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 2019

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 2019 (the "Financial Year") together with the comparative figures for the year ended 31 March 2018 (the "Previous Financial Year") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	4	**18,589**	15,811
Cost of sales		**(16,842)**	(14,416)
Gross profit		**1,747**	1,395
Other income	6	**1,992**	9,498
Other gains and losses, net	6	**(117,605)**	(113,377)
Administrative expenses		**(26,744)**	(25,749)
Research and development expenses		**(1,934)**	(665)
Share of results of associates		**13,326**	8,632
Finance costs	7	**(131,693)**	(110,725)

	Notes	**2019** **HK$'000**	2018 HK$'000
Loss before income tax		**(260,911)**	(230,991)
Income tax expense	8	**—**	—
Loss for the year	9	**(260,911)**	(230,991)
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)
Share of other comprehensive income of associates		**(12,619)**	2,288
Exchange differences on translation of foreign operations		**3**	(2,757)
		(12,616)	(509)
Items that will not be reclassified subsequently to profit or loss:			
Loss on revaluation on land and buildings		**—**	(7,504)
Deferred taxation arising on revaluation of land and buildings		**—**	2,162
		—	(5,342)
Derecognition upon disposal		**—**	5,342
		—	—
Other comprehensive expense for the year		**(12,616)**	(509)
Total comprehensive expense for the year		**(273,527)**	(231,500)

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(260,272)**	(231,048)
Non-controlling interests		**(639)**	57
		(260,911)	(230,991)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(272,888)**	(231,557)
Non-controlling interests		**(639)**	57
		(273,527)	(231,500)
		HK cents	*HK cents*
Loss per share	11		
Basic		**(17.78)**	(15.78)
Diluted		**(17.78)**	(15.78)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**95**	162
Interests in associates		**48,954**	81,437
Investments in convertible bonds		**111,942**	166,447
Intangible asset	12	**1,373,224**	1,373,224
Amount due from the subsidiary of an associate		**—**	10,610
		1,534,215	1,631,880
Current assets			
Trade receivables	13	**21,176**	12,715
Prepayments, deposits and other receivables		**6,305**	13,094
Financial assets held-for-trading		**—**	36,247
Bank balances and cash		**17,058**	20,227
		44,539	82,283
Current liabilities			
Trade payables	14	**21,214**	10,411
Accruals and other payables		**7,273**	8,848
Amounts due to non-controlling interests		**3,092**	22,871
Amounts due to former non-controlling interests		**823**	823
		32,402	42,953
Net current assets		**12,137**	39,330
Total assets less current liabilities		**1,546,352**	1,671,210

	2019	2018
	HK$'000	*HK$'000*
Non-current liabilities		
Convertible bonds	**658,632**	554,515
Loan from a shareholder	**25,000**	—
Amount due to the subsidiary of an associate	**41,952**	41,947
Loan from a non-controlling interest	**20,929**	7,923
Loan from an associate	**5,027**	—
	751,540	604,385
NET ASSETS	**794,812**	1,066,825
Capital and reserves		
Share capital	**14,642**	14,642
Reserves	**(89,599)**	181,775
Equity attributable to owners of the Company	**(74,957)**	196,417
Non-controlling interests	**869,769**	870,408
TOTAL EQUITY	**794,812**	1,066,825

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 investment in convertible bonds, which are measured at fair value.

2. GOING CONCERN

In preparing these consolidated financial statements, the Directors have considered the future liquidity of the Group. As at 31 March 2019, the Group incurred loss of the year of approximately HK$260,911,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, these consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due within the next year from the date of the consolidated financial statements, after taking into consideration of the following measures and arrangements made subsequent to the reporting date:

(i) On 23 June 2019, the Company and Dr. Mao Yumin, a substantial shareholder of the Company, entered into a sale and purchase agreement to dispose (i) 457,510,000 ordinary shares of Extrawell Pharmaceutical Holdings Limited (stock code: 00858) (the "Target Company") and (ii) the convertible bonds issued by the Target Company in principal amount of approximately HK$577,170,000 with no interest bearing at an aggregate consideration of HK$270,000,000.

(ii) The Company obtain the financial support of substantial shareholder and confirm that agreed to provide the Company with sufficient financial support to enable the Company to meet its obligations to third parties as and when they fall due and to continue as a going concern.

(iii) The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

On the basis of the foregoing, and after assessing the Group's current and forecasted cash positions, the Directors are satisfied that the Group will be able to meet in full the Group's financial obligations as they fall due for the period of twelve months from the date of consolidated financial statements. Accordingly, the consolidated financial statements of the Group have been prepared on the going concern basis.

3. 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, which are relevant to the Group's operations, for the first time for the current year's consolidated financial statements.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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, and are potentially relevant to the Group' s operations in these financial statements.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[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 Materials[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

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). Other than these, the directors do not anticipate any material impact upon the application of the other new and revised HKFRSs.

4. REVENUE

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:

	2019	2018
	HK$'000	*HK$'000*
Trading of beauty equipment and products	**18,589**	15,811

The Group has three (2018: three) reportable and operating segments as follows:

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

(b) funds/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 in the PRC and Hong Kong and distribution of bio-industrial products in the PRC are no longer operating and reporting segments since they had been inactive in the past year and the operations were ceased. 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 an associate and a non-controlling interest and convertible bonds.

5. SEGMENT REPORTING

Segment revenues and results

	Trading of beauty equipment and products		Securities investment		Research and development		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
								(Restated)
Revenue from external customers	**18,589**	15,811	**–**	–	**–**	–	**18,589**	15,811
Segment (loss)/profit	**1,747**	1,395	**(35,600)**	(2,858)	**(3,577)**	(1,020)	**(37,430)**	(2,483)
Additional disclosures for operating segments:								
Unallocated other income, gains and losses, net							**9,651**	(5,073)
Interest expenses on convertible bonds							**(131,693)**	(110,725)
Corporate and other expenses							**(11,767)**	(19,599)
Effective interest income from investment in convertible bonds							**–**	6,937
Change in fair value of derivative components of investment in convertible bonds							**(56,485)**	(65,735)
Share of results of associates							**–**	8,632
Impairment loss on interest in an associate							**(33,190)**	(42,945)
Loss before income tax							**(260,914)**	(230,991)
Income tax expense							**–**	–
Loss for the year							**(260,914)**	(230,991)

Segment assets and liabilities

	Trading of beauty equipment and products		Securities investment		Research and development		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
								(Restated)
Assets								
Segment assets	**30,297**	12,792	**–**	36,247	**1,375,894**	1,385,969	**1,406,191**	1,435,008
Investments in convertible bonds							**111,942**	166,447
Interests in associates							**48,954**	81,437
Corporate and other assets							**11,667**	31,271
Total assets							**1,578,754**	1,714,163
Liabilities								
Segment liabilities	**21,206**	10,403	**–**	–	**153**	153	**21,359**	10,556
Convertible bonds							**658,632**	554,515
Corporate and other liabilities							**103,951**	82,267
Total liabilities							**783,942**	647,338

Geographical information

The Group's operations are principally located in Hong Kong and the PRC. The Group's revenue from continuing operations from external customers based on location of operations and information about its non-current assets (excluding financial instruments by geographical location of the assets are as follows:

	Revenue		Non-current assets (excluding financial instruments)	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
Hong Kong	**18,589**	15,811	**1,454,756**	1,454,823
The PRC	**—**	—	**—**	—
	18,589	15,811	**1,454,756**	1,454,823

Information about major customers

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

	2019	2018
	HK$'000	*HK$'000*
Customer A	**18,589**	14,994

Revenue from the above customer in the respective reporting period is derived from the segment of trading of beauty equipment and products.

6. OTHER INCOME/OTHER GAINS AND LOSSES, NET

	2019	2018
	HK$'000	*HK$'000*
Other income		
Interest income from banks	**205**	73
Sundry income	**—**	3
Effective interest income from investments in convertible bonds	**—**	6,937
Imputed interest income from loan to a subsidiary of the associate	**1,787**	2,485
	1,992	9,498
Other gains and losses, net		
Impairment loss on trade receivables	**276**	—
Gain on early repayment of loan to a subsidiary of the associate	**7,383**	—
Change in fair value of derivative components of investments in convertible bonds	**—**	(65,735)
Change in fair value of investments in convertible bonds	**(56,485)**	—
Fair value loss on financial assets held-for-trading	**(18,124)**	(5,787)
Impairment loss on interest in an associate	**(33,190)**	(42,945)
Gain on disposal of available-for-sale financial assets	**—**	903
(Loss)/gain on disposal of financial assets held-for-trading	**(17,465)**	2,034
Loss on disposals of property, plant and equipment	**—**	(1,268)
Impairment loss on other receivables	**—**	(579)
	(117,605)	(113,377)

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Effective interest expense on convertible bonds	**129,142**	108,869
Imputed interest expense on loan from the subsidiary of an associate	**127**	—
Imputed interest expense on loan from a non-controlling interest	**2,424**	1,856
	131,693	110,725

8. INCOME TAX EXPENSE

Hong Kong Profits Tax is provided at the rate of 16.5% (2018: 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% (2018: 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 (2018: Nil).

9. LOSS FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging the following:		
Auditors' remuneration	**1,100**	1,150
Depreciation of property, plant and equipment	**67**	617
Rental expense for premises under operating leases	**2,413**	2,342
Cost of inventories recognised as an expense	**16,842**	14,416
Staff costs, exclusive of directors' emoluments		
Salaries, bonus and other benefits	**3,570**	3,564
Retirement benefits scheme contributions	**157**	607
	3,727	4,171

10. DIVIDEND

The directors do not recommend the payment of dividend for the year ended 31 March 2019 (2018: Nil).

11. 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

	2019	2018
	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)	**(260,272)**	(231,048)

Number of shares

	2019	2018
	'000	*'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 2019, basic and diluted loss per share was HK$0.1778 (2018: HK$0.1578), which is based on the loss for the year of approximately HK$260,272,000 (2018: HK$231,048,000) 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).

12. INTANGIBLE ASSETS

	In-process R & D *HK$'000*
COST AND CARRYING VALUES	
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	**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 will be expired 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 the cash flow projections prepared by the management based on certain key assumptions, in which the estimated cash inflows derived from budgeted sales and expected gross margin were based on the expectations for the market development. In addition, the fundamental assumptions included the regulatory approvals from the relevant government bodies (in particular, the granting of the certificate of new medicine and pharmaceutical manufacturing permit for the Product by China Food and Drug Administration of the PRC) 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 the cash flow projections with certain key parameters are as below:

	2019	2018
Discount rate (post-tax)	**23.64%**	26.08%
Growth rate	**3%**	3%
Gross profit ratio	**64.44%**	57.75%

13. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly based on credit. The credit terms of 90 days (2018: 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 environment 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:

	2019	2018
	HK$'000	*HK$'000*
30 days or less	**767**	1,085
31 to 60 days	**762**	817
61 to 90 days	**1,693**	1,130
Over 90 days	**17,954**	9,683
	21,176	12,715

The Group did not hold any collateral over these balances.

14. TRADE PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
30 days or less	**698**	1,001
31 to 60 days	**675**	719
Over 60 days	**19,841**	8,691
	21,214	10,411

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

15. CONTINGENT LIABILITIES AND LITIGATION

Litigation concerning 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 December2010 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 (the Intermediate People's Court of Jiaxing City, Zhejiang Province) upheld the original ruling of 浙江省平湖市人民法院 (People's Court of Pinghu City, Zhejiang Province) 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 had received payment notice of approximately RMB2,897,000 (equivalent to approximately HK$3,660,000) and settled accordingly.

Since then, the Company did not receive any payment notice of the remaining amount of RMB1,326,000 (equivalent to approximately HK$1,649,000) from Jiangsu Ruifeng and therefore no payment was made by the Company during the year ended 31 March 2019 (2018: Nil).

16. THE EVENT AFTER REPORTING PERIOD

On 23 June 2019, the Company and Dr. Mao Yumin, being a substantial shareholder of the Company, entered into a sale and purchase agreement to disposal (i) 457,510,000 ordinary share(s) of Extrawell Pharmaceutical Holdings Limited (stock code: 00858) (the "Target Company") and (ii) the convertible bonds issued by the Target Company in principal amount of HK$577,170,000 with no interest bearing at an aggregate consideration of HK$270,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

Revenue of the Group for the Financial Year amounted to approximately HK$18,589,000, representing an increase of approximately 17.57% as compared with the total revenue of approximately HK$15,811,000 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$260,272,000 for the Financial Year, an increase of HK$29,224,000 from the loss of HK$231,048,000 that was recorded in the Previous Financial Year. The increase of loss was primarily due to the increase in interest expense 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$18,589,000, representing an increase of approximately 17.57% from the revenue in the amount of approximately HK$15,811,000 that was recorded in the Previous Financial Year.

Investments in Extrawell

Since 2013 the Company has acquired shares and convertible bonds issued by Extrawell Pharmaceutical Holdings Limited ("Extrawell"), a company listed on the main board of The Stock Exchange of Hong Kong Limited 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.

At the end of Financial Year, the Group recognized impairment loss on interest in an associate and decrease in fair value of the investment in convertible bonds issued by Extrawell approximately HK$33,190,000 (the Previous Financial Year: approximately HK$42,945,000) and HK$56,485,000 (the Previous Year: approximately HK$65,735,000) respectively in the profit and loss.

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 "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 facility 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$1,373,224,000. 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.

The expected future economic benefits attributable to the In-process R&D cover a 10 years period from the commercialisation of the Product. The calculation used in the cash flow projections with certain key parameters are as below:

	2019	2018
Discount rate (post-tax)	23.64%	26.08%
Growth rate	3%	3%
Gross profit ratio	64.44%	57.75%

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 2019.

As set out in the Circular, on 17 March 2014, the Group and the Extrawell Group entered into a conditional sale and purchase agreement where the Company agreed to purchase 51% of the equity interest in Smart Ascent Limited ("Smart Ascent" together with its subsidiaries, the "SAL Group") from the Extrawell Group. As part of the agreement, the Group has undertaken to the Extrawell Group that for a period of 3 years from completion, the Group would, on a best endeavor basis, solely assume the future capital and operational expenditures of Smart Ascent by way of unsecured interest-free shareholder's loans up to the amount of HK$600 million from July 2014 to July 2017. The undertaking ceased to be valid upon expiry in July 2017. On 27 July 2018, a shareholders' loan agreement was entered into between the Company and Extrawell Group, pursuant to which, the Company and Extrawell agreed to advance a total sum of HK$30 million to Smart Ascent Limited in the proportion of 51% and 49%, respectively. Upon completion such funding arrangement, Extrawell has allocated its human resources to assist the Group in the operation of the clinical trials.

The Group has completed the assessment and finalized the engagement of the contract research organization ("CRO"). Fosse Bio-Engineering Development Limited ("Fosse Bio"), a subsidiary of the Company, and the CRO have entered into a technical service agreement dated 31 October 2018 pursuant to which Fosse Bio has appointed the CRO to conduct clinical research in relation to the Product.

As set out in the previous annual reports of the Company, Fosse Bio and Tsing Hua University ("THU") have entered into the agreements in 1998 (the "THU Collaboration Arrangement") in connection with the research and development of the Product which term has expired in October 2018. On 12 November 2018, the Group has entered into a supplemental agreement with THU to renew the term of the collaboration for another five years to October 2023. Under the THU Collaboration Arrangement, 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. The Board of the Directors of the Company is of the view that the renewal of the THU Collaboration Arrangement can facilitate the exclusive commercialization of the Product by the Group and is in the interests of the Company and its shareholders as a whole.

Upon the engagement of the CRO and the renewal of the THU Collaboration Arrangement, the CRO has been working with the project team so as to select the participating hospitals for the Part B of Phase III clinical trial; meetings were held with the hospitals as shortlisted. Fosse Bio has engaged a hospital to act as the leader hospital or principal investigator for the clinical trial. Engagement of other shortlisted hospitals is in progress, whereas the oral insulin samples for clinical trial purpose have been manufactured.

Based on the currently available information, the Company expects that the estimated timeline in relation to the conduct of Part B of phase III clinical trials and the completion of the research and development and commercialization of the Product have been revised and that it is expected that the Product would commence generating revenue for the Group around January 2022.

The Group will make further announcements depending on situation and in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") if there is any material development.

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 revenue.

Revenue and profit margin 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.

On 23 June 2019, the Company entered into the sale and purchase agreement with a substantial shareholder to conditionally disposed of (i) 457,510,000 ordinary shares of Extrawell, represented 19.14% of the entire issued share capital of Extrawell and (ii) the Sale CBs issued by Extrawell with an aggregate outstanding principal amount of HK$577,170,000 for a cash consideration of HK$270,000,000 ("Disposal"). The Disposal constitutes a very substantial disposal under Chapter 14 of the Listing Rules a connected transaction for under Chapter 14A of the Listing Rules. Accordingly, the Disposal is subject to the shareholder's approval at the special general meeting. Further announcement of the Disposal will be made by the Company.

Research and development

The Group is preparing to commence Part B of phase III clinical trials for the Product (the "Clinical Trial"). In order to better prepare for the Clinical Trial, 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 has been adjusted from the early of 2020 and mid of 2020 to mid of 2021 and January of 2022 respectively.

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 2019	31 March 2018
	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 2019, the Group had bank and cash balances of approximately HK\$17.1 million (31 March 2018: approximately HK\$20.2 million).

As at 31 March 2019, total borrowings of the Group were approximately HK\$755.5 million (31 March 2018: approximately HK\$628.1 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, loans from a shareholder, amounts due to the subsidiary of an associate, loan from an associate and loan from a non-controlling interest.

The ratio of current assets to current liabilities of the Group was 1.37 as at 31 March 2019 as compared to the 1.92 as at 31 March 2018. The Group's gearing ratio as at 31 March 2019 was 0.50 (31 March 2018: 0.38) which is calculated based on the Group's total liabilities of approximately HK\$783.9 million (31 March 2018: approximately HK\$647.3 million) and the Group's total assets of approximately HK\$1,578.8 million (31 March 2018: approximately HK\$1,714.2 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 2019, the Group and the Company did not have any charges on their assets (31 March 2018: nil).

Contingent liabilities

Details of litigation and contingent liabilities are set out in note 15 of the consolidated financial statements in this announcement.

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 2019, the Group had 23 full time employees (31 March 2018: 22), most of whom work in the Company's subsidiaries in the PRC. The increase in staff is due to the preparation of the commencement of the Clinical Trial in the coming future. 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$6.2 million (Previous Financial Year: approximately HK$6.7 million).

Segment information

Details of the segment information are set out in note 5 to the consolidated financial statements in this announcement.

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 ELITE PARTNERS CPA 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 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Elite Partners CPA 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 Elite Partners CPA 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 report, 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 Bye-laws. 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 qualified opinion in the independent auditor's report on the consolidated financial statements of the Group for the ended 31 March 2019. The basis for qualified opinion is extracted as follows:

QUALIFIED OPINION

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 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 ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Prior year's audit scope limitation affecting opening balances and comparative figures

The auditor's report on the consolidated financial statements of the Group for the year ended 31 March 2018 contained a disclaimer of opinion on the limitation on the audit scope in relation to the intangible asset. Details of which had been set out in the auditor's report dated 29 June 2018.

As the consolidated financial statements of the Group for the year ended 31 March 2018 formed the basis for the comparative figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the carrying amount of the intangible asset would have a significant effect on the comparative figures and the opening balances and the related disclosures thereof for the year ended 31 March 2019.

MATERIAL UNCERTAINTY IN RELATION TO GOING CONCERN

We draw attention in note 2 to the consolidated financial statements which describes that the Group had recorded loss with the amount of approximately HK$260,911,000 for the year ended 31 March 2019. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of on this matter.

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, 28 June 2019

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. Xiao Yan (non-executive director), Ms. Wu Yanmin (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).