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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The board (the "Board") of directors (the "Directors") of Innovative Pharmaceutical Biotech Limited (the "Company", together with its subsidiaries, the "Group") hereby announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2016 (the "Financial Period") together with the comparative figures for the six months ended 30 September 2015 (the "Previous Financial Period") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		Six months ended 30 September	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**6,046**	14,817
Cost of sales and services		**(5,565)**	(14,390)
Gross profit		**481**	427
Other income		**5,802**	6,312
Other gains and losses, net	*4*	**(28,000)**	(46,086)
Selling expenses		**(119)**	(126)
Administrative expenses		**(9,910)**	(8,991)
Other expenses		**(157)**	(6,528)
Share of results of associates		**4,092**	4,556
Finance costs	*5*	**(46,284)**	(37,832)
Loss before tax		**(74,095)**	(88,268)
Income tax		**–**	–
Loss for the period	*6*	**(74,095)**	(88,268)

	Note	Six months ended 30 September **2016** *HK$'000* **(unaudited)**	2015 *HK$'000* (unaudited)
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Fair value changes of available-for-sale financial assets		**(634)**	(915)
Reclassification adjustments for the cumulated loss upon disposal of available-for-sale financial assets		**44**	(37)
Exchange difference on translation of foreign operations		**(12)**	(295)
		(602)	(1,247)
Total comprehensive expense for the period		**(74,697)**	(89,515)
Loss for the period attributable to:			
Owners of the Company		**(73,290)**	(87,455)
Non-controlling interests		**(805)**	(813)
		(74,095)	(88,268)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(73,892)**	(88,702)
Non-controlling interests		**(805)**	(813)
		(74,697)	(89,515)
Loss per share	*8*		
Basic		**HK(5.01) cents**	HK(6.42) cents
Diluted		**HK(5.01) cents**	HK(6.42) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	Notes	At 30 September 2016 HK$'000 (unaudited)	At 31 March 2016 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**35,235**	35,833
Interests in associates	*9*	**123,618**	128,103
Investments in convertible bonds	*10*	**243,000**	259,555
Intangible assets	*11*	**1,373,224**	1,373,224
Available-for-sale financial assets		**6,288**	6,921
Loan to non-controlling interests		**5,309**	4,646
Amount due from the subsidiary of an associate		**18,503**	16,192
		1,805,177	1,824,474
Current assets			
Trade receivables	*12*	**3,946**	–
Prepayments, deposits and other receivables		**3,845**	153,259
Bank and cash balances		**96,891**	32,459
		104,682	185,718
Current liabilities			
Trade payables	*13*	**4,273**	8
Funds received in advance		**–**	50,000
Accruals and other payables		**5,133**	5,291
Amounts due to non-controlling interests		**22,872**	22,871
Amounts due to former non-controlling interests		**823**	823
Amount due to the subsidiary of an associate		**41,947**	41,947
		75,048	120,940
Net current assets		**29,634**	64,778
Total assets less current liabilities		**1,834,811**	1,889,252

	Note	At 30 September 2016 HK$'000 (unaudited)	At 31 March 2016 HK$'000 (audited)
Non-current liabilities			
Convertible bonds	*14*	**422,739**	403,146
Deferred tax liabilities		**2,444**	2,444
Loan from a non-controlling interest		**5,309**	4,646
		430,492	410,236
NET ASSETS		**1,404,319**	1,479,016
Capital and reserves			
Share capital		**14,642**	14,642
Reserves		**510,978**	584,870
Equity attributable to owners of the Company		**525,620**	599,512
Non-controlling interests		**878,699**	879,504
TOTAL EQUITY		**1,404,319**	1,479,016

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group has five reportable and operating segments as follows:

(a) provision of genetic testing services in the PRC and Hong Kong ("Provision of genetic testing services")

(b) distribution of bio-industrial products in the PRC ("Distribution of bio-industrial products")

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

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

(e) research and development and commercialisation of products ("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 following is an analysis of the Group's revenue and results by reportable and operating segments:

	Provision of genetic testing services		Distribution of bio-industrial products		Trading of beauty equipment and products		Securities investment		Research and development		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Six months ended 30 September												
Revenue from external customers	**–**	–	**–**	–	**6,046**	14,817	**–**	–	**–**	–	**6,046**	14,817
Segment (loss) profit after tax	**(9)**	(699)	**(1,119)**	(1,296)	**471**	417	**(44)**	138	**(296)**	(402)	**(997)**	(1,842)

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Reconciliation of reportable segment profit (loss) after tax:		
Total segment loss	**(997)**	(1,842)
Corporate and other expenses	**(52,919)**	(49,399)
Share of results of associates	**4,092**	4,556
Unallocated other income, gains and losses, net	**(24,271)**	(41,583)
Consolidated loss for the period	**(74,095)**	(88,268)

4. OTHER GAINS AND LOSSES, NET

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Change in fair value of derivative components of investments in convertible bonds *(Note 10)*	**(19,379)**	16,038
Impairment loss on interest in an associate *(Note 9)*	**(8,577)**	–
Acquisition of investments in convertible bonds *(Note 10)*	**–**	(62,161)
(Loss)/Gain on sale of available-for-sale financial assets	**(44)**	37
	(28,000)	(46,086)

5. FINANCE COSTS

	Six months ended 30 September 2016 HK$'000 (unaudited)	2015 HK$'000 (unaudited)
Effective interest expense on convertible bonds *(Note 14)*	**45,621**	37,324
Imputed interest expense on loan from a non-controlling interest of a subsidiary	**663**	508
	46,284	37,832

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following:

	Six months ended 30 September 2016 HK$'000 (unaudited)	2015 HK$'000 (unaudited)
Depreciation of property, plant and equipment	**598**	559
Operating lease charges of land and buildings	**1,149**	1,155
Cost of inventories recognised as an expense	**5,565**	14,390
Staff costs including directors' emoluments	**2,930**	3,983

7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors have determined that no dividend will be paid in respect of the interim period (2015: Nil).

8. LOSS PER SHARE

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

	Six months ended 30 September 2016 HK$'000 (unaudited)	2015 HK$'000 (unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share (loss for the period attributable to owners of the Company)	**(73,290)**	(87,455)

	Six months ended 30 September	
	2016	2015
	Number of shares	Number of shares
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,464,193**	1,362,663

The computation of diluted loss per share for the six months ended 30 September 2016 and 2015 does not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would decrease the loss per share for both periods.

9. INTERESTS IN ASSOCIATES

	At 30 September 2016	At 31 March 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Cost of investments in associates		
Listed in Hong Kong	**476,841**	476,841
Unlisted	**–**	–
Share of post-acquisition profits and other comprehensive income	**93,585**	89,493
Impairment loss on interests in associates *(note a)*	**(347,086)**	(338,509)
Adjustment against non-controlling interests *(note b)*	**(99,722)**	(99,722)
	123,618	128,103
Fair value of listed investments *(note c)*	**123,618**	128,103

Notes:

(a) As at 30 September 2016, the Group recognised impairment loss of approximately HK$8,577,000 in profit or loss which represented the difference between the fair value of the shares of Extrawell based on the share price of Extrawell and the carrying amount of interest in associate (including the interest in Smart Ascent held by Extrawell) before adjustment against non-controlling interests at the end of the reporting period.

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

(c) The fair value of listed investments is based on the quoted market bid price of the shares of Extrawell and hence include the value attributable to Extrawell's equity interest in the SAL Group; whereas the carrying amount of the Group's interest in Extrawell as an associate as at 30 September 2016 and 31 March 2016 does not include that equity interest due to the adjustment against non-controlling interests (see note b above) and therefore is not directly comparable.

As at 30 September 2016, the Group had interests in the following associates:

Name of entity	Place of incorporation/ registration	Principal place of operation	Class of shares held	Proportion nominal of value of issued capital held by the Group		Proportion of voting power held		Principal activity
				30.9.2016	31.3.2016	**30.9.2016**	31.3.2016	
Extrawell	Bermuda	PRC	Ordinary shares	**19.14%**	19.14%	**19.14%**	19.14%	Development, manufacture and sale of pharmaceutical products
Longmark (Shanghai) Healthcare Limited	PRC	PRC	Registered capital	**49.78%**	49.78%	**33.33%**	33.33%	Provision of health care management services

10. INVESTMENTS IN CONVERTIBLE BONDS

On 27 April 2013, the Company entered into the conditional sale and purchase agreement to acquire (i) convertible bonds issued by Extrawell in an aggregate principal amount of HK$320,650,000 ("Sale CB-I") from Dr. Mao Yumin ("Dr. Mao"), the ultimate controlling shareholder of the Company at an aggregate consideration of HK$320,000,000 ("Consideration I"); and (ii) convertible bonds issued by Extrawell in an aggregate principal amount up to HK$256,200,000 ("Sale CB-II") from Dr. Mao at an aggregate consideration up to a maximum amount of HK$256,000,000 ("Consideration II"). Consideration I was satisfied by cash consideration of HK$120,000,000 and issuance of convertible bonds in the principle amount of HK$200,000,000 by the Company. Consideration II was satisfied by issuance of convertible bonds in the principle amount of HK$256,000,000 in four batches by the Company.

The Sale CB-I and Sale CB-II (collectively referred to as "Sale CBs") are zero coupon convertible bonds, with a maturity date at the twentieth anniversary of the issue date and are denominated in HK$. The Sale CBs entitle the bond holders to convert them into shares of Extrawell at any time during the period commencing from the date of issuance up to the seventh business day prior to the maturity of the Sale CBs, at the conversion price per share of HK$0.6413, subject to anti-dilutive clauses.

The acquisition of the first, second, third and fourth batches of Sale CB-II, each batch having a principal amount of HK$64,130,000, were completed on 24 April 2014, 30 August 2014, 31 December 2014 and 30 April 2015, respectively. On initial recognition, the fair values of the liability components of HK$2,572,000, HK$2,628,000, HK$2,533,000 and HK$2,801,000 of the first, second, third and fourth batches of Sale CB-II, respectively, were determined using the prevailing market interest rate of similar non-convertible debts and are carried at amortised cost subsequently. The fair value of the embedded conversion option at the respective acquisition dates, 31 March 2016 and 30 September 2016 are calculated using the Binomial Model and taking into account the dilution effect of the conversion of the convertible bonds. The inputs into the model were as follows:

	24 April 2014	**30 August 2014**	**31 December 2014**	**30 April 2015**	**31 March 2016**	**30 September 2016**
Stock price	HK$0.4	HK$0.335	HK$0.325	HK$0.55	HK$0.28	HK$0.27
Exercise price	HK$0.6413	HK$0.6413	HK$0.6413	HK$0.6413	HK$0.6413	HK$0.6413
Discount rate	18.21%	18.44%	19.04%	18.76%	19.92%	19.011%
Risk-free rate *(note a)*	2.70%	2.28%	2.24%	1.81%	1.62%	1.065%
Expected volatility *(note b)*	63.71%	62.61%	61.73%	58.62%	59.44%	57.943%
Expected dividend yield *(note c)*	0.00%	0.00%	0.00%	0.00%	0.00%	0.000%

Notes:

(a) The rate was determined with reference to the yields of Hong Kong government bonds and treasury bills as at the date of valuation.

(b) Based on the historical price volatility of Extrawell over the bond period.

(c) Estimated regarding the historical dividend payout of Extrawell.

The Group recognised subsequent decrease in fair value changes on the derivative components of investments in convertible bonds of HK$19,379,000 as at 30 September 2016.

During the period ended 30 September 2015, the Group recognised (i) loss on acquisition of investments in convertible bonds of approximately HK$62,161,000 in profit or loss which resulted from differences between the fair value of Consideration II of the fourth batch of Sale CB-II of HK$117,161,000 and the aggregate amount of fair value of Sale CB-II of HK$55,000,000 as at 30 April 2015; and (ii) subsequent increase in fair value changes on the derivative components of investments in convertible bonds of HK$16,038,000 as at 30 September 2015.

As at 30 September 2016, the carrying amounts of the debt and the derivative components of the investments in convertible bonds are HK$31,059,000 (31 March 2016: HK$32,528,000) and HK$211,941,000 (31 March 2016: HK$227,027,000), respectively.

11. INTANGIBLE ASSETS

The intangible assets represent an in-process research and development project involving an oral insulin product (the "Product") (the "In-process R&D"). 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 on 4 August 2004 and 28 March 2006 respectively and will be expired on 20 April 2021 and 12 April 2022 respectively. Fosse Bio is a subsidiary of Smart Ascent, which became a subsidiary of the Company upon completion of the acquisition on 28 July 2014. In addition, Fosse Bio and THU have entered into the agreements in 1998 (the "THU Collaboration Arrangement") in connection with the research and development of the Product. Pursuant to the THU Collaboration Arrangement, which expires in 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 Arrangement. The recoverable amount of the In-process R&D is determined based on fair value calculations. The fair value calculation used cash flow projections, prepared by the management based on certain key assumptions. The expected future economic benefits attributable to the In-process R&D approved by the management cover a 10-year period and a discount rate of 23.10% was used. The management believed that any reasonably possible change in any of these assumptions used in cash flow projections would not cause the carrying amount of In-process R&D to exceed the recoverable amount. Other key assumptions for fair value calculations related to the estimation of cash inflows which include budgeted sales and gross margins where such estimation is based on management's expectations for the market development.

Furthermore, PRC legal advisors of the Company have informed that if the THU Collaboration Arrangement is early terminated or expired, Fosse Bio will no longer have the exclusive right of the commercialisation of the Product. Either 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 have prepared the cash flow projections for the ten year period using the assumption that Fosse Bio will continue to have exclusive right for commercialisation of the Product after 2018.

Based on the recoverable amount estimation, the directors of the Company are in the opinion that no impairment on the In-process R&D should be recognised.

12. TRADE RECEIVABLES

The credit terms granted by the Group to its customers generally range from 30 to 180 days.

The following is an analysis of trade receivables by age, presented based on the invoice dates, which approximated the respective revenue recognition dates at the end of the reporting period:

	At 30 September 2016	At 31 March 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
30 days or less	**2,736**	–
31 to 60 days	**1,210**	–
61 to 180 days	**–**	–
	3,946	–

13. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

	At 30 September 2016	At 31 March 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
30 days or less	**2,518**	–
31 to 60 days	**1,747**	–
61 to 180 days	**–**	8
Over 180 days	**8**	–
	4,273	8

14. CONVERTIBLE BONDS

As disclosed in Note 10, the Company issued convertible bonds in an aggregate principle amount of HK$436,800,000 and HK$51,200,000 respectively on 25 October 2013 and 27 December 2013 (collectively referred to as "Convertible Bonds I") for the acquisition of Sale CB-I and 450,000,000 ordinary shares of Extrawell. The Convertible Bonds I with a zero coupon rate mature on the tenth anniversary of the date of issue.

The Convertible Bonds I entitle the bond holders to convert them into shares of the Company at any time within 10 years from the date of issue of the Convertible Bonds I, at the conversion price per share of HK$0.4, subject to anti-dilution clauses.

If the Convertible Bonds I have not been converted, they will be redeemed at par on the tenth anniversary of the date of issue.

The Convertible Bonds I are issued in HK$. The fair values of the liability component were HK$42,886,000 and HK$4,981,000 for the Convertible Bonds I issued by the Company at 25 October 2013 and 27 October 2013 respectively, which has been determined by the discounted cash flow approach using the prevailing market interest rate of similar non-convertible bonds and taking into account the credit risk of the Company. The fair values of the conversion option of HK$671,267,000 and HK$82,161,000 were classified as the equity component for Convertible Bonds I issued by the Company at 25 October 2013 and 27 October 2013 respectively, and are calculated using Binomial Model.

On 16 June 2015, Convertible Bonds I with aggregate principal amounts of HK$40,000,000 were converted into ordinary shares of the Company. During the period ended 30 September 2016, none of the Convertible Bond I was converted into ordinary shares of the Company.

The movement of the liability component of Convertible Bonds I for both periods is set out below:

	Principal amount *HK$'000*	**Carrying amount** *HK$'000*
As at 1 April 2015 (audited)	415,600	56,547
Interest charge *(Note 5)*	–	6,518
Conversion to ordinary shares	(40,000)	(5,702)
30 September 2015 (unaudited)	375,600	57,363
As at 1 April 2016 (audited)	351,600	60,305
Interest charge *(Note 5)*	–	7,440
30 September 2016 (unaudited)	**351,600**	**67,745**

As disclosed in Note 10, the Company issued convertible bonds in an aggregate principle amount of HK$64,000,000, HK$64,000,000, HK$64,000,000 and HK$64,000,000 respectively on 24 April 2014, 30 August 2014, 31 December 2014 and 30 April 2015 (collectively referred to as "Convertible Bonds II") for the acquisition of Sale CB-II first, second, third and fourth batches respectively. The Convertible Bonds II with zero coupon rate will mature on the tenth anniversary of the date of issue.

The Convertible Bonds II entitle the bond holders to convert them into shares of the Company at any time within 10 years from the date of issue of the Convertible Bonds II at the conversion price per share of HK$0.4, subject to anti-dilution clauses.

If the Convertible Bonds II have not been converted, they will be redeemed at par on the tenth anniversary of the date of issue.

The Convertible Bonds II are issued in HK$. The fair values of the liability components were HK$6,622,000, HK$6,916,000, HK$7,577,000 and HK$7,790,000 for the Convertible Bonds II issued by the Company at 24 April 2014, 30 August 2014, 31 December 2014 and 30 April 2015 respectively, which has been determined by the discounted cash flow approach using the prevailing market interest rate of similar non-convertible bonds and taking into account the credit risk of the Company. The fair values of the conversion option of HK$131,454,000, HK$118,983,000, HK$112,597,000 and HK$109,371,000 classified as equity components for the Convertible Bonds II issued by the Company at 24 April 2014 and 30 August 2014, 31 December 2014 and 30 April 2015 respectively are calculated using Binomial Model. The inputs into the model were as follows:

	Principal amount of HK$64,000,000			
	24 April 2014	**30 August 2014**	**31 December 2014**	**30 April 2015**
Stock price	HK$1.42	HK$1.19	HK$1.16	HK$1.16
Exercise price	HK$0.40	HK$0.40	HK$0.40	HK$0.40
Discount rate	25.46%	24.92%	23.78%	23.44%
Risk-free rate *(note a)*	2.20%	1.84%	1.85%	1.48%
Expected volatility *(note b)*	84.57%	82.53%	80.79%	79.49%
Expected dividend yield *(note c)*	0.00%	0.00%	0.00%	0.00%

Notes:

(a) The rate was determined with reference to the yields of Hong Kong government bonds and treasury bills as at the date of valuation.

(b) Based on the historical price volatility of the Company over the bond period.

(c) Estimated regarding the historical dividend payout of the Company.

None of Convertible Bonds II was converted into ordinary shares of the Company during both interim periods.

The movement of the liability component of Convertible Bond II for both periods is set out below:

	Principal amount *HK$'000*	Carrying amount *HK$'000*
As at 1 April 2015 (audited)	192,000	24,061
Issuance of Convertible Bonds II	64,000	7,790
Interest charge *(Note 5)*	–	3,517
30 September 2015 (unaudited)	256,000	35,368
As at 1 April 2016 (audited)	256,000	39,456
Interest charge *(Note 5)*	–	4,565
30 September 2016 (unaudited)	**256,000**	**44,021**

The Company issued convertible bonds in an aggregate principle amount of HK$715,000,000 on 28 July 2014 (collectively referred to as "Convertible Bonds III") for the acquisition of 51% equity interest in Smart Ascent. The Convertible Bonds III with a coupon rate of 3.5% per annum mature on the seventh anniversary of the date of issue.

The Convertible Bonds III entitle the bond holders to convert them into shares of the Company at any time within 7 years from the date of issue of the Convertible Bonds III, at the conversion price per share of HK$2.5, subject to anti-dilution clauses.

If the Convertible Bonds III have not been converted, they will be redeemed at par on the seventh anniversary of the date of issue.

The Convertible Bonds III are issued in HK$. The fair value of the liability component was HK$233,547,000 for the Convertible Bonds III issued by the Company at 28 July 2014, which has been determined by the discounted cash flow approach using the prevailing market interest rate of similar non-convertible bonds and taking into account the credit risk of the Company. The fair value of the conversion option of HK$136,646,000 was classified as the equity component for the Convertible Bonds III issued by the Company at 28 July 2014 and is calculated using Binomial Model.

None of Convertible Bonds III was converted into ordinary shares of the Company during both interim periods.

The movement of the liability component of Convertible Bond III for both periods is set out below:

	Principal amount *HK$'000*	**Carrying amount** *HK$'000*
As at 1 April 2015 (audited)	715,000	270,792
Interest paid	–	(25,025)
Interest charge *(Note 5)*	–	27,289
30 September 2015 (unaudited)	715,000	273,056
As at 1 April 2016 (audited)	715,000	303,385
Interest paid	–	(25,025)
Interest charge *(Note 5)*	–	32,613
30 September 2016 (unaudited)	**715,000**	**310,973**

On 24 March 2016, the Company entered into a subscription agreement with Fu Chuang Limited (the "Subscriber"/the "Sole Bondholder"), pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the convertible bonds (the "Convertible Bonds IV") in the aggregate principal amount of HK$50,000,000 (the "Subscription"). The maturity of the Convertible Bonds IV will be the date falling on the third anniversary from the date of issue of the Convertible Bonds IV. The Convertible Bonds IV will be converted into conversion shares, being ordinary shares of the Company of HK$0.01 each, at the conversion price of HK$1.00 (subject to adjustments) per conversion share. The completion of the subscription of the Convertible Bonds IV by the Subscriber was completed on 13 April 2016.

On 6 July 2016, the Company and the Sole Bondholder entered into a supplemental deed (the "Supplemental Deed"), pursuant to which the Company and the Sole Bondholder agreed to amend a term of the Convertible Bonds IV such that the Company may, at any time prior to the maturity of the Convertible Bonds IV and by giving the holder(s) of the Convertible Bonds IV not less than seven (7) working days' notice, redeem the outstanding Convertible Bonds IV, in whole or in part, at a price to be agreed between the holder(s) of the Convertible Bonds IV (the "Redemption Price") and Company or any of its subsidiaries from time to time (the "Proposed Amendment"). Save and except for the aforesaid, all other terms of the Convertible Bonds IV remained unchanged.

By a notice of redemption given on 6 July 2016, the Company has elected to redeem the remaining outstanding Convertible Bonds IV in the aggregate principal amount of HK$50,000,000 prior to their maturity date of 12 April 2019 at the Redemption Price of HK$51,003,472 (the "Early Redemption"). In this regard, the Sole Bondholder has agreed to waive the seven (7) working days' notice period required under the terms of the Convertible Bonds IV (as amended and supplemented by the Supplemental Deed), and the Early Redemption was fixed and carried out on 6 July 2016 and the Convertible Bonds IV redeemed were cancelled by the Company.

The Redemption Price was agreed between the Company and the Sole Bondholder pursuant to the terms of the Convertible Bonds IV (as amended and supplemented by the Supplemental Deed) and is equivalent to 100% of the principal amount of the Convertible Bonds IV together with the unpaid interest accrued to 6 July 2016, being the date fixed for the Early Redemption.

None of Convertible Bonds IV was converted into ordinary shares of the Company before fully early redemption.

The movement of the Convertible Bonds IV is set out below:

	HK$'000
Issuance of Convertible Bonds	50,000
Interest charge *(Note 5)*	1,003
Early redemption with interest paid	(51,003)
	–

15. CONTINGENT LIABILITIES AND LITIGATION

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

On 17 April 2012, a writ of summons was issued by 江蘇瑞峰建設集團有限公司 (Jiangsu Ruifeng Construction Group Co., Limited) ("Jiangsu Ruifeng") in the PRC as the plaintiff against CNL (Pinghu), an indirect non-wholly owned subsidiary of the Company, as the defendant in relation to the disputes arising from the consideration and completion of construction services under the construction contracting services agreement dated 8 October 2010, the construction agreement dated 17 December 2010 and the supplemental agreement dated 8 March 2011 (collectively referred to as the "Construction Agreements") entered into between CNL (Pinghu) and Jiangsu Ruifeng, to claim the outstanding construction cost of RMB13,150,000, the related interests and litigation costs of the case. Pursuant to the Construction Agreements, the total construction costs was RMB16,675,000. Jiangsu Ruifeng had issued invoices amounting to RMB29,126,000 in relation to the construction work they performed. The aggregated invoice amount was substantially different from the contracted amount. CNL (Pinghu) only settled the amount of RMB16,601,000 and recorded it as the cost of buildings as at 30 June 2012. On 24 April 2012, Jiangsu Ruifeng obtained a civil ruling against CNL (Pinghu), pursuant to which a bank deposit of RMB15,000,000 or equivalent amount of assets of CNL (Pinghu) were to be frozen, but the actual amount frozen was HK$222,000 as at 30 June 2012, which was significantly lower than the amount stated in the civil ruling. The frozen balance was released during the year ended 30 June 2013. On 14 January 2013, an independent construction consulting company, which was appointed by Pinghu District Court, issued a statement certifying the total construction cost incurred would be in a range between RMB15,093,000 (equivalent to approximately HK$19,142,000) and RMB18,766,000 (equivalent to HK$23,801,000). According to the relevant legal opinion dated on 29 July 2013, the possibility for Pinghu District Court for adopting the construction cost of RMB18,766,000 is higher. On 20 December 2013, the 浙江省平湖市人民法院 (People's Court of Pinghu City, Zhejiang Province) delivered a further civil ruling, pursuant to which, CNL (Pinghu) shall, after the said civil ruling came into force, pay to Jiangsu Ruifeng, among other things, a fee of RMB3,309,000 (equivalent to approximately HK$4,197,000) for the construction services rendered. CNL (Pinghu) filed an application to appeal to 浙江省嘉興市中級人民法院 (the Intermediate People's Court of Jiaxing City, Zhejiang Province). On 25 April 2014, 浙江省嘉興市中級人民法院 upheld the original ruling of 浙江省平湖市人民法院 and the Company was required to pay approximately RMB4,223,000 (equivalent to approximately HK$5,333,000) to Jiangsu Ruifeng. Full provision had been made by the Group in this regard as at 30 September 2014. During the year ended 31 March 2015, the Company has received payment notice of approximately RMB2,897,000 (equivalent to approximately HK$3,660,000) and settled accordingly. There is no further payment was made by the Company for the year ended 31 March 2016 and for the Financial Period.

Litigation concerning Longmark (Shanghai) in the PRC

The Company's associate, Longmark (Shanghai) entered into a tenancy agreement with 上海向膳樂緣餐飲有限公司 ("the tenant") for the use of premises located in 上海市長寧區臨虹路128弄2號地下一層 ("the Premises") on 9 August 2011.

On 2 November 2015, the tenant filed a writ of summons in PRC against Longmark (Shanghai) claiming the sum of RMB213,610 (equivalent to HK$256,778) being compensation for the loss resulted from the suspension of electric power supply on the Premises.

The directors believe that the above legal claim will not have a material adverse effect on the results of the operations, cash flow or financial positions of the Group. As there is no certainty of the outcome of this legal case, the potential losses, if any, which may arise from this claim has not been reflected in the consolidated financial statements.

The legal case has not been concluded up to the date of this consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

Revenue of the Group from continuing operations for the Financial Period fell to HK$6.1 million from the revenue of HK$14.8 million recorded in the Previous Financial Period, which was primarily due to a decrease in trading of beauty equipment and products. Although revenues in the trading segment decreased, gross margins rose due to the management's focus on increasing the proportion of higher margin products being sold. Loss attributable to the owners of the Company was HK$73.3 million for the Financial Period, representing an improvement from the loss of HK$87.5 million for the Previous Financial Period. The reduction of loss was primarily caused by less impairment loss being required to be made for the Group's investment in convertible bonds issued by Extrawell.

BUSINESS REVIEW

Provision of genetic testing services

Since 2010, the Group has held the permanent and exclusive distribution rights for genetic testing services in the regions of the PRC, Hong Kong and Macau, permanent non-exclusive distribution rights for genetic testing services in other regions, and the right to use certain logos on genetic testing products and for genetic testing services that are distributed by the Group. The Group has franchised the distribution rights of the genetic testing products and services and expects to generate greater business activity going forward. There was no revenue arising from the provision of genetic testing services during both the Financial Period and the Previous Financial Period.

Distribution of bio-industrial products

The Group has held the exclusive distribution rights for the distribution of bone chips and fat in the PRC from 1 January 2010 for an initial term of 5 years, the terms of which were automatically extended by an additional 10 years upon the expiry of the initial term. There was no revenue arising from the distribution of bio-industrial products during both the Financial Period and Previous Financial Period.

Trading of beauty equipment and products

During the Financial Period, revenue arising from the trading of beauty equipment and products amounted to HK$6.1 million, representing a decline of approximately 58.8% below the revenue of HK$14.8 million recorded for the Previous Financial Period.

Investments in Extrawell

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

Research and development

The Group currently has one group of companies in its research and development portfolio. The Company acquired a majority stake in Smart Ascent Limited ("Smart Ascent"), whereby Smart Ascent became 51% owned by the Company and the companies of Smart Ascent and its subsidiaries (the "SAL Group") became non-wholly owned subsidiaries of the Company. SAL Group is principally engaged in the development of a technology that would allow insulin to be administered orally. The Group will inject resources into clinical trials continuously in order to facilitate the development of it. 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.

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 Company's portfolio and development.

PROSPECTS

Provision of genetic testing services

In October 2014, the Group franchised the genetic testing distribution rights to two related parties who began providing genetic testing services and selling genetic testing products in the PRC. The Group holds a cautious view regarding the business and regulatory environment of genetic testing in the PRC and does not anticipate a strong recovery in the industry in the near-term. The Group is actively seeking partners or potential investors to work with or acquire the Group's genetic testing subsidiaries.

Distribution of bio-industrial products

CNL (Pinghu), a non-wholly owned subsidiary of the Company, commenced the construction of the production plant, research and development workshop and office in 2010. Since 2012, CNL (Pinghu) has been a defendant to a civil litigation suit in the PRC regarding the construction costs of the production plant. A verdict on the civil litigation suit was reached in April 2014 pursuant to which it was ruled that the Group is liable to pay approximately RMB4.2 million to the plaintiffs. Payments made in respect of the litigation are scheduled by the courts and the courts have delayed payments to the plaintiff at this time. Further announcements will be made by the Company as appropriate pursuant to the requirements of the Listing Rules.

Trading of beauty equipment and products

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

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

During the Financial Period, trading business activity fell as the Group reallocated personnel to focus on other activities. The Group intends to maintain the segment and will gradually increase the trading business activity in the upcoming future.

Securities investment

During the Financial Period, the PRC and Hong Kong stock markets deteriorated significantly. Whilst 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 manage a diverse portfolio of Asian stocks and bonds.

Research and development

Through the SAL Group, the Group has been developing the technology that would allow insulin to be administered orally.

During the Financial Period, the Group explored potential opportunities with investors and potential partners. As at the date of this announcement, the Group has yet to encounter a suitable business partner. The Group will continue to evaluate potential products that would be used to bolster the Group's pipeline.

FINANCIAL REVIEW

Capital structure

	30.9.2016	31.3.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
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 (As at 31 March 2016: 1,464,193,024 Shares)	**14,642**	14,642

	Number of shares issued	**Share capital**
		HK$'000
As at 31 March 2016 and at 30 September 2016	1,464,193,024	14,642

Liquidity and financial resources

As at 30 September 2016, the Group had bank and cash balances of approximately HK$96.9 million (31 March 2016: approximately HK$32.5 million).

As at 30 March 2016, the Group and other parties entered into a capital injection agreement (“the Capital Injection Agreement”) regarding a proposed capital injection into a joint venture, an amount to HK$150,000,000 was paid to an Escrow Agent as an Escrow Fund. On 6 June 2016, the Capital Injection Agreement was lapsed. The Escrow Fund deposited was fully refunded to the Group on 7 June 2016.

As at 30 September 2016, total borrowings of the Group were approximately HK504.7 million (31 March 2016: approximately HK$473.4 million) which reflected the debt value of the Company’s unconverted convertible bonds, amounts due to non-controlling interests, amounts due to former non-controlling interests, amount due to the subsidiary of an associate, and loan from a non-controlling interest.

The ratio of current assets to current liabilities of the Group was 1.39 as at 30 September 2016 as compared to 1.54 as at 31 March 2016. The Group’s gearing ratio as at 30 September 2016 was 0.27 (31 March 2016: 0.26) which is calculated based on the Group’s total liabilities of approximately HK$505.5 million (31 March 2016: approximately HK$531.1 million) and the Group’s total assets of approximately HK$1,910.5 million (31 March 2016: approximately HK$2,010.2 million).

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

Significant acquisition and investments

On 29 March 2016, an indirectly wholly-owned subsidiary of the Company, Top Nice Holdings Limited (“Top Nice”) and other parties entered in to the Capital Injection Agreement. Pursuant to Capital Injection Agreement, Top Nice would inject capital in the amount of RMB 224.75 million cash in a joint venture entity (“Joint Venture”). Upon completion of the capital injection, the Joint Venture would be owned by as to 29% by Top Nice.

According to the Capital Injection Agreement, the Joint Venture will acquire certain entities which are principally engaged in the business of online travel business, reservation and sales or air tickets hotels accommodation and travel related products.

On 6 June 2016, certain conditions precedent to the Capital Injection Agreement are not fulfilled. The Capital Injection Agreement is therefore lapsed. Top Nice shall be treated as being discharged and released from the Capital Injection Agreement.

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.

Issue of Convertible Bonds and early redemption

On 24 March 2016, the Company entered into a subscription agreement with Fu Chuang Limited (the "Subscriber"/the "Sole Bondholder"), pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the convertible bonds (the "Convertible Bonds") in the aggregate principal amount of HK$50,000,000 (the "Subscription"). The maturity of the Convertible Bonds will be the date falling on the third anniversary from the date of issue of the Convertible Bonds. The Convertible Bonds will be converted into conversion shares, being ordinary shares of the Company of HK$0.01 each, at the conversion price of HK$1.00 (subject to adjustments) per conversion share. The completion of the subscription of the Convertible Bonds by the Subscriber was completed on 13 April 2016.

On 6 July 2016, the Company and the Sole Bondholder entered into a supplemental deed (the "Supplemental Deed"), pursuant to which the Company and the Sole Bondholder agreed to amend a term of the Convertible Bonds such that the Company may, at any time prior to the maturity of the Convertible Bonds and by giving the holder(s) of the Convertible Bonds not less than seven (7) working days' notice, redeem the outstanding Convertible Bonds, in whole or in part, at a price to be agreed between the holder(s) of the Convertible Bonds (the "Redemption Price") and Company or any of its subsidiaries from time to time (the "Proposed Amendment"). Save and except for the aforesaid, all other terms of the Convertible Bonds remained unchanged.

By a notice of redemption given on 6 July 2016, the Company has elected to redeem the remaining outstanding Convertible Bonds in the aggregate principal amount of HK$50,000,000 prior to their maturity date of 12 April 2019 at the Redemption Price of HK$51,003,472 (the "Early Redemption"). In this regard, the Sole Bondholder has agreed to waive the seven (7) working days' notice period required under the terms of the Convertible Bonds (as amended and supplemented by the Supplemental Deed), and the Early Redemption was fixed and carried out on 6 July 2016 and the Convertible Bonds redeemed were cancelled by the Company.

The Redemption Price was agreed between the Company and the Sole Bondholder pursuant to the terms of the Convertible Bonds (as amended and supplemented by the Supplemental Deed) and is equivalent to 100% of the principal amount of the Convertible Bonds together with the unpaid interest accrued to 6 July 2016, being the date fixed for the Early Redemption.

Charges on the Group's assets

As at 30 September 2016, the Group and the Company did not have any charges on their assets (31 March 2016: Nil).

Contingent liabilities

Details of litigation and contingent liabilities are set out in note 15 to this announcement.

Foreign exchange exposure

The monetary assets and liabilities and businesses of the Group are mainly carried out and 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 Period. The Group will continue to monitor its foreign currency exposure closely and consider hedging foreign currency exposure should the need arise.

Number and remuneration of employees

As at 30 September 2016, the Group had 32 (31 March 2016: 29) full-time employees, most of whom were working in the Company's subsidiaries in the PRC. The decrease in staff is due to a reduction in the business activity of certain segments and the subsequent redundancies. It is the Group's policy that remuneration of the employees and Directors is 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 Period amounted to approximately HK$2.9 million (Previous Financial Period: approximately HK$4 million).

Segment information

Details of the segment information is set out in note 3 to this announcement.

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to striving good corporate governance practices and emphasising on transparency and accountability to its shareholders and stakeholders for enhancing investor confidence. Throughout the Financial Period, the Company has adopted and complied with all the code provisions as set out in the Corporate Governance Code ("CG Code") as set forth in Appendix 14 to the Listing Rules, save and except for the deviations from code provisions A.2.1 and A.4.1.

Code provision A.2.1

Code provision A.2.1 stipulates that, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Jiang Nian is the chairman of the Group. As at the date of this announcement, 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 non-executive Directors and independent non-executive Directors were not appointed for specific terms but are subject to retirement by rotation and re-election at least once every three years in accordance with the provision of the Company's articles of association. As such, the Company was unable to fully comply with code provision A.4.1 of the CG Code during the Financial Period.

The Directors believe that, despite the absence of specified terms for non-executive Directors, sufficient measures have been taken to serve the purpose of this code provision and that 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. Upon specific enquiries being made with all the Directors, each of them have confirmed that they have fully complied with the required standards set out in the Model Code throughout the Financial Period in relation to their securities dealings, if any.

AUDIT COMMITTEE

The Company has established an audit committee of the Company (the "Audit Committee") with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors. The Audit Committee reviews with the management the accounting policies and practices adopted by the Group and discusses the auditing, internal control and financial reporting matters. The Group's unaudited interim financial statements for the Financial Period have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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.hkexnews.hk). The interim report of the Company for the Interim Period 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 November 2016

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), Dr. Zhang Zhihong (independent non-executive director) and Mr. Wang Rongliang (independent non-executive director).