019.

Financial Highlights and Review

The Group recorded a loss attributable to shareholders of the Company of approximately US$66.05 million, which was mainly attributable to: (i) an impairment loss on Fortacin™, the intangible asset, of US$26 million, a non-cash item; (ii) an amortisation charge of approximately US$28.05 million on Fortacin™, the intangible asset, a non-cash item; (iii) a settlement amount of A$9.50 million (or approximately of US$6.67 million) with the ATO in respect of a capital gain tax dispute; (iv) the unrealised marked-to-market loss in respect of the Company's equity portfolio of FAFVPL of approximately US$1.27 million; and (v) the Group's operating expenses.

While it was disappointing that profitability could not, again, be achieved for 2019, this was entirely understandable, given the ongoing work and resources allocated to refining the commercialisation strategy of Fortacin™ with our commercial partners. With all that said, we are continuing to work diligently with our partners on the further commercial roll-out of Fortacin™ with a view to creating a steady stream of recurring cash flow for the Group in the years to come.

In this respect, the Group now looks forward to working towards receiving further payments under its licence agreement with Recordati, pursuant to which the Group is eligible to receive remaining payments of up to EUR 33 million (or approximately US$37.06 million) plus royalties after achieving certain milestones related to the European roll-out.

Similarly, the Group is working closely with: (i) Wanbang Pharmaceutical in respect of the rights to commercialise Fortacin™ in The People's Republic of China, excluding Taiwan, HK and Macau; and (ii) Orient EuroPharma in respect of the rights to commercialise Fortacin™ in select territories in Asia, being Taiwan, HK, Macau, Malaysia, Brunei, Singapore, Philippines, Thailand and Vietnam, but excluding The People's Republic of China. Pursuant to these licence agreements, the Group is eligible to receive the remaining payments of up to: (i) US$37 million, excluding royalties after achieving certain milestones related to the Wanbang Pharmaceutical roll-out; and (ii) US$1.15 million excluding royalties after achieving certain milestones related to the Orient EuroPharma roll-out.

The Group's portfolio of FAFVPL incurred a net realised and unrealised loss of approximately US$1.04 million for the year ended 31 December 2019. The total value of our portfolio of FAFVPL was approximately US$2.05 million as at 31 December 2019, down from approximately US$5.50 million in 2018, which was mainly due to: (i) the unrealised fair value loss of US$1.27 million; and (ii) the cost of sales of US$2.18 million due to disposal of FAFVPL.

Given the stage the Group is currently at, financial inflows are currently minimal. During the year, I was therefore pleased to be able to offer my support by way of shareholder's loans to help address the financial and working capital needs of the Group. In addition, during the year, the Group was also successful in issuing convertible notes in the principal amount of US$6.45 million, which I participated in.

From a financial standpoint, we achieved a positive resolution and settled the long running dispute with the ATO in respect of a disposal by the Group of an investment in BCI. The settlement reached was in respect of a fixed amount of A$9.5 million (or approximately US$6.67 million), which was well below the total potential amount payable to the ATO and facilitated the discontinuance of the litigation.

Shareholders' equity decreased by 50.64% to approximately US$62.50 million as at 31 December 2019 from approximately US$126.62 million as at 31 December 2018, which was mainly due to the impairment and amortisation charges totalling approximately US$54.05 million as described above.

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 our key commercial partners and stakeholders in this sector.

Recordati, the Company's licence partner for Fortacin™ in Europe, relaunched Fortacin™ in its key countries of France, Germany, Italy, Portugal, Spain and the UK after certain manufacturing issues were experienced by PSNW and currently uptake has been much lower than expected. The key issue remains whereby a low number of PE patients are seeking advice and visiting a specialist for treatment (with key reasons being given due to the embarrassment factor 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 prescribe 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' feedbacks were very positive as well, with the most frequently asked question is about how to use Fortacin™.

Compounding the low take up rate for Fortacin™, in the latter half of 2019, PSNW unfortunately experienced further manufacturing issues where the delivery date of certain batches were postponed due to different problems faced by PSNW in the manufacturing process. This also led to lower sales by Recordati during the year and postponed the roll out of Fortacin™ by Recordati in Romania to 2020 that were previously planned in 2019.

In order to address the low level of sales, Recordati has looked into the ability for switching the status of Fortacin™ to OTC from Rx, as they believe that with direct to consumer ("**DTC**") advertising (which is prohibited in the European Union market like all other markets apart from the US and New Zealand), they can drive sales higher via a multitude of channels as the main barrier for capturing prescriptions remains the embarrassment and awareness factors i.e. patients being embarrassed to visit their physician for a prescription. When assessing the switch to OTC from Rx, I believe it is a balancing act such that the switch will drive higher revenue through increased volume but at a lower price which will outweigh sales at Rx (lower volume but at a higher price). I understand that Recordati will know by the end of July 2020 whether its application has been successful or not. I expect to hear further detail from Recordati in this respect as they complete the submission process as I am keen for much higher revenue to be generated from the sales of Fortacin™, which in turn would lead to increased royalty revenue for the Group.

Following significant and positive progress made by the Group with the Hong Kong Department of Health – Drug Office and the Macau Government – Health Bureau, under the previously announced agreement with Plethora's Taiwan based Asian licensee, Orient EuroPharma, permission is now in place for marketing and distribution of Fortacin™ in HK as well as Macau. Next steps under the agreement with Orient EuroPharma will involve roll out in additional select territories in Asia, being Taiwan, Malaysia, Brunei, Singapore, Philippines, Thailand and Vietnam, but excluding The People's Republic of China. I remain hopeful that Orient EuroPharma can launch Fortacin™ in HK and Macau in 2020 but this is very much dependent on PSNW being able to deliver product to Orient EuroPharma from Recordati's batch orders as the minimum purchase order from PSNW is 13,000 units per batch order, and Orient EuroPharma requires significantly less than that for its launch campaign in HK and Macau.

The Group remains in discussions and is working closely with Wanbang Pharmaceutical and other commercial partners in respect of its planned submission of the IND application for CTA to commence clinical trials in China, which it hopes will be filed by Q3 2020. The IND review is expected to take approximately 60 working days. On the assumption that the IND can be filed per this timeframe, the CTA could be obtained as early as late Q4 2020 and Q1 2021. As per the terms of the licence agreement executed with Wanbang Pharmaceutical, and announced on 3 December 2018, a payment of US$4 million is payable to the Group upon obtaining Chinese regulatory approval to conduct a human clinical trial of a licensed product.

In parallel with the European and Asian roll-out efforts of Fortacin™, the Group has further progressed the approval process with the FDA. In this respect, the Phase II validation study of Fortacin™ in respect of the FDA approval process has continued in the US and is now estimated to complete by the end of 2020. On the assumption that the trial is sufficient to convince the FDA that the Premature Ejaculation Bothersome Evaluation Questionnaire serves as an appropriate measure for support of a label claim, pivotal Phase III work could commence in the latter half of 2021, with NDA submission possible in the first half 2022, giving a PDUFA date in Q1 2023, subject to the status of the COVID-19 pandemic.

From a business development standpoint, during the 2019 financial year, the Group looked closely at a number of acquisition and investment opportunities in the wellness sector, mainly opportunities to enter into the hemp sector in China, with a particular focus on hemp CBD infused products that had the potential to involve a licence for hemp cultivation and a licence for processing, together with the roll out of a hemp processing facility in China. Unfortunately, the Group's investment objectives were not achieved with any of the diligence opportunities, largely due to valuation concerns.

Other Existing Investments

Looking at the Group's existing and legacy investments in natural resources (which are non-core and are the focus of its existing divestment programme), the share prices of commodity companies have post year end experienced extreme volatility and we expect commodity markets to remain extremely volatile. However, 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 remaining investment in Venturex to recover (on a marked-to-market basis), principally due to Venturex further de-risking its copper-zinc project at Sulphur Springs by securing financing and the distinct lack of comparable projects.

Outlook

The world is grappling with an enormous scale and human impact as the COVID-19 crisis quickly escalates across the globe with the World Health Organization ("**WHO**") declaring it a pandemic. Stock markets across the world are experiencing significant swings and volatility, and the Group expects that shares will continue to be subject to extraordinary price volatility. There is thus a risk that the price of the Company's shares might follow general market volatility, regardless of results and performance of the Group and decline significantly in value.

Given the complex and constantly evolving situation around COVID-19, it is not possible to predict the possible future impacts it may have on the Group's operations at this time. However, it is possible that it could negatively impact the Group's efforts to achieve a timely and successful commercialisation of Fortacin™ in China and elsewhere and commercial partners' ability to manufacture, distribute and sell Fortacin™ in Europe and the UK. Moreover, should outbreaks continue in the US, completion of the phase II pivotal study in the US could be delayed due to the inability to recruit the final patients to the study in the event that test centres are required to close their offices.

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

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

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

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

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

RESULTS

The directors (the "**Directors**" or the "**Board**") of Regent Pacific Group Limited (the "**Company**" and collectively with its subsidiaries, the "**Group**") announce the audited results of the Group for the year ended 31 December 2019, together with comparative figures for the year ended 31 December 2018, as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

	Notes	2019 US$'000	2018 US$'000
Revenue:	4		
Signature payment, milestone and royalty income		164	6,235
Corporate investment income		464	(115)
Other income		94	19
		722	6,139
Fair value loss on financial instruments	5(a)	(1,035)	(3,296)
Total income less fair value loss on financial instruments		(313)	2,843
Expenses:			
Employee benefit expenses	6	(3,924)	(3,958)
Rental and office expenses		(718)	(744)
Information and technology expenses		(180)	(167)
Marketing costs and commissions		(111)	(101)
Professional and consulting fees		(1,161)	(1,054)
Research and development expenses		(3,306)	(2,347)
Amortisation of intangible asset (Fortacin™)		(28,047)	(28,047)
Other operating expenses		(354)	(396)
Operating loss	5(a)	(38,114)	(33,971)
Gain on disposal of an associate	5(b)	—	209
Impairment loss on intangible asset (Fortacin™)	5(c)	(26,000)	—
Finance costs	7	(620)	—
Loss before taxation		(64,734)	(33,762)
(Taxation)/Tax credit	8	(1,265)	2,669
Loss for the year		(65,999)	(31,093)

	Notes	2019 US$'000	2018 US$'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		(478)	191
Reclassification to profit or loss on disposal of an associate		—	129
Item that will not be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		(282)	(25)
Other comprehensive income for the year, before and net of tax		(760)	295
Total comprehensive income for the year		(66,759)	(30,798)
(Loss)/Profit for the year attributable to:			
Shareholders of the Company		(66,048)	(31,087)
Non-controlling interests		49	(6)
		(65,999)	(31,093)
Total comprehensive income attributable to:			
Shareholders of the Company		(66,808)	(30,797)
Non-controlling interests		49	(1)
		(66,759)	(30,798)
Losses per share attributable to shareholders of the Company during the year	10	US cents	US cents
– Basic		(3.59)	(1.69)
– Diluted		(3.59)	(1.69)
		HK cents	HK cents
– Basic		(28.13)	(13.25)
– Diluted		(28.13)	(13.25)

Consolidated Statement of Financial Position
As at 31 December 2019

	Notes	2019 US$'000	2018 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		397	77
Intangible asset (Fortacin™)		83,037	137,084
Interest in an associate		1	1
Financial assets at fair value through other comprehensive income		—	282
		83,435	137,444
Current assets			
Financial assets at fair value through profit or loss		2,051	5,501
Trade receivables	11	15	297
Prepayments, deposits and other receivables		574	498
Cash and bank balances		206	1,022
		2,846	7,318
Current liabilities			
Trade payables, deposits received, accruals and other payables	12	(4,137)	(4,487)
Lease liabilities		(359)	—
Tax payable		(3,471)	—
		(7,967)	(4,487)
Net current (liabilities)/assets		(5,121)	2,831
Total assets less current liabilities		78,314	140,275
Non-current liabilities			
Lease liabilities		(11)	—
Convertible notes		(3,981)	—
Shareholder's loans		(3,514)	—
Deferred tax liabilities		(8,304)	(13,708)
		(15,810)	(13,708)
NET ASSETS		62,504	126,567
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital		18,372	18,372
Reserves		44,131	108,243
Equity attributable to shareholders of the Company		62,503	126,615
Non-controlling interests		1	(48)
TOTAL EQUITY		62,504	126,567

Notes:

1. General Information

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

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

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

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

The consolidated financial statements for the year ended 31 December 2019 were approved and authorised for issue by the Board of Directors on 31 March 2020.

2. Adoption of New or Revised HKFRSs

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2019

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("**new HKFRSs**") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Venture
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments

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

HKFRS 16 – Leases ("HKFRS 16")

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases - Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

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

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

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

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

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

The weighted average of the incremental borrowing rate of the lessee applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 was 6%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee applies the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

At the date of transition to HKFRS 16, the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

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

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

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

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

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

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

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

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Venture

The amendments clarify that companies account for long-term interests in an associate or joint venture – to which the equity method is not applied – using HKFRS 9 Financial Instruments.

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

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

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

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

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

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

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.

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.

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

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

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

Amendments to HKFRS 3 – Definition of a Business

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

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

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

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

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

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

Amendments to HKAS 1 and HKAS 8 – Definition of Material

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

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

3. Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments classified as fair value through other comprehensive income and at fair value through profit or loss, both of which are stated at fair values.

3.1 Going concern assumption

The Group has incurred a loss of approximately US$65,999,000 for the year ended 31 December 2019, and as of that date, its current liabilities exceeded its current assets by approximately US$5,121,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. The Directors have prepared the consolidated financial statements based on the assumption that the Group can continue as a going concern and are of the view that the Group will have sufficient working capital and financial resources to finance its operations for the next twelve months from the end of the reporting period, after taking into consideration that Galloway Limited ("**Galloway**") (a private limited liability company indirectly wholly-owned by James Mellon, a substantial shareholder who is also a director and Chairman of the Company), has undertaken to provide sufficient funds to the Group to enable it to meet all current obligations as they fall due in the coming twelve months after the end of the reporting period.

After the year end date, the Company has entered into three shareholder's loan agreements with Galloway, with summary terms described below:

(i) A shareholder's loan agreement with principal amount of US$1 million was entered into and executed in January 2020. This loan was unsecured, interest bearing at 5% per annum and repayable on the date falling three years after the date of the agreement.

(ii) A shareholder's loan agreement with principal amount of US$1 million was entered into and executed in February 2020. This loan was unsecured, interest bearing at 5% per annum and repayable on the date falling three years after the date of the agreement.

(iii) A shareholder's loan agreement with principal amount of US$850,000 was entered into and executed in March 2020. This loan was unsecured, interest bearing at 5% per annum and repayable on the date falling three years after the date of the agreement.

The Group experienced a significant drop in revenue in 2019 as compared to the previous financial year, which is a result of: (i) the intended receipt of milestone income of US$4 million from Wanbang Pharmaceutical being delayed to 2020; and (ii) the low level of royalty income received from its commercial partner due to lower sales than forecast by this partner.

The main reason for the delay of the milestone income of US$4 million was because the manufacturer of prilocaine, one of the active pharmaceutical ingredients (“**API**”), unfortunately had not submitted a drug master file (“**DMF**”) with the National Medical Product Administration (“**NMPA**”) in China. This DMF is now under preparation by the prilocaine manufacturer. The other API manufacturers have already submitted their DMFs previously with NMPA. The IND review is expected to take approximately 60 working days. On the assumption that the IND can be filed by Q3 2020, the approval for commencement of the clinical trial by NMPA could be obtained between Q4 2020 and Q1 2021. As per the terms of the licence agreement executed with Wanbang Pharmaceutical, and announced on 3 December 2018, a payment of US$4 million is payable to the Group upon obtaining NMPA approval to conduct a human clinical trial of a licensed product.

The low level of royalty income was due to two key factors being: (i) a low number of premature ejaculation (“**PE**”) patients seeking advice and visiting a specialist for treatment (with key reasons being given due to the embarrassment factor and lack of awareness about treatments available for PE); and (ii) certain manufacturing issues being experienced by PSNW, which has led to the delay of product being delivered to Recordati in a timely manner.

The Group’s commercial partner is looking to address the low level of sales by switching the status of Fortacin™ to OTC from Rx, as they believe that with DTC advertising (which is prohibited in the European Union market like all other markets apart from the US and New Zealand), they can drive sales higher via a multitude of channels as the main barrier for capturing prescriptions remains the embarrassment and awareness factors – i.e. patients being embarrassed to visit their physician for a prescription. When assessing the switch to OTC from Rx, the Company believes it is a fine balancing act such that the switch will drive higher revenue through increased volume but at a lower price which will outweigh sales at Rx (lower volume but at a higher price). The Company understands that its commercial partner will know by the end of July 2020 whether its application has been successful or not. The Group expects to hear further detail from its commercial partner in this respect as they complete the submission process as the Group is understandably keen for much higher royalty revenue to be generated from the sales of Fortacin™, which in turn would lead to increased royalty revenue for the Group.

As explained in note 14, the evolving COVID-19 pandemic may have adverse effects on the Group’s efforts to timely and successfully commercialise Fortacin™ in China and elsewhere, as well impact our commercial partner’s ability to manufacture, distribute and sell Fortacin™ in Europe and the UK. The Group has made some allowance for these potential difficulties in its internal cash flow projections and funding requirements in the coming twelve months, but cannot be assured that such projections will be realised.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to reclassify all non-current assets and non-current liabilities as current assets and current liabilities respectively, to reduce the carrying amounts of assets to their estimated net realisable amounts, and to provide for any further liabilities which may arise. The effect of these potential adjustments has not been reflected in the consolidated financial statements.

4. Revenue and Segment Information

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

	2019 US$'000	2018 US$'000
Signature payment, milestone and royalty income		
Signature payment	—	1,300
Milestone and royalty income	164	4,935
	164	6,235
Corporate investment income		
Bank interest income	—	16
Foreign exchange gains/(losses), net	464	(131)
	464	(115)
Other income		
Sundry income	94*	19
	722	6,139

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.

* It includes US$90,000 gain arising from the extinguishment of an interest-free shareholder's loan.

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

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

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

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

- impairment loss on intangible asset;
- taxation/tax credit;
- corporate income and expenses which are not directly attributable to the business activities of any operating segment; and
- gain on disposal of an associate

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

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

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

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

For the year ended 31 December 2019

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Revenue from external customers	164	558	722
Segment results	(31,669)	(7,065)	(38,734)
Impairment loss on intangible asset (note 5(c))	(26,000)	—	(26,000)
Consolidated loss before taxation	(57,669)	(7,065)	(64,734)

As at 31 December 2019

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

For the year ended 31 December 2019

	Biopharma US$'000	Corporate Investment US$'000	Total US$'000
Depreciation	(17)	(603)	(620)
Amortisation	(28,047)	—	(28,047)
Net loss on FAFVPL	—	(1,035)	(1,035)
Capital expenditure	—	(36)	(36)

For the year ended 31 December 2018

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

As at 31 December 2018

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

For the year ended 31 December 2018

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

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	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
China	—	1,000	1	1
Europe	254	4,789	83,039	137,102
Hong Kong (domicile)	468	50	395	59
Taiwan	—	300	—	—
	722	6,139	83,435	137,162

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

Disaggregation of revenue

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

	2019	2018
	US$'000	US$'000
Timing of revenue recognition		
At a point in time		
Signature payment	—	1,300
Milestone and royalty income	164	4,935
	164	6,235

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

Information about major customers

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

	2019 US$'000	2018 US$'000
Customer A	164	4,935
Customer B	—	1,000
	164	5,935

5. Operating Loss, Gain on Disposal of an Associate and Impairment Loss on Intangible Asset (Fortacin™)

(a) Operating loss

	2019 US$'000	2018 US$'000
Operating loss is arrived at after charging:		
Auditors' remuneration		
– audit services	212	208
– review services	51	51
Depreciation of:		
– Property, plant and equipment	47	52
– Right-of-use assets	573	—
Amortisation of intangible asset (Fortacin™)	28,047	28,047
Short-term lease expenses	24	—
Low-value assets lease expenses	3	—
Operating lease charge on property and equipment	—	702
Unrealised loss on FAFVPL@	1,274	3,296
Foreign exchange losses, net*	—	131
and crediting:		
Interest income on bank deposits*	—	16
Realised gain on FAFVPL@	239	—
Foreign exchange gains, net*	464	—

@ These amounts constitute the marked-to-market fair value loss on FAFVPL of US$1,035,000 (2018: US$3,296,000) in the consolidated statement of comprehensive income.

* These amounts are included in revenue.

(b) Gain on disposal of an associate

On 7 December 2018, the Group disposed of all of its shareholding of 133,231 ordinary shares in The Diabetic Boot Company Limited ("**Diabetic Boot**") for an aggregate consideration of approximately GBP 266,000 (or approximately US$339,000) to Galloway. This transaction resulted in a gain on disposal of an associate of approximately US$209,000 recognised in profit or loss for the year ended 31 December 2018 as set out below:

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

(c) Impairment loss on intangible asset (**Fortacin™**)

During the year ended 31 December 2019, the Group determined that there was an impairment loss of US$26 million on the intangible asset, patent Fortacin™, in respect of the cash generating unit ("**CGU**"), Plethora, (2018: nil) as the value in use figure determined as at 31 December 2019 was lower than the carrying amount of the CGU. The recoverable amount of this CGU has been determined based on a value in use calculation with reference to a professional valuation performed by Grant Sherman Appraisal Limited ("**Grant Sherman**"), an independent expert valuation firm. The calculation was essentially the same basis/model as used to determine the fair value of the identifiable assets and liabilities of the CGU on its initial recognition at 9 March 2016 and covered a period either up to 2023 representing the remaining estimated useful life of the patent Fortacin™ or the licensing period estimated by management. The rates used to discount the cash flows forecast were in the range of 21% to 24% (2018: 20% to 24%).

The impairment loss was primarily due to the unexpected manufacturing issues, have been resolved after the reporting date, which caused the delay on delivery of Fortacin™ product in certain European countries in a timely manner and resulted in the low level of royalty income received, and the further postponement for submitting the regulatory new drug applications in The People's Republic of China, the selected territories in Asia and the US respectively.

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

	2019 US$'000	2018 US$'000
Salaries, discretionary bonuses and benefits in kind (note)	3,883	3,915
Pension costs - defined contribution plans	41	43
	3,924	3,958

Note: No bonuses were paid in the financial years ended 31 December 2019 and 2018.

7. Finance Costs

	2019 US$'000	2018 US$'000
Imputed interest expense on interest-free shareholder's loan	14	—
Interest expense on shareholders' loans	94	—
Interest expense on lease liabilities	36	—
Interest expense on tax payable	129	—
Implicit interest expense on convertible notes	347	—
	620	—

8. Taxation/Tax Credit

The amount of taxation/(tax credit) in the consolidated statement of comprehensive income represents:

	2019 US$'000	2018 US$'000
Australia		
– Current year	6,669	—
China		
– Current year	—	106
Taiwan		
– Current year	—	30
Deferred tax credit	(5,404)	(2,805)
Taxation/(tax credit)	1,265	(2,669)

No provision for Hong Kong 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 2019 and 2018. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

A tax charge of US$6,669,000 for the year ended 31 December 2019 (2018: nil) represented the capital gains tax ("**CGT**") due to the settlement with the ATO in respect of the dispute arising from CGT payable on the disposal in 2013 of an investment in BCI by the Group as announced on 18 March 2019 and 27 May 2019. Further details of the settlement with the ATO are set out in note 13.

A tax credit of US$5,404,000 (2018: US$2,805,000) represents the deferred tax credit arising on the amortisation charge for the year relating to the intangible asset of the patent Fortacin™ and the release of deferred tax on the impairment loss of US$26 million (2018: nil) (referred to in note 5(c)) on the intangible asset made for the year.

9. Dividends

No dividend was paid or proposed during the year of 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

10. Losses per Share

The calculation of basic losses per share is based on the loss attributable to the shareholders for the year of US$66,048,000 (2018: US$31,087,000) and on the weighted average number of ordinary shares of 1,837,251,182 (2018: 1,837,251,182) in issue during the year.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes as they are anti-dilutive. Accordingly, diluted loss per share is the same as the basic loss per share for the year ended 31 December 2019. Diluted loss per share was the same as basic loss per share for the year ended 31 December 2018 as there were no potential dilutive ordinary shares outstanding for the year.

11. Trade Receivables

As at 31 December 2019 and 2018, the ageing analysis of trade receivables, based on our invoice date, was as follows:

	2019 US$'000	2018 US$'000
Within 1 month	15	297

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

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

	2019 US$'000	2018 US$'000
Within 1 month or on demand	241	203
After 1 month but within 3 months	40	406
After 3 months but within 6 months	145	363
	426	972

13. Charge on Assets

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

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

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

On 12 August 2019, the ATO further agreed to extend the settlement date to 31 August 2019, after which penalty interest will apply to any unpaid portion of the settlement amount.

Up to 31 December 2019, the Company has repaid approximately A$4.56 million (or approximately US$3.20 million) to the ATO, and the remaining balance of approximately A$4.94 million (or approximately US$3.47 million) remained unsettled and interest expenses on overdue tax of A$183,000 (or approximately US$129,000) has been provided for during the year ended 31 December 2019. The Company anticipates paying the remaining portion of approximately A$4.94 million (or approximately US$3.47 million) and any accrued interests during 2020. The Company's management is currently under negotiation with the ATO on the payment schedule of the outstanding amount.

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

14. Event after the Reporting Period

The world is grappling with an enormous scale and human impact as the COVID-19 crisis quickly escalates across the globe with the WHO declaring it a pandemic. Stock markets across the world are experiencing significant swings and volatility, and the Group expects that shares will continue to be subject to extraordinary price volatility. There is thus a risk that the price of the Company's shares might follow general market volatility, regardless of results and performance of the Group, and decline significantly in value.

Given the complex and constantly evolving situation around COVID-19, it is not possible to predict the possible future impacts it may have on the Group's operations at this time. However, it is possible that it could negatively impact the Group's efforts to achieve a timely and successful commercialisation of Fortacin™ in China and elsewhere and the commercial partners' manufacturing, distribution and sales of Fortacin™ in Europe and the UK. Moreover, should outbreaks continue in the US, completion of the phase II pivotal study in the US could be delayed due to the inability to recruit the final patients to the study in the event that test centres are required to close their offices.

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

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

Revenue and Profit

The Group recorded a loss attributable to the shareholders of the Company of approximately US$66.05 million in 2019 (2018: approximately US$31.09 million).

The Corporate division (revenue and fair value loss on financial instruments) recorded a loss of approximately US$0.31 million (2018: gain of approximately US$2.84 million).

The main elements of the loss are analysed as follows:

	Notes	For the year ended 31 December 2019 US$ million	For the year ended 31 December 2018 US$ million	Increase/ (decrease) in absolute value %
Signature payment, milestone and royalty income	i	0.16	6.24	(97.44)
Amortisation of an intangible asset, Fortacin™		(28.05)	(28.05)	—
Impairment loss on an intangible asset, Fortacin™	ii	(26.00)	—	N/A
Research and development expenses incurred by Plethora	iii	(3.31)	(2.35)	40.85
Fair value loss on financial instruments	iv	(1.04)	(3.30)	(68.48)
(Taxation)/Income tax credit	v	(1.27)	2.67	N/A
Other/Office general and administrative expenses		(6.54)	(6.30)	3.81
Total loss attributable to shareholders of the Company		(66.05)	(31.09)	112.45

(i) The signature payment, milestone and royalty income decreased by 97.44% to approximately US$0.16 million for the year ended 31 December 2019 from approximately US$6.24 million for the year ended 31 December 2018. The main reasons are: (i) the expected milestone receivable of US$4 million from Wanbang Pharmaceutical was deferred to 2020; and (ii) the expected royalty income was lower due to two key factors: (a) a low number of premature ejaculation patients seeking advice and visiting a specialist for treatment; and (b) certain manufacturing issues being experienced by the manufacturer, which led to the delay of the product being delivered to the commercial partner in a timely manner.

(ii) During the year ended 31 December 2019, the Group determined that there was an impairment loss of US$26 million on the intangible asset, Fortacin™, in respect of the cash generating unit CGU, Plethora. The recoverable amount of this CGU has been determined based on a value in use calculation with reference to a professional valuation performed by Grant Sherman, an independent expert valuation firm.

(iii) The research and development expenses increased by 40.85% to approximately US$3.31 million for the year ended 31 December 2019 from approximately US$2.35 million for the year ended 31 December 2018. This is because the Group has further progressed the Phase II validation study in respect of the FDA approval process during the year.

(iv) The fair value loss on FAFVPL decreased by 68.48% for the year ended 31 December 2019 from approximately US$3.30 million for the year ended 31 December 2018. The main reason is that the unrealised loss on FAFVPL decreased by 61.35% to approximately US$1.27 million for the year ended 31 December 2019 from approximately US$3.30 million for the year ended 31 December 2018.

(v) The Group recorded a net taxation payment of approximately US$1.27 million for the year ended 31 December 2019 (2018: tax credit of approximately US$2.67 million). This is because the Group booked a tax payment of approximately US$6.67 million for the year ended 31 December 2019, which represented the capital gains tax due to the settlement with the ATO in respect of the dispute arising from the disposal of an investment in BCI by the Group, which was net off against the deferred tax credit of approximately US$5.40 million.

Financial Position

Shareholders' equity decreased by 50.64% to approximately US$62.50 million as at 31 December 2019 from approximately US$126.62 million as at 31 December 2018. The decrease was mainly due to: (i) the loss attributable to shareholders of the Company of approximately US$66.05 million for the year ended 31 December 2019, which was mainly attributable to the impairment and amortisation charges totalling approximately US$54.05 million as described above; (ii) the decrease of foreign currency exchange reserve of approximately US$0.48 million; and (iii) the decrease in FAFVOCI of approximately US$0.28 million, and these were offset against the increase of convertible notes equity reserve of approximately US$2.66 million by issuing the convertible notes.

The Group's assets also comprised: (i) an intangible asset of approximately US$83.04 million, being Fortacin™; (ii) listed and unlisted investments of approximately US$2.05 million; (iii) cash and bank balances of approximately US$0.21 million; (iv) trade receivables of approximately US$15,000; and (v) property, plant and equipment and other receivables of approximately US$0.97 million.

The Group's liabilities comprised: (i) deferred tax liabilities of approximately US$8.30 million; (ii) payables and accruals of approximately US$4.14 million; (iii) convertible notes (liability portion) of approximately US$3.98 million; (iv) tax payable of approximately US$3.47 million; (v) shareholder's loans of approximately US$3.51 million; and (vi) long-term and short-term lease liabilities of approximately US$0.37 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.

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 2019, the Group had US$0.21 million in cash that represented 0.33% of its total shareholders' equity, which does not take into account the Group's holding of securities of FAFVPL that amounted to US$2.05 million.

Gearing Ratio

As at 31 December 2019, the gearing ratio (being long-term debts over total equity and long-term debts) was approximately 10.72% (2018: nil).

Contingent Liabilities

The Group has no material contingent liabilities as at 31 December 2019.

Charge on Assets

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

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

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

On 12 August 2019, the ATO further agreed to extend the settlement date to 31 August 2019, after which penalty interest will apply to any unpaid portion of the settlement amount.

Up to 31 December 2019, the Company has repaid approximately A$4.56 million (or approximately US$3.20 million) to the ATO, and the remaining balance of approximately A$4.94 million (or approximately US$3.47 million) remained unsettled and interest expenses on overdue tax of A$183,000 (or approximately US$129,000) has been provided for during the year ended 31 December 2019 (note 7). The Company anticipates paying the remaining portion of approximately A$4.94 million (or approximately US$3.47 million) and any accrued interests during 2020. The Company's management is currently under negotiation with the ATO on the payment schedule of the outstanding amount.

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

Management of Risk

In 2019, the most significant risk affecting the profitability and viability in respect of the Group is in respect of the Group's interest in Plethora and the continued success and revenue derived from its listed equity portfolio. Risks relating to the Group's interests include:

Equity Markets

Global financial markets are continuing to experience significant levels of volatility, driven largely by the COVID-19 pandemic, the collapse of the oil price and other 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

Other than the shareholder's loans and convertible notes with fixed interest rates, 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 clinical work and regulatory approval processes in the US and bringing Fortacin™ to market;

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

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

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

Financial Instruments

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

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

Foreign Currency

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

Material Acquisitions and Disposals

There were no material acquisitions or disposals for the year ended 31 December 2019.

Segmental Information

For details of the segment information, please refer to note 4 to this announcement.

Employees

The Group, including subsidiaries but excluding associates, employed 19 employees at 31 December 2019 (2018: 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 2019 (2018: 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 2019 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 2019 have been reviewed by the Audit Committee.

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

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

(b) 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

(c) 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

(1) A general mandate was granted to the Directors at the Company's annual general meeting held on 14 June 2018 to repurchase, on the HK Stock Exchange, shares up to a maximum of 183,725,118 shares (the "**2018 Repurchase Mandate**"). Since 14 June 2018, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2018 Repurchase Mandate.

(2) The 2018 Repurchase Mandate expired upon close of the Company's annual general meeting held on 6 June 2019, at which a new general mandate was granted to the Directors to repurchase, on the HK Stock Exchange, shares up to a maximum of 183,725,118 shares (the "**2019 Repurchase Mandate**"). Since 6 June 2019 and prior to the date of this report, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2019 Repurchase Mandate.

Save for the above, the Company or its subsidiaries did not purchase, sell or redeem any of their listed securities, whether on the HK Stock Exchange or otherwise, during the year ended 31 December 2019 or subsequent to the year end date and prior to the date of this announcement.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2019, including the accounting principles and practices adopted by the Group.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019.

"**Opinion**

We have audited the consolidated financial statements of Regent Pacific Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 3.1 to the consolidated financial statements, which indicates that the Group incurred a loss of US$65,999,000 for the year ended 31 December 2019, and as at that date, the Group had net current liabilities of US$5,121,000. As stated in note 3.1 to the consolidated financial statements, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

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 2019 will be despatched to all its shareholders and be published on the aforesaid websites before 30 April 2020.

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, 31 March 2020