INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED
領航醫藥及生物科技有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 399)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

The board (the "Board") of directors (the "Directors") of Innovative Pharmaceutical Biotech Limited (the "Company") hereby announces the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2018 (the "Financial Year") together with the comparative figures for the year ended 31 March 2017 (the "Previous Financial Year") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	3	**15,811**	9,187
Cost of sales		**(14,416)**	(8,460)
Gross profit		**1,395**	727
Other income	4	**9,498**	11,813
Other gains and losses, net	4	**(113,377)**	(69,478)
Selling expenses		**—**	(195)
Administrative expenses		**(25,749)**	(22,557)
Research and development expenses		**(665)**	(629)
Share of results of associates		**8,632**	10,011
Finance costs	5	**(110,725)**	(108,034)
Loss before tax		**(230,991)**	(178,342)
Income tax expense	6	**—**	—
Loss for the year		**(230,991)**	(178,342)

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Other comprehensive income/(expenses):			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets: net movement in the investment revaluation reserve		**(40)**	442
Share of other comprehensive income of associates		**2,288**	(1,600)
Exchange differences on translation of foreign operations		**(2,757)**	(1,204)
		(509)	(2,362)
Items that will not be reclassified subsequently to profit or loss:			
Loss on revaluation on land and buildings		**(7,504)**	(1,128)
Deferred taxation arising on revaluation of land and buildings		**2,162**	282
		(5,342)	(846)
Derecognised upon disposal		**5,342**	—
Other comprehensive expense for the year		**—**	(3,208)
Total comprehensive expense for the year		**(231,500)**	(181,550)
Loss for the year attributable to:			
Owners of the Company		**(231,048)**	(169,788)
Non-controlling interests		**57**	(8,554)
		(230,991)	(178,342)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(230,435)**	(172,397)
Non-controlling interests		**(1,065)**	(9,153)
		(230,500)	(181,550)
		HK cents	*HK cents*
Loss per share	9		
Basic		**(15.78)**	(11.60)
Diluted		**(15.78)**	(11.60)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Non-current assets			
Property, plant and equipment		**162**	32,385
Interests in associates	10	**81,437**	113,462
Investments in convertible bonds		**166,447**	225,245
Intangible asset	11	**1,373,224**	1,373,224
Available-for-sale financial assets		**—**	22,501
Loan to a non-controlling interest		**—**	—
Amount due from the subsidiary of an associate		**10,610**	8,125
		1,631,880	1,774,942
Current assets			
Trade receivables	12	**12,715**	6,375
Prepayments, deposits and other receivables		**13,094**	8,333
Financial assets held-for-trading		**36,247**	—
Bank balances and cash		**20,227**	61,316
		82,283	76,024
Current liabilities			
Trade payables	13	**10,411**	2,237
Accruals and other payables		**8,848**	5,863
Amounts due to non-controlling interests		**22,871**	22,871
Amounts due to former non-controlling interests		**823**	823
Amount due to the subsidiary of an associate		**–**	41,947
		42,953	73,741
Net current assets		**39,330**	2,283
Total assets less current liabilities		**1,671,210**	1,777,225

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Non-current liabilities			
Convertible bonds		**554,515**	470,671
Deferred tax liabilities		**—**	2,162
Amount due to subsidiary of associate		**41,947**	—
Loan from a non-controlling interest		**7,923**	6,067
		604,385	478,900
NET ASSETS		**1,066,825**	1,298,325
Capital and reserves			
Share capital		**14,642**	14,642
Reserves		**181,775**	413,332
Equity attributable to owners of the Company		**196,417**	427,974
Non-controlling interests		**870,408**	870,351
TOTAL EQUITY		**1,066,825**	1,298,325

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. GENERAL INFORMATION

Innovative Pharmaceutical Biotech Limited ("the Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. On 1 March 2013, the Company has been deregistered in the Cayman Islands and continued in Bermuda as an exempted company with limited liability under the laws of Bermuda. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business in Hong Kong is situated at Unit No. 2111, 21/F, West Tower Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

The functional currency of the Company is Hong Kong dollar ("HK$"), which is the same as the presentation currency of the consolidated financial statements.

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. These consolidated financial statements have been prepared under the historical cost convention, as modified by the valuation of leasehold property, available-for-sale financial assets and investment in convertible bonds, which are measured at fair value.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

(i) New and revised HKFRSs adopted by the Group

The Group has adopted the following new and revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above new and revised standards has had no material financial impact on these consolidated financial statements.

(ii) New and revised HKFRSs that have been issued but not yet effective

The Group has not early adopted the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 40	Transfers to Investment Property[1]
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]
HKFRS 16	Leases[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRSs[1]
Aunnal Inpovements to HKFRSs 2015–2017 Cycle	Amendments to HKFRSs[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] No mandatory effective date yet determined but available for adoption.

The directors of the Company anticipate that certain new and revised HKFRSs would have impact on the consolidated financial statements, such as HKFRS 9, HKFRS 15 (including amendments) and HKFRS 16. Other than these, the directors do not anticipate any material impact upon the application of the other new and revised HKFRSs. Details of the above are set out in the notes to the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue for the year represents the fair value of amounts received and receivable for goods sold or services rendered by the Group to outside customers, less discounts and related taxes for the year, is analysed as follows:

	2018	2017
	HK$'000	*HK$'000*
Trading of beauty equipment and products	**15,811**	9,187

The Group has three (2017: five) reportable and operating segments as follows:

(a) trading of beauty equipment and products in Hong Kong ("Trading of beauty equipment and products")

(b) securities investment in Hong Kong and outside Hong Kong ("Securities investment")

(c) research, development and commercialisation of the oral insulin product ("Research and development")

The Group's reportable and operating segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The segments for provision of genetic testing services, the PRC and Hong Kong and distribution of bio-industrial products in the PRC as no longer operating and reporting segments since they had been inactive in the past year and the operations were cased.

The accounting policies of the operating segments are the same as those described in the consolidated financial statements. Segment (loss)/profit represents the loss incurred by or profit earned from each segment without allocation of corporate and other expenses and other income, gains and losses, net. All assets are allocated to segments other than corporate assets, interests in associates, investments in convertible bonds, amount due from the subsidiary of an associate, loan to a non-controlling interest and bank balances and cash. All liabilities are allocated to segments other than corporate liabilities, amounts due to the subsidiary of an associate, non-controlling interests and former non-controlling interests, loan from a non-controlling interest and convertible bonds.

Segment revenues and results

	Trading of beauty equipment and products		Securities investment		Research and development		Total	Total
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
								(Restated)
Revenue from external customers	**15,811**	9,187	**–**	–	**–**	–	**15,811**	9,187
Segment (loss)/profit	**1,395**	727	**(2,858)**	(33)	**(1,020)**	(7,123)	**(2,483)**	(6,429)
Additional disclosures for operating segments:								
Interest income received from available-for-sale investments	**–**	–	**–**	80	**–**	–	**–**	80
Depreciation of property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	–
Unallocated other income, gains and losses, net							**(5,073)**	1,614
Interest expenses on convertible bonds							**(110,725)**	(108,034)
Corporate and other expenses							**(19,599)**	(18,222)
Effective interest income from investment in convertible bonds							**6,937**	5,876
Change in fair value of derivative components of investment in convertible bonds							**(65,735)**	(40,186)
Loss on initial recognition of investments in convertible bonds acquired during the year								
Share of results of associates							**8,632**	10,011
Impairment loss on interest in an associate							**(42,945)**	(23,052)
Loss before taxation							**(230,991)**	(178,342)
Income tax expense							**–**	–
Loss for the year							**(230,991)**	(178,342)

Segment assets and liabilities

	Trading of beauty equipment and products		Securities investment		Research and development		Total	Total
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
								(Restated)
Assets								
Segment assets	**12,792**	6,375	**36,247**	22,501	**1,385,969**	1,378,476	**1,435,008**	1,407,352
Investments in convertible bonds							**166,447**	225,245
Interests in associates							**81,437**	113,462
Corporate and other assets							**31,271**	104,907
Total assets							**1,714,163**	1,850,966
Liabilities								
Segment liabilities	**10,403**	2,230	**–**	–	**153**	153	**10,556**	2,383
Convertible bonds							**554,515**	470,671
Corporate and other liabilities							**82,267**	79,587
Total liabilities							**647,338**	552,641

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue are as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**14,994**	9,187

[1] Revenue from trading of beauty products.

4. OTHER INCOME/OTHER GAINS AND LOSSES, NET

	2018	2017
	HK$'000	*HK$'000*
Other income		
Interest income from banks	**73**	6
Interest income from available-for-sale financial assets	**—**	80
Dividend income from available-for-sale financial assets	**—**	151
Sundry income	**3**	166
Effective interest income from investment in convertible bonds	**6,937**	5,876
Imputed interest income from loan to a subsidiary of the associate	**2,485**	4,113
Imputed interest income from loan to a non-controlling interest	**—**	1,421
	9,498	11,813

	2018	2017
	HK$'000	*HK$'000*
Other gains and losses, net		
Gain on early redemption of convertible bonds	**—**	21
Change in fair value of derivative components of investments in convertible bonds	**(65,735)**	(40,186)
Fair value loss on financial assets held for trading	**(5,787)**	–
Impairment loss on interest in an associate	**(42,945)**	(23,052)
Impairment loss on loan to a non-controlling interest	**—**	(6,067)
Gain/(loss) on disposal of available-for-sale financial assets	**2,937**	(194)
Loss on disposals of property, plant and equipment	**(1,268)**	—
Impairment loss on other receivable	**(579)**	—
	(113,377)	(69,478)

5. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Effective interest expense on convertible bonds	**108,869**	94,433
Imputed interest expense on loan from a subsidiary of the associate	**—**	12,180
Imputed interest expense on loan from a non-controlling interest	**1,856**	1,421
	110,725	108,034

6. INCOME TAX EXPENSE

Hong Kong Profits Tax is provided at the rate of 16.5% (2017: 16.5%) of the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2017: 25%).

No Hong Kong Profits Tax and PRC income tax have been made for the year as the group companies operating in Hong Kong and the PRC did not generate any assessable profits for the year.

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	HK$'000	*HK$'000*
Loss before tax	**(230,991)**	(178,342)
Tax at the domestic income tax rate of 16.5% (2017: 16.5%)	**(38,113)**	(29,426)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(701)**	—
Tax effect of expense not deductible for tax purpose	**37,252**	30,916
Tax effect of income not taxable for tax purpose	**(1,785)**	—
Tax effect of tax loss not recognised	**4,771**	161
Tax effect of share of results of associates	**(1,424)**	(1,651)
Income tax expense	**—**	—

7. LOSS FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging the following:		
Auditors' remuneration		
Provision for the year	**1,150**	1,090
Under/(Over)-provision for the prior year	**—**	34
	1,150	1,124
Depreciation of property, plant and equipment	**617**	1,171
Rental expense for premises under operating leases	**2,342**	2,335
Cost of inventories recognised as an expense	**14,416**	8,460
Staff costs, exclusive of directors' emoluments		
Salaries, bonus and other benefits	**3,564**	4,234
Retirement benefits scheme contributions	**607**	274
	4,171	4,508

8. DIVIDEND

The directors do not recommend the payment of dividend for the year ended 31 March 2018 (2017: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss

	2018	2017
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**(231,048)**	(169,788)

Number of shares

	2018	2017
	HK$'000	*HK$'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,464,193**	1,464,193

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds as their assumed conversion would decrease the loss per share for the current year and prior year.

For the year ended 31 March 2018, basic and diluted loss per share was HK$0.1578 (2017: HK$0.1160), which is based on the loss for the year of approximately HK$230,991,000 (2017: HK$169,788,000) and the denominators detailed above for both basic and diluted loss per share.

No diluted loss per share has been presented as the exercise of the outstanding convertible bonds issued by the Company would result in a decrease in loss per share (i.e. anti-dilutive).

10. INTERESTS IN ASSOCIATES

	2018	2017
	HK$'000	*HK$'000*
Cost of investment in associates		
— Listed in Hong Kong *(Note a)*	**476,841**	476,841
— Unlisted in PRC	**—**	—
Share of post-acquisition results and other comprehensive income	**108,824**	97,904
Impairment loss on interest in an associate *(Note b)*	**(404,506)**	(361,561)
Adjustment against non-controlling interests *(Note c)*	**(99,722)**	(99,722)
	81,437	113,462
Fair value of listed investments *(Note d)*	**81,437**	113,462

Notes:

(a) The cost of investment in Extrawell represents the aggregate of (i) the fair value of the Convertible Bonds I with principal amount of HK$236,800,000 issued by the Company on 25 October 2013 for the acquisition of 370,000,000 ordinary shares of Extrawell amounted to HK$387,160,000; (ii) the fair value of the Convertible Bonds I with principal amount of HK$51,200,000 issued by the Company on 27 December 2013 for the acquisition of 80,000,000 ordinary shares of Extrawell amounted to HK$87,142,000; and (iii) further acquisition of 7,510,000 ordinary shares of Extrawell at cost of HK$2,539,000 during the year ended 31 March 2015.

(b) As at 31 March 2018, the Group recognised impairment loss of approximately HK$42,945,000 (2017: HK$23,052,000) in profit or loss which represented the difference between the fair value of the shares of Extrawell based on the share price of Extrawell as at 31 March 2018 and the carrying amount of interest in the associate.

(c) During the year ended 31 March 2015, the Group has purchased 51% equity interest in Smart Ascent from Extrawell (BVI). Since Smart Ascent has become a non-wholly owned subsidiary of the Group and consequently Smart Ascent and its subsidiaries have been consolidated by the Group commencing from 28 July 2014, the amount of equity in SAL Group that is attributable to the remaining 49% interest in Smart Ascent held by Extrawell and included in the carrying amount of interest in Extrawell prior to the acquisition of Smart Ascent by the Group has been reclassified out of non-controlling interest (and interest in associate) and treated as part of equity attributable to owners of the Company to the extent of the Company's attributable equity interest in Extrawell which represented the share of equity in SAL Group attributable to the Company's ownership interest in Extrawell.

(d) The fair value of listed investments is based on the quoted market bid price of the shares of Extrawell.

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of associates	Place of incorporation/ operation	Principal place of operation	Class of shares held	Proportion of voting power held by the Company		Proportion of nominal value of issued capital held by the Company		Principal activity
				2018	2017	**2018**	2017	
Extrawell	Bermuda	PRC	Ordinary shares	**19.14**	19.14%	**19.14**	19.14%	Development, manufacture and sale of pharmaceutical products
Longmark (Shanghai)	PRC	PRC	Registered capital	**33.33**	33.33%	**49.78**	49.78%	Provision of health care management services

11. INTANGIBLE ASSET

	In-process R&D
	HK$'000
COST AND CARRYING VALUE	
At 1 April 2016, 31 March 2017 and 31 March 2018	1,373,224

The In-process R&D represented an in-process research and development project involving the Product. The patents of an invention "a method of production of oil-phase preparation of oral insulin (一種製備口服胰島素油相製劑的方法)" in relation to the Product are registered under the joint names of Fosse Bio-Engineering Development Limited ("Fosse Bio") and Tsinghua University, Beijing ("THU") granted by State Intellectual Property Office of the PRC and United States Patent and Trademark Office of the United States of America granted on 4 August 2004 and 28 March 2006 respectively and will be expired on 20 April 2021 and 12 April 2022 respectively. Fosse Bio is a subsidiary of Smart Ascent, which became a subsidiary of the Company upon completion of the acquisition on 28 July 2014. In addition, Fosse Bio and THU have entered into the agreements in 1998 (the "THU Collaboration Arrangement") in connection with the research and development of the Product. Pursuant to the THU Collaboration Arrangement, which expires in October 2018, Fosse Bio would be entitled to commercialise the relevant technologies of the Product and to manufacture and sell the Product on an exclusive basis, and THU is entitled to 1.5% of Fosse Bio's annual sales upon commercialisation of the Product. Accordingly, Fosse Bio has the exclusive right for the commercialisation of the Product for the duration of the unexpired term of the THU Collaboration Agreement.

Legal advisors of the Company have informed that if the THU collaboration agreement is early terminated or expired, Fosse Bio will no longer have the exclusive right of the commercialisation of the Product. Any of Fosse Bio or THU will have the rights to independently commercialise the patented product, without the consent from each other. However, given that THU is an educational unit and does not engage in commercialisation of the Product, the directors of the Company have prepared the cash flow projections for the 10-year period using the assumption that Fosse Bio will continue to have exclusive right for commercialisation of the Product after October 2018.

The recoverable amount of the In-process R&D is determined based on fair value calculations using the income approach method, with reference to the professional valuation performed by Roma Appraisal Limited, an independent firm of professional qualified valuers. The fair value calculation used cash flow projections prepared by the management based on certain key assumptions, including the fundamental assumptions that the likelihood and timing in obtaining the regulatory approvals from the relevant government bodies to launch the Product in the second half of 2020. The expected future economic benefits attributable to the In-process R&D approved by the management cover a 10-year period. The calculation used in cash flow projections with certain key parameters are as below:

	2018	2017
Discount rate (post-tax)	**26.08%**	24.82%
Growth rate	**3%**	3%
Gross profit ratio	**57.75%**	57.92%

Based on the impairment review, the recoverable amount of the Group's intangible asset is estimated to be higher than the carrying amount and therefore the directors of the Company are in the opinion that no impairment on the carrying amount of the In- process R&D has to be recognised for the year (2017: Nil).

12. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms of 90 days (2017: 30 to 90 days). All sales made to the major customers have short credit terms. These credit evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic in which the customer operates. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
30 days or less	**1,085**	470
31 to 60 days	**817**	621
61 to 90 days	**1,130**	469
Over 90 days	**9,683**	4,815
	12,715	6,375

13. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
30 days or less	**1,001**	2,230
31 to 60 days	**719**	—
Over 60 days	**8,691**	7
	10,411	2,237

The average credit period on purchase of goods normally range from 60 days to 90 days.

14. CONTINGENT LIABILITIES AND LITIGATION

Litigation concerning CNL (Pinghu) Biotech Co. Ltd. ("CNL (Pinghu)") in the PRC

On 17 April 2012, a writ of summons was issued by 江蘇瑞峰建設集團有限公司 (Jiangsu Ruifeng Construction Group Co., Limited) ("Jiangsu Ruifeng") in the PRC as the plaintiff against CNL (Pinghu), an indirect non-wholly owned subsidiary of the Company, as the defendant in relation to the disputes arising from the consideration and completion of construction services under the construction contracting services agreement dated 8 October 2010, the construction agreement dated 17 December 2010 and the supplemental agreement dated 8 March 2011 (collectively referred to as the "Construction Agreements") entered into between CNL (Pinghu) and Jiangsu Ruifeng, to claim the outstanding construction cost of RMB13,150,000, the related interests and litigation costs of the case. Pursuant to the Construction Agreements, the total construction costs was RMB16,675,000. Jiangsu Ruifeng had issued invoices amounting to RMB29,126,000 in relation to the construction work they performed. The aggregated invoice amount was substantially different from the contracted amount. CNL (Pinghu) only settled the amount of RMB16,601,000 and was recorded as the cost of buildings as at 30 June 2012. On 24 April 2012, Jiangsu Ruifeng obtained a civil ruling against CNL (Pinghu), pursuant to which a bank deposit of RMB15,000,000 or equivalent amount of assets of CNL (Pinghu) were to be frozen, but the actual amount frozen was HK$222,000 as at 30 June 2012, which was significantly lower than the amount stated in the civil ruling. The frozen balance was released during the year ended 30 June 2013. On 14 January 2013, an independent construction consulting company, which was appointed by Pinghu District Court, issued a statement certifying the total construction cost incurred would be in a range between RMB15,093,000 (equivalent to approximately HK$19,142,000) and RMB18,766,000 (equivalent to HK$23,801,000). According to the relevant legal opinion dated on 29 July 2013, the possibility for Pinghu District Court for adopting the construction cost of RMB18,766,000 is higher. On 20 December 2013, the 浙江省平湖市人民法院 (People's Court of Pinghu City, Zhejiang Province) delivered a further civil ruling, pursuant to which, CNL (Pinghu) shall, after the said civil ruling came into force, pay to Jiangsu Ruifeng, among other things, a fee of RMB3,309,000 (equivalent to approximately HK$4,197,000) for the construction services rendered. CNL (Pinghu) filed an application to appeal to 浙江省嘉興市中級人民法院 (the Intermediate People's Court of Jiaxing City, Zhejiang Province). On 25 April 2014, 浙江省嘉興市中級人民法院 upheld the original ruling of 浙江省平湖市人民法院 and the Company was required to pay approximately RMB4,223,000 (equivalent to approximately HK$5,333,000) to Jiangsu Ruifeng. Total provision has been made by the Group in this regard since 31 March 2014.

During the year ended 31 March 2015, the Company has received payment notice of approximately RMB2,897,000 (equivalent to approximately HK$3,660,000) and settled accordingly.

The Company did not receive any payment notice from Jiangsu Ruifeng during the years ended 31 March 2018 and 2017 and therefore no payment was made by the Company during the years.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results

Revenue of the Group for the Financial Year amounted to approximately HK$15,811,000, representing an increase of approximately 72.1% as compared with the total revenue of approximately HK$9,187,000 that was recorded in the Previous Financial Year. The increase was mainly attributable to an increase in business of the trading of beauty equipment and products segment during the Financial Year. Loss attributable to the owners of the Company increased to HK$231,048,000 for the Financial Year, an increase of HK$61,260,000 from the loss of HK$169,788,000 that was recorded in the Previous Financial Year. The increase of loss was primarily due to the decrease in fair value of derivative components of the Group's investments in convertible bonds that were issued by Extrawell Pharmaceutical Holdings Limited ("Extrawell"), a company listed on the main board of The Stock Exchange of Hong Kong Limited, as well as the increase in impairment loss on interest in Extrawell, for the Financial Year as compared with the Previous Financial Year.

BUSINESS REVIEW

Trading of beauty equipment and products

The Group commenced the trading of beauty equipment and products since June 2013. During the Financial Year, revenue arising from the trading of beauty equipment and products amounted to approximately HK$15,811,000, representing an increase of approximately 72.1% from the revenue in the amount of approximately HK$9,187,000 that was recorded in the Previous Financial Year.

Investments in Extrawell

Since 2013 the Company has acquired shares and convertible bonds issued by Extrawell and Extrawell became an associate company of the Group. The Group's investments in Extrawell are recorded in the Group's consolidated statement of financial position under interests in associates and investments in convertible bonds, and these balances are sensitive to share price fluctuations of Extrawell's publicly traded shares, as well as being subject to impairment assessment in accordance with Hong Kong Accounting Standards.

Research and development

The in-process research and development project (the "In-process R&D") represented an in-process research and development project involving an oral insulin product. The Group will inject additional resources into clinical trial of the In-process R&D and consolidate the effort of the project team in order to facilities the development of it.

Thus far, the Group has financed the research and development segment with the Group's internal resources but remains active and open to other fund-raising and partnership activities to further develop the Group's portfolio and development.

The in-process R&D was recorded as intangible asset in Group's consolidated statement of financial position with carrying value of HK$1,373,244,000. The management performs the impairment assessment at the end of each reporting period.

The recoverable amount of the intangible asset is determined based on fair value calculations which used cash flow projections prepared by the management of the Group using certain key assumptions. Key assumptions for the fair value calculations were based on estimated cash inflows derived from budgeted sales and gross margin which estimated based on the expectations for the market development.

At the end of the Financial Year, the Directors of the Company have performed impairment assessments on the intangible asset by reference to the valuation conducted by Roma Appraisals Limited, an independent qualified valuer. The recoverable amount of the intangible asset is determined based on the estimated fair value of the In-process R&D. Based on the assessment, the recoverable amount of the Group's intangible asset is estimated to be higher than the carrying amount and therefore the Directors of the Company considered that no impairment is necessary as at 31 March 2018.

Provision of Genetic Testing Services

The Group has held (i) the permanent and exclusive distribution rights for genetic testing services in the regions of the PRC, Hong Kong, and Macau; (ii) permanent non-exclusive distribution rights for genetic testing services in other regions; and (iii) the right to use certain logos on genetic testing products and for genetic testing services that are distributed by the Group since 2011.

In early 2011, the relevant regulatory department in the PRC announced the restriction for private companies to engage in any kind of genetic testing services business and promulgated a set of new regulations during the last quarter of 2011, which requires companies to obtain licenses and permits from the State Drug Administration to engage in different types of genetic testing services in the PRC. As a result of the legal restrictions imposed and taking into consideration that additional capital and resources would be required to obtain such necessary licenses and permits, the Group has ceased its operation for the Provision of Genetic Testing Services Segment since then.

Going forward, the Company will continue to closely monitor the regulatory environment and consider whether it should continue with the development of this business segment.

Distribution of Bio-industrial Products

The Group has held the exclusive distribution rights for the distribution of bone chips and fat in the PRC since 1 January 2010 for an initial term of 5 years, the term of which was automatically extended by an additional 10 years upon the expiry of the initial term.

Initially, it was then the intention of the Company to build its own production plant, research and development workshop and office in Pinghu, the PRC to develop the bio-industrial products. However, due to the litigation between 江蘇瑞峰建設集團有限公司 (Jiangsu Ruifeng Construction Group Co., Limited) in the PRC as the plaintiff against CNL (Pinghu) Biotech Co. Ltd. ("CNL (Pinghu)"), an indirect non-wholly owned subsidiary of the Company, as the defendant in relation to the disputes arising from the related construction services, the construction of the production plant, research and development workshop and office in Pinghu, the PRC had since then been put on hold.

Upon the settlement of the aforesaid litigation in 2014, the Company re-assessed the feasibility of this business segment and found that the PRC market environment for this business segment has been deteriorating. In particular, bio-industrial products have been facing fierce price competition within the market. Accordingly, taking into consideration that the Company has been putting in substantial efforts and capital for settling the aforesaid litigation, the Company decided not to exert additional resources and capital into a business which may not generate promising returns. In September 2017, CNL (Pinghu) disposed of the production plant to the local government and an amount of approximately HK$1.3 million was recognised as loss on disposal after tax by the Group as a result of the disposal.

PROSPECTS

Trading of beauty equipment and products

The major trading products of the Group are beauty equipment and beauty products, and sales of these beauty equipment and beauty products represent the major component that contributes to the Group's revenues.

Revenues and profit margins of the Group from the trading segment have been relatively stable in the past and trading volume is the key determiner of the profitability of the segment. The Group competes by offering trading terms that are more favourable to its suppliers and vendors compared to the Group's competitors, and trades products that are in high demand given the development of Asian economies.

Securities investment

The management of the Group is optimistic on the long-term recovery of the markets but they also remain cautious on the direction of the market in the near-term. The Group continues to invest in equity funds managed by a professional fund manager.

Research and development

The Research and Development Segment represents an in-process research and development projects involving an oral insulin product (the "Product") that the Group is developing. The Group is preparing to commence the Part B of phase III clinical trials for the Product (the "Clinical Trail"). In order to better prepared for the Clinical Trail, the timetable for obtaining the Certificate of New Medicine and the Pharmaceutical Manufacturing Permit, subject to the approval of State Drug Administration, and the generating revenue of the Product would been slight adjusted from the third quarter of 2019 and around end of 2019 to early of 2020 and around mid of 2020 respectively.

Based on the currently available information and expected timeline, the estimated funding required to complete the research and development and commercialization of the Product by stages are as follow:

Expected timeline	**Event**	**Estimated funding required**
Third quarter of 2018	Engagement of hospitals to conduct the Part B of phase III clinical trials and recruitment of supervisors to monitor the progress	RMB5 million
Late 2018 till end of 2019	Part B of phase III clinical trials	RMB25 million
Early of 2020	Commercialization of the Product	RMB20 million

The Company will propose that the total funding required for the research and development as well as the commercialization of the Product will be shared among the Company and Extrawell in the proportion of 51% and 49%, respectively. This arrangement is subject to the result of the discussion with Extrawell. Based on the currently available liquid fund of the Company, the Company considers that it will have sufficient funding for this purpose. Further, as it is expected that the Product will be one of the first oral insulin medicines available in the market, the Company anticipates that it will not be difficult to obtain external funding once the Product is commercialized. The Company is identifying potential investors/partners to cooperate for the commercialization of the Product. If cooperation with potential investors/partners for the commercialization of the Product cannot be materialized, the Company will also look for other funding sources, including obtaining financial assistance from the Company's associated company and business partner, Extrawell.

In terms of human resources, the Company may utilize its existing employee and working teams to undergo the process for the completion of the research and development of the Product and therefore the Company considers that it will have sufficient human resource for this purpose.

FINANCIAL REVIEW

Capital structure

	31 March 2018	31 March 2017
	HK$'000	*HK$'000*
Authorised		
50,000,000,000 ordinary shares of HK$0.01 each (the "Shares")	**500,000**	500,000
Issued and fully paid:		
1,464,193,024 Shares	**14,642**	14,642

Liquidity and financial resources

As at 31 March 2018, the Group had bank and cash balances of approximately HK$20.2 million (31 March 2017: approximately HK$61.3 million).

As at 31 March 2018, total borrowings of the Group were approximately HK$542.4 million (31 March 2017: approximately HK$473.4 million) which reflected the debt value of the Company's unconverted convertible bonds, amounts due to non-controlling interests, amounts due to former non-controlling interests, amounts due to the subsidiary of an associate, and loan from a non-controlling interest.

The ratio of current assets to current liabilities of the Group was 1.92 as at 31 March 2018 as compared to the 1.03 as at 31 March 2017. The Group's gearing ratio as at 31 March 2018 was 0.30 (31 March 2017: 0.30) which is calculated based on the Group's total liabilities of approximately HK$647.3 million (31 March 2017: approximately HK$552.6 million) and the Group's total assets of approximately HK$1,714.2 million (31 March 2017: approximately HK$1,851.0 million).

The Group places importance on security, short-term commitment, and availability of the surplus cash and cash equivalents.

Significant acquisition and investments

Save as mentioned above, the Group had no other significant investments, nor had it made any material acquisition or disposal of the Group's subsidiaries or associated companies during the Financial Period.

Charges on the Group's assets

As at 31 March 2018, the Group and the Company did not have any charges on their assets (31 March 2017: nil).

Contingent liabilities

Details of litigation and contingent liabilities are set out in note 14 of the consolidated financial statements.

Foreign exchange exposure

The monetary assets and liabilities and businesses of the Group are mainly conducted in Hong Kong Dollars, Renminbi, and United States Dollars. The Group maintains a prudent strategy in its foreign exchange risk management, with the foreign exchange risk being minimised through balancing the foreign currency monetary assets against foreign currency monetary liabilities, and foreign currency revenue against foreign currency expenditure. The Group did not use any financial instruments to hedge against foreign currency risk during the Financial Year. The Group will continue to monitor its foreign currency exposure closely and consider hedging foreign currency exposure should the need arise.

Number and numeration of employees

As at 31 March 2018, the Group had 22 full time employees (31 March 2017: 24), most of whom work in the Company's subsidiaries in the PRC. The decrease in staff is due to a reduction in the business activity of certain segments and the subsequent redundancies. It is the Group's policy that the remuneration of employees and Directors are in line with the market and commensurate with their responsibilities. Discretionary year-end bonuses are payable to the employees based on individual performance. Other employee benefits include medical insurance, retirement schemes, training programmes, and education subsidies.

Total staff costs including the Directors' remuneration for the Financial Year amounts to approximately HK$6.78 million (Previous Financial Year: approximately HK$6.50 million).

Segment information

Details of the segment information are set out in note 3 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Financial Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and complied with all the code provisions as set out in Appendix 14 to the Listing Rules (the "Code") during the Financial Year, except for the deviations discussed below.

Code provision A.2.1

Ms. Jiang Nian is the chairman of the Group. As at the date of this announcement, no suitable candidate has been identified and the role of chief executive officer remains vacant. The Company is continually looking for a suitable person to assume this role.

Code provision A.4.1

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term and should be subject to re-election.

The Company has deviated from the Code provision A.4.1. The non-executive Directors and independent non-executive Directors were not appointed for specific term but are subject to retirement by rotation and re-election at least once every three years in accordance with the provision of the Company's articles of association. As such, the Company considers that sufficient measures have been taken to serve the purpose of this Code provision.

The Directors believe that, despite the absence of specified terms for non-executive Directors, the Directors are committed to representing the long-term interests of the Company and its shareholders as a whole.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. All Directors have confirmed that they have fully complied with the Model Code throughout the Financial Year. No incident of non-compliance was noted by the Company in the Financial Year.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is composed of three independent non-executive Directors. It reviews with the management of the accounting policies and practices adopted by the Group and discusses the auditing, internal control and financial reporting matters. The Group's audited financial statements for the Financial Year have been reviewed by the Audit Committee.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The auditor expressed a disclaimer of opinion in the independent auditor's report on the consolidated financial statements of the Group for the ended 31 March 2018. The basis for disclaimer of opinion is extracted as follows:

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

As disclosed in note 19 to the consolidated financial statements, the major asset held by the Group, through Fosse Bio-Engineering Development Limited ("Fosse Bio") was an intangible asset in relation to an in-process research and development ("In-process R&D") involving an oral insulin product ("Product"). Fosse Bio is a subsidiary of Smart Ascent Limited (collectively with other subsidiaries of Smart Ascent Limited referred to as the "SAL Group"), a subsidiary of the Company. For the purpose of impairment assessment under Hong Kong Accounting Standard 36 *Impairment of Assets*, the Company's directors estimated the fair value of the intangible asset in relation to the In-process R&D using income approach which involved the preparation of a cash flow projection ("Cash Flow Projection") using significant management assumptions and judgement. Based on the impairment assessment result, the Company's directors have determined that no impairment provision is required for the intangible asset as the estimated fair value of the In-process R&D is higher than its carrying amount.

During the course of our audit for the current year, we had not been provided by the Company's directors and other parties as appropriate with the information which we considered sufficient to satisfy ourselves as to the basis for which the Cash Flow Projection was prepared and the related data to which specific assumptions were applied; including the timing of the amounts of cash flow, the estimation of which related to the completion of the necessary clinical trials, the obtaining of the relevant regulatory approvals and launching of the Product. There were no alternative audit procedures which we could adopt to satisfy ourselves as to this matter. Accordingly we were not able to satisfy ourselves as to whether the impairment assessment of the Group's intangible asset of HK$1,373,224,000 (2017: HK$1,373,224,000) had been appropriately performed and whether such as at 31 March 2018 was fairly stated. Any impairment loss to the intangible asset would reduce the Group's net assets as at 31 March 2018 and adversely the Group's financial performance for the year then ended, and the related information of the disclosures thereof in the consolidated financial statements may be subject to amendments.

In addition, included in the amounts due from group companies as shown in note 34 to the consolidated financial statements, the Company had an amount due from a subsidiary, namely Clear Rich which held 51% equity interest in Smart Ascent directly, amounting to HK$435,200,000 as at 31 March 2018. Clear Rich's major asset was the 51% equity interest in Smart Ascent and had no other material business operations. In the absence of sufficient audit evidence supporting that the carrying amount of the intangible asset held by SAL Group was fairly stated, we were unable to satisfy themselves as to whether the carrying amount of the amount due from Clear Rich as included in the Company's statement of financial position as at 31 March 2018 was recoverable.

Because of the limitations as explained above, we are unable to satisfy ourselves as to whether the Company's amount due from Clear Rich of HK$435,200,000 as at 31 March 2018 required any impairment provision and were fairly stated. Any impairment loss on the Company's amount due from Clear Rich as stated above would reduce the Company's net assets as at 31 March 2018 and increase the loss of the Group and the Company for the year then ended.

The auditor had disclaimed their opinion on the consolidated financial statements for the year ended 31 March 2017 as they were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the reasonableness of certain major assumptions adopted by the Company in the impairment assessment of the in-process R&D, and accordingly whether the carrying amount of the Group's intangible asset of HK$1,373,224,000 and the Company's amount due from Clear Rich of HK$435,200,000 as at 31 March 2017 required any impairment provision. These limitations remained unresolved for the current year.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.ipb.asia and www.irasia.com/listco/hk/ipb) and the Stock Exchange (www.hkex.com.hk). The annual report of the Company for the Financial Year containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and made available on the above websites in due course.

By Order of the Board
Innovative Pharmaceutical Biotech Limited
Tang Rong
Executive Director

Hong Kong, 29 June 2018

As at the date of this announcement, the Board comprises Ms. Jiang Nian (chairman & non-executive Director), Mr. Gao Yuan Xing (executive Director), Mr. Tang Rong (executive Director), Ms. Huang He (executive Director), Ms. Wu Yanmin (non-executive Director), Ms. Xiao Yan (non-executive Director), Ms. Chen Weijun (independent non-executive Director), Dr. Zhang Zhihong (independent non-executive Director) and Mr. Wang Rongliang (independent non-executive Director).