INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED
領航醫藥及生物科技有限公司
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 399)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

The board (the "Board") of directors (the "Directors") of Innovative Pharmaceutical Biotech Limited (the "Company") hereby announces the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2017 (the "Financial Year") together with the comparative figures for the year ended 31 March 2016 (the "Previous Financial Year") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	3	**9,187**	19,908
Cost of sales		**(8,460)**	(19,319)
Gross profit		**727**	589
Other income	4	**11,813**	13,112
Other gains and losses, net	4	**(69,478)**	(146,263)
Selling expenses		**(195)**	(248)
Administrative expenses		**(22,557)**	(30,011)
Research and development expenses		**(629)**	(1,347)
Other expenses		**—**	(5,162)
Share of results of associates		**10,011**	7,945
Finance costs	5	**(108,034)**	(79,562)
Loss before tax		**(178,342)**	(240,947)
Income tax expense	6	**—**	—
Loss for the year		**(178,342)**	(240,947)

	Notes	2017 HK$'000	2016 HK$'000
Other comprehensive income/(expenses):			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets: net movement in the investment revaluation reserve		**442**	(475)
Share of other comprehensive income of associates		**(1,600)**	—
Exchange differences on translation of foreign operations		**(1,204)**	(702)
		(2,362)	(1,177)
Items that will not be reclassified subsequently to profit or loss:			
(Loss)/gain on revaluation on land and buildings		**(1,128)**	1,082
Deferred taxation arising on revaluation of land and buildings		**282**	(271)
		(846)	811
Other comprehensive expense for the year		**(3,208)**	(366)
Total comprehensive expense for the year		**(181,550)**	(241,313)
Loss for the year attributable to:			
Owners of the Company		**(169,788)**	(236,865)
Non-controlling interests		**(8,554)**	(4,082)
		(178,342)	(240,947)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(172,397)**	(237,231)
Non-controlling interests		**(9,153)**	(4,082)
		(181,550)	(241,313)
		HK cents	*HK cents*
Loss per share	9		
Basic		**(11.60)**	(16.85)
Diluted		**(11.60)**	(16.85)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**32,385**	35,833
Interests in associates	10	**113,462**	128,103
Investments in convertible bonds		**225,245**	259,555
Intangible asset	11	**1,373,224**	1,373,224
Available-for-sale financial assets		**22,501**	6,921
Loan to a non-controlling interest		**—**	4,646
Amount due from the subsidiary of an associate		**8,125**	16,192
		1,774,942	1,824,474
Current assets			
Trade receivables	12	**6,375**	—
Prepayments, deposits and other receivables		**8,333**	153,259
Bank balances and cash		**61,316**	32,459
		76,024	185,718
Current liabilities			
Trade payables	13	**2,237**	8
Fund received in advance		**—**	50,000
Accruals and other payables		**5,863**	5,291
Amounts due to non-controlling interests		**22,871**	22,871
Amounts due to former non-controlling interests		**823**	823
Amount due to the subsidiary of an associate		**41,947**	41,947
		73,741	120,940
Net current assets		**2,283**	64,778
Total assets less current liabilities		**1,777,225**	1,889,252

	2017	2016
	HK$'000	*HK$'000*
Non-current liabilities		
Convertible bonds	**470,671**	403,146
Deferred tax liabilities	**2,162**	2,444
Loan from a non-controlling interest	**6,067**	4,646
	478,900	410,236
NET ASSETS	**1,298,325**	1,479,016
Capital and reserves		
Share capital	**14,642**	14,642
Reserves	**413,332**	584,870
Equity attributable to owners of the Company	**427,974**	599,512
Non-controlling interests	**870,351**	879,504
TOTAL EQUITY	**1,298,325**	1,479,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. GENERAL INFORMATION

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

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

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

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

(i) New and revised HKFRSs adopted by the Group

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Annual Improvements 2012–2014 cycle	Amendments to a number of HKFRSs

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

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

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

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
Amendments to HKAS 40	Transfers to Investment Property[2]

HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Annual Improvements to HKFRSs 2014–2016 Cycle[5]	Amendments to HKFRSs

The Group has already commenced on assessment of the impact of adopting the above new and revised HKFRSs to the Group — The Group is not yet in a position to state whether these pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018.

3. REVENUE AND SEGMENT INFORMATION

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

	2017	2016
	HK$'000	*HK$'000*
Trading of beauty equipment and products	**9,187**	19,908

The Group has five reportable and operating segments as follows:

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

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

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

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

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

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

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

Segment revenues and results

	Provision of genetic testing services		Distribution of bio-industrial products		Trading of beauty equipment and products		Securities investment		Research and development		Total	Total
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**—**	—	**—**	—	**9,187**	19,908	**—**	—	**—**	—	**9,187**	19,908
Segment (loss)/profit	**(22)**	(295)	**(1,985)**	(2,413)	**727**	580	**(33)**	(138)	**(7,123)**	(5,661)	**(8,436)**	(7,927)
Additional disclosures for operating segments:												
Interest income received from available-for-sale investments	**—**	—	**—**	—	**—**	—	**80**	97	**—**	—	**80**	97
Depreciation of property, plant and equipment	**(4)**	(16)	**(1,091)**	(1,114)	**—**	—	**—**	—	**—**	—	**(1,095)**	(1,130)
Unallocated other income, gains and losses, net											**1,614**	1,281
Corporate and other expenses											**(123,154)**	(102,763)
Effective interest income from investment in convertible bonds											**5,876**	5,696
Change in fair value of derivative components of investment in convertible bonds											**(40,186)**	(58,509)
Loss on initial recognition of investments in convertible bonds acquired during the year											**—**	(62,161)
Share of results of an associate											**10,011**	7,945
Impairment loss on interest in an associate											**(23,052)**	(23,476)
Loss before taxation											**(178,342)**	(240,947)
Taxation											**—**	—
Loss for the year											**(178,342)**	(240,947)

Segment assets and liabilities

	Provision of genetic testing services		Distribution of bio-industrial products		Trading of beauty equipment and products		Securities investment		Research and development		Total	Total
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets												
Segment assets	**239**	516	**32,258**	38,171	**6,375**	—	**22,501**	7,448	**1,378,476**	1,441,572	**1,439,849**	1,487,707
Investments in convertible bonds											**225,245**	259,555
Interests in associates											**113,462**	128,103
Corporate and other assets											**72,410**	134,827
Total assets											**1,850,966**	2,010,192
Liabilities												
Segment liabilities	**47**	303	**6,556**	5,809	**2,230**	—	**—**	—	**153**	74,040	**8,986**	80,152
Convertible bonds											**470,671**	403,146
Corporate and other liabilities											**72,984**	47,878
Total liabilities											**552,641**	531,176

Geographical information

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

	Revenue		Non-current assets (excluding financial instruments, intangible asset, and interests in associates)	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**9,187**	19,908	**237**	313
The PRC	**—**	—	**32,148**	35,520
	9,187	19,908	**32,385**	35,833

Interests in associates were excluded from geographical information disclosure as the Group's major associate, Extrawell Pharmaceutical Holdings Limited ("Extrawell"), has several principal places of operations and businesses.

Information about major customers

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

	2017	2016
	HK$'000	*HK$'000*
Customer A[1]	**—**	13,746
Customer B[1]	**—**	6,162
Customer C[2]	**9,187**	—

1 Revenue from trading of beauty equipment and products.

2 Revenue from trading of beauty products.

4. OTHER INCOME/OTHER GAINS AND LOSSES, NET

	2017	2016
	HK$'000	*HK$'000*
Other income		
Interest income from banks	**6**	163
Interest income from available-for-sale financial assets	**80**	97
Dividend income from available-for-sale financial assets	**151**	163
Sundry income	**166**	91
Effective interest income from investment in convertible bonds	**5,876**	5,696
Imputed interest income from loan to a subsidiary of the associate	**4,113**	5,814
Imputed interest income from loan to a non-controlling interest	**1,421**	1,088
	11,813	13,112

	2017 *HK$'000*	2016 *HK$'000*
Other gains and losses, net		
Gain on disposal of subsidiaries	**—**	10
Gain on early redemption of convertible bonds	**21**	—
Change in fair value of derivative components of investments in convertible bonds	**(40,186)**	(58,509)
Loss on initial recognition of investments in convertible bonds acquired during the year	**—**	(62,161)
Impairment loss on interest in an associate	**(23,052)**	(23,476)
Impairment loss on loan to a non-controlling interest	**(6,067)**	—
Net loss on disposal of available-for-sale financial assets	**(194)**	(286)
Gain on disposals of property, plant and equipment	**—**	11
Impairment loss on other receivable	**—**	(1,852)
	(69,478)	(146,263)

5. FINANCE COSTS

	2017 *HK$'000*	2016 *HK$'000*
Effective interest expense on convertible bonds	**94,433**	78,474
Imputed interest expense on loan from a subsidiary of the associate	**12,180**	—
Imputed interest expense on loan from a non-controlling interest	**1,421**	1,088
	108,034	79,562

6. INCOME TAX EXPENSE

Hong Kong Profits Tax is provided at the rate of 16.5% (2016: 16.5%) of the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2016: 25%).

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

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

	2017	2016
	HK$'000	*HK$'000*
Loss before tax	**(178,342)**	(240,947)
Tax at the domestic income tax rate of 25% (2016: 25%)	**(44,586)**	(60,236)
Tax effect of expense not deductible for tax purpose	**41,839**	58,250
Tax effect of income not taxable for tax purpose	**—**	(1)
Tax effect of tax loss not recognised	**244**	—
Tax effect of share of results of associates	**2,503**	1,987
Income tax expense	**—**	—

7. LOSS FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging the following:		
Auditors' remuneration		
Provision for the year	**1,090**	1,000
Under/(Over)-provision for the prior year	**34**	(120)
	1,124	880
Depreciation of property, plant and equipment	**1,171**	1,164
Rental expense for premises under operating leases	**2,335**	2,625
Cost of inventories recognised as an expense	**8,460**	19,319
Staff costs, exclusive of directors' emoluments		
Salaries, bonus and other benefits	**4,234**	4,235
Retirement benefits scheme contributions	**274**	297
	4,508	4,532

8. DIVIDEND

The directors do not recommend the payment of dividend for the year ended 31 March 2017 (2016: Nil).

9. LOSS PER SHARE

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

Loss

	2017	2016
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**(169,788)**	(236,865)

Number of shares

	2017	2016
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,464,193**	1,406,106

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

For the year ended 31 March 2017, basic and diluted loss per share was HK$0.1160 (2016: HK$0.1685), which is based on the loss for the year of approximately HK$169,788,000 (2016: HK$236,865,000) and the denominators detailed above for both basic and diluted loss per share.

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

10. INTERESTS IN ASSOCIATES

	2017 *HK$'000*	2016 *HK$'000*
Cost of investment in associates		
— Listed in Hong Kong *(Note a)*	**476,841**	476,841
— Unlisted in PRC	**—**	—
Share of post-acquisition results and other comprehensive income	**97,904**	89,493
Impairment loss on interest in an associate *(Note b)*	**(361,561)**	(338,509)
Adjustment against non-controlling interests *(Note c)*	**(99,722)**	(99,722)
	113,462	128,103
Fair value of listed investments *(Note d)*	**113,462**	128,103

Notes:

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

(b) As at 31 March 2017, the Group recognised impairment loss of approximately HK$23,052,000 (2016: HK$23,476,000) in profit or loss which represented the difference between the fair value of the shares of Extrawell based on the share price of Extrawell as at 31 March 2017 and the carrying amount of interest in the associate.

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

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

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

Name of associates	Place of incorporation/ operation	Principal place of operation	Class of shares held	Proportion of voting power held by the Company 2017	Proportion of voting power held by the Company 2016	Proportion of nominal value of issued capital held by the Company 2017	Proportion of nominal value of issued capital held by the Company 2016	Principal activity
Extrawell	Bermuda	PRC	Ordinary shares	**19.14%**	19.14%	**19.14%**	19.14%	Development, manufacture and sale of pharmaceutical products
Longmark (Shanghai)	PRC	PRC	Registered capital	**33.33%**	33.33%	**49.78%**	49.78%	Provision of health care management services

11. INTANGIBLE ASSET

	In-process R & D
	HK$'000
COST AND CARRYING VALUE	
At 1 April 2015, 31 March 2016 and 31 March 2017	1,373,224

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

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

The recoverable amount of the In-process R&D is determined based on fair value calculations using the income approach method, with reference to the professional valuation performed by Roma Appraisal Limited, an independent firm of professional qualified valuers. The fair value calculation used cash flow projections prepared by the management based on certain key assumptions, including the fundamental assumptions that the likelihood and timing in obtaining the regulatory approvals from the relevant government bodies to launch the Product 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 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, the recoverable amount of the Group's intangible asset is estimated to be higher than the carrying amount and therefore the directors of the Company are in the opinion that no impairment on the carrying amount of the In-process R&D has to be recognised for the year (2016: Nil).

12. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days (2016: 30 to 180 days). All sales made to the major customers have short credit terms. These credit evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic in which the customer operates. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	2017	2016
	HK$'000	*HK$'000*
30 days or less	**470**	—
31 to 60 days	**621**	—
61 to 90 days	**469**	—
Over 90 days	**4,815**	—
	6,375	—

13. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
30 days or less	**2,230**	—
31 to 60 days	**—**	—
Over 60 days	**7**	8
	2,237	8

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

14. CONTINGENT LIABILITIES AND LITIGATION

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

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

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

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

Litigation concerning Longmark (Shanghai) in the PRC

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

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

On 28 October 2016, 上海市長寧區人民法院 rejected the petitions filed by the tenant, no further update subsequent to the date of report.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

Revenue of the Group for the Financial Year 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 Previous Financial Year. The decrease was mainly attributable to a decrease in business of the trading of beauty equipment and products segment during the Financial Year. Loss attributable to the owners of the Company fell to HK$169.8 million for the Financial Year, an improvement by HK$67.1 million from the loss of HK$ 236.9 million that was recorded in the Previous Financial Year. The reduction of loss was primarily due to no impairment loss being recognised on the Group's acquisition of investments in convertible bonds that were issued by Extrawell Pharmaceutical Holdings Limited ("Extrawell"), a company listed on the main board of the Stock Exchange of Hong Kong Limited for the Financial Year as compared with the Previous Financial Year.

BUSINESS REVIEW

Provision of genetic testing services

Since 2010, the Group has held the permanent and exclusive distribution rights for genetic testing services in the regions of the PRC, Hong Kong, and Macau, permanent non-exclusive distribution rights for genetic testing services in other regions, and the right to use certain logos on genetic testing products and for genetic testing services that are distributed by the Group. The Group has franchised the distribution rights of the genetic testing products and services. The provision of genetic testing services did not generate any revenue this year and in the Previous Financial Year.

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. There was no revenue arising from the distribution of bio-industrial products during both the Financial Year and Previous Financial Year.

Trading of beauty equipment and products

The Group commenced the trading of beauty equipment and products since June 2013. During the Financial Year, revenue arising from the trading of beauty equipment and products amounted to approximately HK$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 Previous Financial Year.

Investments in Extrawell

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

Research and development

The in-process research and development project (the "In-process R&D") represented an in-process research and development project involving an oral insulin product. The Group will inject additional resources into clinical trial of the In-process R&D and consolidate the effort of the project team in order to facilities the development of it. The Group will make further announcements depending on situation and in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited if there is any material development.

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

The in-process R&D was recorded as intangible asset in Group's consolidated statement of financial position with carrying value of HK$1,373 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 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 Period, the Directors of the Company have performed impairment assessments on the intangible asset by reference to the valuation conducted by Roma Appraisals Limited, an independent qualified valuer. The recoverable amount of the intangible asset is determined based on the estimated fair value of the In-process R&D. Based on the assessment, the recoverable amount of the Group's intangible asset is estimated to be higher than the carrying amount and therefore the Directors of the Company considered that no impairment is necessary as at 31 March 2017.

PROSPECTS

Provision of genetic testing services

In October 2014, the Group franchised the genetic testing distribution rights to two related parties who began providing genetic testing services and selling genetic testing products in the PRC. The Group holds a cautious view regarding the business 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 Group is actively seeking partners or potential investors to work with or acquire the Group's genetic testing subsidiaries.

Distribution of bio-industrial products

CNL (Pinghu), a non-wholly owned subsidiary of the Company, commenced the construction of the production plant, research and development workshop and office in 2010. Since 2012, CNL (Pinghu) has been a defendant to a civil litigation suit in the PRC regarding construction costs of the production plant. A verdict on the civil litigation suit was reached in April 2014 pursuant to which it was ruled that the Group is liable to pay 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 Group are beauty equipment and beauty products, and sales of these beauty equipment and beauty products represent the major component that contributes to the Group's revenues.

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

During the second half of the Financial Year, trading business activity fell as there was high competition in the market. The 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 Group is optimistic on the long-term recovery of the markets but they also remain cautious on the direction of the market in the near-term. The Group continues to manage a diverse portfolio of Asian stocks and bonds.

Research and development

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

FINANCIAL REVIEW

Capital structure

	31.3.2017	31.3.2016
	HK$'000	*HK$'000*
Authorised		
50,000,000,000 ordinary shares of HK$0.01 each (the "Shares")	**500,000**	500,000
Issued and fully paid:		
1,464,193,024 Shares	**14,642**	14,642

Liquidity and financial resources

As at 31 March 2017, the Group had bank and cash balances of approximately HK$61.3 million (31 March 2016: approximately HK$32.4 million).

As at 31 March 2017, total borrowings of the Group were approximately HK$542.4 million (31 March 2016: approximately HK$473.4 million) which reflected the debt value of the Company's unconverted convertible bonds, amounts due to non-controlling interests, amounts due to former non-controlling interests, amounts due to the subsidiary of an associate, and loan from a non-controlling interest.

The ratio of current assets to current liabilities of the Group was 1.03 as at 31 March 2017 as compared to the 1.54 as at 31 March 2016. The Group's gearing ratio as at 31 March 2017 was 0.30 (31 March 2016: 0.26) which is calculated based on the Group's total liabilities of approximately HK$552.6 million (31 March 2016: approximately HK$531.1 million) and the Group's total assets of approximately HK$1,851.0 million (31 March 2016: approximately HK$2,010.2 million).

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

Significant acquisition and investments

On 29 March 2016, an indirectly wholly-owned subsidiary of the Company, Top Nice Holdings Limited ("Top Nice") and other parties entered in to the Capital Injection Agreement. Pursuant to Capital Injection Agreement, Top Nice would inject capital in the amount of 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 are not fulfilled. The Capital Injection Agreement is therefore lapsed. Top Nice shall be treated as being discharged and released from the Capital Injection Agreement.

On 11 March 2017, the Company and a third party entered into a Memorandum of Understanding, pursuant to which the Company intended to acquire the controlling interest in three companies which principally engage in provision of one-stop accredited medical consultation and health examination services in Hong Kong.

At the end of the Financial Period, no definitive agreement was finalised and entered between the Company and the third party for the acquisition.

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

Issue of Convertible Bonds and early redemption

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

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

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

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

Charges on the Group's assets

As at 31 March 2017, the Group and the Company did not have any charges on their assets (31 March 2016: nil).

Contingent liabilities

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

Foreign exchange exposure

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

Number and numeration of employees

As at 31 March 2017, the Group had 24 full time employees (31 March 2016: 29), most of whom work in the Company's subsidiaries in the PRC. The decrease in staff is due to a reduction in the business activity of certain segments and the subsequent redundancies. It is the Group's policy that the remuneration of employees and Directors are in line with the market and commensurate with their responsibilities. Discretionary year-end bonuses are payable to the employees based on individual performance. Other employee benefits include medical insurance, retirement schemes, training programmes, and education subsidies.

Total staff costs including the Directors' remuneration for the Financial Year amounts to approximately HK$6.48 million (Previous Financial Year: approximately HK$6.7 million).

Segment information

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

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

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

SCOPE OF WORK OF EAST ASIA SENTINEL LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2017 as set out in the preliminary announcement have been agreed by the Group's auditors, East Asia Sentinel Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by East Asia Sentinel Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by East Asia Sentinel Limited on the preliminary announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Code provision A.2.1

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

Code provision A.4.1

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

EXTRACTED FROM INDEPENDENT AUDITORS' REPORT

The auditors expressed a disclaimer of opinion in the independent auditors' report on the consolidated financial statements of the Group for the ended 31 March 2017. The basis for disclaimer of opinion is extracted as follows:

"We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis of Disclaimer of Opinion" section of our report, we have 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 our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Intangible asset in respect of the in-process research and development project ("In-process R&D")

As detailed in note 19 of the consolidated financial statements, an impairment assessment was carried out by the management of the Group on the Group's intangible asset in respect of the In-process R&D involving an oral insulin product ("Product") with the carrying amount of HK$1,373,224,000 as at 31 March 2017. 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. This 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 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 is the directors' opinion that the Group will 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 Group's intangible asset is based.

However, we are unable to obtain sufficient and appropriate audit evidence to support the probability of the Group successfully launching the Product, that is, 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, we are 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, and to determine whether any impairment on the intangible asset should be recognised.

Any further adjustments to the carrying amount of the intangible asset as described above might have a significant consequential effect on the Group's consolidated financial position 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 amounts due from group companies as shown in note 36 to the consolidated financial statements, the Company has an amount due from its subsidiary, Clear Rich International Limited, amounting to HK$435,200,000 as at 31 March 2017. Clear Rich International Limited indirectly holds 51% equity interest in the subsidiary, Fosse-Bio Engineering Development Limited, which owns the above-mentioned intangible asset as at 31 March 2017. In the absence of sufficient audit evidence supporting that the carrying amount of the intangible asset was fairly stated, we are similarly unable to satisfy ourselves as to whether the carrying amount of the amount due from Clear Rich International Limited as included in the Company's statement of financial position as at 31 March 2017 can be recoverable, and whether any impairment on the amount due from Clear Rich International Limited should be recognised in the Company's loss for the year."

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Hong Kong, 29 June 2017

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