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 2021

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 2021 (the "Financial Year") together with the comparative figures for the year ended 31 March 2020 (the "Previous Financial Year") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	**2021** *HK\$'000*	2020 *HK\$'000*
Revenue	4	**15,189**	14,580
Cost of sales		**(13,784)**	(12,960)
Gross profit		**1,405**	1,620
Other income	6	**255**	30
Other gains and losses, net	6	**219**	(49,406)
Administrative expenses		**(16,910)**	(22,643)
Research and development expenses		**(6,092)**	(11,336)
Share of results of associates		**—**	6,312
Finance costs	7	**(191,032)**	(147,039)

	Notes	**2021** *HK$'000*	2020 *HK$'000*
Loss before income tax		**(212,155)**	(222,462)
Income tax expense	8	**—**	—
Loss for the year	9	**(212,155)**	(222,462)
Other comprehensive income/(expenses):			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		**—**	(1,388)
Exchange differences on translation of foreign operations		**(40)**	1,601
Release of share of other comprehensive income of associates upon disposal of an associate		**—**	13,319
Other comprehensive income for the year		**(40)**	13,532
Total comprehensive expense for the year		**(212,195)**	(208,930)
Loss for the year attributable to:			
Owners of the Company		**(204,939)**	(211,117)
Non-controlling interests		**(7,216)**	(11,345)
		(212,155)	(222,462)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(204,979)**	(197,585)
Non-controlling interests		**(7,216)**	(11,345)
		(212,195)	(208,930)
		HK cents	*HK cents*
Loss per share	11		
Basic		**(14.00)**	(14.42)
Diluted		**(14.00)**	(14.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment		**—**	35
Right-of-use assets		**1,186**	3,433
Intangible asset	12	**1,373,224**	1,373,224
		1,374,410	1,376,692
Current assets			
Trade receivables	13	**15,323**	15,608
Prepayments, deposits and other receivables		**4,485**	3,642
Bank balances and cash		**8,992**	22,936
		28,800	42,186
Current liabilities			
Trade payables	14	**5,479**	10,253
Lease liabilities		**1,118**	2,285
Accruals and other payables		**1,686**	5,140
Amounts due to non-controlling interests		**3,092**	3,092
Amounts due to former non-controlling interest		**823**	823
Loan from a substantial shareholder		**20,000**	7,000
Amount due to a former associate		**41,947**	41,947
Convertible bond		**726,528**	—
		800,673	70,540
Net current liabilities		**(771,873)**	(28,354)
Total assets less current liabilities		**602,537**	1,348,338

	2021	2020
	HK$'000	*HK$'000*
Non-current liabilities		
Convertible bonds	**206,784**	743,142
Lease liabilities	**—**	1,111
Loan from a non-controlling interest	**20,929**	20,929
Loan from a former associate	**16,118**	15,383
	243,831	780,565
NET ASSETS	**358,706**	567,773
Capital and reserves		
Share capital	**14,642**	14,642
Reserves	**(609,994)**	(405,015)
Equity attributable to owners of the Company	**(595,352)**	(390,373)
Non-controlling interests	**954,058**	958,146
TOTAL EQUITY	**358,706**	567,773

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.

2. BASIS OF PREPARATION

In preparing these consolidated financial statements, the Directors have considered the future liquidity of the Group. As at 31 March 2021, the Group has net current liabilities of approximately HK$771,873,000. 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) The Company obtained a confirmation from the Group's former associate confirm that shall not demand for repayment of the amount of approximately HK$41,947,000 as at 31 March 2021 for a period of at least 12 months from 29 June 2021.

(ii) The Company obtained the financial support of the substantial shareholder and confirm in written 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) On 12 May 2021, the Company and Extrawell Pharmaceutical Holdings Limited ("Extrawell"), the former associate of the Company, entered into the second deed of amendment pursuant to which the Company and Extrawell have conditionally agreed to amend the terms of the convertible bonds to the effect that: (i) the Maturity Date shall be extended from the original maturity date to 28 July 2023; and (ii) the interest payment date of the convertible bonds shall be further amended.

The Second Amendment shall be conditional upon and subject to:

(a) the approval having been obtained from the Stock Exchange in respect of the Second Amendment;

(b) all necessary consents and approvals required to be obtained on the part of the Company and the Bondholder in respect of the Second Amendment having been obtained and remained in full force and effect;

(c) the passing of the necessary resolution(s) by the shareholders of each of the Company and the Bondholder at a special general meeting of each of the Company and the Bondholder to be convened and held to approve the Second Deed of Amendment and the transactions contemplated thereunder; and

(d) the Bondholder having passed a written resolution of the bondholder meeting to approve the Second Deed of Amendment and the transactions contemplated thereunder.

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 HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(i) Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

(ii) Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments in the current year had no impact on the consolidated financial statements, but may impact future periods should the Group make any acquisition.

(iii) Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The application of the amendments in the current year had no impact on the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4, and HKFRS 16	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendment to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to HKFRS 16	Covid-19-Related Rent Concessions	1 June 2020
Amendment to HKFRS 16	Covid-19 related Rent Concessions beyond 30 June 2021	1 April 2021
Amendment to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023

Except for the new and amendments to HKFRSs mentioned below, the directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

(i) Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

— update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010 issued in October 2010*);

— add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

— add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

(ii) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

— **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

— **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

— **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

(iv) Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

— specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

(i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

(ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

— clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 March 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

(v) Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

(vi) Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19- related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

— the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

— any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

— there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group's financial position and performance as the Group does not intend to apply the practical expedient.

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:

	2021	2020
	HK$'000	*HK$'000*
Sales of beauty products in Hong Kong and recognised at a point in time	**15,189**	14,580

For sales of beauty products revenue is recognised when control of goods has transferred to the customer, being at the point the goods are delivered to the customer. The normal credit term is 90 days upon delivery.

5. SEGMENT REPORTING

The Group has two (2020: two) reportable and operating segments as follows:

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

(b) 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.

Segment revenues and results

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, and bank balances and cash. All liabilities are allocated to segments other than corporate liabilities, lease liabilities, amounts due to a former associate, a non-controlling interest and former non-controlling interests, loan from a substantial shareholder, a former associate and a non-controlling interest and convertible bonds.

	Trading of beauty products		**Research and development**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
						(Restated)
Revenue from external customers	**15,189**	14,580	**—**	—	**15,189**	14,580
Segment profit/(loss)	**1,330**	1,385	**(10,068)**	(14,375)	**(8,738)**	(12,990)
Additional disclosures for operating segments:						
Unallocated other income, gains and losses, net					**280**	(27,042)
Interest expenses on convertible bonds					**(190,171)**	(146,367)
Corporate and other expenses					**(13,526)**	(20,243)
Change in fair value of investment in convertible bonds					**—**	(22,132)
Share of results of associates					**—**	6,312
Loss before income tax					**(212,155)**	(222,462)
Income tax expense					**—**	—
Loss for the year					**(212,155)**	(222,462)

Segment assets and liabilities

	Trading of beauty products		Research and development		Total	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets						
Segment assets	**15,397**	24,536	**1,378,492**	1,380,876	**1,393,889**	1,405,412
Corporate and other assets					**9,321**	13,466
Total assets					**1,403,210**	1,418,878
Liabilities						
Segment liabilities	**5,479**	10,245	**16,568**	15,840	**22,047**	26,085
Convertible bonds					**206,784**	743,142
Corporate and other liabilities					**815,673**	81,878
Total liabilities					**1,044,504**	851,105

Geographical information

The principal place of the Group's operation is in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regards Hong Kong as its country of domicile. Over 90% of the Group's external customers and non-current assets are located in Hong Kong.

Information about major customers

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

	2021	2020
	HK$'000	*HK$'000*
Customer A	**15,189**	14,580

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

6. OTHER INCOME/OTHER GAINS AND LOSSES, NET

	2021	2020
	HK$'000	*HK$'000*
Other income		
Interest income from banks	**—**	6
Interest income from rental deposit	**29**	15
Sundry income	**14**	9
Government grants *(note)*	**212**	—
	255	30
Other gains and losses, net		
Impairment loss on trade receivables	**(74)**	(232)
Gain on disposal of property, plant and equipment	**13**	—
Change in fair value of investments in convertible bonds	**—**	(22,132)
Loss on disposals of an associate	**—**	(5,266)
Loss on modification of convertible bonds	**—**	(27,749)
Gain on deemed early redemption of convertible bonds	**—**	5,973
Gain on deregistration of subsidiaries	**280**	—
	219	(49,406)

Note: During the year ended 31 March 2021, the Group recognised government grants of approximately HK$212,000 in respect of Covid-19-related subsidies, which related to Employment Support Scheme provided by the Hong Kong Government. There were no unfulfilled conditions or contingencies relating to these government grants.

7. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Effective interest expense on convertible bonds	**190,171**	146,367
Imputed interest expense on loan from a former associate	**735**	556
Interest on lease liability	**126**	116
	191,032	147,039

8. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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% (2020: 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 (2020: Nil).

9. LOSS FOR THE YEAR

	2021	2020
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging the following:		
Auditors' remuneration	**1,020**	1,100
Depreciation of property, plant and equipment	**35**	60
Depreciation of right-of-use assets	**2,274**	1,184
Expenses relating to short-term lease payment	**—**	1,029
Cost of inventories recognised as an expense	**13,784**	12,960
Staff costs, exclusive of directors' emoluments		
Salaries, bonus and other benefits	**5,401**	4,504
Retirement benefits scheme contributions	**107**	109
	5,508	4,613

10. DIVIDEND

The directors do not recommend the payment of dividend for the year ended 31 March 2021 (2020: 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

	2021	2020
	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)	**(204,939)**	(211,117)

Number of shares

	2021	2020
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,464,193**	1,464,193

For the year ended 31 March 2021, basic and diluted loss per share was HK$0.1400 (2020: HK$0.1442), which is based on the loss for the year of approximately HK$204,939,000 (2020: HK$211,117,000) 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

Legal advisors of the Company have informed that if the Renewed 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 the product will be launched in the mid of 2023.

The recoverable amount of the In-process R&D is determined based on fair value calculations using the income approach, with reference to the 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 mid of 2023.

13. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly based on credit. The credit terms of 90 days (2020: 90 days). All sales made to the major customer 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:

	2021	2020
	HK$'000	*HK$'000*
30 days or less	**2,234**	—
31 to 60 days	**869**	—
61 to 90 days	**1,640**	725
Over 90 days	**10,580**	14,883
	15,323	15,608

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:

	2021	2020
	HK$'000	*HK$'000*
30 days or less	**2,070**	—
31 to 60 days	**810**	—
Over 60 days	**2,599**	10,253
	5,479	10,253

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Group Results

Revenue of the Group for the Financial Year amounted to approximately HK$15,189,000, representing an increase of approximately 4.18% as compared with the total revenue of approximately HK$14,580,000 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 decrease to HK$204,939,000 for the Financial Year, a decrease of HK$6,178,000 from the loss of HK$211,117,000 that was recorded in the Previous Financial Year. The decrease in loss was due to no loss was incurred on modification of convertible bonds and loss on change in fair value of investments in convertible bonds in the Financial Year. However, such reduction in loss was partly eliminated by the increase in effective interest expense on convertible bonds.

Trading of beauty equipment and products

During the Financial Year, revenue arising from the trading of beauty equipment and products amounted to approximately HK$15,189,000, representing an increase of approximately 4.18% from the revenue in the amount of approximately HK$14,580,000 that was recorded in the Previous Financial Year. The trading revenue was improved gradually as the effect of the surge of the COVID-19 pandemic in Previous Financial Year has ebbed away.

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").

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.

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 2021.

Prior to the commercialisation of the Product, the Group will need to go through, among others, the following key development stages: (i) execution of clinical trial testing; (ii) data and outcome analysis; (iii) preparation of the outcome report; (iv) entering into of production arrangement; (v) sourcing of raw materials; (vi) possible marketing activities or pre-sales preparation work; (vii) submission of the clinical trial report to National Medical Products Administration; (viii) applying for the new medicine certificate and the manufacturing permit.

The management of the Company is closely working with the contract research organization (the "CRO"). The Part B of phase III clinical trials (the "Clinical Trial") had registered in the Center for Drug Evaluation, National Medical Products Administration ("NMPA") in October 2019.

The enrolment of the first batch of patients for the Clinical Trial testing has commenced in July 2020. Currently, over 200 patients have been enrolled in selected participating hospitals to take place in the Clinical Trial. The enrolment of patients will be an ongoing process.

As at the date of this announcement, The Group has invited 23 hospitals to participate in the Clinical Trial, of which 19 hospitals have already accepted the invitation.

Due to the outbreak of the coronavirus pandemic since early 2020, the normal operations of the participating hospitals for the Clinical Trial had been severely disrupted. In order to ensure the safety of patients and clinical researchers, research projects such as the Clinical Trial had been temporarily suspended and as result there had been a delay in the selection and enrolment of patients for the Clinical Trial. Based on the latest information available to the Company, the Product is expected to be launched in the market and available for sale at selected hospitals by mid of 2023. The Group is expected to generate a stable source of revenue and profit after the launch of the Product taking into account that (i) there is massive demand in the PRC for innovative insulin products in light of the growing diabetic population; (ii) once the Product is launched, it is expected to become the first oral insulin drug available in the market; (iii) the Product is expected to be sold at a reasonable price range and will provide a superior and effective treatment method for diabetes patients; and (iv) once the Product is launched, it will be protected for a period of 5 years under the current regulations in the PRC which prohibits other companies from manufacturing and/or undergoing clinical trial for similar products.

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.

Convertible bonds issued by the Company

The Company acquired 51% interest in the share capital of Smart Ascent in the year of 2014. As part of the consideration of the acquisition of Smart Ascent, on 28 July 2014, the Company issued to Extrawell (the "Bondholder") the convertible bonds with 3.5% interest per annum for a conversion period of 7 years from the date of issue in the principal amount of HK$715,000,000 (the "Convertible Bond"). The interest was originally paid annually.

On 26 July 2019, the Company and the Bondholder entered into the amendment deed (the "Amendment Deed") in which the Company and the Bondholder have conditionally agreed to amend the interest payment terms of the Convertible Bond to the effect that i) the interest payment due dates would be amended from payment of interest in arrears annually to payment of interest for the period from 28 July 2018 to 27 July 2019, interest for the period form 28 July 2019 to 27 July 2020 and interest for the period 28 July 2020 to 27 July 2021 on or before 28 July 2021; and ii) the Company shall pay to the Bondholder a sum of additional interest in the amount of HK$11,261,250 on 28 July 2021 (representing 15% per annum on the annual interest payment under the Convertible Bond multiplied by three), being the additional interest for 2-year extension for the payment of interest for the period 28 July 2018 to 27 July 2019 and 1 year extension for payment of interest for the period 28 July 2019 to 27 July 2020.

The Amendment Deed was approved in special general meeting held on 8 October 2019 and all conditions precedent under the Amendment Deed have been fulfilled and those amendments took effect from 28 October 2019.

On 12 May 2021, the Company and the Bondholder entered into a second deed of amendment (the "Second Deed Amendment") pursuant to which the Company and the Bondholder have conditionally agreed to amend the terms of the Convertible Bonds (as amended by the Amendment Deed) (the "Second Amendment") to the effect that:

(a) the Maturity Date shall be extended from 28 July 2021 to 28 July 2023;

(b) the interest payment date of the Convertible Bond shall be further amended and superseded as follows:

(i) the Convertible Bond shall bear interest on the principal amount thereof in accordance with the following interest rate and payment schedule:

Interest Period	Interest Rate	Payment due dates
28 July 2014 to 27 July 2015	3.5% per annum on the principal amount of the Convertible Bonds	On or before 28 July 2015
28 July 2015 to 27 July 2016	3.5% per annum on the principal amount of the Convertible Bonds	On or before 28 July 2016
28 July 2016 to 27 July 2017	3.5% per annum on the principal amount of the Convertible Bonds	On or before 28 July 2017
28 July 2017 to 27 July 2018	3.5% per annum on the principal amount of the Convertible Bonds	On or before 28 July 2018
28 July 2018 to 27 July 2019	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2023
28 July 2019 to 27 July 2020	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2023
28 July 2020 to 27 July 2021	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2023
28 July 2021 to 27 July 2022	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2023
28 July 2022 to 27 July 2023	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2023

(ii) the Company shall pay the Bondholder a sum of additional interest in the amount of HK$3,753,750 on 28 July 2023 (representing 15% per annum on the annual interest payment under the Convertible Bond), being the additional interest for one-year extension for payment of interest for the period from 28 July 2021 to 27 July 2022; and

(iii) in addition to (ii) above, the Company shall pay the Bondholder a sum of additional interest in the amount of HK$25,900,875 on 28 July 2023 (representing 15% per annum on the aggregate amount of interest and the Additional Interest of HK$86,336,250 multiplied by two). The Company and the Bondholder agreed that the said amount of HK$25,900,875 is the additional interest for two-year further extension for payment of (a) the interest in the aggregate amount of HK$75,075,000 for the periods from 28 July 2019, 2020 and 2021; and (b) the Additional Interest mentioned in the Amendment Deed in the amount of HK$11,261,250.

Save for the Second Amendment, the terms and conditions of the Convertible Bond remain intact and unchanged.

The Second Amendment shall be conditional upon and subject to:

(a) the approval having been obtained from the Stock Exchange in respect of the Second Amendment;

(b) all necessary consents and approvals required to be obtained on the part of the Company and the Bondholder in respect of the Second Amendment having been obtained and remained in full force and effect;

(c) the passing of the necessary resolution(s) by the shareholders of each of the Company and the Bondholder at a special general meeting of each of the Company and the Bondholder to be convened and held to approve the Second Deed of Amendment and the transactions contemplated thereunder; and

(d) the Bondholder having passed a written resolution of the bondholder meeting to approve the Second Deed of Amendment and the transactions contemplated thereunder.

The special general meeting (the "SGM") will be held and convened for the purpose of considering and, if though fit, approving the Second Deed of Amendment and the transactions contemplated thereunder.

A circular containing, amongst other things, (i) further details of the Second Deed of Amendment and the transactions contemplated thereunder; and (ii) a notice of the SGM is expected to be dispatched to the shareholders of the Company on or before 3 July 2021 in accordance with the Listing Rules.

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.

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. However, the recent political issues in Hong Kong and the trade conflicts between China and US will have an unpredictable impact on the economy in Hong Kong and China. Furthermore, the COVID-19 global pandemic has affected the flow of goods and services of our trading activities and have negative effect on the Group's trading business turnover and projects. The Group anticipates that the trading business will pick up gradually when the effect of the COVID-19 becomes new normal. The Group will cautiously explore the trading business in Hong Kong and China. The Group will reinforce our risk management policy and will proactive in adopting timely measures to balance its risk and return in the long run. The Group competes by offering trading terms that are more favourable to its suppliers and vendors compared to the Group's competitors.

Research and development

The Clinical Trial testing of the Product for the first group has commenced in July 2020. Due to the outbreak of the coronavirus pandemic, the timetable for obtaining the Certificate of New Medicine and the Pharmaceutical Manufacturing Permit, subject to the approval of NMPA and generating revenue of the Product has been adjusted from the late second quarter of 2020 and fourth quarter of 2022 to late fourth quarter of 2022 and mid of 2023, respectively.

To further ensure that the Product will be able to commercialise by mid of 2023, the Group will work closely with the CRO and strengthen the project team so that relevant personnel of the project team will regularly monitor the progress and make regular reports to the management of the Company so as to ensure the In-process R&D can be completed according to the Group's schedule.

FINANCIAL REVIEW

Capital structure

	31 March 2021	31 March 2020
	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 2021, the Group had bank and cash balances of approximately HK$9.0 million (31 March 2020: approximately HK$22.9 million).

As at 31 March 2021, total borrowings of the Group were approximately HK$1,037.3 million (31 March 2020: approximately HK$835.7 million) which reflected the debt value of the Company's unconverted convertible bonds, lease liabilities, amounts due to non-controlling interests, amounts due to former non-controlling interest, loans from a substantial shareholder, amount due to a former associate, loan from a former associate and loan from a non-controlling interest.

The ratio of current assets to current liabilities of the Group was 0.04 as at 31 March 2021 as compared to the 0.60 as at 31 March 2020. The Group's gearing ratio as at 31 March 2021 was 0.75 (31 March 2020: 0.60) which is calculated based on the Group's total liabilities of approximately HK$1,044.5 million (31 March 2020: approximately HK$851.1 million) and the Group's total assets of approximately HK$1,403.2 million (31 March 2020: approximately HK$1,418.9 million).

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

Significant acquisition and investments

The Group had no 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 2021, the Group and the Company did not have any charges on their assets (31 March 2020: nil).

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 2021, the Group had 27 full time employees (31 March 2020: 29), most of whom work in the Company's subsidiaries in the PRC. 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$8.1 million (Previous Financial Year: approximately HK$7.9 million).

Segment information

Details of the segment information are set out in note 5 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 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 2021 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.

Code provision E1.5

Code provision E.1.5 stipulates that the Company should have a policy on payment of dividends. The Company has not established a dividend policy as the Company considers it more appropriate to determine a dividend payment after taking into account those factors including the Company's then financial performance, operating and capital requirements and market conditions, to enable the Company be in a better position to cope with its future development, which is to the best interest of the Company and its shareholders as a whole.

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.

Code Provision A.5.1, Listing Rule 3.10(1), 3.10A, 3.21 and 3.25

Following the resignation of Dr. Zhang Zhihong, an independent non-executive director, on 11 November 2020, the Company has (i) two independent non-executive Directors, which is below the minimum requirements under Rule 3.10(1) and Rule 3.10A of the Listing Rules; (ii) two members of audit committee of Company (the "Audit Committee"), which is below the minimum requirement under Rule 3.21 of the Listing Rules; (iii) two members of remuneration committee of the Company (the "Remuneration Committee") but the position of chairman is vacant and the Remuneration Committee does not comprise a majority of independent non-executive directors, which do not comply with the requirements under Rule 3.25 of the Listing Rules; and (iv) two members of nomination committee of the Company (the "Nomination Committee") but the position of chairman is vacant, which does not comply with Code Provision A.5.1.

With effect from 1 February 2021:

(i) Mr. Chen Jinzhong has been appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee;

(ii) Mr. Wang Rongliang, an independent non-executive Director, has been appointed as the chairman of the Remuneration Committee; and

(iii) Ms. Jiang Nian, the chairman of the Board and a non-executive Director, has been appointed as the chairman of the Nomination Committee.

Following the appointments of Mr. Chen Jinzhong, Mr. Wang Rongliang and Ms. Jiang Nian with effect from 1 February 2021, the Company will have (i) three independent non-executive Directors, representing at least one-third of the Board, which will be in compliance with Rule 3.10(1) and Rule 3.10A of the Listing Rules; (ii) three members of the Audit Committee, which will be in compliance with Rule 3.21 of the Listing Rules; (iii) a Remuneration Committee which will be chaired by an independent non-executive Director and will comprise a majority of independent non-executive Directors, which will be in compliance with Rule 3.25 of the Listing Rules; and (iv) a Nomination Committee which will be chaired by the chairman of the Board and will comprise a majority of independent non-executive Directors, which will be in compliance with Code Provision A.5.1 of the Corporate Governance Code as set out in Appendix 14 of Listing Rules.

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 Company formulated written terms of reference for the audit committee of the Company (the "Audit Committee") in accordance with the requirements of the Listing Rules. The Audit Committee is composed of three independent non-executive directors. At least one of the members of the Audit Committee has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.

The Group's consolidated 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 2021. The basis for disclaimer of opinion is extracted as follows:

Disclaimer of Opinion

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

Material uncertainty related to going concern

As discussed in note 2 to the consolidated financial statements, which indicates that the Group incurred a loss for the year of HK$212,155,000 during the year ended 31 March 2021 and, at of that date, the Group had net current liabilities of HK$771,873,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Company and the development of the events as described in note 2 to the consolidated financial statements. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis, and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 March 2021.

In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

VIEWS OF THE BOARD AND THE AUDIT COMMITTEE ON THE AUDITOR'S OPINION

The auditor expressed a disclaimer of opinion in the independent auditors' report on the consolidated financial statements of the Group for the ended 31 March 2021 (the "2021 Disclaimer Opinion"). Please refer to section headed "Extract from Independent Auditor's Report" in this announcement for more details.

The management of the Company and the board of the Company (the "Board") had discussed with the auditor in respect of the 2021 Disclaimer Opinion and understood that the 2021 Disclaimer Opinion relates solely to going concern.

The management's position and assessment on the 2021 Disclaimer Opinion are as follows: -

(1) The Company has been pursuing certain measures and arrangements to meet the Group's financial obligations as and when they fall due within the next year from the date of the consolidated financial statements as detailed in Note 2 to the consolidated financial statements.

(2) The Bondholder has conditionally agreed the extension of maturity date for 2 years. The Company is still in process to prepare the circular and is arranging the shareholders' meeting to approval the Second Deed of Amendment. The Board considered if the conditions precedent of the Second Deed of Amendment including the shareholders' approval of the Company and the Bondholder in the special general meeting, are fulfilled. The Group will be able to meet its financial obligations as they fall due for the period of 12 months from the date of consolidated financial statements. Hence, the consolidated financial statements have been prepared on the going concern basis.

The Audit Committee has reviewed the management and the Board's position and concurred with the position of the management to the 2021 Disclaimer Opinion and the basis thereof.

The Company had discussed with the auditor about the removal of the 2021 Disclaimer Opinion in respect of the consolidated financial statements in the coming year. The Company is the view that if the completion of the Second Deed of Amendment, the financial position will be improved and there may be no issue on the going concern in the next 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 2021

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. Xiao Yan (non-executive director), Ms. Wu Yanmin (non-executive director), Ms. Chen Weijun (independent non-executive director), Mr. Chen Jinzhong (independent non-executive director) and Mr. Wang Rongliang (independent non-executive director).