THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Innovative Pharmaceutical Biotech Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

(A) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO PROPOSED DISPOSAL OF APPROXIMATELY 19.14% OF THE ISSUED SHARE CAPITAL OF AND AN AGGREGATE OF HK$577,170,000 CONVERTIBLE BONDS ISSUED BY EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED (STOCK CODE: 858) AND (B) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Donvex
富域資本
Donvex Capital Limited
富域資本有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 7 to 26 of this circular. A letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this circular. A letter from the Independent Financial Adviser of the Company containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA33 of this circular.

A notice convening the SGM to be held at Falcon Room I, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 4 October 2019 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon, and return the same to the branch share registrar and transfer agent of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

13 September 2019

CONTENTS

		Page
Definitions		1
Letter from the Board		7
Letter from the Independent Board Committee		IBC-1
Letter from the Independent Financial Adviser		IFA-1
Appendix I	**— Financial Information of the Group**	I-1
Appendix II	**— Financial Information of the Target Group**	II-1
Appendix III	**— Unaudited Pro Forma Financial Information of the Remaining Group**	III-1
Appendix IV	**— Valuation Report of the Purchase Convertible Bonds**	IV-1
Appendix V	**— Valuation Report of the Sale Convertible Bonds**	V-1
Appendix VI	**— General Information**	VI-1
Notice of the SGM		SGM-1

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Best Champion"	Best Champion Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 33.5% by United Gene Holdings and 33% by Victory Trend
"Biowindow Gene"	Biowindow Gene Development (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability which is wholly owned by United Gene Group
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
"China United Gene"	China United Gene Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 60% by Best Champion
"Company"	Innovative Pharmaceutical Biotech Limited (領航醫藥及生物科技有限公司) (stock code: 399), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
"Company Convertible Bonds"	collectively, Company Convertible Bonds I and Company Convertible Bonds II

"Company Convertible Bonds I"	the convertible bonds in an aggregate principal amount of HK$744,000,000 issued by the Company pursuant to an instrument of the Company Convertible Bonds I dated 25 October 2013 with nil interest for a conversion period of ten years from the date of issue and a conversion price of HK$0.4 per Share
"Company Convertible Bonds II"	the convertible bonds in a principal amount of HK$715,000,000 issued by the Company to the Target Company pursuant to an instrument of the Company Convertible Bonds II dated 28 July 2014 with 3.5% interest per annum and with the conversion right to convert 286,000,000 Shares of the Company for a conversion period of seven years from the date of issue and a conversion price of HK$2.5 per Share
"Completion"	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
"Completion Date"	within five Business Days following the fulfillment of all conditions precedent under the paragraph headed "conditions precedent" in this circular or such other date as the Company and the Purchaser may agree in writing
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration for the sale and purchase of the Sale Shares and the Sale Convertible Bonds
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Disposal"	the proposed disposal of the Sale Shares and the Sale Convertible Bonds by the Company to the Purchaser pursuant to the terms of the Sale and Purchase Agreement
"Fosse Bio"	Fosse Bio-Engineering Development Limited

"Good Links"	Good Links Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 50% by the Purchaser
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"In-process R&D"	in-process research and development project
"Independent Board Committee"	the independent board committee of the Board comprising all of the three independent non-executive Directors, namely, Ms. Chen Weijun, Dr. Zhang Zhihong and Mr. Wang Rongliang, to advise the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder
"Independent Financial Adviser" or "Donvex Capital"	Donvex Capital Limited, a corporation licensed to carry out type 6 regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than the Purchaser and its associates
"JNJ Investments"	JNJ Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly owned by Biowindow Gene
"Last Trading Day"	21 June 2019, being the last trading day of the Shares and the Target Company Shares immediately before the date of the Sale and Purchase Agreement
"Latest Practicable Date"	9 September 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	23 December 2019 or such other date as the Company and the Purchaser may agree in writing
"Outstanding Company Convertible Bonds I"	an aggregate outstanding balance of HK$607,600,000 of the Company Convertible Bonds I owed by the Company to the Purchaser and JNJ Investments as to HK$351,600,000 and as to HK$256,000,000 respectively
"PRC"	the People's Republic of China which, for the purpose of this circular only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
"Product"	a technology that would allow insulin to be administered orally
"Project"	the development of the Product
"Purchase"	the Company's purchase of part of the Outstanding Company Convertible Bonds I with aggregate principal amount of HK$248,000,000 from the Purchaser, of which (i) HK$87,600,000 of the Outstanding Convertible Bonds I issued on 25 October 2013; (ii) HK$8,000,000 of the Outstanding Convertible Bonds I issued on 27 December 2013; (iii) HK$64,000,000 of the Outstanding Convertible Bonds I issued on 24 April 2014; (iv) HK$64,000,000 of the Outstanding Convertible Bonds I issued on 30 August 2014; and (v) HK$24,400,000 of the Outstanding Convertible Bonds I issued on 30 December 2014 held by the Purchaser will be the subject of the Purchase
"Purchase Convertible Bonds"	the part of the Outstanding Company Convertible Bonds I in an aggregate principal amount of HK$248,000,000 being the subject of the Purchase
"Purchaser"	Dr. Mao Yumin, being the honourary chairman of the Company

"Remaining Group"	the Group after the Completion
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 23 June 2019 entered into between the Company and the Purchaser in relation to the Disposal
"Sale Convertible Bonds"	the convertible bonds in an aggregate outstanding principal amount of HK$577,170,000 issued by the Target Company to the Company on 29 October 2013, 25 April 2014, 1 September 2014, 7 January 2015 and 7 May 2015 with the conversion right to convert into 900,000,000 Target Company Shares at a conversion price of HK$0.6413 with nil interest due on 16 July 2033
"Sale Shares"	457,510,000 Target Company Shares
"SGM"	a special general meeting of the Company to be held and convened to consider and, if though fit, to approve by the Independent Shareholders, among other, the Sale and Purchase Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of par value HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	the registered holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Repurchases issued by the Securities and Futures Commission of Hong Kong
"Target Company"	Extrawell Pharmaceutical Holdings Limited (精優藥業控股有限公司) (stock code: 858), a company incorporated in Bermuda with limited liability and issued shares of which are listed on the main board of the Stock Exchange

"Target Company Share(s)"	ordinary share(s) of par value HK$0.01 each in the issued share capital of the Target Company
"Target Group"	the Target Company and its subsidiaries
"THU"	Tsinghua University, Beijing
"THU Collaboration Arrangement"	the agreements in 1998 between Fosse Bio and THU in connection with the research and development of the Product
"United Gene Group"	United Gene Group Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly owned by United Gene Holdings
"United Gene Holdings"	United Gene Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly owned by the Purchaser
"Valuer"	Roma Appraisals Limited, an independent qualified valuer
"Victory Trend"	Victory Trend Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly owned by Good Links
"%"	per cent.

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)

Executive Directors:
Mr. Gao Yuan Xing
Mr. Tang Rong
Ms. Huang He

Non-executive Directors:
Ms. Jiang Nian *(Chairman)*
Ms. Xiao Yan
Ms. Wu Yanmin

Independent non-executive Directors:
Ms. Chen Weijun
Dr. Zhang Zhihong
Mr. Wang Rongliang

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong:
Unit No. 2111, 21/F
West Tower Shun Tak Centre
Nos. 168-200
Connaught Road Central
Sheung Wan
Hong Kong

13 September 2019

To the Shareholders

Dear Sir or Madam,

(A) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO PROPOSED DISPOSAL OF APPROXIMATELY 19.14% OF THE ISSUED SHARE CAPITAL OF AND AN AGGREGATE OF HK$577,170,000 CONVERTIBLE BONDS ISSUED BY EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED (STOCK CODE: 858) AND (B) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 26 July 2019 in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

On 23 June 2019, the Company and the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares and the Sale Convertible Bonds at an aggregate Consideration of HK$270,000,000.

THE SALE AND PURCHASE AGREEMENT

The terms and conditions of the Sale and Purchase Agreement are summarised as below:

Date

23 June 2019

Parties:

Vendor: The Company

Purchaser: Dr. Mao Yumin

As at the Latest Practicable Date, (i) the Purchaser holds 389,200,000 Shares, representing approximately 26.58% of the total issued share capital of the Company, and is a substantial shareholder of the Company; (ii) the Purchaser is a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Therefore, the Purchaser is a connected person of the Company.

Furthermore, as at the Latest Practicable Date, the Purchaser and his associate (namely China United Gene) are in aggregate interested in (i) 403,151,350 Shares, representing approximately 27.53% of the total issued share capital of the Company; and (ii) the Outstanding Company Convertible Bonds I convertible into an aggregate of 1,519,000,000 Shares, representing approximately 103.74% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 50.92% of the enlarged total issued share capital of the Company after full conversion (before the Disposal).

The Sale Shares and the Sale Convertible Bonds

The Sale Shares, being 457,510,000 Target Company Shares, represent approximately 19.14% of the entire issued share capital of the Target Company whose financial results have not been consolidated in the results of the Group.

The Sale Convertible Bonds, which was issued by the Target Company to the Company on 29 October 2013, 25 April 2014, 1 September 2014, 7 January 2015 and 7 May 2015, carrying an aggregate outstanding principal amount of HK$577,170,000 up to the Latest Practicable Date. Further details of the Sale Convertible Bonds can be referred to in the announcement of the Company dated 15 May 2013 and the circular of the Company dated 27 September 2013.

The Sale Convertible Bonds are convertible into 900,000,000 Target Company Shares, representing approximately 37.66% of the total issued share capital of the Target Company as at the Latest Practicable Date and approximately 27.36% of the enlarged total issued share capital of the Target Company after conversion, upon exercise in full by the Company of the conversion rights attaching to the Sale Convertible Bonds at a conversion price of HK$0.6413 per Target Company Share.

The conversion price of HK$0.6413 per Target Company Share of the Sale Convertible Bonds represents:

(i) a premium of approximately 672.65% to the closing price per Target Company Share of HK0.083 as quoted on the Stock Exchange as at the Last Trading Date;

(ii) a premium of approximately 683.99% to the average closing price per Target Company Share of approximately HK$0.0818 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date;

(iii) a premium of approximately 705.65% to the average closing price per Target Company Share of approximately HK$0.0796 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date; and

(iv) a premium of approximately 711.77% to the closing price per Target Company Share of HK0.079 as quoted on the Stock Exchange as at the Latest Practicable Date.

The Target Company is an associate company of the Group. The Sale Shares and the Sale Convertible Bonds represent all the Target Company Shares and convertible bonds issued by the Target Company held by the Company. Immediately after the Disposal, the Company will no longer hold any Target Company Shares and convertible bonds issued by the Target Company.

Consideration and payment terms

The aggregate Consideration for the Sale Shares and the Sale Convertible Bonds shall be HK$270,000,000. Amongst the Consideration, HK$50,000,000 is for the purchase of the Sale Shares and HK$220,000,000 is for the purchase of the Sale Convertible Bonds. The Consideration shall be satisfied by the Purchaser in the following manner:

(i) a sum of HK$25,000,000 shall be payable by the Purchaser to the Company within ten days from the date of the Sale and Purchase Agreement. If the Disposal does not proceed to Completion, the Company shall promptly return the said sum to the Purchaser without interest upon termination of the Sale and Purchase Agreement;

(ii) a further sum of HK$25,000,000 shall be payable by the Purchaser to the Company within 180 days after the payment of HK$25,000,000 as stated in (i) above or within five Business Days preceding Completion Date, whichever is earlier. If the Disposal does not proceed to Completion, the Company shall promptly return the said sum to the Purchaser without interest upon termination of the Sale and Purchase Agreement; and

(iii) the balance of the Consideration (being HK$220,000,000) shall be paid and set off by the purchase by the Company from the Purchaser of HK$248,000,000 of the Outstanding Company Convertible Bonds I registered in the name of the Purchaser on Completion Date at a consideration of HK$220,000,000.

The portion of the Consideration in (i) and (ii) above shall be paid by cash to the designated bank account of the Company or such other payment method as agreed between the Company and the Purchaser. As at the Latest Practicable Date, the Company received a sum of HK$25,000,000 as stated in (i) above.

Pursuant to the terms of the Company Convertible Bonds, the Company may at any time and from time to time purchase any part of the Company Convertible Bonds at any price as agreed between the Company and the relevant bondholder of the Company Convertible Bonds. The Company Convertible Bonds which are purchased by the Company will forthwith be cancelled. For further information of the Company Convertible Bonds, please refer to the section "Information of the Company Convertible Bonds" in this circular.

The Consideration was determined after arm's length negotiation between the Company and the Purchaser.

The consideration for the Sale Shares of HK$50,000,000 was determined having considered the market value of the Sale Shares of HK$37,973,330 calculated by reference to the closing price of HK$0.083 per Target Company Share as at the Last Trading Day and the trading liquidity of the Sale Shares which has been relatively low. The premium of the consideration for the Sale Shares of approximately 31.67% over the market value of the Sale Shares represents an appropriate opportunity for the Company to cash out its investment in the Sale Shares in order to satisfy the immediate funding needs of the Group. The market value of the Sales Shares is HK$36,143,290 as at the Latest Practicable Date calculated by reference to the closing price of HK$0.079 per Target Company Share as at the Latest Practicable Date.

The consideration for the Sale Convertible Bonds of HK$220,000,000 was determined based on commercial negotiation between the Company and the Purchaser taking into consideration (i) the liquidity of the Sale Convertible Bonds; (ii) the share price performance of the Target Company Shares since the issue of the Sale Convertible Bonds; (iii) the sensitivity analysis of the impact of the underlying share price on the value of the Sale Convertible Bonds; (iv) the audited carrying value of the Sale Convertible Bonds of HK$111,942,000 as at 31 March 2019 as valued by the Valuer; and (v) the fair value of the Purchase Convertible Bonds underlying the Purchase of HK$248,000,000 as at 31 March 2019 as valued by the Valuer. The Board understands that the Valuer has adopted the binomial option pricing model approach in arriving at the carrying value of the Sale Convertible Bonds and the fair value of the Purchase Convertible Bonds underlying the Purchase. In view of (i) the significant drop of approximately 83.23% of the Target Company Shares from HK$0.495 as at the first issue date of the Sale Convertible Bonds to HK$0.083 as at the Last Trading Day; (ii) the parallel decline of approximately 80.61% of the aggregate principal amount of the Sale Convertible Bonds of HK$577,170,000 since its issue to its carrying value of HK$111,942,000 as at 31 March 2019; (iii) the high correlation between the price of Target Company Shares and the value of the Sale Convertible Bonds; and (iv) the market value of HK$220,100,000 based on the assumption of 620,000,000 Shares converted under the Purchase at the closing price of HK$0.355 per Share as at the Last Trading Day, the Board considered that the consideration of the Sale Convertible Bonds which is at a premium of approximately 96.53% over its carrying value offers an appropriate exit opportunity for the Company to immediately secure the value underlying the Sale Convertible Bonds.

Having considered the abovementioned factors, the Board (excluding the independent non-executive Directors who will opine after considering the advice from the Independent Financial Adviser) considered that the consideration for the Sale Shares and the Sale Convertible Bonds is fair and reasonable and in the interest of the Company and its Independent Shareholders as a whole.

Conditions precedent

Completion is conditional upon the following conditions being satisfied or waived:

(i) the Sale and Purchase Agreement and the transactions contemplated thereunder not having triggered any obligations under the Takeovers Code (including but not limited to the obligation of making a general offer);

(ii) the Independent Shareholders having approved the Sale and Purchase Agreement and the transactions contemplated thereunder in the SGM in accordance with the Listing Rules; and

(iii) (if necessary) all necessary consent, approval, waiver and authorisation in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder have been obtained.

The Company and the Purchaser shall use their reasonable endeavour to fulfill the conditions precedent on or before the Long Stop Date. Save as conditions (ii) and (iii), the Company and the Purchaser can mutually agree in writing to waive any of the conditions precedent. If any of the conditions precedent is/are not fulfilled or waived (as the case may be) on or before the Long Stop Date, the Sale and Purchase Agreement shall cease to have effect.

Pursuant to the terms and conditions of the Sale Convertible Bonds, any transfer of the Sale Convertible Bonds to a connected person of the Target Company (other than the associates of the bondholder of the Sale Convertible Bonds) shall comply with the requirements under the Listing Rules and/or the requirements imposed by the Stock Exchange (if any) and shall be subject to the approval by the directors of the Target Company.

With regard to condition (i), the Directors are not aware of any obligations under the Takeovers Code having been triggered by the Sale and Purchase Agreement and the transactions contemplated thereunder and therefore the Directors are of the view that as at the Latest Practicable Date, condition (i) has been fulfilled. With regard to conditions (ii) and (iii), to the Directors' best knowledge, as of the Latest Practicable Date, neither the Company nor the Purchaser has any intention to waive any of the conditions precedent set out above and conditions (ii) and (iii) above have not been fulfilled.

Completion

Completion of the Sale and Purchase Agreement shall take place within five Business Days following the fulfillment of all conditions precedent under the paragraph headed "Conditions precedent" in this circular or such other date as the Company and the Purchaser may agree in writing.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Bermuda with limited liability. The Target Company Shares are listed on the main board of the Stock Exchange with stock code 858. According to the public information, the Target Company is an investment holding company and its subsidiaries are principally engaged in (i) the development, manufacture and sales of pharmaceutical products; (ii) the marketing and distribution of imported pharmaceutical products; and (iii) the commercial exploitation and development of genome-related technologies.

Set out below is the audited consolidated financial information of the Target Group for the two years ended 31 March 2018 and 2019 extracted from the 2018 and 2019 annual reports of the Target Company respectively:

	For the year ended 31 March	
	2019	**2018**
	Approximately	*Approximately*
	HK$'000	*HK$'000*
	(audited)	(audited)
Results		
Revenue	89,218	85,762
Profit before taxation	63,374	29,186
Profit after taxation	63,324	29,272

The audited consolidated net assets of the Target Group was approximately HK$1,067,079,000 and approximately HK$1,061,571,000 as at 31 March 2018 and as at 31 March 2019 respectively.

The following table shows the shareholding of the Target Company (i) as at the Latest Practicable Date; (ii) immediately after the Disposal (assuming no further issue or repurchase of the Target Company Shares); and (iii) immediately after the Disposal and assuming full conversion of the Sale Convertible Bonds (assuming no further issue or repurchase of the Target Company Shares):

	As at the Latest Practicable Date		Immediately after the Disposal		Immediately after the Disposal and assuming full conversion of the Sale Convertible Bonds	
	No. of shares	*Approximate %*	*No. of shares*	*Approximate %*	*No. of shares*	*Approximate %*
Shareholders						
The Company	457,510,000	19.14%	—	—	—	—
The Purchaser	10,500,000	0.44%	468,010,000	19.58%	1,368,010,000	41.58%
Other Shareholders	1,921,990,000	80.42%	1,921,990,000	80.42%	1,921,990,000	58.42%
Total	**2,390,000,000**	**100.00%**	**2,390,000,000**	**100.00%**	**3,290,000,000**	**100.00%**

As at the Latest Practicable Date, the Target Company holds the Company Convertible Bonds II in an aggregate principal amount of HK$715,000,000. Further details of the Company Convertible Bonds II are disclosed under the section “Information of the Company Convertible Bonds” in this circular.

INFORMATION OF THE GROUP AND THE REMAINING GROUP

The Company is an investment holding company. The Group is principally engaged in (i) trading of beauty equipment and products in Hong Kong; (ii) securities investment in Hong Kong and outside Hong Kong; and (iii) research, development and commercialization of the oral insulin products.

The Group expects that, following the Disposal, the Group will continue to engage in trading of beauty equipment and products in Hong Kong and research, development and commercialisation of the oral insulin product.

The Directors do not expect the Disposal will have any material impact to the research, development and commercialisation of the oral insulin product currently being carried out by the Group.

Since 2013, the Company acquired the Sale Shares and the Sale Convertible Bonds issued by the Target Company. The Sale Shares represent approximately 19.14% of the issued share capital of the Target Company and the Target Company is accounted for as an associate company of the Group. The Group's investments in the Target Group are recorded in the Group's consolidated statement of financial position under "interests in associates" and "investments in convertible bonds" as non-current assets of the Group, and these balances are sensitive to share price fluctuations of the Target Company Shares, as well as being subject to impairment assessment in accordance with Hong Kong Accounting Standards. The Company's share of results and other comprehensive income of the Target Company was approximately HK$10,920,000 and approximately HK$707,000 for 2018 and 2019 respectively. Upon Completion, the Company will cease to hold any Target Company Shares and convertible bonds issued by the Target Company and the Target Company will no longer be an associate company of the Group. The Directors believe that the Disposal will not have material impact on the financial performance of the Group in the future.

INFORMATION OF THE COMPANY CONVERTIBLE BONDS

Company Convertible Bonds I

References are made to the announcements of the Company dated 15 May 2013, 30 August 2013, 20 November 2013, 31 December 2013, 28 January 2014, 24 April 2014, 30 August 2014, 31 December 2014 and 30 April 2015 and the circular of the Company dated 27 September 2013.

The Company Convertible Bonds I were issued pursuant to an instrument of the Company Convertible Bonds I dated 25 October 2013 by the Company in an aggregate principal amount of HK$744,000,000 with nil interest for a conversion period of ten years from the date of issue and a conversion price of HK$0.4 per Share.

As at the Latest Practicable Date, an aggregate outstanding balance of HK$607,600,000 of the Company Convertible Bonds I was owed by the Company to the Purchaser and JNJ Investments. Amongst the Outstanding Company Convertible Bonds I, the Purchaser holds an aggregate principal amount of HK$351,600,000. After Completion, an aggregate principal amount of HK$103,600,000 (being HK$351,600,000 net of HK$248,000,000) of the Outstanding Company Convertible Bonds I being held by the Purchaser will be outstanding.

As at the Latest Practicable Date, JNJ Investments (a company which is indirectly wholly-owned by the Purchaser) holds Outstanding Company Convertible Bonds I in an aggregate principal amount of HK$256,000,000. The terms and conditions of the Outstanding Company Convertible Bonds I being issued to the Purchaser were the same as those to JNJ Investments. The Purchaser and JNJ Investments in aggregate were beneficially interested in the Outstanding Company Convertible Bonds I in an aggregate principal amount of HK$607,600,000.

The Outstanding Company Convertible Bonds I are convertible into a maximum of 1,519,000,000 Shares, representing 103.74% of the total issued share capital of the Company as at the Latest Practicable Date and 50.92% of the enlarged total issued share capital of the Company upon full conversion of the Outstanding Company Convertible Bonds I (before the Disposal).

The conversion price of HK$0.40 per Share of the Outstanding Company Convertible Bonds I represents:

(i) a premium of approximately 12.68% to the closing price per Share of HK$0.355 as quoted on the Stock Exchange as at the Last Trading Date;

(ii) a premium of approximately 11.73% to the average closing price per Share of approximately HK$0.358 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date;

(iii) a premium of approximately 10.96% to the average closing price per Share of approximately HK$0.3605 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date; and

(iv) a premium of approximately 21.21% to the closing price per Share of HK$0.33 as quoted on the Stock Exchange as at the Latest Practicable Date.

Company Convertible Bonds II

Reference are made to the joint announcements of the Company and the Target Company dated 18 March 2014, 19 March 2014, 17 July 2014 and 28 July 2014 and the circular of the Company dated 26 June 2014 and the circular of the Target Company dated 27 June 2014.

The Company Convertible Bonds II were issued pursuant to an instrument of the Company Convertible Bonds II dated 28 July 2014 by the Company to the Target Company in an aggregate principal amount of HK$715,000,000 with 3.5% interest per annum for a conversion period of 7 years from the date of issue and a conversion price of HK$2.5 per Share.

As at the Latest Practicable Date, the Target Company holds the Company Convertible Bonds II in an aggregate principal amount of HK$715,000,000.

The Company Convertible Bonds II are convertible into a maximum of 286,000,000 Shares, representing approximately 19.53% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 16.34% of the enlarged total issued share capital of the Company upon full conversion of the Company Convertible Bonds II (before the Disposal).

The conversion price of HK$2.5 per Share of the Company Convertible Bonds II represents:

(i) a premium of approximately 604.23% to the closing price per Share of HK$0.355 as quoted on the Stock Exchange as at the Last Trading Date;

(ii) a premium of approximately 598.32% to the average closing price per Share of approximately HK$0.358 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date;

(iii) a premium of approximately 593.48% to the average closing price per Share of approximately HK$0.3605 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date; and

(iv) a premium of approximately 657.58% to the closing price per Share of HK$0.330 as quoted on the Stock Exchange as at the Latest Practicable Date.

The following table shows the shareholding of the Company (i) as at the Latest Practicable Date; (ii) assuming full conversion of the Outstanding Company Convertible Bonds I and Company Convertible Bonds II (assuming no further issue or repurchase of the Shares) as at the Latest Practicable Date; and (iii) immediately after the Disposal and assuming full conversion of the Outstanding Company Convertible Bonds I and Company Convertible Bonds II (assuming no further issue or repurchase of the Shares):

	As at the Latest Practicable Date		**Assuming full conversion of the Outstanding Company Convertible Bonds I and Company Convertible Bonds II as at the Latest Practicable Date**		**Immediately after the Disposal and assuming full conversion of the Outstanding Company Convertible Bonds I and Company Convertible Bonds II**	
	No. of shares	*Approximate %*	*No. of shares*	*Approximate %*	*No. of shares*	*Approximate %*
Shareholders						
The Purchaser	389,200,000	26.58%	1,268,200,000	38.79%	648,200,000	24.46%
JNJ Investments	—	—	640,000,000	19.58%	640,000,000	24.16%
China United Gene	13,951,350	0.95%	13,951,350	0.43%	13,951,350	0.53%
The Target Company	—	—	286,000,000	8.74%	286,000,000	10.80%
Other Shareholders	1,061,041,674	72.47%	1,061,041,674	32.46%	1,061,041,674	40.05%
Total	**1,464,193,024**	**100.00%**	**3,269,193,024**	**100.00%**	**2,649,193,024**	**100.00%**

REASONS FOR AND BENEFIT OF THE DISPOSAL

As disclosed above, the Group's investments in the Target Company are recorded in the Group's consolidated statement of financial position under interests in associates and investments in convertible bonds, and these balances are sensitive to share price fluctuations of the Target Company Shares, as well as being subject to impairment assessment in accordance with Hong Kong Accounting Standards. Since the issue of the Sale Convertible Bonds, the share price of the Target Company Shares has significantly dropped by approximately 83.23% from the closing price of the Target Company Shares of HK$0.495 as at the first issue date of the Sale Convertible Bonds to the closing price of the Target Company Shares of HK$0.083 as at the Last Trading Day. The decrease in the share price of the Target Company Shares also results in the decrease of the value of the Sale Convertible Bonds which makes disposal of the Sale Convertible Bonds less attractive.

Furthermore, the Company has no intention to exercise the conversion right attaching to the Sale Convertible Bonds given the high premium of the conversion price of the Sale Convertible Bonds over the trading price of the Target Company Shares.

With reference to the Company's audited consolidated annual results for the year ended 31 March 2019, the Group's total borrowings were approximately HK$755,455,000 and its bank and cash balances were approximately HK$17,058,000 as at 31 March, 2019. Thus, it is the Group's strategy to improve its debt and cash position, and the Company has been actively exploring fund raising opportunities through capital market as well as other cash out opportunity through possible disposal of the Sale Shares and/or the Sale Convertible Bonds to investors independent of the Company. However, in light of (i) the unstable global economy and financial market and the weaken investors' sentiment triggered by the China-United Sates trade war since 2018; (ii) the decreasing share price of the Shares; and (iii) the relatively low trading liquidity of the Shares, the Group encountered difficulty to raise funds through the abovementioned fund raising options. As a result, the Company approached its Shareholder to explore various opportunities to improve the Group's cash position and finally reached the terms under the Sale and Purchase Agreement with the Purchaser.

Since 2014, the Group engaged in the development of the Project and it is still in the research and development stage.

It is expected that the Product will be one of the first oral insulin medicines available in the market. The Project represented an in-process research and development project involving the Product. The patents of an invention "a method of production of oil-phase preparation of oral insulin" (一種製備口服胰島素油相製劑的方法) in relation to the Product are registered under the joint names of Fosse Bio and THU granted by State Intellectual Property Office of the PRC and United States Patent and Trademark Office of the United States of America granted on 4 August 2004 and 28 March 2006 respectively and will be expired on 20 April 2021 and 12 April 2022 respectively. Fosse Bio is a subsidiary of the Group. Fosse Bio and THU have entered into the THU Collaboration Arrangement in 1998 in connection with the research and development of the Product. Pursuant to the THU Collaboration Arrangement, which has expired in October 2018 and renewed with a new term of collaboration until 14 October 2023, Fosse Bio would be entitled to commercialise the relevant technologies of the Product and to manufacture and sell the Product on an exclusive basis, and THU is entitled to 1.5% of Fosse Bio's annual sales upon commercialisation of the Product.

The Group is preparing to commence part B of phase III clinical trials of the Product which is typically considered as the final stage of clinical trial before commercialization. The Group plans to inject additional resources into clinical trial of the Project and consolidate the effort of the project team in order to facility the development of it and will use its best endeavours to commercialise the product around early 2022. Thus far, the Group has financed the Project 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.

In light of the current uncertain economic environment in the global market and given that investment in pharmaceutical products are generally considered as high-risk investment, the Group is in a difficult position to obtain financing for developing the Product. The Board takes the view that the proceeds from the Disposal, together with the existing available internal resource of the Group, will enable the Group to financially support the development of the Product for commercialisation.

The Board holds the view that with the adoption of the Twelfth Five-Year Plan in 2011 and the central government's increasing investment in the nation's healthcare reforms in the PRC, the pharmaceutical industry continued to demonstrate a strong growth momentum supported by robust market demand primarily driven by natural growth, the aging of population, accelerating urbanization and the people's rising living standards. The Board is confident that there will be substantial demand for the Product and accordingly, using the net proceeds of the Disposal as disclosed in the section headed "Use of Proceeds" in this circular below to finance the Project will, in due course, generate strong returns for the Company for the benefit of all the Shareholders.

Furthermore, following the settlement of the Purchase, the Purchase Convertible Bonds will be cancelled in accordance with the terms and conditions of the Company Convertible Bonds and will no longer be the liabilities consolidated into the Group, thus improves the gearing and credit profile of the Group.

Based on the above, the Directors are of the view that the Disposal are on normal commercial terms, and the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

No Director has a material interest in the Disposal and no Director was required to be abstained from voting on the board resolutions to approve the Disposal.

FINANCIAL EFFECT OF THE DISPOSAL AND THE PURCHASE

As at the Latest Practicable Date, the Target Company is accounted for as an associate of the Company in the consolidated financial statements of the Group. The Sale Shares and the Sale Convertible Bonds represent all the Target Company Shares and convertible bonds issued by the Target Company held by the Company. Upon Completion, the Company will cease to hold any

Target Company Shares and convertible bonds issued by the Target Company. The Company will no longer be the registered holder of the Sale Shares and the Sale Convertible Bonds and the Target Company will no longer be an associate of the Group.

An estimated gain of approximately HK$820,000 would be arisen from the Disposal as if the Disposal had been taken place on 31 March 2019.

Such estimated gain is calculated by:

(i) the difference between the cash consideration for the Sale Shares of HK$50,000,000 and the carrying amount of the investment in associates, i.e. the Sale Shares, recognised in the financial position of the Group of approximately HK$48,954,000;

(ii) the difference between (a) the fair value of the liability component of the Purchase Convertible Bonds of approximately HK$77,248,000; and (b) the carrying amounts of the liability component of the Purchase Convertible Bonds of approximately HK$79,672,000.

The Consideration of the Sale Convertible Bonds shall be paid and set off by the purchase of the Purchase Convertible Bonds. In accordance with Hong Kong Financial Reporting Standard 32, the gain or loss relating to the setting off of the liability component of the Purchase Convertible Bonds would be recognised in the statement of profit or loss of the Remaining Group; and

(iii) the estimated expense in relation to the Disposal of approximately HK$2,650,000.

Assets and liabilities

According to the 2019 annual report of the Company for the year ended 31 March 2019, the audited consolidated total assets and total liabilities of the Group as at 31 March 2019 were approximately HK$1,578,754,000 and HK$783,942,000 respectively. Based on the unaudited pro forma consolidated financial information of the Remaining Group as set out in Appendix III to this circular, assuming Completion had taken place on 31 March 2019, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group would be approximately HK$1,465,208,000 and HK$704,270,000 respectively. Upon Completion, the reduction of total assets by approximately HK$113,546,000 was attributable to (i) the carrying amount of the investment in associates of approximately HK$48,954,000 and the carrying amount of the investment in Sale Convertible Bonds of HK$111,942,000 no longer being accounted for in the unaudited pro forma consolidated financial information of the Remaining Group; and (ii) the estimated cash proceeds from Disposal of approximately HK$47,350,000, net of relevant transaction cost. The total liabilities of the Group is also expected to reduce as a result of the exclusion of the carrying amount of the liability component of the Purchase Convertible Bonds in the amount of approximately HK$79,672,000. The above effects will result in a reduction of net assets of the Group in an amount of approximately HK$33,874,000 upon Completion.

Profit for the year

According to the Company's 2019 Annual Report, for the year ended 31 March 2019, the Group recorded an audited loss for the year of approximately HK$260,911,000. Based on the unaudited pro forma consolidated financial information of the Remaining Group as set out in Appendix III to this circular, upon Completion, the unaudited pro forma consolidated loss of the Remaining Group for the year ended 31 March 2019 is expected to reduce to approximately HK$201,589,000. The reduction of loss by approximately HK$59,322,000 was attributable to (i) the exclusion of the change in fair value of investments in Sale Convertible Bonds and impairment loss on interest in an associate recognised in the profit or loss during the year ended 31 March 2019 which amounted to approximately HK$89,675,000; (ii) the exclusion of share of results of an associate of approximately HK$13,326,000; (iii) loss on disposal of interest in an associate of approximately HK$31,437,000; (iv) loss on disposal of investment in Sale Convertible Bonds of approximately HK$1,747,000; and (v) the exclusion of effective interest expense on the Purchases Convertible Bonds of approximately HK$16,157,000.

Gearing

The Group's gearing ratio (expressed as total liabilities divided by total equity) will also improve from approximately 0.99 as at 31 March 2019 to approximately 0.93 upon Completion and thus improve the credit profile of the Group.

The attention of the Shareholders is drawn to the section headed "Unaudited Pro Forma Financial Information of the Remaining Group" as set out in Appendix III to this circular.

USE OF PROCEEDS

The net proceeds from the Disposal after deducting related expenses are estimated to be approximately HK$267,350,000. The Group intends to apply the net proceeds from the Disposal in the following manner:

(i) as to approximately HK$25,000,000 for the on-going development of part B of phase III clinical trial on the Product under the Project;

(ii) as to approximately HK$220,000,000 for the set off of the Purchase; and

(iii) as to the remaining balance of approximately HK$22,350,000, of which approximately HK$12,000,000 will be used for the operating and administrative expenses of the Company for the next twelve months and approximately HK$10,350,000 for the general working capital of the Group, comprising approximately HK$4,000,000 for developing trading operation, approximately HK$3,000,000 for enhancing its marketing purpose and approximately HK$3,350,000 for other general working capital.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 75%, the entering into of the Sale and Purchase Agreement constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules.

Furthermore, as at the Latest Practicable Date, (i) the Purchaser holds 389,200,000 Shares, representing approximately 26.58% of the total issued share capital of the Company, and is a substantial shareholder of the Company; (ii) the Purchaser is a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Therefore, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As a result, the Sale and Purchase Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular and the Independent Shareholders' approval at the SGM under the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH RULE 14.68(2)(A)(I) OF THE LISTING RULES

Rule 14.68(2)(a)(i) of the Listing Rules states that a circular issued in relation to the Disposal must contain financial information of either i) the Target Company being disposed of; or ii) the Group with the Target Company shown separately. The financial information must be prepared by the Directors using accounting policies of the Company and must contain at least the income statement, balance sheet, cash flow statement and statement of changes in equity. The financial information must be reviewed by the Company's auditors or reporting accountants according to the relevant standards published by the Hong Kong Institute of Certified Public Accountants. The circular must contain a statement that the financial information has been reviewed by the Company's auditors or reporting accountants and details of any modifications in the review report.

Further, Note 2 to Rule 14.68(2)(a)(i) of the Listing Rules states that the Stock Exchange may be prepared to relax the requirements in Rule 14.68(2)(a)(i) of the Listing Rules if the assets of the Target Company are not consolidated in the Company's accounts before the Disposal.

The Company applied for, and the Stock Exchange has granted, the waiver from strict compliance with Rule 14.68(2)(a)(i) of the Listing Rules on the following grounds:-

1. the Sale Shares, being 457,510,000 Target Company Shares, represented only approximately 19.14% of the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement whose financial results had not been consolidated in the results of the Group, and therefore the shareholding falls within Note 2 of the Rule 14.68(2)(a)(i) of the Listing Rules;

2. the Company discussed with Elite Partners CPA Limited (the "**Auditors**"), the auditors of the Company, in relation to the proposed review procedures of the Financial Information of the Target Company under Rule 14.68(2)(a)(i) of the Listing Rules (the "**Review**"). The Company considers that it will be unduly burdensome, time consuming and cost inefficient to conduct the Review. Further, the Company may encounter practical difficulties during the course of the Review. As indicated by the Auditors, the timing and extent of completion for the Review will be highly dependent on provision of information from the management of the Target Group or other relevant parties in a timely manner in response to the request from the Auditors. It is noted that the Company only held approximately 19.14% of the total issued share capital of the Target Company and the Company does not have any board seat in the Target Company at present. The Company does not have control over the management of the Target Group. As such, there is no assurance that the Target Group would be willing to provide the requested information to the satisfaction of the Auditors for the Review. In the event that the Target Group or other relevant parties refuses to timely reply to the information request of the Auditors, the Auditors may not be able to complete the Review;

3. the Target Company is a company listed on the main board of the Stock Exchange which publishes its annual financial statements on the websites of the Stock Exchange and the Target Company. The said financial statements of the Target Company were audited in accordance to the Hong Kong Standards on Auditing ("**HKSA**");

4. as advised by the Auditors, assuming that the Review will be conducted in accordance to Rule 14.68(2)(a)(i) of the Listing Rules, the scope of the Review will be substantially limited compared to an audit conducted in accordance with the HKSA. The financial information to be disclosed in this circular in accordance with Rule 14.68(2)(a)(i) of the Listing Rules reviewed by the Auditors (the "**Reviewed Financial Information**") would contain less information compared to financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or condensed financial statements as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Reviewed Financial Information would not provide any additional material information

compared to the audited financial information of the Target Group for the three years ended 31 March 2017, 2018 and 2019 disclosed in the respective published annual reports of the Target Company; and

5. the Company has disclosed in this circular, as alternative disclosure, a summary of the financial information of the Target Group for each of the three financial years ended 31 March 2017, 2018 and 2019 which are extracted from the respective published audited annual reports of the Target Company. The Directors consider that the said summary of financial information of the Target Group contains sufficient information to enable the Shareholders to make a properly informed assessment of the Disposal.

Please refer to Appendix II — "Financial Information of the Target Group" in this circular a summary of the financial information of the Target Group for each of the three financial years ended 31 March 2017, 2018 and 2019 which are extracted from the respective published audited annual reports of the Target Company for details.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all of the three independent non-executive Directors, namely, Ms. Chen Weijun, Dr. Zhang Zhihong and Mr. Wang Rongliang) has been established to advise the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

THE SGM

The SGM will be held and convened for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, save for the Purchaser and his associates (namely United Gene Holdings, United Gene Group, Biowindow Gene, JNJ Investments, Good Links, Victory Trend, Best Champion and China United Gene), no other Shareholder has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder. As such, save for the Purchaser and his associates as disclosed, no other Shareholder is required to abstain from voting on the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

A notice convening the SGM to be held at Falcon Room I, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 4 October 2019 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon, and return the same to the branch share registrar and transfer agent of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

Pursuant to rule 13.39(4) of the Listing Rules, the resolution proposed to be approved at the SGM will be taken by poll and an announcement for the result of the SGM will be made by the Company after the SGM.

RECOMMENDATIONS

The Directors (including the members of the Independent Board Committee after taking the advice of the Independent Financial Adviser) are of the view that the Disposal are on normal commercial terms, and the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Completion of the Disposal is subject to fulfillment of the conditions precedent as set out in the section headed "Conditions precedent" above of this circular. As the Disposal may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

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

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)

13 September 2019

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO PROPOSED DISPOSAL OF APPROXIMATELY 19.14% OF THE ISSUED SHARE CAPITAL OF AND AN AGGREGATE OF HK$577,170,000 CONVERTIBLE BONDS ISSUED BY EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED (STOCK CODE: 858)

We refer to the circular of the Company to the Shareholders dated 13 September 2019 (the "**Circular**"), in which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to consider as to whether the Disposal are on normal commercial terms, and the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Donvex Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board set out on pages 7 to 26 of the Circular which contains, among others, information on the Sale and Purchase Agreement as well as the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-33 of the Circular which contains its advice in respect of the Sale and Purchase Agreement.

Having considered the principal factors and reasons and the advice of the Independent Financial Adviser, we consider that the Disposal are on normal commercial terms, and the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Ms. Chen Weijun	**Dr. Zhang Zhihong**	**Mr. Wang Rongliang**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

Donvex 富域資本
Donvex Capital Limited
富域資本有限公司

Unit 1305, 13th Floor,
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong

13 September 2019

The Independent Board Committee and the Independent Shareholders of
Innovative Pharmaceutical Biotech Limited

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO PROPOSED DISPOSAL OF APPROXIMATELY 19.14% OF THE ISSUED SHARE CAPITAL OF AND AN AGGREGATE OF HK$577,170,000 CONVERTIBLE BONDS ISSUED BY EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED (STOCK CODE: 858)

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board contained in the circular of the Company dated 13 September 2019 to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used herein have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 26 July 2019 in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder. On 23 June 2019, the Company and the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares and the Sale Convertible Bonds at an aggregate Consideration of HK$270,000,000.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 75%, the entering into of the Sale and Purchase Agreement constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, (i) the Purchaser holds 389,200,000 Shares, representing approximately 26.58% of the total issued share capital of the Company, and is a substantial shareholder of the Company; (ii) the Purchaser is a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Therefore, the Purchaser is a connected person of the Company.

Furthermore, as at the Latest Practicable Date, the Purchaser and his associate (namely China United Gene) are in aggregate interested in (i) 403,151,350 Shares, representing approximately 27.53% of the total issued share capital of the Company; and (ii) the Outstanding Company Convertible Bonds I convertible into an aggregate of 1,519,000,000 Shares, representing approximately 103.74% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 50.92% of the enlarged total issued share capital of the Company after full conversion (before the Disposal).

As a result, the Sale and Purchase Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular and the Independent Shareholders' approval at the SGM under the Listing Rules. Under the Listing Rule, the Purchaser and his associates (namely United Gene Holdings, United Gene Group, Biowindow Gene, JNJ Investments, Good Links, Victory Trend, Best Champion and China United Gene) having a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder are therefore required to abstain from voting on the resolution to be proposed at the SGM.

Ms. Chen Weijun, Dr. Zhang Zhihong and Mr. Wang Rongliang have been appointed as members of the Independent Board Committee to advise and make recommendation to the Independent Shareholders as to (i) whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; and (ii) how the Independent Shareholders should vote on the relevant resolution regarding the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM. Being the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, there were no other engagements between us and the Company or any other parties to the Agreements in the last two years. Apart from normal professional fees for our services to the Company in connection with the engagements described above, no arrangement exists whereby we will receive any fees or benefits from the Group. We are independent from, and not connected with the Company or any party to the Sale and Purchase Agreement and the transactions contemplated thereunder, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are qualified and independent from the Company pursuant to Rule 13.84 of the Listing Rule to give an independent advice regarding the Sale and Purchase Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, among others, the Sale and Purchase Agreement, the Announcements, the annual reports of the Company for the three years ended 31 March 2019 (the "**2017 Annual Report**", "**2018 Annual Report**" and "**2019 Annual Report**" respectively), the annual reports of the Target Company for the three years ended 31 March 2019 (the "**Target 2017 Annual Report**", "**Target 2018 Annual Report**" and "**Target 2019 Annual Report**" respectively), the valuation report in respect of the fair value of the Purchase Convertible Bonds and the Sale Convertible Bonds as at 31 March 2019 prepared by the Valuer and have enquired with and reviewed the information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company.

We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company (the "**Management**"). We have assumed that all information, opinion and representations contained or referred to in the Circular and all statement, information and representations which have been provided by the Management and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so at the date hereof. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinion expressed by the Company, its advisers and/or the Directors, which have been provided to us. The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We relied on the Company that it has provided us sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Group, parties to the Sale and Purchase Agreement or their respective subsidiaries or associates. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments, including any material change in market and economic conditions, may affect or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is our responsibility to ensure that that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Sale and Purchase Agreement and the transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1 Information on the Group

1.1 Information on the Group

The Company is an investment holding company. The Group is principally engaged in (i) trading of beauty equipment and products in Hong Kong; (ii) securities investment in Hong Kong and outside Hong Kong; and (iii) research, development and commercialization of the oral insulin products.

The Group expects that, following the Disposal, the Group will continue to engage in trading of beauty equipment and products in Hong Kong and research, development and commercialisation of the oral insulin product.

The Directors do not expect the Disposal will have any material impact to the research, development and commercialisation of the oral insulin product currently being carried out by the Group.

1.2 Financial performance on the Group

Set out below are highlights of certain financial information on the Group as extracted from its audited consolidated statement of comprehensive income for each of the three years ended 31 March 2017 ("**FY2017**"), 31 March 2018 ("**FY2018**") and 31 March 2019 ("**FY2019**"):

	For the year ended 31 March		
	2019	**2018**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	18,589	15,811	9,187
Segment Revenue			
— Trading of beauty equipment and products	*18,589*	*15,811*	*9,187*
— Securities investment	—	—	—
— Research and development	—	—	—
Gross profit	1,747	1,395	727
Other income	1,992	9,498	11,813
Other gains and losses, net	(117,605)	(113,377)	(69,478)
Administrative expenses	(26,744)	(25,749)	(22,557)
Research and development expenses	(1,934)	(665)	(629)
Share of results of associates	13,326	8,632	10,011
Finance costs	(131,693)	(110,725)	(108,034)
Loss for the year	(260,911)	(230,991)	(178,342)
— Loss for the year attributable to owners of the Company	*(260,272)*	*(231,048)*	*(169,788)*
— Loss for the year attributable to non-controlling interests	*(639)*	*57*	*(8,554)*

With reference to the 2018 Annual Report and 2019 Annual Report, we note that the revenue of the Group was derived by its trading of beauty equipment and products segment. Revenue of the Group amounted to approximately HK$18,589,000 and HK$15,811,000 for FY2019 and FY2018 respectively, representing an increase of approximately 17.57% and 72.10% as compared with its revenue for FY2018 and FY2017 respectively. The Group commenced the trading of beauty equipment and products since June 2013. The Management is of the view that revenue and profit margin of the Group from the trading segment have been relatively stable in the past and trading volume is the key determining factor 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.

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

The Group recognised (i) impairment loss on interest in an associate, which represents the holding of the Sale Shares, of approximately HK$33,190,000, HK$42,945,000 and HK$23,052,000; and (ii) decrease in fair value of the investment in convertible bonds, which represents the holding of the Sale Convertible Bonds, of approximately HK$40,186,000, HK$65,735,000 and HK$56,485,000, in the profit and loss for FY2017, FY2018 and FY2019 respectively.

Loss for the year attributable to owners of the Company amounted to approximately HK$169,788,000, HK$231,048,000 and HK$260,272,000 for FY2017, FY2018 and FY2019 respectively. The increase of loss during the three years ended 31 March 2019 was primarily due to the increase in the effective interest expense on the convertible bonds issued by the Company, which amounted to approximately HK$94,433,000, HK$108,869,000 and HK$129,142,000 for FY2017, FY2018 and FY2019 respectively.

1.3 Financial position on the Group

Set out below are highlights of certain financial position on the Group as extracted from its audited consolidated statement of financial position for FY2017, FY2018 and FY2019:

	As at 31 March		
	2019	**2018**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Non-current assets	1,534,215	1,631,880	1,774,942
— investments in convertible bonds	*111,942*	*166,447*	*225,245*
— Intangible asset	*1,373,224*	*1,373,224*	*1,373,224*
Current assets	44,539	82,283	76,024
— Bank balances and cash	*17,058*	*20,227*	*61,316*
Total assets	1,578,754	1,714,163	1,850,966
Non-current liabilities	751,540	604,385	478,900
— Convertible bonds	*658,632*	*554,515*	*470,671*
Current liabilities	32,402	42,953	73,741
Total liabilities	783,942	647,338	552,641
Equity attributable to owners of the Company	(74,957)	196,417	427,974
Non-controlling interests	869,769	870,408	870,351
Total Equity	794,812	1,066,825	1,298,325

The total assets of the Group decreased from approximately HK$1,850,966,000 as at 31 March 2017 to approximately HK$1,714,163,000 as at 31 March 2018, and further decrease to approximately HK$1,578,754,000 as at 31 March 2019. The decrease in total assets was mainly due to (i) the decrease in investments in convertible bonds, which represents the holding of the Sale Convertible Bonds, from approximately HK$225,245,000 as at 31 March 2017 to approximately HK$166,447,000 as at 31 March 2018, and further decrease to approximately HK$111,942,000 as at 31 March 2019; and (ii) the decrease in bank balances and cash from approximately HK$61,316,000 as at 31 March 2017 to approximately HK$20,227,000 as at 31 March 2018, and further decrease to approximately HK$17,058,000 as at 31 March 2019.

The investments in convertible bonds represents the fair value to the Sale Convertible Bonds recorded in the financial position of the Group. The Group recognised subsequent decrease in fair value of the Sale Convertible Bonds for FY2018 and FY2019 as a result of the fluctuation of the price of the Target Company Shares.

Meanwhile, the decrease in bank balances was mainly attributable to (i) the net cash used in operating activities of the Group of approximately HK$14,920,000 and HK$29,492,000; and (ii) the interest expenses paid to associate on convertible bonds of approximately HK$25,025,000 and HK$25,025,000, for FY2018 and FY2019, respectively.

The convertible bonds issued by the Company which recorded in the non-current liabilities of the Group included, but not limited to, the Company Convertible Bonds. The increase in convertible bonds incurred in the non-current liabilities of the Group was mainly resulted from the effective interest expenses of approximately HK$108,869,000 and HK$129,142,000 for FY2018 and FY2019 respectively.

1.4 Information on the Remaining Group

The Group expects that, following the Disposal, the Group will continue to engage in trading of beauty equipment and products in Hong Kong and research, development and commercialisation of the oral insulin product.

The Directors believe that the Disposal will not have material impact on the financial performance of the Group in the future. The Directors do not expect the Disposal will have any material impact to the research, development and commercialisation of the oral insulin product currently being carried out by the Group.

2 Information on the Target Company

2.1 Information on the Target Company

The Target Company is a company incorporated in Bermuda with limited liability. The Target Company Shares are listed on the main board of the Stock Exchange with stock code 858. With reference to the public information, the Target Company is an investment holding company and its subsidiaries are principally engaged in (i) the development, manufacture and sales of pharmaceutical products; (ii) the marketing and distribution of imported pharmaceutical products; and (iii) the commercial exploitation and development of genome-related technologies.

2.2 Financial performance on the Target Company

Set out below are highlights of certain financial information on the Target Group as extracted from its audited consolidated statement of comprehensive income for FY2017, FY2018 and FY2019:

	For the year ended 31 March		
	2019	**2018**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	89,218	85,762	107,903
Segment Revenue			
— *Manufacturing of pharmaceutical products*	*75,821*	*60,176*	*44,477*
— *Trading of pharmaceutical products*	*13,397*	*25,586*	*63,426*
Gross profit	49,600	42,049	43,896
Other income	10,214	90,514	77,418
Other gains and losses, net	78,863	(37,522)	(35,034)
Selling and distribution expenses	(40,170)	(32,259)	(31,673)
Administrative expenses	(26,402)	(27,007)	(27,231)
Share of results of associates	(908)	1	(2,897)
Effective interest expense on convertible bonds	(7,823)	(6,590)	(5,552)
Profit for the year	63,324	29,272	18,311
— *Profit for the year attributable to owners of the Company*	*64,030*	*29,930*	*20,796*
— *Profit for the year attributable to non-controlling interests*	*(706)*	*(658)*	*(2,485)*

Pursuant to the Target 2018 Annual Report and Target 2019 Annual Report, we note that the revenue of the Target Group was derived by manufacturing and trading of pharmaceutical products segments.

Revenue of the Target Group amounted to approximately HK$89,218,000 for FY2019, representing an increase of approximately 4.03% as compared with the revenue of approximately HK$85,762,000 for FY2018. With reference to the Target 2019 Annual Report, the Target Group's manufacturing segment continued posting revenue growth with improved margin, which more than covered the decline in revenue and gross profit of the imported segment.

Revenue of the Target Group amounted to approximately HK$85,762,000 for FY2018, representing a decrease of approximately 20.52% as compared with the revenue of approximately HK$107,903,000 for FY2017. With reference to the Target 2018 Annual Report, the highly competitive environments posed significant challenges to the Target Group, and it resulted in a significant decrease in sales of the imported pharmaceutical products under the Target Group's trading segment, notwithstanding the continuing improvement in performance of its manufacturing segment.

Profit attributable to owners of the Target Company amounted to approximately HK$20,796,000, HK$29,930,000 and HK$64,030,000 for FY2017, FY2018 and FY2019 respectively. We note that the profit attributable to owners of the Target Company was significantly contributed by (i) other income, which amounted to approximately HK$77,418,000 and HK$90,514,000 for FY2017 and FY2018; and (ii) net of other gain and loss of approximately HK$78,863,000 for FY2019.

The other income of the Target Group was mainly attributable to the effective interest income from investments in Company Convertible Bonds II, which amounted to approximately HK$71,786,000 and HK$83,266,000 for FY2017 and FY2018, respectively. The net of other gain and loss of the Target Group was mainly attributable to the change in fair value on investments in Company Convertible Bonds II at fair value through profit or loss, which amounted to approximately HK$79,789,000 for FY2019.

We also note that an aggregate amount of "other income" and "other gains and losses, net" of approximately HK$42,384,000, HK$52,992,000 and HK$89,077,000 was incurred for FY2017, FY2018 and FY2019, respectively. Such amount was larger than the profit attributable to owners of the Target Company of the respective financial years.

Based on the above, it is noted that the Target Group recorded losses from its ordinary course of business for each of the three years ended 31 March 2019.

2.3 Financial position on the Target Group

Set out below are highlights of certain financial position on the Target Group as extracted from its audited consolidated statement of financial position for FY2017, FY2018 and FY2019:

	As at 31 March		
	2019	**2018**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Non-current assets	987,444	999,104	882,970
— Investments in convertible bonds	—	*417,783*	*376,324*
— Financial assets at fair value through profit and loss	*469,737*	—	—
— Interest in an associate	*330,062*	*330,970*	*330,969*
Current assets	208,642	217,679	289,699
— Cash and bank balances	*148,902*	*161,765*	*217,803*
Total assets	1,196,086	1,216,783	1,172,669
Non-current liabilities	54,777	45,934	38,028
— Convertible bonds	*49,635*	*41,812*	*35,222*
Current liabilities	79,738	103,770	108,790
Total liabilities	134,515	149,704	146,818
Equity attributable to owners of the Company	1,066,652	1,071,573	1,029,692
Non-controlling interests	(5,081)	(4,494)	(3,841)
Total Equity	1,061,571	1,067,079	1,025,851

As at 31 March 2019, the Target Group's total assets amounted to approximately HK$1,196,086,000, representing a slight decrease of approximately 1.70% from approximately HK$1,216,783,000 as at 31 March 2018.

Non-current assets of the Target Group, which mainly consist of (i) investment in financial assets, which was the Company Convertible Bonds II; and (ii) interest in associate, which was the associate engaged in the Project, amounted to an aggregate of approximately HK$987,444,000 as at 31 March 2019 as compared to an aggregate of approximately HK$999,104,000 as at 31 March 2018.

The Target Group's current assets recorded a decrease of approximately 4.15% from approximately HK$217,679,000 as at 31 March 2018 to approximately HK$208,642,000 as at 31 March 2019. Such decrease was mainly resulted from the decrease in the cash and bank balances of approximately 7.95% from approximately HK$161,765,000 as at 31 March 2018 to approximately HK$148,902,000 as at 31 March 2019.

Total liabilities of the Target Group recorded approximately HK$134,515,000 as at 31 March 2019, decreased by approximately 10.15% from approximately HK$149,704,000 as at 31 March 2018. Such decrease was mainly due to the full settlement on an unsecured, interest-free and repayable on demand loan due to the abovementioned associate.

As at 31 March 2019, the total equity attributable to owners of the Target Company was approximately HK$1,066,652,000, representing a decrease of approximately 0.46% as compared with approximately HK$1,071,573,000 as at 31 March 2018.

We note that there was no material change of the total assets level and the total equity level of the Target Group for the three years ended 31 March 2019. Although the Target Group experience loss in the ordinary course of business, the effective interest income from the investment in Company Convertible Bonds II supported financial position of the Target Group.

3 Information on the Purchaser

As at the Latest Practicable Date, (i) the Purchaser holds 389,200,000 Shares, representing approximately 26.58% of the total issued share capital of the Company, and is a substantial shareholder of the Company; (ii) the Purchaser is a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules.

Furthermore, as at the Latest Practicable Date, the Purchaser and his associate (namely China United Gene) are in aggregate interested in (i) 403,151,350 Shares, representing approximately 27.53% of the total issued share capital of the Company; and (ii) the Outstanding Company Convertible Bonds I convertible into an aggregate of 1,519,000,000 Shares, representing approximately 103.74% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 50.92% of the enlarged total issued share capital of the Company after full conversion (before the Disposal).

4 Reasons for and benefits of the Disposal

4.1 Decrease in value of the Sale Shares and the Sale Convertible Bonds

The Company acquired the Sale Shares and the Sale Convertible Bonds since 2013. The Sale Shares represent approximately 19.14% of the issued share capital of the Target Company and the Target Company is accounted for as an associate company of the Group. With reference to the 2017 Annual Report, 2018 Annual Report and 2019 Annual Report, we note that the Group's investments in the Target Company are recorded in the Group's consolidated statement of financial position under (i) interests in associates; and (ii) investments in convertible bonds. The fair value of such items is sensitive to the price fluctuations of the Target Company Shares, as well as being subject to impairment assessment in accordance with Hong Kong Accounting Standards.

Based on the public information, we note that the price of the Target Company Shares has dropped significantly since the issuance of the Sale Convertible Bonds. It has decreased by approximately 83.23% from the closing price of the Target Company Shares of HK$0.495 as at the first issue date of the Sale Convertible Bonds to the closing price of the Target Company Shares of HK$0.083 as at the Last Trading Day.

As stated in the section headed "1 Information on the Group", the Group recognised (i) impairment loss on interest in an associate, which represents the holding of the Sale Shares, of approximately HK$33,190,000, HK$42,945,000 and HK$23,052,000; and (ii) decrease in fair value of the investment in convertible bonds, which represents the holding of the Sale Convertible Bonds, of approximately HK$40,186,000, HK$65,735,000 and HK$56,485,000, in the profit and loss for FY2017, FY2018 and FY2019 respectively. Due to, among others, such impairment and fair value change, the total assets of the Group decreased from approximately HK$1,850,966,000 as at 31 March 2017 to approximately HK$1,714,163,000 as at 31 March 2018, and further decrease to approximately HK$1,578,754,000 as at 31 March 2019. As such, the decrease in value of the Sale Shares and the Sale Convertible Bonds undermined both the financial performance and the financial position of the Group.

Having considered the adverse effect on both the financial performance and the financial position of the Group due to the decrease in value of the Sale Shares and the Sale Convertible Bonds, we concur with the view of the Company that the Disposal is in the interest of the Company and the Shareholders as a whole.

4.2 Disposal through the Sale and Purchase Agreement

The Management advised that the decreasing value of the Sale Convertible Bonds makes disposal of the Sale Convertible Bonds less attractive. We had also enquired the intention of the Company regarding the exercise of the conversion right attached to the Sale Convertible Bonds. The Management expressed that the Company has no intention to convert the Sale Convertible Bonds given the high premium of the conversion price of the Sale Convertible Bonds over the existing trading price of the Target Company Shares.

With reference to the 2019 Annual Report, the Group's total borrowings were approximately HK$755,455,000 and its bank and cash balances were approximately HK$17,058,000 as at 31 March 2019. Thus, the Management stated that it is the Group's strategy to improve its debt and cash position, and the Company has been actively exploring fund raising opportunities through capital market as well as other cash out opportunity through possible disposal of the Sale Shares and/or the Sale Convertible Bonds to investors independent of the Company.

However, in light of (i) the unstable global economy and financial market and the weaken investors' sentiment triggered by the China-United Sates trade war since 2018; (ii) the decreasing share price of the Shares; and (iii) the relatively low trading liquidity of the Shares, the Group encountered difficulty to raise funds through the abovementioned fund raising options. As a result, the Company approached its Shareholder to explore various opportunities to improve the Group's cash position and finally reached the terms under the Sale and Purchase Agreement with the Purchaser.

As such, we have assessed the trading volume of the Target Company Shares in the Stock Exchange. The following table sets out the trading volume of the Target Company Shares in the Stock Exchange during the period commencing from 21 June 2018, being the twelve-month period prior to the Last Trading Day, up to and including the Last Trading Date (the "**Volume Review Period**").

Month/period	**Total trading volume** *(no. of shares)*	**No. of trading days**	**Average daily trading volume** *(no. of shares)*	**Percentage of the average daily trading volume to the total number of issued Shares** *(Note)*
June 2018 (from 21 June 2018)	2,620,000	7	374,286	0.016%
July 2018	13,680,000	21	651,429	0.027%
August 2018	13,560,000	23	589,565	0.025%
September 2018	11,210,000	19	590,000	0.025%
October 2018	11,220,000	21	534,286	0.022%
November 2018	15,820,000	22	719,091	0.030%
December 2018	9,870,000	19	519,474	0.022%
January 2019	7,090,000	22	322,273	0.013%
February 2019	11,780,000	17	692,941	0.029%
March 2019	22,950,000	21	1,092,857	0.046%
April 2019	18,627,520	19	980,396	0.041%
May 2019	8,830,000	21	420,476	0.018%
June 2019 (up to the Last Trading Date)	76,700,000	14	4,835,714	0.202%

Sources: the website of the Stock Exchange (www.hkex.com.hk)

Note: The calculation is based on the average daily trading volume of the Target Company Shares divided by the total issued share capital of the Target Company as at the Last Trading Date (i.e. 2,390,000,000 Target Company Shares).

As illustrated in table above, the average daily trading volume of the Target Company Shares for the respective month/period during the Volume Review Period ranged from approximately 322,273 to approximately 4,835,714, representing approximately 0.018% to approximately 0.202% of the total number of issued shares capital of the Target Company as at the Last Trading Date.

Given that the Sale Shares, being 457,510,000 Target Company Shares, represents approximately 19.14% of the entire issued share capital of the Target Company as at the Last Trading Date, it is uncertain that there would be sufficient liquidity in the Target Company Shares for the Company to dispose of the Sale Shares in the open market without depressing the price of the Target Company Shares. Therefore, we are of the view that conducting the Disposal through the Purchaser is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

4.3 Cash inflow to support the development of the Project

Since 2014, the Group engaged in the development (the "**Project**") of a technology that would allow insulin to be administered orally (the "**Product**") and the technology is still in the research and development stage.

It is expected that the Product will be one of the first oral insulin medicines available in the market. The Project represented an in-process research and development project involving the Product. The patents for the manufacturing procedures of an oil-phase oral insulin preparation (一種製備口服胰島素油相製劑的方法) is registered under the 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 the Group. 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 has expired in October 2018 and renewed with a new term of collaboration until 14 October 2023, 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.

With reference to the 2019 Annual Report, we note that the Group is preparing to commence part B of phase III clinical trials of the Product which is typically considered as the final stage of clinical trial before commercialisation. The Group plans to devote additional resources into clinical trial of the Project and consolidate the effort of the project team in order to facilitate the Project development and will use its best endeavours to commercialise the product around early 2022.

The Board holds the view that with the adoption of the Twelfth Five-Year Plan in 2011 and the central government's increasing investment in the nation's healthcare reforms in the PRC, the pharmaceutical industry continued to demonstrate a strong growth momentum supported by robust market demand primarily driven by natural growth, the aging of population, accelerating urbanization and the people's rising living standards. The Board is confident that there will be substantial demand for the Product and accordingly, using the net proceeds of the Disposal as disclosed in the section headed "Use of Proceeds" in the Letter from the Board in the Circular to finance the Project will, in due course, generate strong returns for the Company for the benefit of all the Shareholders.

Upon our request, we obtained a list from the Company showing the calculation of the estimated financial performance of the Project during the clinical trials stage and after the commercialisation of the Product (the "**Estimation**"). The Estimation, which had been approved by the Management, had taken into account factors including, but not limited to, (i) revenue to be generated from the sale of the Products based on assumptions including, but not limited to, the anticipated growth of diabetic population and insulin markets in the PRC; (ii) the ordinary expenses to be incurred from the operating activities of the Project; and (iii) the projection of the cost of capital of the Project.

Pursuant to the Estimation, the Management is of the view that the Project could achieve positive financial results after the commercialisation of the Product. As the Company invested in the Project through its non-wholly owned subsidiary, it is expected that the potential positive financial performance of the Project resulted from the sale of the Product, if commercialised successfully, would in turn benefit the Company and the Shareholders.

Thus far, the Group has financed the Project 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. Based on the communication with the Management, we note that the Group is in a difficult position to obtain financing for developing the Product in light of (i) the current uncertain economic environment in the global market; and (ii) given that the Product is still under clinical trial without contributing any revenue.

Based on the above, we concur with the view of the Board that the proceeds from the Disposal, together with the existing available internal resource of the Group, will enable the Group to financially support the development of the Product for commercialisation, which is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

However, as the success in the commercialisation of the Product and the potential positive financial performance of the Project are still subject to the economic environment, we therefore express no opinion on the accuracy of the Estimation.

Based on the above, we are of the view that the entering into the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, and the Disposal is in the interest of the Company and the Shareholders as a whole.

5 Principal terms of the Sale and Purchase Agreement

5.1 Details of the Sale and Purchase Agreement

The terms and conditions of the Sale and Purchase Agreement are summarised as below:

Date

23 June 2019

Parties

Vendor: The Company

Purchaser: Dr. Mao Yumin

Assets involved

Pursuant to Sale and Purchase Agreement, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares and the Sale Convertible Bonds at an aggregate Consideration of HK$270,000,000.

Consideration and payment terms

The aggregate Consideration for the Sale Shares and the Sale Convertible Bonds shall be HK$270,000,000. Amongst the Consideration, HK$50,000,000 is for the purchase of the Sale Shares and HK$220,000,000 is for the purchase of the Sale Convertible Bonds. The Consideration shall be satisfied by the Purchaser in the following manner:

(i) a sum of HK$25,000,000 shall be payable by the Purchaser to the Company within ten days from the date of the Sale and Purchase Agreement. If the Disposal does not proceed to Completion, the Company shall promptly return the said sum to the Purchaser without interest upon termination of the Sale and Purchase Agreement;

(ii) a further sum of HK$25,000,000 shall be payable by the Purchaser to the Company within 180 days after the payment of HK$25,000,000 as stated in (i) above or within five Business Days preceding Completion Date, whichever is earlier. If the Disposal does not proceed to Completion, the Company shall promptly return the said sum to the Purchaser without interest upon termination of the Sale and Purchase Agreement; and

(iii) the balance of the Consideration (being HK$220,000,000) shall be paid and set off by the purchase by the Company from the Purchaser of HK$248,000,000 of the Outstanding Company Convertible Bonds I registered in the name of the Purchaser on Completion Date at a consideration of HK$220,000,000.

5.2 Evaluation of the Consideration

As stated in the Letter from the Board, the Consideration was determined after arm's length negotiation between the Company and the Purchaser.

The consideration for the Sale Shares of HK$50,000,000 was determined having considered the market value of the Sale Shares of HK$37,973,330 by reference to the closing price of HK$0.083 per Target Company Share as at the Last Trading Day despite the trading liquidity of the Sale Shares which has been relatively low. The premium of the consideration for the Sale Shares of approximately 31.67% over the market value of the Sale Shares should be an appropriate opportunity for the Company to cash out its investment in the Sale Shares in order to satisfy the immediate funding needs of the Group. The market value of the Sales Shares is HK$36,143,290 as at the Latest Practicable Date calculated by reference to the closing price of HK$0.079 per Target Company Share as at the Latest Practicable Date.

The consideration for the Sale Convertible Bonds of HK$220,000,000 was determined based on the commercial negotiation between the Company and the Purchaser taking into consideration (i) the liquidity of the Sale Convertible Bonds; (ii) the share price performance of the Target Company Shares since the issue of the Sale Convertible Bonds; (iii) the sensitivity analysis of the impact of the underlying share price on the value of the Sale Convertible Bonds; (iv) the audited carrying value of the Sale Convertible Bonds of HK$111,942,000 as at 31 March 2019 as valued by Roma Appraisals Limited, an independent qualified valuer (the "**Valuer**"); and (v) the fair value of the Purchase Convertible Bonds underlying the Purchase of HK$248,000,000 as at 31 March 2019 as valued by the Valuer.

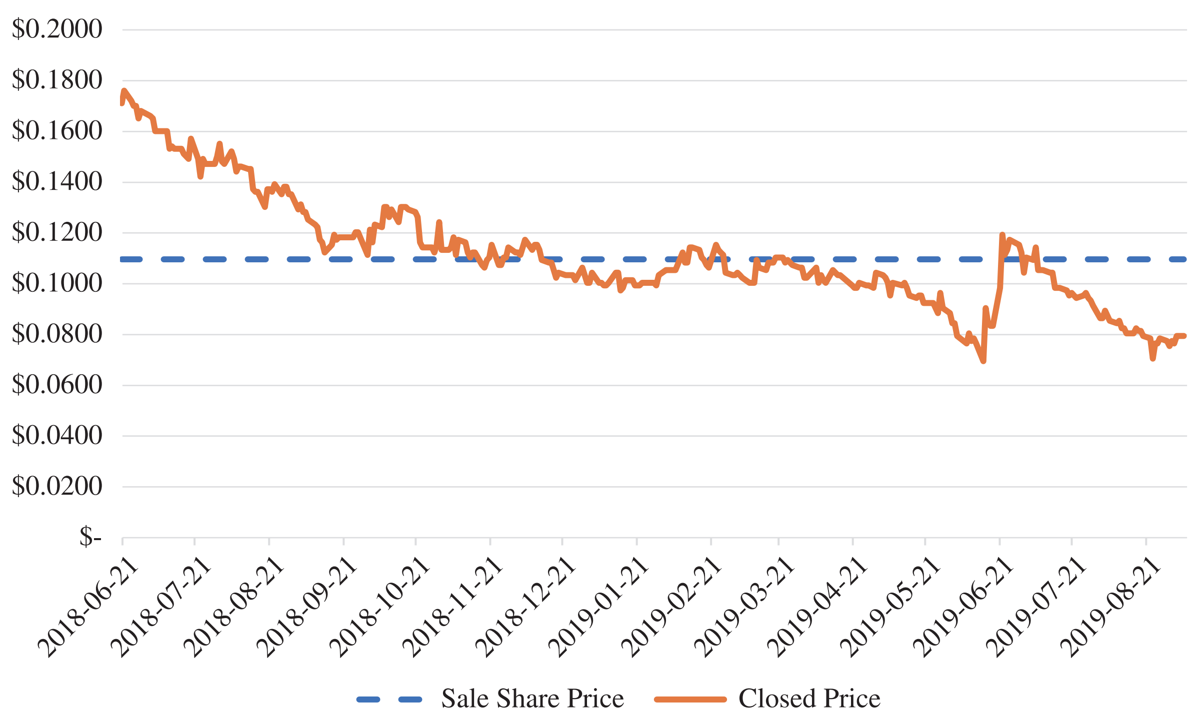
In assessing the fairness and the reasonableness of the Consideration, we have considered the flowing factors:

A. Price of the Target Company Shares

The consideration for the Sale Shares, being 457,510,000 Target Company Shares, of HK$50,000,000 represents a consideration of approximately HK$0.1093 per Target Company Share (the "**Sale Share Price**").

In order to assess the fairness and reasonableness of the Sale Share Price, we had reviewed the daily closing price of the Target Company Shares as quoted on the Stock Exchange from 21 June 2018, being the twelve-month period prior to the Last Trading Day, up to and including the Latest Practicable Date (the "**Price Review Period**"). The comparison of daily closing prices of the Target Company Shares and the Sale Share Price is illustrated as follows:

Historical daily closing price per Target Share



Sources: the website of the Stock Exchange (www.hkex.com.hk)

During the Price Review Period, the lowest and highest closing prices of the Target Company Shares as quoted on the Stock Exchange were HK$0.1760 recorded on 22 June 2018 and HK$0.0690 recorded on 17 June 2019. The Sale Share Price of HK$0.1093 is within the range of the lowest and highest closing prices of the Target Company Shares during the Price Review Period.

The closing price of the Target Company Shares showed a general decreasing trend from the start of the Price Review Period to around late-October 2018. Closing price of the Target Company Shares decreased from HK$0.1760 on 22 June 2018 to HK$0.1150 on 31 October 2018. The closing price of the Target Company Shares was relatively stable during the period from November 2018 to March 2019. Then the closing price of the Target Company Shares further decreased from HK$0.1040 on 1 March 2019 and reached its lowest price during the Price Review Period of HK$0.0690 on 17 June 2019.

Before trading hours of the Stock Exchange on 18 June 2019, the Target Company published an announcement in relation to the profit alert of the Target Group in relation to its financial results for FY2019. The closing price of Target Company Shares surged from HK$0.0690 on 17 June 2019 to HK$0.0900 on 18 June 2019 and further increase to 0.1170 on 28 June 2019. Since mid-July 2019 to the Latest Practicable Date, the closing price of the Target Company Shares dropped below the Sale Share Price.

Although the closing price of the Target Company Shares rebounded after the issuance of the profit alert announcement by the Target Company, given that:

(i) the Sale Share price represents a premium of the closing price of the Target Company Shares as at the Last Trading Date;

(ii) the price of the Target Company Shares demonstrated a general decreasing trend during the Price Review Period;

(iii) the closing price of the Target Company Shares dropped below the Sale Share Price as at the Latest Practicable Date; and

(iv) the trading volume of the Target Company Shares was generally thin during the Volume Review Period as stated above in the sub-section headed "4.2 Disposal through the Sale and Purchase Agreement",

we consider the determination of the Consideration of the Sale Shares to be fair and reasonable so far as the Independent Shareholders are concerned.

The Company has engaged the Valuer, a specialist valuation firm providing valuation and advisory services, as the independent valuer for the valuation on the fair value of the Sale Convertible Bonds and the Company Convertible Bond I. We have reviewed and enquired with the Valuer in relation to their experiences, understand they have participated in valuing convertible bonds for listed companies in Hong Kong. We have also reviewed the terms of the Valuer's engagement, in particular, their scope of work, and note that it is appropriate to the opinion required to be given. No limitation on the scope of work which might adversely impact on the degree of assurance given by them in the valuation report has been noted.

B. Valuation Report on the Sale Convertible Bonds

We have reviewed the valuation report on the Sale Convertible Bonds issued by the Valuer dated 13 September 2019, which form part of the Circular, and discussed with the Valuer regarding, among other things, the basis and assumptions made, and the methodology adopted in conducting the valuation and arriving the fair value of the Sale Convertible Bonds as at 31 March 2019 (the "**Valuation Date**").

The Valuer had considered different valuation methodology including, but not limited to, discount cash flow model and binomial option pricing model. Based on our communication, the Valuer adopted binomial option pricing model, after considering the terms and conditions of the Sale Convertible Bonds, to obtain the fair values of the Sale Convertible Bonds.

We have, as part of our review process, checked the underlying resources of the parameters and re-performing the calculations of the components of the valuation of the Sale Convertible Bonds, including (i) share dilution effect; (ii) credit spread; (iii) risk free rate; and (iv) discount rate.

The adopted binomial option pricing model has considered the effect of share dilution upon conversion of the Sale Convertible Bonds by estimating the diluted share price upon conversion. Such estimated diluted share price was calculated as:

$$((O \text{ X } S) + M)/(O+N)$$

In which

O = Outstanding number of common shares of the Issuer;

S = Spot price of the shares of the Issuer;

N = Total principal amount of all outstanding convertible bonds issued by the Issuer as at the Date of Valuation; and

M = Total number of new common shares to be issued by the Issuer assuming full conversion of all outstanding convertible bonds.

Having considered the average rating of the selected financial ratios including, but not limited to, the financial performance, the liquidity and the gearing and credit profile of the Target Group, the Valuer used the credit spreads of Standard and Poor's "Below B" rated seasoned corporate bonds as quoted from Bloomberg as the credit spreads of the Sale Convertible Bonds.

The risk-free rate had made reference to the yield of the Hong Kong government bonds and treasury bills with matching maturity term, which was quoted in Bloomberg, given that the Sale Convertible Bonds are denominated in HK$.

The discount rate, which was the rate adopted to calculate the present value of the cash flows on the Sale Convertible Bonds, was estimated using the build-up method by adding (a) the spot interest rate; (b) average of other spread; and (c) country risk. The spot interest rate was determined with reference to the yields of the Hong Kong government bonds and treasury bills as extracted from Bloomberg. Average of other spread was estimated with reference to the liquidity premium to compensate for the risks associated with the Sale Convertible Bonds. After discussion with the Management, reviewed industry prospect for growth and vulnerability to technological change or regulatory and financial ratios of the Target Group, the Valuer concluded that the credit rating of the Sale Convertible Bonds should be "BB" to "Below B" and assume such credit rating would not be changed for a period of time. The country risk premium represented the risk premium of Hong Kong over the United States market.

The value of the Sale Convertible Bonds was estimated using the calculation model by incorporating (a) the closing price of the Target Company Shares as at Valuation Date; (b) exercise price of the Sale Convertible Bonds; (c) the abovementioned discount rate; (d) the yield rates of Hong Kong Sovereign Curve as at the Valuation Date; (e) the expected option period of the Sale Convertible Bonds; the (f) estimated expected volatility based on the historical price volatilities of the shares of the Target Company after December 2009; and (g) the estimated expected dividend yield with reference to the historical dividend pay-out of the Target Company.

Based on our discussion with the Valuer in relation to the bases used for determining the key parameters, we considered such parameters are justifiable after checking the underlying resources of the parameters and re-performing the calculations of the components of the valuation of the Sale Convertible Bonds.

In light of the above, we are of the view that the basis of the valuation report on the Sale Convertible Bonds is fair and reasonable as the valuation report has been reasonably prepared without any unusual assumptions adopted by the independent Valuer.

C. Valuation Report on the Purchase Convertible Bonds

We have reviewed the valuation report on the Purchase Convertible Bonds issued by the Valuer dated 13 September 2019, which form part of the Circular, and discussed with the Valuer regarding, among other things, the basis and assumptions made, and the methodology adopted in conducting the valuation and arriving the fair value of the Purchase Convertible Bonds as at the Valuation Date.

The Valuer had considered different valuation methodology including, but not limited to, discount cash flow model and binomial option pricing model. Based on our communication, the Valuer adopted binomial option pricing model, after considering the terms and conditions of the Purchase Convertible Bonds, to obtain the fair values of the Purchase Convertible Bonds.

We have, as part of our review process, checked the underlying resources of the parameters and re-performing the calculations of the components of the valuation of the Purchase Convertible Bonds, including (i) share dilution effect; (ii) credit spread; (iii) risk free rate; and (iv) discount rate.

The adopted binomial option pricing model has considered the effect of share dilution upon conversion of the Purchase Convertible Bonds by estimating the diluted share price upon conversion. Such estimated diluted share price was calculated as:

$$((O \text{ X } S) + M)/(O+N)$$

In which

O = Outstanding number of common shares of the Issuer;
S = Spot price of the shares of the Issuer;
N = Total principal amount of all outstanding convertible bonds issued by the Issuer as at the Date of Valuation; and
M = Total number of new common shares to be issued by the Issuer assuming full conversion of all outstanding convertible bonds.

Having considered the average rating of the selected financial ratios including, but not limited to, the financial performance, the liquidity and the gearing and credit profile of the Group, the Valuer used the credit spreads of Standard and Poor's "Below B" rated seasoned corporate bonds as quoted from Bloomberg as the credit spreads of the Purchase Convertible Bonds.

The risk-free rate had made reference to the yield of the Hong Kong government bonds and treasury bills with matching maturity term, which was quoted in Bloomberg, given that the Purchase Convertible Bonds are denominated in HK$.

The discount rate, which was the rate adopted to calculate the present value of the cash flows on the Purchase Convertible Bonds, was estimated using the build-up method by adding (a) the spot interest rate; (b) median of other spread; and (c) country risk. The spot interest rate was determined with reference to the yields of the Hong Kong government bonds and treasury bills as at the Valuation Date. Median of other spread was estimated with reference to the liquidity premium to compensate for the risks associated with the Purchase Convertible Bonds. After discussion with the Management, reviewed industry prospect for growth and vulnerability to technological change or regulatory and financial ratios of the Target Group, the Valuer concluded that the credit rating of the Purchase Convertible Bonds should be "Below B" and assume such credit rating would not be changed for a period of time. The country risk premium represented the risk premium of Hong Kong over the United States market.

The value of the Purchase Convertible Bonds was estimated using the calculation model by incorporating (a) the closing price of the Shares as at Valuation Date; (b) exercise price of the Purchase Convertible Bonds; (c) the abovementioned discount rate; (d) the yield rates of Hong Kong Sovereign Curve as at the Valuation Date; (e) the expected option period of the Purchase Convertible Bonds; the (f) estimated expected volatility based on the historical price volatilities of the Shares; and (g) the estimated expected dividend yield with reference to the historical dividend pay-out of the Company.

Based on our discussion with the Valuer in relation to the bases used for determining the key parameters, we considered such parameters are justifiable after checking the underlying resources of the parameters and re-performing the calculations of the components of the valuation of the Purchase Convertible Bonds.

In light of the above, we are of the view that the basis of the valuation report on the Purchase Convertible Bonds is fair and reasonable as the valuation report has been reasonably prepared without any unusual assumptions adopted by the independent Valuer.

In view of:

(i) the significant drop of approximately 83.23% of the Target Company Shares from HK$0.495 as at the first issue date of the Sale Convertible Bonds to HK$0.083 as at the Last Trading Day;

(ii) the parallel decline of approximately 80.61% of the aggregate principal amount of the Sale Convertible Bonds of HK$577,170,000 since its issue to its carrying value of HK$111,942,000 as at 31 March 2019;

(iii) the high correlation between the price of Target Company Shares and the value of the Sale Convertible Bonds;

(iv) the market value of HK$220,100,000 based on the assumption of 620,000,000 Shares converted under the Purchase at the closing price of HK$0.355 per Share as at the Last Trading Day; and

(v) the basis of the valuation reports on the Sale Convertible Bonds and the Purchase Convertible Bonds is fair and reasonable as the valuation reports have been reasonably prepared without any unusual assumptions adopted by the independent Valuer,

we concur with the view of the Board that the consideration of the Sale Convertible Bonds which is at a premium of approximately 96.53% over its carrying value offers an appropriate exit opportunity for the Company to immediately secure the value underlying the Sale Convertible Bonds.

Based on the above, we are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are made on an arm's length basis and on normal commercial terms that are fair and reasonable, and the Disposal is in the interest of the Company and the Shareholders as a whole.

6 Use of proceeds

The net proceeds from the Disposal after deducting related expenses are estimated to be approximately HK$267,350,000. The Group intends to apply the net proceeds from the Disposal in the following manner:

(i) as to approximately HK$25,000,000 for the on-going development of part B of phase III clinical trial on the Product under the Project;

(ii) as to approximately HK$220,000,000 for the set off of the Purchase; and

(iii) as to the remaining balance of approximately HK$22,350,000, of which approximately HK$12,000,000 will be used for the operating and administrative expenses of the Company for the next twelve months and approximately HK$10,350,000 for the general working capital of the Group, comprising approximately HK$4,000,000 for developing trading operation, approximately HK$3,000,000 for enhancing its marketing purpose and approximately HK$3,350,000 for other general working capital.

6.1 Reasons for supporting the development of the Project

As stated in the sub-section headed "4.3 Supporting the development of the Project" above, it is the intention of the Group to inject additional resources into clinical trial of the Project and consolidate the effort of the project team in order to facility the development of it and will use its best endeavours to commercialise the product around early 2022.

Upon our request, we obtained a list from the Company, which had been approved by the Management, showing the calculation of the financial resource's expenditure schedule by 2022 regarding the Project. Pursuant to the calculation, the Company anticipated an aggregate of approximately RMB50,000,000 would be further injected to the Project upon the commercialisation of the Product by 2022. The injection will be implemented through a non-wholly owned subsidiary of the Company, which is in turn owned as to 51% and 49% by the Company and the Target Company, respectively. As such, the expected cash resources needed by the Company for such injection amounted to approximately RMB25,500,000.

We had further enquired the Management the details of the anticipated cash injection to the Project. The Management advised that among the estimated capital injection:

(i) approximately RMB30,000,000 will be consumed during the final stage clinical trials of the Product. Among which:

 (a) approximately RMB12,655,000 will be the engagement fee of the contract research organisation of the Project to conduct clinical research in relation to the Product;

 (b) approximately RMB14,675,000 will be the expenses incurred in relation to the patients participating in the clinical trials; and

 (c) approximately RMB2,670,000 will be other general working capital of the Project.

(ii) approximately RMB20,000,000 will be consumed during the commercialisation of the Product. Among which:

 (a) approximately RMB10,000,000 will be the estimated marketing expenses incurred for promoting the Product; and

 (b) approximately RMB10,000,000 will be the estimated manufacturing and/or purchasing cost of the Product.

Given that the development of the Product for commercialisation is in the interest of the Company and the Shareholders as a whole as stated in the sub-section headed "4.3 Supporting the development of the Project" above, we are of the view that the expected used of proceed from the Disposal to support the Project is fair and reasonable and is in the interests in the Company and the Shareholders as a whole.

6.2 Reasons for setting off the Outstanding Company Convertible Bonds I

As stated in the Letter from the Board in the Circular, The Company Convertible Bonds I were issued pursuant to an instrument of the Company Convertible Bonds I dated 25 October 2013 by the Company in an aggregate principal amount of HK$744,000,000 with nil interest for a conversion period of ten years from the date of issue and a conversion price of HK$0.4 per Share. As at the Latest Practicable Date, an aggregate outstanding balance of HK$607,600,000 of the Company Convertible Bonds I was owed by the Company to the Purchaser and JNJ Investments. Amongst the Outstanding Company Convertible Bonds I, the Purchaser holds an aggregate principal amount of HK$351,600,000.

Pursuant to the terms of the Sale and Purchase Agreement, a sum of HK$220,000,000 among the Consideration shall be paid and set off by the purchase by the Company from the Purchaser of HK$248,000,000 of the Outstanding Company Convertible Bonds I registered in the name of the Purchaser on Completion Date at a consideration of HK$220,000,000.

We have also reviewed the 2017 Annual Report, the 2018 Annual Report and the 2019 Annual Report. We note that the effective interest expense on the Company Convertible Bonds I, which form part of the financial cost of the Company, amounted to approximately HK$25,380,000, HK$31,845,000 and HK$39,962,000 for FY2017, FY2018 and FY2019, respectively. Such effective interest expense recorded in the consolidated statement of profit or loss of the Group and increased the non-current liabilities of the Group accordingly.

Following the settlement of the Purchase, the respective convertible bonds will be cancelled in accordance with the terms and conditions of the Company Convertible Bonds and will no longer be the liabilities consolidated into the Group, thus improves the gearing and credit profile of the Group.

Having considered that (i) the liabilities and the gearing of the Group will be improved; and (ii) no further effective interest expense regarding the respective convertible bonds would be incurred by the Group, after the set off of the Outstanding Company Convertible Bonds I, we are of the view that the terms of the Disposal, including the set off of the Outstanding Company Convertible Bonds I, is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

7 Other financing alternative

As discussed with the Management, we understand that the Company has considered other alternative means of fund raising to support the development of the Project before executing the Disposal, including but not limited to, bank borrowings and equity financing. However, debt financing may subject to lengthy due diligence and negotiations with banks and would also incur further interest burden and increase the gearing and credit position to the Group. Meanwhile, in view of the unsatisfactory financial performance of the Group aforementioned, particularly the net loss of the Group for the recent financial years as stated in the sub-section headed "1.2 Financial performance on the Group" above, the Company considers that it will likely to have difficulties in (a) obtaining bank borrowing; and/or (b) procuring placing agent for placing of new Shares and/or underwriters for rights issue or open offer of the Company.

Upon Completion, the Group would be able to (i) devote the proceed from the Disposal into the clinical trial of the Project as stated in the sub-section headed "4.3 Cash inflow to support the development of the Project"; and (ii) improve the gearing and credit profile of the Group as stated in the section headed "8 Potential Financial Effect of the Disposal" below. As such, we concur with the Management that the Disposal is an appropriate financing alternative at the moment.

8 Potential Financial Effect of the Disposal

As at the Latest Practicable Date, the Target Company is accounted for as an associate of the Company in the consolidated financial statements of the Group. The Sale Shares and the Sale Convertible Bonds represent all the Target Company Shares and convertible bonds issued by the Target Company held by the Company. Upon Completion, the Company will cease to hold any Target Company Shares and convertible bonds issued by the Target Company. The Company will no longer be the registered holder of the Sale Shares and the Sale Convertible Bonds and the Target Company will no longer be an associate company of the Group.

As stated in the unaudited pro forma consolidated financial information of the Remaining Group as set out in Appendix III to the Circular, an estimated gain of approximately HK$820,000 would be arisen from the Disposal as if the Disposal had been taken place on 31 March 2019.

Such estimated gain is calculated by:

(i) the difference between the cash consideration for the Sale Shares of HK$50,000,000 and the carrying amount of the investment in associates, i.e. the Sale Shares, recognised in the financial position of the Group of approximately HK$48,954,000;

(ii) the difference between (a) the fair value of the liability component of the Purchase Convertible Bonds of approximately HK$77,248,000; and (b) the carrying amounts of the liability component of the Purchase Convertible Bonds of approximately HK$79,672,000.

The Consideration of the Sale Convertible Bonds shall be paid and set off by the purchase of the Purchase Convertible Bonds. In accordance with Hong Kong Financial Reporting Standard 32, the gain or loss relating to the setting off of the liability component of the Purchase Convertible Bonds would be recognised in the statement of profit or loss of the Remaining Group; and

(iii) the estimated expense in relation to the Disposal of approximately HK$2,650,000.

Assets and liabilities

With reference to the 2019 Annual Report, the audited consolidated total assets and total liabilities of the Group as at 31 March 2019 were approximately HK$1,578,754,000 and HK$783,942,000 respectively. Based on the unaudited pro forma consolidated financial information of the Remaining Group as set out in Appendix III to the Circular, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group would be approximately HK$1,465,208,000 and HK$704,270,000 respectively assuming Completion had taken place on 31 March 2019.

Upon Completion, the reduction of total assets by approximately HK$113,546,000 was attributable to (i) the carrying amount of the investment in associates of approximately HK$48,954,000 and the carrying amount of the investment in Sale Convertible Bonds of HK$111,942,000 no longer being accounted for in the unaudited pro forma consolidated financial information of the Remaining Group; and (ii) the estimated cash proceeds from Disposal of approximately HK$47,350,000, net of relevant transaction cost.

The total liabilities of the Group is also expected to reduce as a result of the exclusion of the carrying amount of the liability component of the Purchase Convertible Bonds in the amount of approximately HK$79,672,000. The above effects will result in a reduction of net assets of the Group in an amount of approximately HK$33,874,000 upon Completion.

Profit for the year

With reference to the 2019 Annual Report, the Group recorded an audited loss for the year of approximately HK$260,911,000 for FY2019. Based on the unaudited pro forma consolidated financial information of the Remaining Group as set out in Appendix III to the Circular, the unaudited pro forma consolidated loss of the Remaining Group is expected to reduce to approximately HK$201,589,000.

The reduction of the loss for the year by approximately HK$59,322,000 was attributable to (i) the exclusion of the change in fair value of investments in Sale Convertible Bonds and impairment loss on interest in an associate recognised in the profit or loss during the year ended 31 March 2019 which amounted to approximately HK$89,675,000; (ii) the exclusion of share of results and other comprehensive income of an associate of approximately HK$13,326,000; (iii) loss on disposal of interest in an associate of approximately HK$31,437,000; (iv) loss on disposal of investment in Sale Convertible Bonds of approximately HK$1,747,000; and (v) the exclusion of effective interest expense on the Outstanding Company Convertible Bonds I of approximately HK$16,157,000.

Gearing

The Group's gearing ratio (expressed as total liabilities divided by total equity) will also improve from approximately 0.99 as at 31 March 2019 to approximately 0.93 upon Completion and thus improve the credit profile of the Group.

The attention of the Shareholders is drawn to the section headed "Unaudited Pro Forma Financial Information of the Remaining Group" as set out in Appendix III to the Circular.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon the Completion.

Based on the aforementioned, in particular the Disposal can reduce the liabilities of the Group, thus improves the gearing and credit profile of the Group, and after taking into consideration the factors as discussed in section headed "4 Reasons for and benefits of the Disposal" and "5 Principal terms of the Sale and Purchase Agreement" above, we consider that the

Disposal is in the interests of the Company and the Shareholders as a whole and the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders as concerned.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we consider the Disposal is in the interests of the Company and the Shareholders as a whole, and the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Doris Sy
Director

Ms. Doris Sy is a person licenced to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Donvex Capital Limited who has over 17 years of experience in corporate finance industry.

I. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 March 2017, 2018 and 2019 are disclosed in the following documents which have been published on websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ipb.asia and www.irasia.com/listco/hk/ipb/):

(i) annual report of the Company for the year ended 31 March 2017 published on 31 July 2017 ***https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0731/ltn20170731408.pdf***

(ii) annual report of the Company for the year ended 31 March 2018 published on 31 July 2018 ***https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0731/ltn20180731409.pdf***

(iii) annual report of the Company for the year ended 31 March 2019 published on 30 July 2019 ***https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0730/ltn20190730263.pdf***

II. STATEMENT OF INDEBTEDNESS

At the close of business on the 31 July 2019, being latest practicable date prior to the printing of this circular, the statement of indebtedness of the Remaining Group is set out as below:

As at 31 July 2019, the Remaining Group had (i) outstanding convertible bonds of an aggregate principal amount of HK$1,322,600,000, (ii) amounts due to non-controlling interests of HK$3,092,000; (iii) amounts due to former non-controlling interests of HK$823,000; (iv) Loan from a shareholder of HK$17,000,000; (v) amount due to the subsidiary of an associate of HK$41,952,000; (vi) loan from a non-controlling interests of HK$13,559,000; and (vii) loan from a subsidiary of an associate of HK$5,109,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Remaining Group did not have outstanding at the close of business on 31 July 2019 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

III. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, after due and careful consideration and taking into account the internal financial resources available to the Group upon completion of the Disposal and the net proceeds from the Disposal, in the absence of any unforeseeable circumstances, the Remaining Group has sufficient working capital for its present requirements and for the period up to twelve months from the date of this circular.

IV. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

V. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

The Group expects that, following the Disposal, the Group will continue to engage in trading of beauty equipment and products in Hong Kong and research, development and commercialisation of the oral insulin product. The Directors do not expect the Disposal will have any material impact to the research, development and commercialisation of the oral insulin product currently being carried out by the Group.

The Group is continuing to develop its trading of beauty equipment and products business. Although there was keen competition in the market, the Group will allocate more resources to boost up the business.

The Group also engages in development of a technology that would allow insulin to be administered orally. The technology is still in the research and development stage. The Group has commenced part B of Phase III of the clinical trial which is typically considered as the final stage of clinical trial before commercialization. The Group will use its best endeavours to commercialise the product in early of 2022.

The Company continues to actively pursue and review cooperation, joint ventures, and investments with suitable partners and will continue to focus on improving the Group's attractiveness and profitability as necessary to enhance shareholder returns and the sustainable long-term development of the Group as a whole.

VI. BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below are the management discussion and analysis of the Remaining Group for each of the three financial years ended 31 March 2019, 2018 and 2017.

For the financial year ended 31 March 2019 ("Financial Year 2019")

Group results

Revenue of the Remaining Group for the Financial Year 2019 amounted to approximately HK$18,589,000, representing an increase of approximately 17.57% as compared with the total revenue of approximately HK$15,811,000 that was recorded in the Financial Year 2018. The increase was mainly attributable to an increase in business of the trading of beauty equipment and products segment during the Financial Year 2019.

Business review

Trading of beauty equipment and products

The Remaining Group commenced the trading of beauty equipment and products since June 2013. During the Financial Year 2019, revenue arising from the trading of beauty equipment and products amounted to approximately HK$18,589,000, representing an increase of approximately 17.57% from the revenue in the amount of approximately HK$15,811,000 that was recorded in the Financial Year 2018.

Research and development

The In-process R&D represented an in-process research and development project involving the Product. The Remaining Group will inject additional resources into clinical trial of the In-process R&D and consolidate the effort of the project team in order to facility the development of it.

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

The in-process R&D was recorded as intangible asset in Remaining 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 Remaining Group using certain key assumptions. Key assumptions for the fair value calculations were based on estimated cash inflows derived from budgeted sales and gross margin which estimated based on the expectations for the market development.

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

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

At the end of the Financial Year 2019, the Directors of the Company have performed impairment assessments on the intangible asset by reference to the valuation conducted by the 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 Remaining Group's intangible asset is estimated to be higher than the carrying amount and therefore the Directors of the Company considered that no impairment is necessary as at 31 March 2019.

As set out in the circular of the Company dated 26 June 2019 (the "**Smart Ascent Circular**"), on 17 March 2014, the Remaining Group and the Target Group entered into a conditional sale and purchase agreement where the Company agreed to purchase 51% of the equity interest in Smart Ascent Limited ("**Smart Ascent**", together with its subsidiaries, the "**SAL Group**") from the Target Group. As part of the agreement, the Remaining Group has undertaken to the Target Group that for a period of 3 years from completion, the Remaining Group would, on a best endeavor basis, solely assume the future capital and operational expenditures of Smart Ascent by way of unsecured interest-free shareholder's loans up to the amount of HK$600 million from July 2014 to July 2017. The undertaking ceased to be valid upon expiry in July 2017. On 27 July 2018, a shareholders' loan agreement was entered into between the Company and the Target Group, pursuant to which, the Company and the Target Company agreed to advance a total sum of HK$30 million to Smart Ascent in the proportion of 51% and 49%, respectively. Upon completion such funding arrangement, the Target Company has allocated its human resources to assist the Remaining Group in the operation of the clinical trials.

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

As set out in the previous annual reports of the Company, Fosse Bio and THU have entered into the THU Collaboration Agreement which term has expired in October 2018. On 12 November 2018, the Group has entered into a supplemental agreement with THU to renew the term of the collaboration for another five years to October 2023. Under the THU Collaboration Arrangement, Fosse Bio would be entitled to commercialise the relevant technologies of the Product and to manufacture and sell the Product on an exclusive basis, and THU is entitled to 1.5% of Fosse Bio's annual sales upon commercialisation of the Product. The Board is of the view that the renewal of the THU Collaboration Arrangement can facilitate the exclusive commercialization of the Product by the Group and is in the interests of the Company and its Shareholders as a whole.

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

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

Prospects

Trading of beauty equipment and products

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

Revenue and profit margin of the Remaining 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 Remaining Group competes by offering trading terms that are more favourable to its suppliers and vendors compared to the Remaining Group's competitors, and trades products that are in high demand given the development of Asian economies.

Securities investment

The management of the Remaining 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 Remaining Group continues to invest in equity funds managed by a professional fund manager.

Research and development

The Remaining Group has commenced Part B of phase III clinical trials for the Product (the "**Clinical Trial**"). In order to better prepare for the Clinical Trial, the timetable for obtaining the Certificate of New Medicine and the Pharmaceutical Manufacturing Permit, subject to the approval of State Drug Administration, and the generating revenue of the Product has been adjusted from the early of 2020 and mid of 2020 to mid of 2021 and January of 2022 respectively.

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

Financial review

Liquidity and financial resources

As at 31 March 2019, the Remaining Group had bank and cash balances of approximately HK$17.1 million.

As at 31 March 2019, total borrowings of the Remaining Group were approximately HK$675.8 million which reflected the debt value of the Company's unconverted convertible bonds, amounts due to non-controlling interests, amounts due to former non-controlling interests, loans from a shareholder, amounts due to the subsidiary of an associate, loan from an associate and loan from a non-controlling interest.

The ratio of current assets to current liabilities of the Remaining Group was 1.37 as at 31 March 2019 as compared to the 1.92 as at 31 March 2018. The Group's gearing ratio as at 31 March 2019 was 0.49 which is calculated based on the Remaining Group's total liabilities of approximately HK$704.2 million and the Remaining Group's total assets of approximately HK$1,465.2 million.

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

Significant acquisition and investments

The Remaining 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 Year 2019.

Charges on the Group's assets

As at 31 March 2019, the Remaining Group and the Company did not have any charges on their assets.

Contingent liabilities and litigation

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

On 17 April 2012, a writ of summons was issued by 江蘇瑞峰建設集團有限公司 (Jiangsu Ruifeng Construction Group Co., Limited) ("**Jiangsu Ruifeng**") in the PRC as the plaintiff against CNL (Pinghu), an indirect non-wholly owned subsidiary of the Company, as the defendant in relation to the disputes arising from the consideration and completion of construction services under the construction contracting services agreement dated 8 October 2010, the construction agreement dated 17 December2010 and the supplemental agreement dated 8 March 2011 (collectively referred to as the "**Construction Agreements**") entered into between CNL (Pinghu) and Jiangsu Ruifeng, to claim the outstanding construction cost of RMB13,150,000, the related interests and litigation costs of the case. Pursuant to the Construction Agreements, the total construction costs was RMB16,675,000. Jiangsu Ruifeng had issued invoices amounting to RMB29,126,000 in relation to the construction work they performed. The aggregated invoice amount was substantially different from the contracted amount. CNL (Pinghu) only settled the amount of RMB16,601,000 and was recorded as the cost of buildings as at 30 June 2012. On 24 April 2012, Jiangsu Ruifeng obtained a civil ruling against CNL (Pinghu), pursuant to which a bank deposit of RMB15,000,000 or equivalent amount of assets of CNL (Pinghu) were to be frozen, but the actual amount frozen was HK$222,000 as at 30 June 2012, which was significantly lower than the amount stated in the civil ruling. The frozen balance was released during the year ended 30 June 2013. On 14 January 2013, an independent construction consulting company, which was appointed by Pinghu District Court, issued a statement certifying the total construction cost incurred would be in a range between RMB15,093,000 (equivalent to approximately HK$19,142,000) and RMB18,766,000 (equivalent to HK$23,801,000). According to the relevant legal opinion dated on 29 July 2013, the possibility for Pinghu District Court for adopting the construction cost of RMB18,766,000 is higher. On 20 December 2013, the 浙江省平湖市人民法院 (People's Court of Pinghu City, Zhejiang Province) delivered a further civil ruling, pursuant to which, CNL (Pinghu) shall, after the said civil ruling came into force, pay to Jiangsu Ruifeng, among other things, a fee of RMB3,309,000 (equivalent to approximately HK$4,197,000) for the construction services rendered. CNL (Pinghu) filed an application to appeal to 浙江省嘉興市中級人民法院 (the Intermediate People's Court of Jiaxing City, Zhejiang Province). On 25 April 2014, 浙江省嘉興市中級人民法院 (the Intermediate People's Court of Jiaxing City, Zhejiang Province) upheld the original ruling of 浙江省平湖市人民法院 (People's Court of Pinghu City, Zhejiang Province) and the Company was required to pay approximately RMB4,223,000 (equivalent to approximately HK$5,333,000) to Jiangsu Ruifeng. Total provision has been made by the Group in this regard since 31 March 2014.

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

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

Foreign exchange exposure

The monetary assets and liabilities and businesses of the Remaining Group are mainly conducted in Hong Kong Dollars, Renminbi, and United States Dollars. The Remaining 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 Remaining Group did not use any financial instruments to hedge against foreign currency risk during the Financial Year 2019. The Remaining Group will continue to monitor its foreign currency exposure closely and consider hedging foreign currency exposure should the need arise.

Number and numeration of employees

As at 31 March 2019, the Remaining Group had 23 full time employees, most of whom work in the Company's subsidiaries in the PRC. The increase in staff is due to the preparation of the commencement of the Clinical Trial in the coming future. It is the Remaining 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 2019 amounts to approximately HK$6.2 million.

For the financial year ended 31 March 2018 ("Financial Year 2018")

Group results

Revenue of the Remaining Group for the Financial Year 2018 amounted to approximately HK$15,811,000, representing an increase of approximately 72.1% as compared with the total revenue of approximately HK$9,187,000 that was recorded in the Financial Year 2017. The increase was mainly attributable to an increase in business of the trading of beauty equipment and products segment during the Financial Year 2018.

Business review

Trading of beauty equipment and products

The Remaining Group commenced the trading of beauty equipment and products since June 2013. During the Financial Year 2018, revenue arising from the trading of beauty equipment and products amounted to approximately HK$15,811,000, representing an increase of approximately 72.1% from the revenue in the amount of approximately HK$9,187,000 that was recorded in the Financial Year 2017.

Research and development

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

Thus far, the Remaining 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 Remaining 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 Remaining 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 2018, the Directors of the Company have performed impairment assessments on the intangible asset by reference to the valuation conducted by the Valuer. The recoverable amount of the intangible asset is determined based on the estimated fair value of the In-process R&D. Based on the assessment, the recoverable amount of the Group's intangible asset is estimated to be higher than the carrying amount and therefore the Directors of the Company considered that no impairment is necessary as at 31 March 2018.

Provision of Genetic Testing Services

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

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

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

Distribution of Bio-industrial Products

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

Initially, it was then the intention of the Company to build its own production plant, research and development workshop and office in Pinghu, the PRC to develop the bio-industrial products.

However, due to the litigation between 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 related construction services, the construction of the production plant, research and development workshop and office in Pinghu, the PRC had since then been put on hold.

Upon the settlement of the aforesaid litigation in 2014, the Company re-assessed the feasibility of this business segment and found that the PRC market environment for this business segment has been deteriorating. In particular, bio-industrial products have been facing fierce price competition within the market. Accordingly, taking into consideration that the Company has been putting in substantial efforts and capital for settling the aforesaid litigation, the Company decided not to exert additional resources and capital into a business which may not generate promising returns. In September 2017, CNL (Pinghu) disposed of the production plant to the local government and an amount of approximately HK$1.3 million was recognised as loss on disposal after tax in the profit or loss for the year and the accumulated revaluation surplus in the property revaluation reserve of approximately HK$5.3 million was derecognised by the Group as a result of the disposal.

Prospects

Trading of beauty equipment and products

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

Revenue and profit margin of the Remaining 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 Remaining Group competes by offering trading terms that are more favourable to its suppliers and vendors compared to the Remaining Group's competitors, and trades products that are in high demand given the development of Asian economies.

Securities investment

The management of the Remaining 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 Remaining Group continues to invest in equity funds managed by a professional fund manager.

Research and development

The research and development segment represents an in-process research and development projects involving the Product that the Remaining Group is developing. The Remaining Group is preparing to commence Part B of phase III clinical trials for the Product (the "**Clinical Trial**"). In order to better prepare for the Clinical Trial, the timetable for obtaining the Certificate of New

Medicine and the Pharmaceutical Manufacturing Permit, subject to the approval of State Drug Administration, and the generating revenue of the Product has been slightly adjusted from the third quarter of 2019 and around end of 2019 to early of 2020 and around mid of 2020 respectively.

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

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

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

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

Financial review

Liquidity and financial resources

As at 31 March 2018, the Remaining Group had bank and cash balances of approximately HK$20.2 million.

As at 31 March 2018, total borrowings of the Remaining Group were approximately HK$564.6 million which reflected the debt value of the Company's unconverted convertible bonds, amounts due to non-controlling interests, amounts due to former non-controlling interests, amounts due to the subsidiary of an associate, and loan from a non-controlling interest.

The ratio of current assets to current liabilities of the Remaining Group was 1.92 as at 31 March 2018 as compared to the 1.03 as at 31 March 2017. The Remaining Group's gearing ratio as at 31 March 2018 was 0.40 which is calculated based on the Remaining Group's total liabilities of approximately HK$580.2 million and the Remaining Group's total assets of approximately HK$1,466.3 million.

Significant acquisition and investments

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

Charges on the Group's assets

As at 31 March 2018, the Remaining Group and the Company did not have any charges on their assets.

Contingent liabilities and litigation

Litigation concerning CNL (Pinghu) in the PRC

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

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

Since then, the Company did not receive any payment notice of the remaining amount of RMB1,326,000 (equivalent to approximately HK$1,649,000) from Jiangsu Ruifeng and therefore no payment was made by the Company during the year ended 31 March 2018 (2017: Nil).

Foreign exchange exposure

The monetary assets and liabilities and businesses of the Remaining Group are mainly conducted in Hong Kong Dollars, Renminbi, and United States Dollars. The Remaining 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 Remaining Group did not use any financial instruments to hedge against foreign currency risk during the Financial Year 2018. The Remaining Group will continue to monitor its foreign currency exposure closely and consider hedging foreign currency exposure should the need arise.

Number and numeration of employees

As at 31 March 2018, the Remaining Group had 22 full time employees, most of whom work in the Company's subsidiaries in the PRC. The decrease in staff is due to a reduction in the business activity of certain segments and the subsequent redundancies. It is the Remaining 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 2018 amounts to approximately HK$6.70 million.

For the financial year ended 31 March 2017 ("Financial Year 2017")

Group results

Revenue of the Remaining Group for the Financial Year 2017 amounted to approximately HK$9.2 million, representing a decrease of approximately 53.9% as compared with the total revenue of approximately HK$19.9 million that was recorded in the financial year ended 31 March 2016 ("**Financial Year 2016**"). The decrease was mainly attributable to a decrease in business of the trading of beauty equipment and products segment during the Financial Year 2017.

Business review

Provision of genetic testing services

Since 2010, the Remaining 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 Remaining Group. The Remaining Group has franchised the distribution rights of the genetic testing products and services. The provision of genetic testing services did not generate any revenue for the Financial Year 2017 and in the Financial Year 2016.

Distribution of bio-industrial products

The Remaining Group has held the exclusive distribution rights for the distribution of bone chips and fat in the PRC since 1 January 2010 for an initial term of 5 years, the term of which was automatically extended by an additional 10 years upon the expiry of the initial term. There was no revenue arising from the distribution of bio-industrial products during both the Financial Year 2017 and Financial Year 2016.

Trading of beauty equipment and products

The Remaining Group commenced the trading of beauty equipment and products since June 2013. During the Financial Year 2017, revenue arising from the trading of beauty equipment and products amounted to approximately HK$9.2 million, representing a decrease of approximately 53.9% from the revenue in the amount of approximately HK$19.9 million that was recorded in the Financial Year 2016.

Research and development

The In-process R&D represented an in-process research and development project involving the Product. The Remaining Group will inject additional resources into clinical trial of the In-process R&D and consolidate the effort of the project team in order to facilitate the development of it.

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

The In-process R&D was recorded as intangible asset in Remaining Group's consolidated statement of financial position with carrying value of HK$1,373 million. 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 Remaining 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 estimates are based on the expectations for the market development.

At the end of the Financial Year, the Directors of the Company have performed impairment assessment on the intangible asset by reference to the valuation conducted by the 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 Remaining 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 2017.

As disclosed in sections headed "Basis for Disclaimer of Opinion" and "Disclaimer of Opinion" above, the auditors of the Company expressed a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 March 2017 on a basis that the carrying amount of the In-process R&D is determined based on the management's key assumptions which are made with high degree of estimation uncertainties. The carrying amount is highly dependent upon further research and development work that is required to be carried out, results of clinical trials, successful launching of the Product by the end of 2019 and key assumptions to be applied in preparing a cash flow projection for the sales of the Product.

As at the date of the annual report for the Financial Year 2017, the Product is still in the research and development stage. Accordingly, uncertainty as to when the Product can be launched exists. To address the audit qualification, the Remaining Group will use its best endeavors to commercialise the Product by the end of 2019.

The Remaining Group has accounted for reasonable amount of time for each process until commercialisation of the Product. The Remaining Group will use its best endeavours to commercialise the Product by the end of 2019. Nonetheless, commercialisation of the Product is subject to uncertainties and risks arising from the results of the clinical trial of the Product and the assessment of China Food and Drug Administration ("**CFDA**"). These factors may be beyond the control of the Group and may lead to further delay in the timetable. To the best knowledge, information and belief of the Directors, other than the uncertainties and risks arising from the results of the clinical trial of the Product and the assessment of CFDA, there are no other foreseeable obstacles/issues leading to further delay in the timetable.

Under normal circumstances, part B, Phase III of the clinical trial is typically considered as the final stage of clinical trial before commercialisation in the PRC. Accordingly, once the Remaining Group has commenced part B, Phase III of the clinical trial of the Product, the Remaining Group will be in a better position to ascertain the expected launch progress of the Product, and by that time the Remaining Group will be able to provide additional supporting evidence, for example, research and development results and status updates to the Remaining Group's auditors to support the management's assumptions on the timing and probability of success in launching the Product. The Board will, as appropriate in the circumstances, engage the auditors at an early stage to discuss the audit plan and how to address the issues, in particular once the Remaining Group has commenced part B of Phase III of the clinical trial of the Product.

Reference is made to the Circular. There is delay in the timetable set out in the Smart Ascent Circular. The reasons for delay are as follows:

1. The Remaining Group spent time on revisiting the feasibility, the cost and benefit for starting the research and development in the United States of America ("**USA**") and the European Union ("**EU**"). As set out in the Smart Ascent Circular, it was contemplated that clinical trials would be conducted in the USA and Europe (in addition to the PRC) and that the breakdown of the Capital Commitment (as defined in the Smart Ascent Circular) included research and development costs in the USA and the EU. The Board was then of the view that if a new drug is first approved by the U.S. Food and Drug Administration the said drug will have a higher possibility of obtaining earlier approval from the CFDA. Therefore, the Remaining Group committed resources and time to study the feasibility and pros and cons of commencing research and development in the USA and the EU and applying to the authorities in the USA and the EU for approval. However, after further analysis and consideration taking into account the results of the feasibility study and the time and costs involved, the management decided in the end of 2015 to suspend the pursuit of such route of having the Product approved in the USA and the EU first, but rather, the management would commence part B of Phase III of the clinical trial of the Product in the PRC and apply for the Certificate and Permit from the CFDA directly.

2. Due to the substantial funding required for the research and development and the commercialisation of the Product and with a view to explore synergies with potential business partners, the Remaining Group had been exploring and discussing collaboration or cooperation opportunities with potential investors and partners in the joint development of the Product. The Remaining Group did not make a deal with any such investors or partners.

3. Before the commencement of part B of Phase III of the clinical trials, the Remaining Group had spent efforts on and had completed the multi-centred, randomised crossover and self-controlled clinical trial of its oral insulin enteric-coated soft capsules on type-2 diabetes as part of the planning and preparation stage for part B of Phase III of the clinical trials.

Taking into consideration the work done by the Remaining Group in pursuing the feasibility study for the USA/EU route and the preparation for the commencement of part B of Phase III of the clinical trials, the Board considers the time and effort of the feasibility study which was intended to speed up the approval process and the revised timetable in relation to the development of the Product reasonable.

To further ensure that the Product will be able to commercialise by end of 2019, the Remaining Group will also allocate more human resources to the project and strengthen its 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 Remaining Group's schedule to commercialise the Product. The Remaining Group will also engage appropriate number of hospitals to carry out the clinical trials so that part B, phase III of the clinical trial of the Product can be completed on or before the first quarter of 2019.

As set out in the Smart Ascent Circular, on 17 March 2014, the Remaining Group and the Target Group entered into a conditional sale and purchase agreement where the Company agreed to purchase 51% of the equity interest in Smart Ascent from the Target Group. As part of the agreement, the Remaining Group has undertaken to the Target Group that for a period of 3 years from completion, the Remaining Group would, on a best endeavor basis, solely assume the future capital and operational expenditures of Smart Ascent by way of unsecured interest-free shareholder's loans up to the amount of HK$600 million from July 2014 to July 2017. The undertaking shall cease to be valid upon expiry in July 2017 unless otherwise extended by the parties thereto. It is currently expected that the Remaining Group will discuss with the Target Company regarding the arrangement after the expiry of the undertaking. Prior to reaching an agreement with the Target Company, the Remaining Group shall undertake the provision of funding to the development of the Product in the PRC by internal resources upon expiry of the undertaking.

Further, the Remaining Group will continue to conduct impairment assessment in each reporting period-end for the Product. If there is any indication that the Product has suffered any impairment loss, the recoverable amount of the Product will be estimated in order to determine the extent of the impairment loss, if any.

The In-process R&D is subject to inherent uncertainties and risks which may be beyond the control of the Remaining Group. Certain evidence and information may not be available and cannot be obtained in forming the auditors' opinions. The Remaining Group would use its best efforts to commercialise the Product and provide the evidence and information to the auditors as and when available.

The Audit Committee concurs with the Remaining Group's view that the time schedule for the commercialisation of the Product by the end of 2019 is feasible and reasonable upon discussion with the management of the Remaining Group and having taken into consideration that the project team will exert additional efforts in monitoring the progress of the In-process R&D so as to complete the research and development and to commercialise the Product as soon as practicable.

The recoverable amount of the In-process R&D is determined based on fair value calculations using the income approach method, with reference to the professional valuation performed by the Valuer. 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 CFDA) to launch the Product by the end of 2019.

The expected future economic benefits attributable to the In-process R&D approved by the management cover a 10-year period. The calculation used in the cash flow projections with certain key parameters are as below:

	2017	**2016**
Discount rate (post-tax)	24.82%	27.99%
Growth rate	3%	3%
Gross profit ratio	57.97%	56.25%

Based on the impairment review assessment, the recoverable amount of the Remaining Group's intangible asset is estimated to be higher than the carrying amount after taking into account the lack of control discount. The Board has conducted market research and evaluated the underlying assumptions with reference to available market resources and are of the view that they are fair and reasonable assumptions. Therefore the Board is in the opinion that no impairment on the carrying amount of the In-process R&D has to be recognised for the Financial Year 2017 (2016: Nil).

The Audit Committee reviewed the reasonableness of the key assumptions on the cash flow projections for the preparation of valuation and the valuation report which was conducted by the Valuer. The Audit Committee found no indication that the In-process R&D had suffered any impairment loss as the value prepared by the Valuer is higher than its carrying value. The Audit Committee noted that the key assumptions of the cash flow projections involved high degree of estimations and judgements. The Audit Committee's view and conclusion after reviewing the key assumptions is that they are fair and reasonable on the basis that the estimation and judgment have been consistently applied throughout the previous years.

Prospects

Provision of genetic testing services

In October 2014, the Remaining 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 Remaining Group holds a cautious view regarding the business given the uncertainty of the policy and regulatory environment of genetic testing in the PRC and does not anticipate a recovery of the industry in the near-term. The Remaining Group is actively seeking partners or potential investors to work with or acquire the Remaining 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 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 Remaining Group is liable to pay RMB4.2 million to the plaintiffs. Payments were made in respect of the litigation in accordance with the directions of the court. The court has delayed payments to the plaintiff at this time and further announcements will be made by the Company as and when appropriate pursuant to the requirements of the Listing Rules.

Trading of beauty equipment and products

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

Revenues and profit margins of the Remaining 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 Remaining Group's competitors, and trades products that are in high demand given the development of Asian economies.

During the second half of the Financial Year 2017, trading business activity fell as there was keen competition in the market. The Remaining Group intends to maintain the segment and the management will allocate more resources to boost up the trading business activity.

Securities investment

The management of the Remaining 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 Remaining Group continues to manage a diverse portfolio of Asian stocks and bonds.

Research and development

The Remaining Group has been developing the technology that would allow insulin to be administered orally. During the Financial Year 2017, the Remaining Group explored potential opportunities with investors and potential partners but as at the date of the annual report for the Financial Year 2017 the Remaining Group has yet to encounter a suitable business partner. The Remaining Group will continue to evaluate potential products that would be used to bolster the Group's pipeline.

Financial review

Liquidity and financial resources

As at 31 March 2017, the Remaining Group had bank and cash balances of approximately HK$61.3 million.

As at 31 March 2017, total borrowings of the Remaining Group were approximately HK$491.7 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 noncontrolling interest.

The ratio of current assets to current liabilities of the Remaining Group was 1.03 as at 31 March 2017. The Remaining Group's gearing ratio as at 31 March 2017 was 0.33 which is calculated based on the Remaining Group's total liabilities of approximately HK$502.0 million and the Remaining Group's total assets of approximately HK$1,512.3 million.

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 ("**Capital Injection Agreement**"). Pursuant to the Capital Injection Agreement, Top Nice would inject capital in the amount of RMB224.75 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 were not fulfilled. The Capital Injection Agreement therefore lapsed. Top Nice shall be treated as being discharged and released from the Capital Injection Agreement.

On 11 March 2017, the Company and a seller entered into a memorandum of understanding, pursuant to which the Company intended to acquire the controlling interest in three companies which are principally engaged in the provision of one-stop accredited medical consultation and health examination services in Hong Kong.

At the end of the Financial Year 2017, no definitive agreement was finalised and entered into between the Company and the seller for the acquisition.

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

Issue of Convertible Bonds and early redemption

On 24 March 2016, the Company entered into a subscription agreement with Fu Chuang Limited (the "**Subscriber**"), pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the convertible bonds (the "**FC Convertible Bonds**") in the aggregate principal amount of HK$50,000,000 (the "**Subscription**"). The maturity of the FC Convertible Bonds will be the date falling on the third anniversary from the date of issue of the FC Convertible Bonds. The FC 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 FC Convertible Bonds by the Subscriber took place on 13 April 2016.

On 6 July 2016, the Company and the Subscriber entered into a supplemental deed (the "**Supplemental Deed**"), pursuant to which the Company and the Subscriber agreed to amend a term of the FC Convertible Bonds such that the Company may, at any time prior to the maturity of the FC Convertible Bonds and by giving the holder(s) of the FC Convertible Bonds not less than seven (7) working days' notice, redeem the outstanding FC Convertible Bonds, in whole or in part, at a price to be agreed between the holder(s) of the FC Convertible Bonds (the "**Redemption**

Price") and the Company or any of its subsidiaries from time to time (the "**Proposed Amendment**"). Save and except for the aforesaid, all other terms of the FC Convertible Bonds remained unchanged.

By a notice of redemption given on 6 July 2016, the Company has elected to redeem the outstanding FC Convertible Bonds in the aggregate principal amount of HK$50,000,000 prior to their maturity date of 13 April 2019 at the Redemption Price of HK$51,003,472 (the "**Early Redemption**"). In this regard, the Subscriber has agreed to waive the seven (7) working days' notice period required under the terms of the FC 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 FC Convertible Bonds redeemed were cancelled by the Company.

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

Charges on the Remaining Group's assets

As at 31 March 2017, the Remaining Group and the Company did not have any charges on their assets.

Contingent liabilities and litigation

Litigation concerning CNL (Pinghu) in the PRC

On 17 April 2012, a writ of summons was issued by 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 Agreements entered into between CNL (Pinghu) and Jiangsu Ruifeng, to claim the outstanding construction cost of RMB13,150,000, the related interests and litigation costs of the case. Pursuant to the Construction Agreements, the total construction costs was RMB16,675,000. Jiangsu Ruifeng had issued invoices amounting to RMB29,126,000 in relation to the construction work they performed. The aggregated invoice amount was substantially different from the contracted amount. CNL (Pinghu) only settled the amount of RMB16,601,000 and was recorded as the cost of buildings as at 30 June 2012. On 24 April 2012, Jiangsu Ruifeng obtained a civil ruling against CNL (Pinghu), pursuant to which a bank deposit of RMB15,000,000 or equivalent amount of assets of CNL (Pinghu) were to be frozen, but the actual amount frozen was HK$222,000 as at 30 June 2012, which was significantly lower than the amount stated in the civil ruling. The frozen balance was released during the year ended 30 June 2013. On 14 January

2013, an independent construction consulting company, which was appointed by Pinghu District Court, issued a statement certifying the total construction cost incurred would be in a range between RMB15,093,000 (equivalent to approximately HK$19,142,000) and RMB18,766,000 (equivalent to HK$23,801,000). According to the relevant legal opinion dated on 29 July 2013, the possibility for Pinghu District Court for adopting the construction cost of RMB18,766,000 is higher. On 20 December 2013, the 浙江省平湖市人民法院 (People's Court of Pinghu City, Zhejiang Province) delivered a further civil ruling, pursuant to which, CNL (Pinghu) shall, after the said civil ruling came into force, pay to Jiangsu Ruifeng, among other things, a fee of RMB3,309,000 (equivalent to approximately HK$4,197,000) for the construction services rendered. CNL (Pinghu) filed an application to appeal to 浙江省嘉興市中級人民法院 (the Intermediate People's Court of Jiaxing City, Zhejiang Province). On 25 April 2014, 浙江省嘉興市中級人民法院 (the Intermediate People's Court of Jiaxing City, Zhejiang Province) upheld the original ruling of 浙江省平湖市人民法院 (People's Court of Pinghu City, Zhejiang Province) and the Company was required to pay approximately RMB4,223,000 (equivalent to approximately HK$5,333,000) to Jiangsu Ruifeng. Total provision has been made by the Group in this regard since 31 March 2014.

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

The Company did not receive any payment notice from Jiangsu Ruifeng during the years ended 31 March 2016 and 2017 and therefore no payment was made by the Company during the years.

Litigation concerning Longmark (Shanghai) HealthCare Limited ("**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 (Shanghai Xiangshanleyuan Dining Limited) (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 first floor, lane 2, 128 Linhong Road, Changning District, Shanghai) (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.

On 28 October 2016, 上海市長寧區人民法院 (People's Court of Shanghai Changning District) rejected the petitions filed by the Tenant.

Foreign exchange exposure

The monetary assets and liabilities and businesses of the Remaining Group are mainly conducted in Hong Kong Dollars, Renminbi, and United States Dollars. The Remaining 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 Remaining Group did not use any financial instruments to hedge against foreign currency risk during the Financial Year. The Remaining 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 2017, the Remaining Group had 24 full time employees, most of whom work in the Company's subsidiaries in the PRC. The decrease in staff is due to a reduction in the business activity of certain segments and the subsequent redundancies. It is the Remaining 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 2017 amounts to approximately HK$6.48 million.

FINANCIAL INFORMATION OF THE TARGET GROUP

The financial information of the Target Group for the three years ended 31 March 2017, 2018 and 2019 are disclosed in the following documents which have been published on websites of the Stock Exchange (www.hkexnews.hk) and the Target Company (www.extrawell.com.hk):

(i) annual report of the Target Company for the year ended 31 March 2017 published on 26 July 2017 ***https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0726/ltn20170726259.pdf***

(ii) annual report of the Target Company for the year ended 31 March 2018 published on 19 July 2018 ***https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0719/ltn20180719318.pdf***

(iii) annual report of the Target Company for the year ended 31 March 2019 published on 19 July 2019 ***https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0719/ltn20190719245.pdf***

Set out below are the financial information of the Target Group which comprises the consolidated statements of financial position of the target Group as at 31 March 2017, 2018 and 2019 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for each of the year then ended which were extracted from the annual reports of the Target Company for the years ended 31 March 2017, 2018 and 2019.

Consolidated financial statements of the Target Company for the year ended 31 March 2017

Disclaimer of opinion

East Asia Sentinel Limited ("**East Asia**") were engaged to audit the consolidated financial statements of the Target Company and its subsidiaries, which comprised the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, which included a summary of significant accounting policies.

East Asia did not express an opinion on the consolidated financial statements of the Target Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section below, East Asia had not been able to obtain sufficient appropriate audit evidence to provide the basis for an audit opinion on these consolidated financial statements. In all other respects, in the opinion of East Asia, the consolidated financial statements had been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion

Impairment for interest in an associate, Smart Ascent and its subsidiaries ("**Smart Ascent Group**")

The major asset held by the associate is the intangible asset in relation to the In-process R&D involving the Product. The carrying amount of the In-process R&D was determined based on the management's key assumptions which were made with high degree of estimation uncertainties. This carrying amount was highly dependent upon further research and development work that was required to be carried out, results of clinical trials, successful launching of the Product and key assumptions to be applied in preparing a cash flow projection for the sales of the Product.

One of the major assumptions relied on in assessing the carrying amount was the directors' opinion that the Smart Ascent Group would be successful in obtaining the regulatory approvals from the relevant government bodies and launching the Product by the end of 2019. These assumptions are the fundamental factors upon which the entire valuation exercise as to the recoverable amount of the In-process R&D is based.

However, East Asia was unable to obtain sufficient appropriate audit evidence to support the probability of the Smart Ascent Group successfully launching the Product, that was, specifically, the likelihood and timing in obtaining the regulatory approvals from the relevant government bodies to launch the Product by the end of 2019. In the absence of sufficient audit evidence for these fundamental assumptions, East Asia was unable to ascertain the reasonableness of the key assumptions relied on by the management in assessing the recoverable amount of the intangible asset as at 31 March 2017.

Consequently, East Asia was unable to satisfy themselves as to whether the carrying amount of the Target Group's interest in the associate approximately HK$330,969,000 as included in the Target Group's consolidated statement of financial position as at 31 March 2017 was fairly stated, and whether any impairment on the interest in an associate should be recognised.

Any further adjustments to the interest in the associate would affect the amount of net assets reported by the Target Group as at 31 March 2017 and of its financial performance for the year then ended, and the related disclosures thereof in the consolidated financial statements.

In addition, included in the interests in subsidiaries, the Target Company had equity interest in Extrawell (BVI) Limited ("**EBVI**") amounting to HK$624,604,000 as at 31 March 2017.

The Smart Ascent Group, was also an associated company in relation to the Company's subsidiary, EBVI, as at 31 March 2017. In the absence of sufficient audit evidence supporting that the carrying amount of interest in the Smart Ascent Group was fairly stated, East Asia was similarly unable to satisfy themselves as to whether the carrying amount of the Company's equity interest in EBVI amounting to approximately HK$624,604,000 as included in the Target Company's statement of financial position as at 31 March 2017 was fairly stated, and whether any impairment on the interest in the subsidiary should be recognised.

Consolidated financial statements of the Target Company for the year ended 31 March 2018

Disclaimer of opinion

BDO Limited ("**BDO**") were engaged to audit the consolidated financial statements of the Target Company and its subsidiaries, which comprised the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

BDO did not express an opinion on the consolidated financial statements of the Target Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section below, BDO had 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 the opinion of BDO the consolidated financial statements had been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion

The Target Group had an interest in an associate, Smart Ascent Limited of approximately HK$330,970,000 as at 31 March 2018 (2017: HK$330,969,000). The Target Company's directors have determined that the Target Group's interest in the associate as at 31 March 2018 is fairly stated.

In its consolidated financial statements, the Target Group applied equity method of accounting to account for its interest in the associate and shared the associate's net assets as its interests therein. The major asset held by the associate was an intangible asset in relation to the In-process R&D involving the Product. For the purpose of assessing that the carrying amount of the intangible asset was not higher than its recoverable amount, the Target Company's directors estimated the fair value of the intangible asset in relation to the In-process R&D using income approach, which involved the preparation of a cash flow projection ("**Cash Flow Projection**") using significant management assumptions and judgement.

During the course of BDO's audit for the current year, BDO had not been provided by the Target Company's directors and other parties as appropriate with the information which BDO considered sufficient to satisfy themselves as to the basis for which the Cash Flow Projection was prepared and the related data to which specific assumptions were applied; including the timing of the amounts of cash flow, the estimation of which related to the completion of the necessary clinical trials, the obtaining of the relevant regulatory approvals and launching of the Product. There were no alternative audit procedures which BDO could adopt to satisfy themselves as to the matter. Accordingly BDO were not able to satisfy themselves as to whether the Target Group's share of net assets of Smart Ascent Limited and therefore its interest in associate of HK$330,970,000 as at 31 March 2018 (2017: HK$330,969,000) was fairly stated and whether its share of results of associate for the year then ended would have any adjustment. Any impairment loss to the intangible asset would reduce the Target Group's interest in the associate and the Target Group's net assets as at 31 March 2018 and adversely affect the Target Group's financial performance for the year then ended, and the related information of the disclosures thereof in the consolidated financial statements may be subject to amendments.

In addition, included in the Target Company's interests in subsidiaries of HK$629,927,000 was an equity interest in EBVI, a Target Company's subsidiary, of HK$624,604,000 as at 31 March 2018. Smart Ascent Limited was an associate of EBVI as at 31 March 2018. In the absence of sufficient audit evidence relating to estimating the recoverable amount of the intangible asset as included in Smart Ascent Limited's financial statements, BDO were unable to satisfy themselves as to whether the Target Company's cost of investment in EBVI of HK$624,604,000 as at 31 March 2018 was fairly stated, and whether any impairment provision for the Target Company's interest in the subsidiary should be recognised.

The auditor had disclaimed their opinion on the consolidated financial statements for the year ended 31 March 2017 as they were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the reasonableness of certain major assumptions adopted by the management in the impairment assessment of the In-process R&D, and accordingly whether the carrying amount of the Group's interest in associate of HK$330,969,000 was fairly stated and the Target Company's interest in EBVI of HK$624,604,000 as at 31 March 2017 required any impairment provision. These limitations remained unresolved for the current year.

Consolidated financial statements of the Target Company for the year ended 31 March 2019

Qualified opinion

Elite Partners CPA Limited ("**Elite Partners**") have audited the consolidated financial statements of the Target Company and its subsidiaries, which comprised the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In the opinion of Elite Partners, except for the effects of the matter described in the Basis for Qualified Opinion section below, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and had been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

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

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

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

Elite Partners conducted their audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Their responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section below. Elite Partners were independent of the Target Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and Elite Partners fulfilled their other ethical responsibilities in accordance with the Code. Elite Partners believed that the audit evidence they had obtained was sufficient and appropriate to provide a basis for their qualified opinion.

Key audit matters

Key audit matters are those matters that, in their professional judgement, were of most significance in their audit of the consolidated financial statements for the year ended 31 March 2019. These matters were addressed in the context of their audit of the consolidated financial statements as a whole, and in forming their opinion thereon, and they did not provide a separate opinion on these matters.

1. Impairment assessment of an associate

Key audit matters	How the matter was addressed in Elite Partners' audit
As at 31 March 2019, the Target Group has interest in an associate of approximately HK$330,062,000 representing 49% equity interests in Smart Ascent Limited. For the purpose of impairment assessment, the Target Group appointed an independent external valuer to assess the recoverable amount of the interest in an associate. Elite Partners had identified the impairment assessment of interest in an associate as a key audit matter because significant management judgement was required to determine the recoverable amount for the interest in an associate.	Their major audit procedures to address the matter included the following: • they obtained financial information of the associate and assessed whether the accounting policy of the associate was consistent with the Target Group, if different, adjustments were provided to uniform with the Target Group's accounting policy; • they discussed with management whether any impairment indicator exists and basis for the impairment recognised;

Key audit matters	How the matter was addressed in Elite Partners' audit
	• they discussed with management and relevant professionals about the In-process R&D of oral insulin product; • they obtained and assessed the fair value calculations methodology provided by the management including but not limited to the reasonableness of key assumptions applied (e.g. operating margins, terminal growth rates and discount rates), the accuracy and reliance of the input data used; and • they evaluated the competency of the independent external valuer taking account its experience and qualifications.

2. Impairment assessment of property, plant and equipment

Key audit matters	How the matter was addressed in Elite Partners' audit
As at 31 March 2019, the Target Group had property, plant and equipment of approximately HK$140,740,000. For the impairment assessment, the Target Group appointed an independent external valuer to assess the recoverable amount of property, plant and equipment. Elite Partners had identified the impairment assessment of property, plant and equipment as key audit matter due to the significant judgement involved by the management in impairment assessment.	Their major audit procedures to address this matter included the following: • they assessed the fair value calculations methodology used and the appropriateness of the key assumptions adopted in the fair value less cost of disposal; • they discussed with management whether any impairment indicator exists and basis for the impairment recognised;

Key audit matters	**How the matter was addressed in Elite Partners' audit**
	• they challenged the reasonableness of key assumptions based on their knowledge of the business and industry; and • they checked on sampling basis, the accounting and relevance of the input data used. • they evaluated the competency of the independent external valuer taking account its experience and qualifications.

Consolidated statement of profit or loss and other comprehensive income

For the three years ended 31 March 2019

	2019	**2018**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	89,218	85,762	107,903
Cost of sales	(39,618)	(43,713)	(64,007)
Gross profit	49,600	42,049	43,896
Other income	10,214	90,514	77,418
Other gains and losses, net	78,863	(37,522)	(35,034)
Selling and distribution expenses	(40,170)	(32,259)	(31,673)
Administrative expenses	(26,402)	(27,007)	(27,231)
Share of results of an associate	(908)	1	(2,897)
Effective interest expense on convertible bonds	(7,823)	(6,590)	(5,552)
Profit before income tax	63,374	29,186	18,927
Income tax (expense)/credit	(50)	86	(616)

	2019 *HK$'000*	2018 *HK$'000*	2017 *HK$'000*
Profit for the year	63,324	29,272	18,311
Other comprehensive (expense)/income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(6,881)	11,956	(8,359)
Item that will not be reclassified subsequently to profit or loss			
Change in fair value on financial assets through other comprehensive income	(59,047)	—	—
Other comprehensive (expense)/income for the year	(65,928)	11,956	(8,359)
Total comprehensive (expense)/income for the year	(2,604)	41,228	9,952
Profit/(Loss) for the year attributable to:			
Owners of the Company	64,030	29,930	20,796
Non-controlling interests	(706)	(658)	(2,485)
	63,324	29,272	18,311
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company	(2,042)	41,881	12,443
Non-controlling interests	(562)	(653)	(2,491)
	(2,604)	41,228	9,952

	HK cents	*HK cents*	*HK cents*
Earnings per share for profit attributable to owners of the Company:			
— Basic	2.68	1.25	0.87
— Diluted	2.18	1.11	0.80

Consolidated statement of financial position

	2019	**2018**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Investment properties	1,378	1,437	1,497
Property, plant and equipment	140,740	155,469	145,839
Prepaid lease payments	9,236	10,017	9,299
Intangible assets	1,807	1,807	1,807
Investments in convertible bonds	—	417,783	376,324
Financial assets at fair value through profit or loss	469,737	—	—
Available-for-sale investments	—	59,047	—
Financial assets at fair value through other comprehensive income	—	—	—
Interest in an associate	330,062	330,970	330,969
Amount due from an associate	29,388	22,505	17,235
Loan to an associate	5,027	—	—
Deferred tax assets	69	69	—
	987,444	999,104	882,970

	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Inventories	5,824	4,100	7,607
Trade and bills receivables	20,047	21,076	37,417
Deposits, prepayments and other receivables	11,106	8,361	4,972
Available-for-sale investments	—	1,875	1,685
Financial assets at fair value through profit or loss	1,769	—	—
Pledged bank deposits	20,994	20,502	20,215
Cash and bank balances	148,902	161,765	217,803
	208,642	217,679	289,699
Current liabilities			
Trade and bills payables	8,125	6,916	14,859
Accruals, other payables and contract liabilities	56,201	60,721	59,501
Amount due to an associate	—	19,780	19,780
Deferred income on government grants	125	98	63
Tax payable	15,287	16,255	14,587
	79,738	103,770	108,790
Net current assets	128,904	113,909	180,909
Total assets less current liabilities	1,116,348	1,113,013	1,063,879

	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*
Non-current liabilities			
Deferred tax liabilities	—	—	102
Convertible bonds	49,635	41,812	35,222
Deferred income on government grants	5,142	4,122	2,704
	54,777	45,934	38,028
Net assets	1,061,571	1,067,079	1,025,851
Equity			
Share capital	23,900	23,900	23,900
Reserves	1,042,752	1,047,673	1,005,792
Equity attributable to owners of the Company	1,066,652	1,071,573	1,029,692
Non-controlling interests	(5,081)	(4,494)	(3,841)
Total equity	1,061,571	1,067,079	1,025,851

Consolidated statement of changes in equity

For the year ended 31 March 2017

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Contributed surplus	Foreign currency translation reserve	Convertible bonds equity reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015	23,900	191,738	6,542	4,839	38,794	512,359	213,718	991,890	4,489	996,379
Profit/(loss) for the year	–	–	–	–	–	–	32,781	32,781	(5,381)	27,400
Exchange differences on translation of foreign operations	–	–	–	–	(7,422)	–	–	(7,422)	(458)	(7,880)
Total comprehensive income (expense)	–	–	–	–	(7,422)	–	32,781	25,359	(5,839)	19,520
At 31 March 2016	23,900	191,738	6,542	4,839	31,372	512,359	246,499	1,017,249	(1,350)	1,015,899
Profit/(loss) for the year	–	–	–	–	–	–	20,796	20,796	(2,485)	18,311
Exchange differences on translation of foreign operations	–	–	–	–	(8,353)	–	–	(8,353)	(6)	(8,359)
Total comprehensive income (expense)	–	–	–	–	(8,353)	–	20,796	12,443	(2,491)	9,952
At 31 March 2017	23,900	191,738	6,542	4,839	23,019	512,359	267,295	1,029,692	(3,841)	1,025,851

For the year ended 31 March 2018

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Contributed surplus	Foreign currency translation reserve	Convertible bonds equity reserve	Retained earnings	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2016	23,900	191,738	6,542	4,839	31,372	512,359	246,499	1,017,249	(1,350)	1,015,899
Profit/(loss) for the year	–	–	–	–	–	–	20,796	20,796	(2,485)	18,311
Exchange differences on translation of foreign operations	–	–	–	–	(8,353)	–	–	(8,353)	(6)	(8,359)
Total comprehensive income	–	–	–	–	(8,353)	–	20,796	12,443	(2,491)	9,952
At 31 March 2017 and 1 April 2017	23,900	191,738	6,542	4,839	23,019	512,359	267,295	1,029,692	(3,841)	1,025,851
Profit/(loss) for the year	–	–	–	–	–	–	29,930	29,930	(658)	29,272
Exchange differences on translation of foreign operations	–	–	–	–	11,951	–	–	11,951	5	11,956
Total comprehensive income	–	–	–	–	11,951	–	29,930	41,881	(653)	41,228
At 31 March 2018	23,900	191,738	6,542	4,839	34,970	512,359	297,225	1,071,573	(4,494)	1,067,079

For the year ended 31 March 2019

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Contributed surplus	Foreign currency translation reserve	Convertible bonds equity reserve	FVTOCI reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	23,900	191,738	6,542	4,839	23,019	512,359	–	267,295	1,029,692	(3,841)	1,025,851
Profit for the year	–	–	–	–	–	–	–	29,930	29,930	(658)	29,272
Exchange differences on translation of foreign operations	–	–	–	–	11,951	–	–	–	11,951	5	11,956
Total comprehensive income	–	–	–	–	11,951	–	–	29,930	41,881	(653)	41,228
At 31 March 2018 and 1 April 2018	23,900	191,738	6,542	4,839	34,970	512,359	–	297,225	1,071,573	(4,494)	1,067,079
Initial application of HKFRS 9 *(note 2)*	–	–	–	–	–	–	(24,039)	21,160	(2,879)	(25)	(2,904)
Restated balance as at 1 April 2018	23,900	191,738	6,542	4,839	34,970	512,359	(24,039)	318,385	1,068,694	(4,519)	1,064,175
Profit for the year	–	–	–	–	–	–	–	64,030	64,030	(706)	63,324
Change in fair value on financial assets through other comprehensive income	–	–	–	–	–	–	(59,047)	–	(59,047)	–	(59,047)
Exchange differences on translation of foreign operations	–	–	–	–	(7,025)	–	–	–	(7,025)	144	(6,881)
Total comprehensive (expenses)/income	–	–	–	–	(7,025)	–	(59,047)	64,030	(2,042)	(562)	(2,604)
Balance at 31 March 2019	23,900	191,738	6,542	4,839	27,945	512,359	(83,086)	382,415	1,066,652	(5,081)	1,061,571

Consolidated statement of cash flows

For the three years ended 31 March 2019

	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit before income tax	63,374	29,186	18,927
Adjustment for:			
Amortisation of prepaid lease payment	234	233	228
Depreciation of investment properties	59	60	59
Depreciation of property, plant and equipment	6,237	6,327	6,427
Gain on disposal of intangible assets	—	—	(2,819)
Loss on disposal of property, plant and equipment	734	—	—
Provision for impairment loss on trade receivables, net	255	3,218	4,456
(Reversal of)/Provision for impairment loss on inventories, net	(44)	85	—
Change in fair value on financial assets at FVTPL — investments in convertible bonds	(79,789)	—	—
Change in fair value on financial assets at FVTPL — bank structured product	(61)	—	—
Impairment loss on available-for-sale investments	—	20,953	—
Share of results of an associate	908	(1)	2,897
Change in fair value of derivative component of investments in convertible bonds	—	16,782	33,397
Effective interest income from investments in convertible bonds	—	(83,266)	(71,786)
Effective interest expense on convertible bonds	7,823	6,590	5,552
Imputed interest income from amount due from an associate	(6,883)	(5,270)	(4,036)
Interest income	(2,947)	(1,806)	(1,299)
Amortisation of deferred income	(257)	(172)	(193)
Loan interest income from an associate	(127)	—	—
Reversal of impairment loss on other receivables	(2)	—	—

	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital	(10,486)	(7,081)	(8,190)
(Increase)/Decrease in inventories	(1,680)	3,422	(1,683)
Decrease in trade and bills receivables	3,169	8,990	15,146
Increase in deposits, prepayments and other receivables	(2,743)	(3,389)	3,421
Increase/(Decrease) in trade and bills payables	1,209	(7,943)	5,543
(Decrease)/Increase in accruals, other payables and contract liabilities	(4,520)	1,220	(8,114)
Cash (used in))/generated from operations	(15,051)	(4,781)	6,123
Income tax paid	(38)	(102)	(641)
Net cash (used in)/generated from operating activities	(15,089)	(4,883)	5,482
Cash flows from investing activities			
Interest income received from investments in convertible bonds	25,025	25,025	25,025
Interest income received	2,947	1,806	1,299
Government grant received	1,553	1,325	2,955
Purchase of available-for-sale financial assets	—	(80,000)	1,124
Proceeds from disposal of property, plant and equipment	118	—	—
Purchase of property, plant and equipment	(1,414)	(124)	(1,008)
Short term investment's return received	57	—	—
Repayment of the amount due to an associate	(19,780)	—	—
Loan made to an associate	(4,900)	—	—
Increase in pledged bank deposits	(492)	(287)	(162)
Net cash generated from/(used in) investing activities	3,114	(52,255)	29,233

	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*
Net (decrease)/increase in cash and cash equivalents	(11,975)	(57,138)	34,715
Effect of foreign exchange rate change	(888)	1,100	2,090
Cash and cash equivalents at beginning of year	161,765	217,803	180,998
Cash and cash equivalents at end of year	148,902	161,765	217,803
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	148,902	161,765	217,803

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The unaudited pro forma financial information presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the Disposal had been completed on 31 March 2019; and (b) the results and cash flows of the Remaining Group as if the Disposal had been completed on 1 April 2018. This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to describe the actual results of operations, financial position and cash flows of the Remaining Group that would have been attained had the Disposal been completed on the dates indicated herein. Furthermore, the accompanying unaudited pro forma financial information of the Remaining Group does not purport to predict the Group's future results of operations, financial position or cash flows.

The unaudited pro forma financial information is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2019, the audited consolidated statement of profit or loss and audited consolidated statement of cash flows of the Group for the year ended 31 March 2019 extracted from the annual report of the Company after giving effect to the pro forma adjustments described in the accompanying notes and was prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2019.

}(I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	The Group	Pro forma adjustments	*Notes*	Pro forma amount of the Remaining Group
	HK$'000	*HK$'000*		*HK$'000*
	(Audited)	(Unaudited)		(Unaudited)
	(Note 1)			
Non-current assets				
Property, plant and equipment	95			95
Investment in associates	48,954	(48,954)	*2*	—
Investment in convertible bonds	111,942	(111,942)	*2*	—
Intangible asset	1,373,224			1,373,224
	1,534,215			1,373,319
Current assets				
Trade receivables	21,176			21,176
Prepayments, deposits and other receivables	6,305			6,305
Bank balances	17,058	47,350	*2*	64,408
	44,539			91,889
Current liabilities				
Trade payable	21,214			21,214
Other payables and accrued expenses	7,273			7,273
Amount due to non-controlling interests	3,092			3,092
Amount due to former non-controlling interests	823			823
	32,402			32,402
Net current assets	12,137			59,487
Total assets less current liabilities	1,546,352			1,432,806

	The Group *HK$'000* (Audited) *(Note 1)*	Pro forma adjustments *HK$'000* (Unaudited)	*Notes*	Pro forma amount of the Remaining Group *HK$'000* (Unaudited)
Non-current liabilities				
Convertible bonds	658,632	(79,672)	*2*	578,960
Loan from a shareholder	25,000			25,000
Amount due to the subsidiary of an associate	41,952			41,952
Loan from a non-controlling interest	20,929			20,929
Loan from a subsidiary of an associate	5,027			5,027
	751,540			671,868
Net assets	794,812			760,938
Capital and reserve				
Share capital	14,642			14,642
Reserve	(89,599)	(33,874)	*2*	(123,473)
Equity attributable to owners of the Company	(74,957)			(108,831)
Non-controlling interests	869,769			869,769
Total equity	794,812			760,938

(II) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	The Group *HK$'000* (Audited) *(Note 1)*	Pro forma adjustments *HK$'000*	*Notes*	Pro forma amount of the Remaining Group *HK$'000* (Unaudited)
Revenue	18,589			18,589
Cost of goods sold	(16,842)			(16,842)
Gross profit	1,747			1,747
Other income	1,992			1,992
Other gains and losses	(117,605)	89,675	*3*	(27,930)
Administrative expenses	(26,744)			(26,744)
Research and development expenses	(1,934)			(1,934)
Share of results of associates	13,326	(13,326)	*4*	—
Loss on disposal of interest in an associate	—	(31,437)	*5*	(31,437)
Loss on disposal of investment in convertible bonds	—	(1,747)	*6*	(1,747)
Loss from operation	(129,218)			(86,053)
Finance costs	(131,693)	16,157	*7*	(115,536)
(Loss)/Profit before taxation	(260,911)			(201,589)
Taxation	—			—
(Loss)/Profit for the year	(260,911)			(201,589)
Other comprehensive expenses items that may be reclassified subsequently to profit or loss:				
— Share of other comprehensive income of associates	(12,619)	12,619	*4*	—
— Exchange differences on translation of foreign operations	3			3

	The Group *HK$'000* (Audited) *(Note 1)*	Pro forma adjustments *HK$'000*	*Notes*	Pro forma amount of the Remaining Group *HK$'000* (Unaudited)
Other comprehensive expenses for the year	(12,616)			3
Total comprehensive expenses for the year	(273,527)			(201,586)
Profit/(loss) for the year attributable to:				
Owners of the Company	(260,272)			(200,950)
Non-controlling interests	(639)			(639)
	(260,911)			(201,589)
Total comprehensive expense for the year attributable to:				
Owners of the Company	(272,888)			(200,947)
Non-controlling interests	(639)			(639)
	(273,527)			(201,586)

(III) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	The Group *HK$'000* (Audited) *(Note 1)*	Pro forma adjustments *HK$'000*	*Notes*	Pro forma amount of the Remaining Group *HK$'000* (Unaudited)
OPERATION ACTIVITIES				
Loss before tax	(260,911)	59,322		(201,589)
Adjustments for:				
Interest income from banks	(205)			(205)
Imputed interest income from loan to a subsidiary of the associate	(1,787)			(1,787)
Share of results of associates	(13,326)	13,326	*4*	—
Fair value loss on financial assets held-for-trading	18,124			18,124
Depreciation	67			67
Change in fair value of derivative components of investments in CB	56,485	(56,485)	*3*	—
Impairment Loss on interest in an associate	33,190	(33,190)	*3*	33,190
Net loss on disposal of financial assets held-for-trading	17,465			17,465
Effective interest expense on convertible bonds	129,142	(16,157)	*7*	112,985
Imputed interest expense on loan from a non-controlling interest	2,424			2,424
Imputed interest expense on loan from the subsidiary of an associate	127			127
Allowance of doubtful debts	165			165
Reversal of allowance for doubtful debts	(442)			(442)
Loss on disposal of interest in an associate	—	31,437	*5*	31,437
Loss on disposal of investment in convertible bonds	—	1,747		1,747

	The Group *HK$'000* (Audited) *(Note 1)*	Pro forma adjustments *HK$'000*	*Notes*	Pro forma amount of the Remaining Group *HK$'000* (Unaudited)
Operating cash flows before changes in working capital	(19,482)			(19,482)
Increase in trade receivables	(8,650)			(8,650)
Increase in prepayments, deposits and other receivables	(3,211)			(3,211)
Increase in trade payables	10,803			10,803
Decrease in accruals and other payables	(1,575)			(1,575)
Decrease in amount due from the subsidiary of an associate	12,397			12,397
Decrease in amount due to non-controlling interests	(19,779)			(19,779)
Increase in amount due to the subsidiary of an associate	5			5
Net cash used in operating activities	(29,492)			(29,492)
INVESTING ACTIVITIES				
Interest received from bank	205			205
Proceed from disposal of financial assets held-for-trading	10,658			10,658
Proceed from disposal of an associate	—	47,350	*2*	47,350
Net cash generated from investing activities	10,863			58,213

	The Group *HK$'000* (Audited) *(Note 1)*	Pro forma adjustments *HK$'000*	*Notes*	Pro forma amount of the Remaining Group *HK$'000* (Unaudited)
FINANCING ACTIVITIES				
Interest expenses paid to an associate on convertible bonds	(25,025)			(25,025)
Proceeds from loan from a shareholder	25,000			25,000
Proceeds from loan from a non-controlling interest	10,582			10,582
Proceeds from loan from an associate	4,900			4,900
Net cash generated from financing activities	15,457			15,457
Net (decrease)/increase in cash and cash equivalents	(3,172)			44,178
Cash and cash equivalents at 1 January	20,227			20,227
Effect of foreign exchange rate changes	3			3
Cash and cash equivalents at 31 July	17,058			64,408
Analysis of the balances of cash and cash equivalents				
Bank balances and cash	17,058			64,408

(IV) NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 March 2019.

2. The adjustment mainly represented (i) the carrying amount of equity interest in the Target Company of approximately HK$48,954,000; (ii) the carrying amount of the investment in convertible bonds issued by the Target Company of approximately HK$111,942,000; (iii) the estimated net proceeds from the Disposal of approximately HK$47,350,000, net of the estimated transaction cost directly attributable to the Disposal of approximately HK$2,650,000; (iv) the carrying amount of the liability component of the Purchase Convertible Bonds with aggregate principal amount of HK$248,000,000 of approximately HK$79,672,000; and (v) the estimated gain arising from the Disposal of approximately HK$820,000 as if the Disposal had been taken place on 31 March 2019.

   The estimated gain arising from the Disposal of approximately HK$820,000 is calculated by (i) the difference between the cash consideration for the interest in the Target Company of HK$50,000,000 and the carrying amount of the interest in Target Company of approximately HK$48,954,000; (ii) the difference between the fair value of the liability component of the Purchase Convertible Bonds with aggregate principal amount of HK$248,000,000 of approximately HK$77,248,000 and its carrying amounts of approximately HK$79,672,000 as the consideration for investment in convertible bonds issued by the Target Company is by the way of setting off the Purchase Convertible Bonds. The calculation is reference to HKAS 32 and only the gain or loss relating to the liability component of the Purchase Convertible Bonds is recognised in profit or loss; and (iii) the estimated transaction cost of HK$2,650,000.

3. The adjustment represented exclusion of the change in fair value of investments in convertible bonds issued by the Target Company and impairment loss on interest in an associate recognised in the profit or loss during the year ended 31 March 2019.

4. The adjustment represented exclusion of share of results and other comprehensive income of the Target Company under equity method in accordance with HKAS 28 during the year ended 31 March 2019.

5. The adjustment represented the loss on disposal of interest in the Target Company which calculated by the difference between the cash consideration for the interest in the Target Company of HK$50,000,000 and the carrying amount of the interest in Target Company of approximately HK$81,437,000 as if the Disposal had been taken place on 1 April 2018.

6. The adjustment represented the loss on disposal of investment in convertible bonds which calculated by the difference between the fair value of the liability component of the Purchase Convertible Bonds with aggregate principal amount of HK$248,000,000 of approximately HK$65,262,000 and its carrying amounts of approximately HK$63,515,000 as the consideration for investment in convertible bonds issued by the Target Company is by the way of setting off the Purchase Convertible Bonds. For the illustrative purpose, the fair value and the carrying amount of the liability component of the Purchase Convertible Bonds are reference to their amount as at 1 April 2018.

7. The adjustment represented exclusion of effective interest expense on the Purchase Convertible Bonds.

8. No adjustment other than the adjustments above has been made to reflect any trading results or transactions of the Group subsequent to 31 March 2019.

2. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF
INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Innovative Pharmaceutical Biotech Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 31 March 2019, the unaudited pro forma statement of profit or loss and other comprehensive income and the unaudited pro forma statement of cash flows for the year ended 31 March 2019 and related notes as set out on pages 2 to 10 of Appendix III to the circular issued by the Company dated 13 September 2019 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information is set out in page 1 of Appendix III to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Group's Sale Shares and the Sale Convertible Bonds of Extrawell Pharmaceutical Holdings Limited on the Group's financial position as at 31 March 2019 and the Group's financial performance and cash flows for the year ended 31 March 2019 as if the transaction had taken place at 31 March 2019 and 1 April 2018 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's annual report for the year ended 31 March 2019 which an independent auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Review of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information. The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2019 or 1 April 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Elite Partners CPA Limited
Certified Public Accountants

Yip Kai Yin
Practising Certificate Number: P05131

Hong Kong
13 September 2019

13 September 2019

Innovative Pharmaceutical Biotech Limited
Unit No 2111, 21/F,
West Tower Shun Tak Centre,
168-200 Connaught Road Central,
Sheung Wan, Hong Kong

Case Ref: AK/FI5710/AUG19

Dear Sir/Madam,

Re: Valuation of the Fair Value of the Convertible Bonds Issued by Innovative Pharmaceutical Biotech Limited

In accordance with the instructions from Innovative Pharmaceutical Biotech Limited (hereinafter referred to as the "**Company**"), we have carried out a valuation of the fair values of the convertible bonds (hereinafter referred to as the "**Convertible Bonds**") issued by the Company (hereafter referred to as the "**Issuer**") on 25 October 2013, 27 December 2013, 24 April 2014, 30 August 2014 and 31 December 2014. We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of the fair values of the Convertible Bonds as at 31 March 2019 (hereafter referred to as the "**Date of Valuation**").

It is our understanding that this valuation will be used by the Company for public documentation purpose with reference to the requirements of Hong Kong Accounting Standard 32 "Financial Instruments: Presentation", Hong Kong Financial Reporting Standard 7 "Financial Instruments: Disclosures" and Hong Kong Financial Reporting Standard 9 "Financial Instruments" (hereinafter referred to as "**HKAS 32, HKFRS 7, and HKFRS 9**").

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as "**Roma Appraisals**") acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals Limited assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and information provided by the management of the Company and/or its representative(s) (together referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the terms and conditions of the Convertible Bonds (hereinafter referred to as the "**Terms and Conditions**") and other relevant information concerning the Convertible Bonds. In arriving at our opinion of values, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Convertible Bonds as provided by the Management to a considerable extent.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose. In case of any change in the assumptions and projections, our opinion of value may vary materially.

3. TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS

The Convertible Bonds consist of convertible bonds issued on 25 October 2013 (hereinafter referred to as the "**Convertible Bonds I**"), convertible bonds issued on 27 December 2013 (hereinafter referred to as the "**Convertible Bonds II**"), convertible bonds issued on 24 April 2014 (hereinafter referred to as the "**Convertible Bonds III**"), convertible bonds issued on 30 August 2014 (hereinafter referred to as the "**Convertible Bonds IV**") and convertible bonds issued on 31 December 2014 (hereinafter referred to as the "**Convertible Bonds V**") by the Issuer. The issue dates of the Convertible Bonds are hereinafter collectively referred to as the "Issue Dates". The Issuer does not have the intention to apply for the listing of the Convertible Bonds; therefore, an active market does not exist.

The principal amounts of the Convertible Bonds as at the Date of Valuation are as follows:

Convertible Bonds I	:	HKD87,600,000
Convertible Bonds II	:	HKD8,000,000
Convertible Bonds III	:	HKD64,000,000
Convertible Bonds IV	:	HKD64,000,000
Convertible Bonds V	:	HKD24,400,000

The common Terms and Conditions of the Convertible Bonds as at the Date of Valuation are as follows:

Maturity Date	:	Tenth anniversary of the Issue Date
Interest	:	Nil
Conversion Price	:	HKD0.40 per conversion share, subject to adjustments
Conversion Period	:	The period commencing from the Issue Date up to the maturity date
Conversion	:	The Company shall have the right, exercisable during the conversion period to convert the whole or any part of the outstanding principal amount of the Convertible Bonds held by the bondholder into such number of conversion shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the conversion price in effect on the date of conversion

4. BASIS OF VALUATION

We have appraised the Convertible Bonds on the basis of fair value. According to Hong Kong Financial Reporting Standard 13 “Fair Value Measurement”, **fair value** is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

5. VALUATION METHODOLOGY

We first estimated the fair values of the liability component of the Convertible Bonds by discounting the estimated contractual cash flows over the remaining contractual term of the Convertible Bonds at the interest rates that were appropriate to the riskiness of the Convertible Bonds.

Then we adopted the binomial option pricing model, after considering the Terms and Conditions, to obtain the fair values of the Convertible Bonds. Whilst constructing the valuation models, we have also taken into account the specific terms and structure of the Convertible Bonds as well as the trading conditions and liquidity for the instruments.

Lastly, we arrived at the fair values of the conversion components (i.e. the bondholder's right to convert the Convertible Bonds into shares of the Issuer) by subtracting the fair value of the liability components of the Convertible Bonds from the aggregate fair values of the Convertible Bonds.

6. ASSUMPTIONS AND SOURCES OF INFORMATION

6.1 Share Dilution

Share dilution is an economic phenomenon resulting from the issue of additional common shares by a company. This increase in the number of shares outstanding would be a result of the conversion of the Convertible Bonds. The adopted binomial option pricing model has considered the effect of share dilution upon conversion of the Convertible Bonds by estimating the diluted share price upon conversion. The diluted share price was calculated as:

$$((O \times S) + M)/(O+N)$$

In which

O = Outstanding number of common shares of the Issuer;
S = Spot price of the shares of the Issuer;
M = Total principal amount of all outstanding convertible bonds issued by the Issuer as at the Date of Valuation; and
N = Total number of new common shares to be issued by the Issuer assuming full conversion of all outstanding convertible bonds.

6.2 Credit Spread

Having considered the financial ratios of the Company, we have used the credit spreads of Standard and Poor's "Below B" rated seasoned corporate bonds as quoted from Bloomberg. The adopted credit rating of the Company was the average rating of selected financial ratios according to the Adjusted Key Industrial Financial Ratios as published by Standard and Poor's. The adopted rating for each financial ratio was derived with reference to the ratio categorization suggested from the same study. The details of the financial ratios and their corresponding ratings are as follows:

Financial Ratio of the Company	Ratio Category	Adopted Ratio Rating
EBITDA Margin	Below 19.2%	Below B
Return on Capital	Below 7.1%	Below B
EBIT Interest Coverage	Below 1.3	Below B
EBITDA Interest Coverage	Below 2.8	Below B
Funds from Operations/Total Debt	Below 12%	Below B
Free Operating Cash Flow/Total Debt	Below 3.5%	Below B
Discretionary Cash Flow/Total Debt	Below 2.2%	Below B
Total Debt/EBITDA	Above 4.9%	Below B
Total Debt/Capital	Between 30.7% to 41.1%	BBB
Average Rating		Below B

6.3 Risk Free Rate

The Convertible Bonds are denominated in Hong Kong Dollars (HKD). We have then made reference to the yields of the Hong Kong government bonds and treasury bills with matching maturity term, which was quoted in Bloomberg.

6.4 Terms and Conditions

The Terms and Conditions of the Convertible Bonds as provided by the Management have been considered in the valuation and included but not limited to the face values and conversion price of the Convertible Bonds and other terms and conditions.

6.5 Key Assumptions and Parameters

Discount Rates Calculation:

		31 March 2019
Convertible Bonds I		
a)	Discount Rate (%)	26.398
b)	Spot Interest Rate (%)	1.358
c)	Other Spread (Median) (%)	24.246
d)	Country Risk (%)	0.794
Convertible Bonds II		
a)	Discount Rate (%) (Rounded)	26.398
b)	Spot Interest Rate (%)	1.358
c)	Other Spread (Median) (%)	24.246
d)	Country Risk (%)	0.794
Convertible Bonds III		
a)	Discount Rate (%)	26.396
b)	Spot Interest Rate (%)	1.356
c)	Other Spread (Median) (%)	24.246
d)	Country Risk (%)	0.794
Convertible Bonds IV		
a)	Discount Rate (%)	26.389
b)	Spot Interest Rate (%)	1.349
c)	Other Spread (Median) (%)	24.246
d)	Country Risk (%)	0.794
Convertible Bonds V		
a)	Discount Rate (%)	26.383
b)	Spot Interest Rate (%)	1.343
c)	Other Spread (Median) (%)	24.246
d)	Country Risk (%)	0.794

Notes:

a)	Discount Rate (Rounded)	:	The rates adopted to calculate the present value of the cash flow on the Convertible Bonds. The equation is Discount Rate = Spot Interest Rate + Other Spread (Median) + Country Risk.
b)	Spot Interest Rate	:	The rates were determined with reference to the yields of Hong Kong government bonds and treasury bills as at the Date of Valuation as extracted from Bloomberg.
c)	Other Spread (Median)	:	The spreads are premiums above the yield with consideration of liquidity on a default-free bond (government bond) issue necessary to compensate for the risks associated with the bond. After discussion with the Management, reviewed industry prospect for growth and vulnerability to technological change or regulatory and financial ratios of the Issuer, we concluded that the credit rating of the Convertible Bonds should be "Below B". We assumed that the Other Spread (Median) would not be changed for a period of time.
d)	Country Risk	:	Initially, the estimated default spread for the issuance country's rating over a default free government bond rate was considered. This is a measure of the added country risk premium for that country. Then, this default spread is added to the historical risk premium for a mature equity market (estimated from the U.S. historical data) to arrive at the estimated total country risk.

		31 March 2019
Convertible Bonds Calculation:		
Convertible Bonds I		
e)	Stock Price (HKD)	0.400
f)	Exercise Price (HKD)	0.400
g)	Discount Rate (%)	26.398
h)	Risk Free Rate (%)	1.358
i)	Expected Option Period (Years)	4.570
j)	Expected Volatility (%)	48.598
k)	Expected Dividend Yield (%)	0.000

Convertible Bonds Calculation:		31 March 2019
Convertible Bonds II		
e)	Stock Price (HKD)	0.400
f)	Exercise Price (HKD)	0.400
g)	Discount Rate (%)	26.398
h)	Risk Free Rate (%)	1.358
i)	Expected Option Period (Years)	4.743
j)	Expected Volatility (%)	48.186
k)	Expected Dividend Yield (%)	0.000
Convertible Bonds III		
e)	Stock Price (HKD)	0.400
f)	Exercise Price (HKD)	0.400
g)	Discount Rate (%)	26.396
h)	Risk Free Rate (%)	1.356
i)	Expected Option Period (Years)	5.067
j)	Expected Volatility (%)	49.580
k)	Expected Dividend Yield (%)	0.000
Convertible Bonds IV		
e)	Stock Price (HKD)	0.400
f)	Exercise Price (HKD)	0.400
g)	Discount Rate (%)	26.389
h)	Risk Free Rate (%)	1.349
i)	Expected Option Period (Years)	5.417
j)	Expected Volatility (%)	48.860
k)	Expected Dividend Yield (%)	0.000
Convertible Bonds V		
e)	Stock Price (HKD)	0.400
f)	Exercise Price (HKD)	0.400
g)	Discount Rate (%)	26.383
h)	Risk Free Rate (%)	1.343
i)	Expected Option Period (Years)	5.754
j)	Expected Volatility (%)	54.418
k)	Expected Dividend Yield (%)	0.000

Notes:

e)	Stock Price	:	Based on the closing stock price of the Company as at the Date of Valuation as extracted from Bloomberg.
f)	Exercise Price	:	Based on the Terms and Conditions and information provided by the Management.
g)	Discount Rates	:	The rates adopted to calculate the present value of the cash flows on the Convertible Bonds.
h)	Risk Free Rate	:	The rates were determined with reference to the yield rates of Hong Kong Sovereign Curve as at the Date of Valuation as extracted from Bloomberg.
i)	Expected Option Period	:	It was calculated with reference to the Terms and Conditions.
j)	Expected Volatility	:	With reference to the historical price volatility of the Issuer.
k)	Expected Divided Yield	:	Estimated with reference to the historical dividend payout of the Company as extracted from Bloomberg.

7. LIMITING CONDITIONS

Our conclusion of the fair values are derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are assumed to be reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis, are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities against the Convertible Bonds. We have assumed no responsibility for the title to the Convertible Bonds valued.

Save as and except for the purpose stated above, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. No responsibility is accepted to any third party for the whole or any parts of its contents. The title of this report does not pass to the Company until all professional fee has been paid in full.

8. OPINION OF VALUES

Based on the investigation stated above, the valuation method employed and the key assumptions appended above, the fair values of the Convertible Bonds as at the Date of Valuation, in our opinion, were reasonably stated as below:

Fair Values of the Convertible Bonds as at 31 March 2019

	HKD
Convertible Bonds I	
Liability Component	30,029,000
Conversion Component	57,571,000
Aggregate Fair Value of the Convertible Bonds	87,600,000
Convertible Bonds II	
Liability Component	2,634,000
Conversion Component	5,366,000
Aggregate Fair Value of the Convertible Bonds	8,000,000
Convertible Bonds III	
Liability Component	19,532,000
Conversion Component	44,468,000
Aggregate Fair Value of the Convertible Bonds	64,000,000

	HKD
Convertible Bonds IV	
Liability Component	17,998,000
Conversion Component	46,002,000
Aggregate Fair Value of the Convertible Bonds	64,000,000
Convertible Bonds V	
Liability Component	6,343,000
Conversion Component	18,057,000
Aggregate Fair Value of the Convertible Bonds	24,400,000

9. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HKD).

We hereby confirm that we have neither present nor prospective interests in the Convertible Bonds, the Company, the Issuer, their subsidiaries or associated companies, or the value reported herein.

Yours faithfully,
For and on behalf of

Roma Appraisals Limited

13 September 2019

Innovative Pharmaceutical Biotech Limited
Unit No 2111, 21/F,
West Tower Shun Tak Centre,
168-200 Connaught Road Central,
Sheung Wan, Hong Kong

Case Ref: AK/FI5709/AUG19

Dear Sir/Madam,

Re: Valuation of the Fair Values of the Convertible Bonds Issued by Extrawell Pharmaceutical Holdings Limited

In accordance with the instructions from Innovative Pharmaceutical Biotech Limited (hereinafter referred to as the "**Company**"), we have carried out a valuation of the fair values of sale convertible bonds I (hereinafter referred to as the "**Convertible Bonds I**") and the first, second, third and fourth batches of sale convertible bonds II (hereinafter referred to as the "**Convertible Bonds II**") (hereinafter collectively referred to as the "**Convertible Bonds**") issued by Extrawell Pharmaceutical Holdings Limited (hereafter referred to as the "**Issuer**") on 16 July 2013. We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of the fair values of the Convertible Bonds as at 31 March 2019 (hereafter referred to as the "**Date of Valuation**").

It is our understanding that this valuation will be used by the Company for accounting reference purpose with reference to the requirements of Hong Kong Accounting Standard 32 "Financial Instruments: Presentation", Hong Kong Financial Reporting Standard 7 "Financial Instruments: Disclosures" and Hong Kong Financial Reporting Standard 9 "Financial Instruments" (hereinafter referred to as "**HKAS 32, HKFRS 7, and HKFRS 9**").

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as "**Roma Appraisals**") acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals Limited assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and information provided by the management of the Company and/or its representative(s) (together referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the terms and conditions of the Convertible Bonds (hereinafter referred to as the "**Terms and Conditions**") and other relevant information concerning the Convertible Bonds. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Convertible Bonds as provided by the Management to a considerable extent.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

3. TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS

3.1 Convertible Bonds I

The Convertible Bonds I were issued on 16 July 2013 (hereinafter referred to as the "**Issue Date**") by the Issuer. The Issuer does not have the intention to apply for the listing of the Convertible Bonds; therefore, an active market does not exist.

Principal Amount as at the Date of Valuation	:	HKD320,650,000
Issue Date	:	16 July 2013
Maturity Date	:	Twentieth anniversary of the Issue Date
Interest	:	Nil
Conversion Price	:	HKD0.6413 per conversion share, subject to adjustments
Conversion Period	:	The period commencing from the Issue Date up to the seventh business day prior to the maturity date
Conversion	:	The bondholder shall have the right at any time and from time to time during the conversion period to convert the whole or part of the principal amount of the Convertible Bonds

3.2 Convertible Bonds II

Principal Amounts as at the Date of Valuation	:	First Batch: HKD64,130,000; Second Batch: HKD64,130,000; Third Batch: HKD64,130,000; and Fourth Batch: HKD64,130,000
Issue Date	:	16 July 2013
Maturity Date	:	Twentieth anniversary of the Issue Date
Interest	:	Nil
Conversion Price	:	HKD0.6413 per conversion share, subject to adjustments
Conversion Period	:	The period commencing from the Issue Date up to the seventh business day prior to the maturity date
Conversion	:	The bondholder shall have the right at any time and from time to time during the conversion period to convert the whole or part of the principal amounts of the Convertible Bonds

4. BASIS OF VALUATION

We have appraised the Convertible Bonds on the basis of fair value. According to Hong Kong Financial Reporting Standard 13 "Fair Value Measurement", **fair value** is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

5. VALUATION METHODOLOGY

We first estimated the fair values of the liability components of the Convertible Bonds by discounting the estimated contractual cash flows over the remaining contractual term of the Convertible Bonds at the interest rate that was appropriate to the riskiness of the Convertible Bonds.

Then we adopted the binomial option pricing model, after considering the Terms and Conditions, to obtain the fair values of the Convertible Bonds. Whilst constructing the valuation models, we have also taken into account the specific terms and structure of the Convertible Bonds as well as the trading conditions and liquidity for the instruments.

Lastly, we arrived at the fair values of the conversion components (i.e. the bondholder's right to convert the Convertible Bonds into shares of the Issuer) by subtracting the fair values of the liability components of the Convertible Bonds from the aggregate fair values of the Convertible Bonds.

6. ASSUMPTIONS AND SOURCES OF INFORMATION

6.1 Share Dilution

Share dilution is an economic phenomenon resulting from the issue of additional common shares by a company. This increase in the number of shares outstanding would be a result of the conversion of the Convertible Bonds. The adopted binomial option pricing model has considered the effect of share dilution upon conversion of the Convertible Bonds by estimating the diluted share price upon conversion. The diluted share price was calculated as:

$$((O \times S) + M)/(O+N)$$

In which

O = Outstanding number of common shares of the Issuer;
S = Spot price of the shares of the Issuer;
M = Total principal amount of all outstanding convertible bonds issued by the Issuer as at the Date of Valuation; and
N = Total number of new common shares to be issued by the Issuer assuming full conversion of all outstanding convertible bonds.

6.2 Credit Spread

Having considered the financial ratios of the Company, we have used the credit spreads of Standard and Poor's "Below B" rated seasoned corporate bonds as quoted from Bloomberg. The adopted credit rating of the Company was the average rating of selected financial ratios according to the Adjusted Key Industrial Financial Ratios as published by Standard and Poor's. The adopted rating for each financial ratio was derived with reference to the ratio categorization suggested from the same study. The details of the financial ratios and their corresponding ratings are as follows:

Financial Ratio of the Company	Ratio Category	Adopted Ratio Rating
EBITDA Margin	Below 18.0%	Below B
Return on Capital	Below 8.3%	Below B
EBIT Interest Coverage	Below 1.5	Below B
EBITDA Interest Coverage	Below 2.5	Below B
Funds from Operations/Total Debt	Below 12.7%	Below B
Free Operating Cash Flow/Total Debt	Below 2.5%	Below B
Discretionary Cash Flow/Total Debt	Below 1.3%	Below B
Total Debt/EBITDA	Above 5.3	Below B
Total Debt/Capital	Below 12.1%	AAA
Average Rating		**BB to Below B**

6.3 Risk Free Rate

The Convertible Bonds are denominated in Hong Kong Dollars (HKD). We have then made reference to the yield of the Hong Kong government bonds and treasury bills with matching maturity term, which was quoted in Bloomberg.

6.4 Terms and Conditions

The Terms and Conditions of the Convertible Bonds as provided by the Management have been considered in the valuation and included but not limited to the face values and conversion prices of the Convertible Bonds and other terms and conditions.

6.5 Key Assumptions and Parameters

Discount Rate Calculation:

		31 March 2019 Convertible Bonds I	31 March 2019 Convertible Bonds II
a)	Discount Rate (%)	17.604	17.604
b)	Spot Interest Rate (%)	1.420	1.420
c)	Other Spread (Average) (%)	15.390	15.390
d)	Country Risk (%)	0.794	0.794

Notes:

a)	Discount Rate	:	The rate adopted to calculate the present value of the cash flow on the Convertible Bonds. The equation is Discount Rate = Spot Interest Rate + Other Spread (Average) + Country Risk.
b)	Spot Interest Rate	:	The rate was determined with reference to the yields of the Hong Kong government bonds and treasury bills as extracted from Bloomberg.
c)	Other Spread (Average)	:	The spread is a premium above the yield with consideration of liquidity on a default-free bond (government bond) issue necessary to compensate for the risks associated with the bond. After discussion with the Management, reviewed industry prospect for growth and vulnerability to technological change or regulatory and financial ratios of the Issuer, we concluded that the credit rating of the Convertible Bonds should be "BB" to "Below B". We assumed that the Other Spread (Average) would not be changed for a period of time.
d)	Country Risk	:	Initially, the estimated default spread for the issuance country's rating over a default free government bond rate was considered. This is a measure of the added country risk premium for that country. Then, this default spread is added to the historical risk premium for a mature equity market (estimated from the U.S. historical data) to arrive at the estimated total country risk.

Convertible Bonds Calculation:

		Convertible Bonds I	31 March 2019 Convertible Bonds II
e)	Stock Price (HKD)	0.107	0.107
f)	Exercise Price (HKD)	0.641	0.641
g)	Discount Rate (%)	17.604	17.604
h)	Risk Free Rate (%)	1.420	1.420
i)	Expected Option Period (Years)	14.294	14.294
j)	Expected Volatility (%)	56.139	56.139
k)	Expected Dividend Yield (%)	0.000	0.000

Notes:

e)	Stock Price	:	Based on the closing stock price of the Company as at the Date of Valuation as extracted from Bloomberg.
f)	Exercise Price	:	Based on the Terms and Conditions and information provided by the Management.
g)	Discount Rate	:	The rate adopted to calculate the present value of the cash flows on the Convertible Bonds.
h)	Risk Free Rate	:	The rate was determined with reference to the yield rates of Hong Kong Sovereign Curve as at the Date of Valuation as extracted from Bloomberg.
i)	Expected Option Period	:	It was calculated with reference to the Terms and Conditions.
j)	Expected Volatility	:	With reference to the historical price volatility of the Issuer. Since the stock of the Issuer was suspended from September 2007 to December 2009, we only considered the period after the suspension in estimating the expected volatility.
k)	Expected Divided Yield	:	Estimated with reference to the historical dividend payout of the Company as extracted from Bloomberg.

7. LIMITING CONDITIONS

Our conclusion of the fair values are derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are assumed to be reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis, are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities against the Convertible Bonds. We have assumed no responsibility for the title to the Convertible Bonds valued.

Save as and except for the purpose stated above, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. No responsibility is accepted to any third party for the whole or any parts of its contents. The title of this report does not pass to the Company until all professional fee has been paid in full.

8. OPINION OF VALUES

Based on the investigation stated above, the valuation method employed and the key assumptions appended above, the fair values of the Convertible Bonds as at the Date of Valuation, in our opinion, was reasonably stated as below:

8.1 Convertible Bonds I

Fair Value of the Convertible Bonds as at the Date of Valuation

	31 March 2019
	HKD
Liability Component	31,581,000
Conversion Component	30,609,000
Aggregate Fair Value of the Convertible Bonds	62,190,000

8.2 Convertible Bonds II

Fair Value of the Convertible Bonds as at the Date of Valuation

	First Batch	**Second Batch**
	HKD	*HKD*
Liability Component	6,316,000	6,316,000
Conversion Component	6,122,000	6,122,000
Aggregate Fair Value of the Convertible Bonds	12,438,000	12,438,000

	Third Batch	**Fourth Batch**
	HKD	*HKD*
Liability Component	6,316,000	6,316,000
Conversion Component	6,122,000	6,122,000
Aggregate Fair Value of the Convertible Bonds	12,438,000	12,438,000

9. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HKD).

We hereby confirm that we have neither present nor prospective interests in the Convertible Bonds, the Company, the Issuer, their subsidiaries or associated companies, or the values reported herein.

Yours faithfully,
For and on behalf of

Roma Appraisals Limited

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

(a) Share Capital

The authorised and issued share capital of the Company as at the Latest Practicable Date, and immediately after exercise in full of the conversion rights attaching to the Company Convertible Bonds (assuming no further issue and/or repurchase of Shares from the Latest Practicable Date up to exercise in full of the conversion rights attaching to the Company Convertible Bonds) were and are expected to be as follows:

Authorised:		*HK$*
50,000,000,000	Shares of HK$0.01 each	500,000,000.00
Issued and fully paid or credited as fully paid:		
1,464,193,024	Shares in issue as at the Latest Practicable Date	14,641,930.24
1,185,000,000	Conversion shares to be allotted and issued	11,850,000.00
2,649,193,024	Shares in issue assuming full conversion of the Outstanding Company Convertible Bonds I and Company Convertible Bonds II (assuming no further issue or repurchase of the Shares) immediately after the Disposal	26,491,930.24

The conversion shares shall rank *pari passu* in all respects among themselves and with all other existing Shares outstanding at the date of conversion and all conversion shares shall include rights to participate in all dividends and other distributions.

(b) Convertible bonds

As at the Latest Practicable Date:

(1) an aggregate outstanding balance of HK$607,600,000 of the Company Convertible Bonds I was owed by the Company to the Purchaser and JNJ Investments. Amongst the Outstanding Company Convertible Bonds I, the Purchaser holds an aggregate principal amount of HK$351,600,000. After Completion, an aggregate principal amount of HK$103,600,000 (being HK$351,600,000 net of HK$248,000,000) of the Outstanding Company Convertible Bonds I being held by the Purchaser will be outstanding. JNJ Investments (a company which is indirectly wholly-owned by the Purchaser) holds Outstanding Company Convertible Bonds I in an aggregate principal amount of HK$256,000,000. The Outstanding Company Convertible Bonds I are convertible into a maximum of 1,519,000,000 Shares before Completion and 899,000,000 Shares after Completion; and

(2) the Target Company holds the Company Convertible Bonds II in an aggregate principal amount of HK$715,000,000. The Company Convertible Bonds II are convertible into a maximum of 286,000,000 Shares.

3. DIRECTORS' INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Name of director	Capacity	Number of shares/underlying shares held	Percentage of the issued share capital of the Company
Tang Rong	Beneficial owner	396,200	0.03%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor their associates had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Disclosure of substantial shareholders' interests

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock

Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholders	**Capacity**	**Number of shares/underlying shares held**	**Percentage of the issued share capital of the Company**
The Purchaser *(note 1)*	Beneficial owner	1,092,700,000	74.63%
	Interest of a controlled corporation	709,451,350	48.45%
United Gene Group *(note 1)*	Beneficial owner	55,500,000	3.79%
	Interest of a controlled corporation	653,951,350	44.66%
Dr. Xie Yi *(note 2)*	Interest of a controlled corporation	13,951,350	0.95%
Ease Gold *(note 2)*	Interest of a controlled corporation	13,951,350	0.95%
Good Links *(note 3)*	Interest of a controlled corporation	13,951,350	0.95%
Victory Trend *(note 3)*	Interest of a controlled corporation	13,951,350	0.95%
Best Champion *(note 4)*	Interest of a controlled corporation	13,951,350	0.95%
China United Gene *(note 5)*	Beneficial owner	13,951,350	0.95%
Chau Yiu Ting	Beneficial owner	302,600,000	20.67%

Notes:

1. These include (i) 213,700,000 ordinary shares held by the Purchaser directly; (ii) 879,000,000 and 640,000,000 derivative shares held by the Purchaser and JNJ Investments respectively, which shall be issued by the Company upon exercise of the conversion rights attached to the convertible bonds in an aggregate principal amount of HK$607,600,000 issued by the Company. JNJ Investments is an indirect wholly-owned subsidiary of United Gene Group, which is in turn wholly owned by United Gene Holdings; (iii) 55,500,000 ordinary shares held through United Gene Holdings and (iv) 13,951,350 ordinary shares held through China United Gene, which is held as to 60% by Best Champion, and which is in turn held as to 33.5% and 33% by United Gene Holdings and Victory Trend respectively. Victory Trend is wholly owned by Good Links. United Gene Holdings and Good Links are 100% and 50% held by the Purchaser respectively.

2. Ease Gold, is wholly-owned by Dr. Xie Yi ("**Dr. Xie**"), which owns 33.50% equity interests of Best Champion.

3. Victory Trend is wholly-owned by Good Links, which is in turn owned as to 50% by the Purchaser and as to 50% by Dr. Xie. Victory Trend owns 33.00% equity interests of Best Champion.

4. The equity interest of Best Champion is owned as to 33.50%, 33.50% and 33.00% by United Gene Holdings, Ease Gold and Victory Trend, respectively.

5. China United Gene is owned as to 60% by Best Champion.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholders of the Company and their respective close associates (as defined under the Listing Rules), was interested in any business which competes or is likely to compete either directly or indirectly with the business of the Group (as would be required to be disclosed under the Listing Rules if each of them were a controlling shareholder).

6. INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors have, or had, any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2019, the date to which the latest published audited financial statements of the Company were made up. None of the Directors are materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

7. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into the ordinary course of business) within two years immediately preceding the Latest Practicable Date and are or may be material:

(i) the Sale and Purchase Agreement;

(ii) the deed of amendment of the Company Convertible Bonds II between the Company and the Target Company dated 26 July 2019 pursuant to which the Company and the Target Company have conditionally agreed to amend the interest payment terms of the Company Convertible Bonds II to the effect that i) the interest payment due dates shall be amended from payment of interest in arrears annually to payment of interest for the period from 28 July 2018 to 27 July 2019, from 28 July 2019 to 27 July 2020 and from 28 July 2020 to 27 July 2021 on or before 28 July 2021; and ii) the Company shall pay to the Target Company a sum of additional interest in the amount of HK$11,261,250 on 28 July 2021; and

(iii) the deed of waiver between the Company and the Target Company dated 26 July 2019 pursuant to which the Target Company agreed to grant to the Company an unconditional waiver in respect of the obligation of the Company to pay the interest payment for the period from 28 July 2018 to 27 July 2019.

8. LITIGATIONS

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation or arbitration or claim which is in the opinion of the Directors of material importance and no litigation or claim which is in the opinion of the Directors of material importance to be pending or threatened by or against any member of the Group.

9. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the experts who have provided their opinion or advice for inclusion in this circular:

Name	Qualification
Donvex Capital	a licensed corporation to carry out type 6 regulated activities under the SFO
Elite Partners CPA Limited	Certified Public Accountants
Roma Appraisals Limited	Independent professional valuer

As at the Latest Practicable Date, each of the abovenamed experts has given and have not withdrawn its written consent to the issue of this circular with the inclusion herein of their letter and references to its name or opinion in the form and context in which it is included.

As at the Latest Practicable Date, each of the abovenamed experts did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the abovenamed experts did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by, or leased to any member of the Group since 31 March 2019, the date of which the latest published audited consolidated financial statements of the Group were made up.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit No. 2111, 21/F. West Tower Shun Tak Centre 168–200 Connaught Road Central, Sheung Wan, Hong Kong on any Business Day from the date of this circular up to and including the date of the SGM:

(i) the bye-laws of the Company;

(ii) the annual reports of the Company for each of the three financial years ended 31 March 2017, 2018 and 2019;

(iii) the accountant's report on the unaudited pro forma financial statement of the Remaining Group as set out in Appendix III of this circular;

(iv) the valuation report in respect of the fair value of the Purchase Convertible Bonds as at 31 March 2019 prepared by Rome Appraisals Limited;

(v) the valuation report in respect of the fair value of the Sale Convertible Bonds as at 31 March 2019 prepared by Rome Appraisals Limited;

(vi) the written consents given by the experts as referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix;

(vii) the letter from the Independent Board Committee;

(viii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders;

(ix) the material contracts referred to in the section headed "Material Contracts" in this appendix; and

(x) this circular.

11. GENERAL

(i) The company secretary of the Company is Mr. Poon Hon Yin ("**Mr. Poon**") Mr. Poon is qualified as a Certified Public Accountant registered with the Hong Kong Institute of Certified Public Accountants and is also a fellow member of the Association of Chartered Certified Accountants. Mr. Poon has been a managing director of Probiz CPA Limited since 2006.

(ii) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principle place of business of the Company in Hong Kong is Unit No. 2111, 21/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong.

(iii) The English texts of this circular shall prevail over their Chinese text in case of inconsistencies.

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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an special general meeting (the "**Meeting**") of Innovative Pharmaceutical Biotech Limited (the "**Company**") will be convened and held at Falcon Room I, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 4 October 2019 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modification) the following resolutions:

ORDINARY RESOLUTION

1. "**THAT**:

   (i) the Sale and Purchase Agreement dated 23 June 2019 as defined and described in the circular of the Company dated 13 September 2019 (the "**Circular**") of which this resolution forms part (a copy of each of the Sale and Purchase Agreement having been produced at the meeting and marked "A" and initialed by the chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder and in connection therewith and any other ancillary documents, be and are hereby approved, ratified and/or confirmed; and

(ii) the directors of the Company (the "**Directors**") (or a duly authorised committee thereof) be and are hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents or agreements and to take all such steps which, in the opinion of the Directors (or a duly authorised committee thereof), may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Sale and Purchase Agreement, and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors (or a duly authorised committee thereof), in the interests of the Company."

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

13 September 2019

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business in Hong Kong:
Unit No. 2111, 21/F.
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or (if holding two or more shares of the Company (the "**Shares**")) more proxies to attend and vote in his stead. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

2. To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or other authority must be deposited with the branch share registrar and transfer agent of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

3. When there are joint holders of any Shares, any one of such persons may vote at the Meeting either personally or by proxy in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at the Meeting jointly or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company shall alone be entitled to vote in respect of such Share.

4. Completion and return of the form of proxy will not preclude members from attending and voting at the Meeting and in such event, the form of proxy shall be deemed to be revoked.

5. For the purposes of holding the SGM, the Register of Members will be closed from Monday, 30 September 2019 to Friday, 4 October 2019 (both days inclusive), during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 27 September 2019.

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