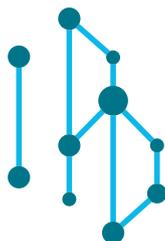


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED

### 領航醫藥及生物科技有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 399)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Innovative Pharmaceutical Biotech Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2023 (the “**Financial Period**”) together with the comparative figures for the six months ended 30 September 2022 (the “**Previous Financial Period**”) as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2023</b>	<b>2022</b>
		<b>HK\$’000</b>	<b>HK\$’000</b>
	<i>Notes</i>	<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	3	<b>3,727</b>	4,138
Cost of sales and services		<b>(3,347)</b>	(3,717)
Gross profit		<b>380</b>	421
Other income		—	43
Other gains and losses, net	4	<b>330,267</b>	—
Selling expenses		—	(39)
Administrative expenses		<b>(6,289)</b>	(6,592)
Research and development expenses		<b>(303)</b>	(1,498)
Finance costs	5	<b>(131,478)</b>	(110,607)

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2023</b>	<b>2022</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<i>Notes</i>		<b>(unaudited)</b>	<b>(unaudited)</b>
	Profit (Loss) before tax	<b>192,577</b>	(118,272)
	Income tax	<u>—</u>	<u>—</u>
	Profit (Loss) for the period	<b>192,577</b>	(118,272)
	Other comprehensive expense		
	Items that may be subsequently reclassified to profit or loss:		
	Exchange difference on translation of foreign operations	<u>(51)</u>	<u>(79)</u>
		<b>(51)</b>	<b>(79)</b>
	Total comprehensive income (expense) for the period	<b><u>192,526</u></b>	<b><u>(118,351)</u></b>
	Profit (Loss) for the period attributable to:		
	Owners of the Company	<b>193,688</b>	(115,661)
	Non-controlling interests	<b><u>(1,111)</u></b>	<b><u>(2,611)</u></b>
		<b><u>192,577</u></b>	<b><u>(118,272)</u></b>
	Total comprehensive income (expense) for the period attributable to:		
	Owners of the Company	<b>193,637</b>	(115,740)
	Non-controlling interests	<b><u>(1,111)</u></b>	<b><u>(2,611)</u></b>
		<b><u>192,526</u></b>	<b><u>(118,351)</u></b>
		<i>HK cents</i>	<i>HK cents</i>
	Earnings (loss) per share		
	Basic	<b><u>13.23</u></b>	<b><u>(7.90)</u></b>
	Diluted	<b><u>(2.42)</u></b>	<b><u>(7.90)</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

		At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Right-of-use assets		188	941
Intangible assets	10	<u>1,373,224</u>	<u>1,373,224</u>
		<u>1,373,412</u>	<u>1,374,165</u>
<b>Current assets</b>			
Trade receivables	11	5,592	6,167
Prepayments, deposits and other receivables		2,353	2,385
Bank and cash balances		<u>862</u>	<u>1,331</u>
		<u>8,807</u>	<u>9,883</u>
<b>Current liabilities</b>			
Trade payables	12	3,520	4,022
Lease liabilities		43	968
Accruals and other payables		4,061	2,972
Amounts due to non-controlling interests		3,092	3,092
Amounts due to former non-controlling interests		724	724
Loan from a substantial shareholder		55,800	51,000
Loan from a former associate		17,826	6,007
Amount due to a former associate		41,947	41,947
Convertible Bonds	13	<u>250,959</u>	<u>1,036,312</u>
		<u>377,972</u>	<u>1,147,044</u>
<b>Net current liabilities</b>		<u>(369,165)</u>	<u>(1,137,161)</u>
<b>Total assets less current liabilities</b>		<u>1,004,247</u>	<u>237,004</u>

		At <b>30 September</b> <b>2023</b> <i>HK\$'000</i> <b>(unaudited)</b>	At 31 March 2023 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Convertible bonds	<i>13</i>	<b>654,551</b>	68,510
Loan from a non-controlling interest		<b>10,346</b>	10,346
Loan from a former associate		<b>6,282</b>	17,586
		<u><b>671,179</b></u>	<u>96,442</u>
<b>NET ASSETS</b>		<u><b>333,068</b></u>	<u>140,562</u>
<b>Capital and reserves</b>			
Share capital	<i>14</i>	<b>14,642</b>	14,642
Reserves		<b>(616,099)</b>	(809,716)
		<u><b>(601,457)</b></u>	<u>(795,074)</u>
Equity attributable to owners of the Company		<b>934,525</b>	935,636
Non-controlling interests		<u><b>934,525</b></u>	<u>935,636</u>
<b>TOTAL EQUITY</b>		<u><b>333,068</b></u>	<u>140,562</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2023*

## 1. BASIS OF PREPARATION

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

### 1.1 Going Concern Basis

In preparing these condensed consolidated financial statements, the directors have considered the future liquidity of the Group, including but not limited to the followings:

- (i) The Group has net current liabilities of approximately HK\$369,165,000 as at 30 September 2023 in which the outstanding convertible bonds with principal amounts of HK\$250,959,000 to be mature in October 2023 and December 2023;
- (ii) The Group has outstanding loans from a substantial shareholder and loan from a former associate amounted to approximately HK\$55,800,000 and HK\$17,826,000 would be due for repayment within the next 12 months; and
- (iii) The Group’s major assets, being the development of oral insulin product in the PRC, is currently under the stage of Phase III clinical trial (“**Clinical Trial**”), the validity of future cash flow arising from the commercialisation of the oral insulin product is depending on the successful of the Clinical Trial and obtaining the necessary approval from National Medical Products Administration.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, these condensed consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due within next 12 months from the date of the condensed consolidated financial statements, after taking into consideration of the following measures and arrangements

- (i) The Company obtained a confirmation from the Group's former associate and confirm in written that they will not demand for repayment of approximately HK\$41,947,000 as at 30 September 2023 for a period of at least 12 months from the date of these condensed consolidated financial statements.
- (ii) On 27 July 2023, the Company and Dr. Mao Yu Min (“**Dr. Mao**”), the substantial shareholder entered into the subscription agreement pursuant to that the Company will issue the convertible bonds with principal amount of HK\$55,500,000. The subscription money amount of HK\$55,500,000 will be settled by way of offsetting in full on a dollar-to-dollar basis against the loan from a substantial shareholder.
- (iii) On 15 August 2023, the Company and the bondholders, Dr. Mao (through himself and his controlled entities) entered into the deed of amendment pursuant to which the Company and Dr. Mao have conditionally agreed to amend the terms of the convertible bonds to the effect that the maturity date shall be extended to further ten years.

The subscription agreement and the deed of amendment are subject to the independent shareholders' approval in special general meeting which to be held.

- (iv) The Company obtained the financial support of the substantial shareholder and confirm in written that they agreed to provide the Company with sufficient financial support to enable the Company to meet its obligations to third parties as and when they fall due and to continue as a going concern.
- (v) The management of the Company is currently working on the Clinical Trial which has been commenced in July 2020. The management is making every effort to achieve the expected timeline that the oral insulin product will be launched in the first quarter of 2025. As at the date of this announcement, there is no negative feedback from the Clinical Trial. The Group performs annual tests of impairment on intangible asset and no impairment is required.

- (vi) The Company is actively negotiating with the former associate for the extension maturity of the loan.

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

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to implement the abovementioned plans and measures. Whether the Group will be able to continue as a going concern would depend on the Group's ability to generate financial and operating cash flows through the following:

- (i) Successful to complete the Clinical Trial and the Product have launch in the first quarter of 2025; and
- (ii) Successful to obtain the approval from the independent shareholders for the issue of the convertible bonds and deed of the amendment.

Should the above measures not be implemented as planned, the adoption of going concern basis may not be appropriate, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, and reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these condensed consolidated financial statements.

## **2. PRINCIPAL ACCOUNTING POLICIES**

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2023.

## Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (inducing the October 2020 and February 2022)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two model Rules

The application of the new and amendments to HKFRSs in the current period has had no material impact on the interim condensed consolidated financial information. The Group has not early adopted any new and revised HKFRSs that have been issued by HKICPA but are not yet effective.

### 3. REVENUE AND SEGMENT INFORMATION

The Group has two reportable and operating segments as follows:

- (a) trading of beauty equipment and products in Hong Kong (“**Trading of beauty equipment and products**”)
- (b) research and development and commercialisation of products (“**Research and development**”)

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

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Trading of beauty equipment and products		Research and development		Total	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
<b>Six months ended 30 September</b>						
Revenue from external customers	<u>3,727</u>	<u>4,138</u>	<u>—</u>	<u>—</u>	<u>3,727</u>	<u>4,138</u>
Segment profit (loss) after tax	<u>359</u>	<u>382</u>	<u>(2,552)</u>	<u>(3,782)</u>	<u>(2,193)</u>	<u>(3,400)</u>

<b>Six months ended 30 September</b>	
2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)

Reconciliation of reportable segment profit (loss)  
after tax:

Total segment loss	(2,193)	(3,400)
Corporate and other expenses	(135,497)	(114,872)
Unallocated other income, gains and losses, net	<u>330,267</u>	<u>—</u>
Consolidated profit (loss) for the period	<u>192,577</u>	<u>(118,272)</u>

#### 4. OTHER GAINS AND LOSSES, NET

	<b>Six months ended 30 September</b>	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Gain on modification of convertible bonds	<u>330,267</u>	<u>—</u>

## 5. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Effective interest expense on convertible bonds	<b>130,955</b>	110,208
Interest expense on loan from the subsidiary of a former associate	<b>515</b>	369
Interest on lease liability	<b>8</b>	30
	<b><u>131,478</u></b>	<b><u>110,607</u></b>

## 6. PROFIT (LOSS) FOR THE PERIOD

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

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Depreciation of right-of-use assets	<b>753</b>	941
Cost of inventories recognised as an expense	<b>3,347</b>	3,717
Staff costs including directors' emoluments	<b>2,784</b>	3,105
	<b><u>2,784</u></b>	<b><u>3,105</u></b>

## 7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors have determined that no dividend will be paid in respect of the interim period (2022: Nil).

## 8. EARNINGS (LOSS) PER SHARE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit/(loss) for the year attributable to owners of the Company and earnings/(loss) for the purpose of basic earnings/(loss) per share	<b>193,688</b>	(115,661)
Effect of dilutive potential ordinary shares:		
Gain on modification of convertible bonds	<b>(330,267)</b>	—
Effective interest expense on convertible bonds	<b>94,259</b>	—
Loss for the purpose of diluted loss per share	<b><u>(42,320)</u></b>	<b><u>(115,661)</u></b>
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	2022
	<b>Number of</b>	Number of
	<b>shares</b>	shares
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>1,464,193</b>	1,464,193
Effect of dilutive potential ordinary shares:		
Convertible bonds	<b>286,000</b>	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	<b><u>1,750,193</u></b>	<b><u>1,464,193</u></b>

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds because the conversion prices of those convertible bonds were higher than the average market price for shares for the period ended 30 September 2022.

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

No property, plant and equipment was acquired and disposed by the Group during the six months ended 30 September 2023 period (six months ended 30 September 2022: Nil).

## 10. INTANGIBLE ASSETS

The intangible assets represent an in-process research and development project involving an oral insulin product (the “**Product**”) (the “**In-process R&D**”). The patents of an invention “a method of production of oil-phase preparation of oral insulin (一種製備口服胰島素油相製劑的方法)” in relation to the Product are registered under the joint names of Fosse Bio-Engineering Development Limited (“**Fosse Bio**”) and Tsinghua University, Beijing (“**THU**”) granted by State Intellectual Property Office of the PRC and United States Patent and Trademark Office of the United States of America on 4 August 2004 and 28 March 2006 respectively and were 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. The THU Collaboration Arrangement has been 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 (the “**renewed THU Collaboration Arrangement**”). Pursuant to the renewed 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. Accordingly, Fosse Bio has the exclusive right for the commercialisation of the Product for the duration of the unexpired term of the renewed THU Collaboration Arrangement. The recoverable amount of the In-process R&D is determined based on fair value calculations. The fair value calculation used cash flow projections, prepared by the management based on certain key assumptions. The expected future economic benefits attributable to the In-process R&D approved by the management cover a 10-year period and a discount rate of 28.2% was used. The management believed that any reasonably possible change in any of these assumptions used in cash flow projections would not cause the carrying amount of In-process R&D to exceed the recoverable amount. Other key assumptions for fair value calculations related to the estimation of cash inflows which include budgeted sales and gross margins where such estimation is based on management’s expectations for the market development.

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

## 11. TRADE RECEIVABLES

The credit terms granted by the Group to its customers generally range from 90 days.

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

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
30 days or less	289	505
31 to 60 days	462	491
61 to 90 days	669	695
Over 90 days	4,172	4,476
	<u>5,592</u>	<u>6,167</u>

## 12. TRADE PAYABLES

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

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
30 days or less	257	440
31 to 60 days	406	428
Over 180 days	2,857	3,154
	<u>3,520</u>	<u>4,022</u>

### 13. CONVERTIBLE BONDS

	At 30 September 2023 <i>HK\$'000</i>	At 31 March 2023 <i>HK\$'000</i>
<b>Current liabilities</b>		
Convertible Bonds III	—	814,398
Convertible Bonds I	<u>250,959</u>	<u>221,914</u>
	<u>250,959</u>	<u>1,036,312</u>
<b>Non-current liabilities</b>		
Convertible Bonds II	76,161	68,510
Convertible Bonds III	<u>578,390</u>	<u>—</u>
	<u>654,551</u>	<u>68,510</u>
	<u>905,510</u>	<u>1,104,822</u>

#### Convertible Bonds I

The Company issued convertible bonds in an aggregate principal amount of HK\$436,800,000 and HK\$51,200,000 respectively on 25 October 2013 and 27 December 2013 (collectively referred to as “**Convertible Bonds I**”) for the acquisition of the convertible bonds issued by Extrawell in aggregate principal amount of HK\$320,650,000 (“**Sale CB-I**”) and 450,000,000 ordinary shares of Extrawell. Both Sale CB-1 and 450,000,000 ordinary shares of Extrawell were disposed in October 2019. The Convertible Bonds I with a zero coupon rate mature on the tenth anniversary of the date of issue.

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

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

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

None of the Convertible Bond I was converted into ordinary shares of the Company during both interim period.

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

	<b>Principal amount</b> <i>HK\$'000</i>	<b>Carrying amount</b> <i>HK\$'000</i>
As at 1 April 2022	256,000	176,520
Interest charge ( <i>Note 5</i> )	—	21,776
	<hr/>	<hr/>
30 September 2022 (unaudited)	<u>256,000</u>	<u>198,296</u>
As at 1 April 2023 (audited)	256,000	221,914
Interest charge ( <i>Note 5</i> )	—	29,045
	<hr/>	<hr/>
30 September 2023 (unaudited)	<u>256,000</u>	<u>250,959</u>

## **Convertible Bonds II**

The Company issued convertible bonds in an aggregate principle amount of HK\$64,000,000, HK\$64,000,000, HK\$64,000,000 and HK\$64,000,000 respectively on 24 April 2014, 30 August 2014, 31 December 2014 and 30 April 2015 (collectively referred to as “**Convertible Bonds II**”) for the acquisition of the convertible bonds issued by Extrawell in an aggregate principal amount up to HK\$256,520,000 (“**Sale CB-II**”) first, second, third and fourth batches respectively which was disposed in October 2019. The Convertible Bonds II with zero coupon rate will mature on the tenth anniversary of the date of issue.

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

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

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

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

The movement of the Convertible Bonds II for both periods is set out below:

	<b>Principal amount</b> <i>HK\$'000</i>	<b>Carrying amount</b> <i>HK\$'000</i>
As at 1 April 2022 (audited)	103,600	55,445
Interest charge ( <i>Note 5</i> )	—	6,178
	<hr/>	<hr/>
30 September 2022 (unaudited)	<u>103,600</u>	<u>61,623</u>
As at 1 April 2023 (audited)	103,600	68,510
Interest charge ( <i>Note 5</i> )	—	7,651
	<hr/>	<hr/>
30 September 2023 (unaudited)	<u>103,600</u>	<u>76,161</u>

### **Convertible Bonds III**

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

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

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

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

On 28 October 2019, the Company completed the amendment of the term and condition of the Convertible Bond III with Extrawell. Under the amendment, Extrawell agreed the due date for annual interest payment of HK\$25,025,000 due on 27 July 2019, 2020 and 2021 amended to on or before 28 July 2021; and additional interest of HK\$11,261,250 shall be paid by the Company on 28 July 2021. Detail of the amendments of the term and condition of the Convertible Bond III are set out in the Company’s circular dated 13 September 2019.

On 16 August 2021, the Company completed the second amendment of the term and condition of the Convertible Bonds III with Extrawell. Under the second amendment, Extrawell agreed the maturity date of the Convertible Bond III shall be extended to 28 July 2023. The annual interest payment of HK\$25,025,000 due on 27 July 2019 to 2023 amended to 28 July 2023; and additional interest of HK\$40,915,875 shall be paid by the Company on 28 July 2023. Detail of the second amendments of term and condition of the Convertible Bonds III are set out in the Company circular dated 13 July 2021.

On 12 July 2023, the Company completed the third amendment of the term and condition of the Convertible Bonds III with Extrawell. Under the third amendment, Extrawell agreed that (i) the maturity date of the Convertible Bond III shall be extended to 28 July 2025. (ii) The interest payment date of the convertible bonds were amended. Details of the amendment of the term and condition of the Convertible Bonds III are set out in the Company's circular dated 12 June 2023.

At 12 July 2023, the fair value of the liability component was HK\$541,536,000 for the Convertible Bonds III, which has been determined by the discounted cash flow approach using the prevailing market interest rate of similar non-convertible bonds and taking into account the credit risk of the Company. No fair value of the conversion option for the Convertible Bonds III and is calculated using Binomial Model. The inputs into the model were as follows:

**16 August 2021**  
**Principal of**  
**HK\$715,000,000**

Stock price	HK\$0.200
Exercise price	HK\$2.5
Discount rate	29.971%
Risk-free rate ( <i>Note a</i> )	4.019%
Expected volatility ( <i>Note b</i> )	32.531%
Expected dividend yield ( <i>Note c</i> )	0.00%

*Notes:*

- (a) The rate was determined with reference to the yields of Hong Kong government bonds and treasury bills as at the date of valuation.
- (b) Based on the historical price volatility of the Company over the bond period.
- (c) Estimated regarding the historical dividend payout of the Company.

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

The movement of the Convertible Bonds III for both periods is set out below:

	<b>Principal amount</b> <i>HK\$'000</i>	<b>Carrying amount</b> <i>HK\$'000</i>
As at 1 April 2022 (audited)	715,000	639,826
Interest charge ( <i>Note 5</i> )	—	82,254
	<u>715,000</u>	<u>82,254</u>
30 September 2022 (unaudited)	<u>715,000</u>	<u>722,080</u>
As at 1 April 2023 (audited)	715,000	814,398
Interest charge ( <i>Note 5</i> )	—	94,259
Modification of Convertible bonds ( <i>Note 4</i> )	—	(330,267)
	<u>715,000</u>	<u>(330,267)</u>
30 September 2023 (unaudited)	<u>715,000</u>	<u>578,390</u>

#### 14. SHARE CAPITAL

	<b>Number of shares</b> <i>'000</i>	<b>Share capital</b> <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each Authorised:		
As at 1 April 2022, 30 September 2022, 1 April 2023 and 30 September 2023	<u>50,000,000</u>	<u>500,000</u>
Issued and fully paid:		
As at 1 April 2022 (audited)	<u>1,464,193</u>	<u>14,642</u>
As at 30 September 2022 (unaudited)	<u>1,464,193</u>	<u>14,642</u>
As at 1 April 2023 (audited)	<u>1,464,193</u>	<u>14,642</u>
As at 30 September 2023 (unaudited)	<u>1,464,193</u>	<u>14,642</u>

## 15. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Service fee expense paid and payable to Dr. Mao, a shareholder of the Company	<b>336</b>	336
Compensation of key management personnel:		
Short-term employment benefits	<b>1,623</b>	1,623
Post-employment benefits	<b>14</b>	14
	<b><u>14</u></b>	<b><u>14</u></b>

On 26 July 2023 and 15 August 2023, the Company and Dr. Mao entered into the subscription agreement and the deed of amendment of the convertible bonds respectively. Details of the subscription agreement and the deed of amendment are set out in the announcements dated 26 July 2023 and 15 August 2023 respectively.

At the end of reporting period, the amount due to Dr. Mao, a shareholder of the Company was HK\$55,800,000 (at 31 March 2023: HK\$51,000,000). The amount is unsecured, non-interest bearing and repayment term was one year after drawdown date.

## MANAGEMENT DISCUSSION AND ANALYSIS

### GROUP RESULTS

Revenue of the Group for the Financial Period amounted to approximately HK\$3.7 million, representing a decrease of approximately 9.7% as compared with the total revenue of approximately HK\$4.1 million that was recorded in the Previous Financial Period. The decrease was mainly attributable to the decrease in business of the trading of beauty equipment and products segment during the Financial Period. The Group recorded a profit attributable to the owners of the Company amounted to approximately HK\$193.7 million for the Financial Period as compared to loss of HK\$115.7 million in Previous Financial Period. The change from loss to profit is mainly due to the non-cash item result from the completion of the third amendment of Convertible Bonds III in the Financial Period. The Convertible Bonds III were restated to the fair value of the liability component at completion date of the Convertible Bonds III which was less than their carrying value. The difference of the carrying value and the fair value of the liability component amounted to approximately HK\$330.3 million was credited into income statements for the Financial Period.

### BUSINESS REVIEW

#### Trading of beauty equipment and products

During the Financial Period, revenue arising from the trading of beauty equipment and products amounted to approximately HK\$3.7 million, representing a decrease of approximately 9.7% from the revenue in the amount of approximately HK\$4.1 million that was recorded in the Previous Financial Period.

#### Research and development

The in-process research and development project (the “**In-process R&D**”) represented an in-process research and development project involving an oral insulin product (the “**Product**”). The Group will inject additional resources into clinical trial of the In-process R&D and consolidate the effort of the project team in order to facilitate the development of it.

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.

At the end of the Financial Period, the Directors of the Company have performed impairment assessment on the intangible asset. 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 30 September 2023.

The enrolment of the first batch of patients for the Clinical Trial testing has commenced in July 2020. Currently, about 300 patients have been enrolled in selected participating hospitals to take place in the Clinical Trial. The enrolment of patients will be an ongoing process.

The normal operations of the participating hospitals for the Clinical Trial had been disrupted by the coronavirus pandemic. Based on the latest information available to the Company, the Product is expected to be launched in the market and available for sale at selected hospitals by first quarter of 2025. The Group is expected to generate a stable source of revenue and profit after the launch of the Product taking into account that (i) there is massive demand in the PRC for innovative insulin products in light of the growing diabetic population; (ii) once the Product is launched, it is expected to become the first oral insulin drug available in the market; (iii) the Product is expected to be sold at a reasonable price range and will provide a superior and effective treatment method for diabetes patients; and (iv) once the Product is launched, it will be protected for a period of 5 years under the current regulations in the PRC which prohibits other companies from manufacturing and/or undergoing clinical trial for similar products.

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

## **PROSPECTS**

### **Trading of beauty equipment and products**

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

The management expects that the current business environment would be improved. The management is going to have been more proactive about diversification on the product range in the trading business which may bring high profit margin and contribution to the Group.

## Convertible bond issued by the Company

On 28 April 2023, the Company and the Bondholder entered into a third deed of amendment (the “**Third Deed Amendment**”) pursuant to which the Company and the Bondholder have conditionally agreed to amend the terms of the Convertible Bonds (as amended by the Amendment Deed and the Second Deed Amendment) (the “**Third Amendments**”) to the effect that:

- (a) the Maturity Date shall be extended from 28 July 2023 to 28 July 2025;
- (b) the interest payment date of the Convertible Bonds (as amended by the Amendment Deed and the Second Deed of Amendment) shall be further amended and superseded as follows:
  - (i) the Convertible Bond shall bear interest on the principal amount thereof in accordance with the following interest rate and payment schedule:

<b>Interest Period</b>	<b>Interest Rate</b>	<b>Payment due dates</b>
28 July 2014 to 27 July 2015	3.5% per annum on the principal amount of the Convertible Bonds	On or before 28 July 2015
28 July 2015 to 27 July 2016	3.5% per annum on the principal amount of the Convertible Bonds	On or before 28 July 2016
28 July 2016 to 27 July 2017	3.5% per annum on the principal amount of the Convertible Bonds	On or before 28 July 2017
28 July 2017 to 27 July 2018	3.5% per annum on the principal amount of the Convertible Bonds	On or before 28 July 2018
28 July 2018 to 27 July 2019	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2025
28 July 2019 to 27 July 2020	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2025
28 July 2020 to 27 July 2021	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2025

<b>Interest Period</b>	<b>Interest Rate</b>	<b>Payment due dates</b>
28 July 2021 to 27 July 2022	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2025
28 July 2022 to 27 July 2023	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2025
28 July 2023 to 27 July 2024	4.5% per annum on the principal amount of the Convertible Bonds	28 July 2025
28 July 2024 to 27 July 2025	4.5% per annum on the principal amount of the Convertible Bonds	28 July 2025

- (ii) the Company shall pay to the Bondholder a sum of additional interest in the amount of HK\$11,261,250 on 28 July 2025, which was originally due on 28 July 2023 as per the Second Deed of Amendment;
- (iii) the Company shall pay to the Bondholder a sum of additional interest in the amount of HK\$29,654,625 on 28 July 2025, which was originally due on 28 July 2023 as per the Second Deed of Amendment;
- (iv) the Company shall pay to the Bondholder a sum of additional interest in the amount of HK\$4,826,250 on 28 July 2025, representing the additional interest for one-year extension for payment of interest for the period from 28 July 2023 to 27 July 2024 at 15% per annum on the annual interest payment under the Convertible Bonds;
- (v) the Company shall pay to the Bondholder a sum of additional interest in the amount of HK\$49,812,263 on 28 July 2025, representing 15% per annum on the aggregate amount of interest up to 28 July 2023 multiplied by 2; and
- (vi) for the avoidance of doubt, the Company and the Bondholder agreed and confirmed that (i) pursuant to the Second Deed of Amendment, the total interest due from the Company to the Bondholder for the period from 28 July 2018 to 27 July 2023 is HK\$166,040,875 and (ii) pursuant to the Third Amendments, the total interest due from the Company to the Bondholder for the period from 28 July 2018 to 27 July 2025 is HK\$285,029,388.

The Third Deed of Amendment Deed was approved in special general meeting held on 28 June 2023 and all conditions precedent under the Third Amendments have been fulfilled and those amendments took effect from 12 July 2023.

On 27 July 2023, the Company and Dr. Mao Yu Min as subscriber entered into the subscription agreement, pursuant to which the Company has conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for, the convertible bonds in the principal amount of HK\$55,500,000. The convertible bonds shall bear an interest from (and including) the date of issue at the rate of 0% per annum on the outstanding principal amount of the convertible bonds. The maturity date is the tenth anniversary of the date of issue of the convertible bonds. The initial conversion price for the convertible bonds shall be HK\$0.211 per conversion share.

The subscription price in the amount of HK\$55,500,000 payable by the subscriber under the subscription agreement shall be satisfied by way of offsetting in full on a dollar-to-dollar basis against the outstanding aggregate principal amount payable by the Company to the subscriber under the shareholder's loans in the amount of HK\$55,500,000.

The subscriber, Dr Mao is the substantial shareholder of the Company. The subscription constitutes a connected transaction of the Company and is subject to the independent shareholders' approval requirements. Completion of the subscription agreement is subject to fulfillment of the conditions precedent under the subscription agreement.

Details of the proposed issue of the convertible bonds are set out in the announcement dated 27 July 2023.

The Company is preparing the circular containing the notice of special meeting for the approval of the proposed issue of the convertible bonds.

The Company issued certain convertible bonds on 25 October 2013, 27 December 2013, 24 April 2014, 30 August 2014, 31 December 2014 and 30 April 2015. The maturity date of those convertible bonds falls on the tenth anniversary of the date of issue.

On 15 August 2023, those convertible bonds in the aggregate principal amount of HK\$359,600,000 remain outstanding. The Company and the bondholders entered into the deed of amendment pursuant to which the Company and the bondholders have conditionally agreed to amend certain terms and conditions of the convertible bonds. The Company and the bondholders have conditionally agreed to amend the terms of the convertible bonds to the effect that the maturity date shall be extended from the tenth anniversary of the date of issue to the twentieth anniversary of the date of issue.

Save for the Amendment, the terms and conditions of the convertible bonds remain intact and unchanged.

The bondholders, Dr. Mao (through himself and his controlled corporation) is a substantial shareholder of the Company. The amendment constitutes a connected transaction of the Company and is subject to the independent shareholders' approval requirements. Completion of the amendment is subject to fulfillment of the conditions precedent under the deed of amendment.

Details of the proposed amendment are set out in the announcement dated 15 August 2023.

The Company is preparing the circular containing the notice of special meeting for the approval of the proposed amendment.

## Research and development

To further ensure that the Product will be able to commercialise in first quarter of 2025, the project team of the Group will regularly monitor the progress and make regular reports to the management of the Company so as to ensure the In-process R&D can be completed according to the Group's schedule to commercialise the Product in first quarter of 2025.

## FINANCIAL REVIEW

### Capital structure

	<b>30.9.2021</b>	31.3.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each (the "Shares")	<u><b>500,000</b></u>	<u>500,000</u>
Issued and fully paid:		
1,464,193,024 Shares (As at 31 March 2023: 1,464,193,024 Shares)	<u><b>14,642</b></u>	<u>14,642</u>

### Liquidity and financial resources

As at 30 September 2023, the Group had bank and cash balances of approximately HK\$862,000 (31 March 2023: approximately HK\$1.3 million).

As at 30 September 2023, total borrowings of the Group were approximately HK\$1,041.5 million (31 March 2023: approximately HK\$1,236.5 million) which reflected the debt value of the Company's unconverted convertible bonds, lease liabilities, amounts due to non-controlling interests, amounts due to former non-controlling interests, loans from a substantial shareholder, amount due to a former associate, and loans from a former associate and a non-controlling interest.

The ratio of current assets to current liabilities of the Group was 0.02 as at 30 September 2023 as compared to the 0.01 as at 31 March 2023. The Group's gearing ratio as at 30 September 2023 was 0.76 (31 March 2023: 0.90) which is calculated based on the Group's total liabilities of approximately HK\$1,049.2 million (31 March 2023: approximately HK\$1,243.5 million) and the Group's total assets of approximately HK\$1,382.2 million (31 March 2023: approximately HK\$1,384.0 million).

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

### **Significant acquisition and investments**

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

### **Charges on the Group's assets**

As at 30 September 2023, the Group and the Company did not have any charges on their assets (31 March 2023: Nil).

### **Foreign exchange exposure**

The monetary assets and liabilities and businesses of the Group are mainly conducted in Hong Kong Dollars, Renminbi, and United States Dollars. The Group maintains a prudent strategy in its foreign exchange risk management, with the foreign exchange risk being minimised through balancing the foreign currency monetary assets against foreign currency monetary liabilities, and foreign currency revenue against foreign currency expenditure. The Group did not use any financial instruments to hedge against foreign currency risk during the Financial Period. 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 30 September 2023, the Group had 20 full time employees (31 March 2023: 22), most of whom work in the Company's subsidiaries in the PRC. It is the Group's policy that the remuneration of employees and Directors are in line with the market and commensurate with their responsibilities. Discretionary year-end bonuses are payable to the employees based on individual performance. Other employee benefits include medical insurance, retirement schemes, training programmes, and education subsidies.

Total staff costs including the Directors' remuneration for the Financial Period amounts to approximately HK\$2.0 million (Previous Financial Period: approximately HK\$3.1 million).

## **Segment information**

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

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

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

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to striving good corporate governance practices and emphasising on transparency and accountability to its shareholders and stakeholders for enhancing investor confidence. Throughout the Financial Period, the Company has adopted and complied with all the code provisions as set out in the Corporate Governance Code (“CG Code”) as set forth in Appendix 14 to the Listing Rules, save and except for the deviations from code provisions C.2.1 and F.1.1.

### **Code provision C.2.1**

Code provision C.2.1 stipulates that, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Jiang Nian is the chairman of the Group. As at the date of this announcement, the role of chief executive officer remains vacant. The Company is continually looking for a suitable person to assume this role.

### **Code provision F.1.1**

Code provision F.1.1 stipulates that the Company should have a policy on payment of dividends. The Company has not established a dividend policy as the Company considers it more appropriate to determine a dividend payment after taking into account those factors including the Company's then financial performance, operating and capital requirements and market conditions, to enable the Company be in a better position to cope with its future development, which is to the best interest of the Company and its shareholders as a whole.

## **AUDIT COMMITTEE**

The Audit Committee reviews with the management the accounting policies and practices adopted by the Group and discusses the auditing, internal control and financial reporting matters. The Group's unaudited interim financial statements for the Financial Period have been reviewed by the Audit Committee.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Upon specific enquiries being made with all the Directors, each of them have confirmed that they have fully complied with the required standards set out in the Model Code throughout the Financial Period in relation to their securities dealings, if any.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Company ([www.ipb.asia](http://www.ipb.asia) and [www.irasia.com/listco/hk/ipb](http://www.irasia.com/listco/hk/ipb)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report of the Company for the Interim Period containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and made available on the above websites in due course.

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

Hong Kong, 29 November 2023

*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), Mr. Cheng Tak Yiu (executive Director), Ms. Xiao Yan (non-executive Director), Ms. Wu Yanmin (non-executive Director), Ms. Chen Weijun (independent non-executive Director), Mr. Wang Rongliang (independent non-executive Director) and Mr. Chen Jinzhong (independent non-executive Director).*