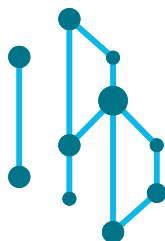


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance 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 2022

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 2022 (the “Financial Period”) together with the comparative figures for the six months ended 30 September 2021 (the “Previous Financial Period”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

| | | Six months ended 30 September | |
|-----------------------------------|-------|----------------------------------|-------------|
| | | 2022 | 2021 |
| | | HK\$'000 | HK\$'000 |
| | Notes | (unaudited) | (unaudited) |
| Revenue | 3 | 4,138 | 6,632 |
| Cost of sales and services | | (3,717) | (5,891) |
| Gross profit | | 421 | 741 |
| Other income | | 43 | — |
| Other gains and losses, net | 4 | — | 250,654 |
| Selling expenses | | (39) | (82) |
| Administrative expenses | | (6,592) | (8,856) |
| Research and development expenses | | (1,498) | (6,519) |
| Finance costs | 5 | (110,607) | (114,827) |

| | | Six months ended | |
|--|--------------|-------------------------|--------------------|
| | | 30 September | |
| | | 2022 | 2021 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (unaudited) | (unaudited) |
| (Loss) profit before tax | | (118,272) | 121,111 |
| Income tax | | <u>—</u> | <u>—</u> |
| (Loss) profit for the period | 6 | <u>(118,272)</u> | <u>121,111</u> |
| Other comprehensive (expense) income | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Exchange difference on translation of foreign operations | | <u>(79)</u> | <u>181</u> |
| | | <u>(79)</u> | <u>181</u> |
| Total comprehensive (expense) income for the period | | <u>(118,351)</u> | <u>121,292</u> |
| (Loss) profit for the period attributable to: | | | |
| Owners of the Company | | (115,661) | 125,076 |
| Non-controlling interests | | <u>(2,611)</u> | <u>(3,965)</u> |
| | | <u>(118,272)</u> | <u>121,111</u> |
| Total comprehensive (expense) income for the period attributable to: | | | |
| Owners of the Company | | (115,740) | 125,257 |
| Non-controlling interests | | <u>(2,611)</u> | <u>(3,965)</u> |
| | | <u>(118,351)</u> | <u>121,292</u> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| (Loss) earnings per share | 8 | | |
| Basic | | <u>(7.90)</u> | <u>8.54</u> |
| Diluted | | <u>(7.90)</u> | <u>8.54</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

| | | At 30 September 2022 <i>HK\$'000</i> (unaudited) | At 31 March 2022 <i>HK\$'000</i> (audited) |
|---|--------------|--|--|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Right-of-use assets | | 1,881 | 2,822 |
| Intangible assets | 10 | <u>1,373,224</u> | <u>1,373,224</u> |
| | | <u>1,375,105</u> | <u>1,376,046</u> |
| Current assets | | | |
| Trade receivables | 11 | 9,251 | 9,260 |
| Prepayments, deposits and other receivables | | 3,219 | 5,607 |
| Bank and cash balances | | <u>3,821</u> | <u>4,081</u> |
| | | <u>16,291</u> | <u>18,950</u> |
| Current liabilities | | | |
| Trade payables | 12 | 7,953 | 8,153 |
| Lease liabilities | | 1,850 | 1,881 |
| Accruals and other payables | | 3,245 | 3,975 |
| Amounts due to non-controlling interests | | 3,092 | 3,092 |
| Amounts due to former non-controlling interests | | 724 | 724 |
| Loan from a substantial shareholder | | 43,500 | 40,000 |
| Amount due to a former associate | | 41,947 | 41,947 |
| Convertible Bonds | 13 | <u>722,080</u> | <u>—</u> |
| | | <u>824,391</u> | <u>99,772</u> |
| Net current liabilities | | <u>(808,100)</u> | <u>(80,822)</u> |
| Total assets less current liabilities | | <u>567,005</u> | <u>1,295,224</u> |

| | | At 30 September 2022 <i>HK\$'000</i> (unaudited) | At 31 March 2022 <i>HK\$'000</i> (audited) |
|--|----|--|--|
| Non-current liabilities | | | |
| Convertible bonds | 13 | 259,919 | 871,791 |
| Lease liabilities | | 75 | 968 |
| Loan from a non-controlling interest | | 10,346 | 10,346 |
| Loan from a former associate | | 19,671 | 16,853 |
| | | <u>290,011</u> | <u>899,958</u> |
| NET ASSETS | | <u>276,994</u> | <u>395,266</u> |
| Capital and reserves | | | |
| Share capital | 14 | 14,642 | 14,642 |
| Reserves | | <u>(679,670)</u> | <u>(564,009)</u> |
| Equity attributable to owners of the Company | | (665,028) | (549,367) |
| Non-controlling interests | | <u>942,022</u> | <u>944,633</u> |
| TOTAL EQUITY | | <u>276,994</u> | <u>395,266</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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\$808,100,000 as at 30 September 2022 in which the outstanding convertible bonds with principal amounts of HK\$715,000,000 to be mature in July 2023; and
- (ii) 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 2022 for a period of at least 12 months from the date of these condensed consolidated financial statements.
- (ii) The Company obtained the financial support of the substantial shareholder and confirm in written that they will not demand for the loan of HK\$43,500,000 as at 30 September 2022 for a period of at least 12 months from the date of these condensed consolidated financial statements and agreed to provide the Company with sufficient financial support to enable the Company to meet its obligations to third parties as and when they fall due and to continue as a going concern.
- (iii) 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 mid of 2024. 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.
- (iv) The Company is actively negotiating with the convertible bond holder for renewal the maturity of the convertible bond.
- (v) Smart Ascent has obtained further financing facilities of HK\$12,000,000 from its shareholders, Clear Rich International Limited, a wholly owned subsidiary of the Group, and Extrawell BVI Limited, a wholly owned subsidiary of Extrawell to support the Clinical Trial and other development cost. The total funding amount will be shared by the Group and Extrawell in proportion of 51% and 49% respectively. The amount of the financing facilities HK\$7,000,000 is available at the date of these condensed consolidated financial statements.

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 mid of 2024; and
- (ii) Successful negotiation with the holder of the convertible bond for renewal the maturity of the convertible bond.

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 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2021 for the preparation of the Group's condensed consolidated financial statements:

| | |
|-----------------------|---|
| Amendments to HKFRS 3 | <i>Reference to the Conceptual Framework</i> |
| Amendments to HKAS 16 | <i>Property, Plant and Equipment — Proceeds before Intended Use</i> |
| Amendments to HKAS 37 | <i>Onerous Contracts — Cost of Fulfilling a Contract</i> |
| Amendments to HKFRSs | <i>Annual Improvements to HKFRSs 2018–2020</i> |

The application of the amendment 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 | |
|--|---|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Six months ended 30 September | | | | | | |
| Revenue from external customers | <u>4,138</u> | <u>6,632</u> | <u>—</u> | <u>—</u> | <u>4,138</u> | <u>6,632</u> |
| Segment (loss) profit after tax | <u>(382)</u> | <u>659</u> | <u>(3,782)</u> | <u>(8,091)</u> | <u>(3,400)</u> | <u>(7,432)</u> |

| Six months ended 30 September | |
|--|-----------------|
| 2022 | 2021 |
| <i>HK\$'000</i> | <i>HK\$'000</i> |
| (unaudited) | (unaudited) |

Reconciliation of reportable segment (loss) profit
after tax:

| | | |
|---|------------------|----------------|
| Total segment loss | (3,400) | (7,432) |
| Corporate and other expenses | (114,872) | (122,111) |
| Unallocated other income, gains and losses, net | <u>—</u> | <u>250,654</u> |
| Consolidated (loss) profit for the period | <u>(118,272)</u> | <u>121,111</u> |

4. OTHER GAINS AND LOSSES, NET

| | Six months ended 30 September | |
|---|--|-----------------|
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Gain on modification of convertible bonds | <u>—</u> | <u>250,654</u> |

5. FINANCE COSTS

| | Six months ended 30 September | |
|--|----------------------------------|-----------------------|
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Effective interest expense on convertible bonds | 110,208 | 114,441 |
| Interest expense on loan from the subsidiary of a former associate | 369 | 369 |
| Interest on lease liability | 30 | 17 |
| | <u>110,607</u> | <u>114,827</u> |

6. (LOSS) PROFIT FOR THE PERIOD

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

| | Six months ended 30 September | |
|--|----------------------------------|---------------------|
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Depreciation of right-of-use assets | 941 | 1,137 |
| Cost of inventories recognised as an expense | 3,717 | 5,891 |
| Staff costs including directors' emoluments | 3,105 | 3,679 |
| | <u>3,105</u> | <u>3,679</u> |

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 (2021: Nil).

8. (LOSS) EARNINGS PER SHARE

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

| | Six months ended | |
|---|-------------------------|-----------------------|
| | 30 September | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| (Loss) profit | | |
| (Loss) profit for the purposes of basic and diluted earnings per share ((loss) profit for the period attributable to owners of the Company) | <u>(115,661)</u> | <u>125,076</u> |

| | Six months ended | |
|---|-------------------------|-------------------------|
| | 30 September | |
| | 2022 | 2021 |
| | Number of | Number of |
| | shares | shares |
| | '000 | '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share | <u>1,464,193</u> | <u>1,464,193</u> |

The computation of diluted loss per share for the six months ended 30 September 2022 does not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would decrease the loss per share for that period.

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 2021.

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 2022 period (six months ended 30 September 2021: 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 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. 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 25.8% 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 2022 <i>HK\$'000</i> (unaudited) | At 31 March 2022 <i>HK\$'000</i> (audited) |
|-----------------|--|--|
| 30 days or less | 903 | 316 |
| 31 to 60 days | 842 | 320 |
| 61 to 90 days | 611 | 741 |
| Over 90 days | <u>6,895</u> | <u>7,883</u> |
| | <u><u>9,251</u></u> | <u><u>9,260</u></u> |

12. TRADE PAYABLES

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

| | At 30 September 2022 <i>HK\$'000</i> (unaudited) | At 31 March 2022 <i>HK\$'000</i> (audited) |
|-----------------|--|--|
| 30 days or less | 821 | 301 |
| 31 to 60 days | 732 | 306 |
| Over 180 days | <u>6,400</u> | <u>7,546</u> |
| | <u><u>7,953</u></u> | <u><u>8,153</u></u> |

13. CONVERTIBLE BONDS

| | At 30 September 2022 <i>HK\$'000</i> | At 31 March 2022 <i>HK\$'000</i> |
|--------------------------------|---|---|
| Current liabilities | | |
| Convertible Bonds III | 722,080 | — |
| Non-current liabilities | | |
| Convertible Bonds I | 198,296 | 176,520 |
| Convertible Bonds II | 61,623 | 55,445 |
| Convertible Bonds III | — | 639,826 |
| | <u>259,919</u> | <u>871,791</u> |
| | <u>981,999</u> | <u>871,791</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:

| | Principal amount <i>HK\$'000</i> | Carrying amount <i>HK\$'000</i> |
|-----------------------------------|--|---|
| As at 1 April 2021 (audited) | 256,000 | 139,963 |
| Interest charge (<i>Note 5</i>) | — | 17,975 |
| | <u>256,000</u> | <u>157,938</u> |
| 30 September 2021 (unaudited) | <u>256,000</u> | <u>157,938</u> |
| As at 1 April 2022 (audited) | 256,000 | 176,520 |
| Interest charge (<i>Note 5</i>) | — | 21,776 |
| | <u>256,000</u> | <u>198,296</u> |
| 30 September 2022 (unaudited) | <u>256,000</u> | <u>198,296</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:

| | Principal amount <i>HK\$'000</i> | Carrying amount <i>HK\$'000</i> |
|-----------------------------------|--|---|
| As at 1 April 2021 (audited) | 103,600 | 66,045 |
| Interest charge (<i>Note 5</i>) | — | 5,005 |
| | <hr/> | <hr/> |
| 30 September 2021 (unaudited) | <u>103,600</u> | <u>71,826</u> |
| 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> |

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.

At 16 August 2021, the fair value of the liability component was HK\$550,682,000 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\$0.225 |
| Exercise price | HK\$2.5 |
| Discount rate | 24.125% |
| Risk-free rate (<i>Note a</i>) | 0.133% |
| Expected volatility (<i>Note b</i>) | 27.294% |
| 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:

| | Principal amount HK\$'000 | Carrying amount HK\$'000 |
|-----------------------------------|--|---|
| As at 1 April 2021 (audited) | 715,000 | 726,528 |
| Interest charge (<i>Note 5</i>) | — | 91,461 |
| Modification of Convertible bond | — | (250,654) |
| | <u>715,000</u> | <u>567,335</u> |
| 30 September 2021 (unaudited) | <u>715,000</u> | <u>567,335</u> |
| As at 1 April 2022 (audited) | 715,000 | 639,826 |
| Interest charge (<i>Note 5</i>) | — | 82,254 |
| | <u>715,000</u> | <u>722,080</u> |
| 30 September 2022 (unaudited) | <u>715,000</u> | <u>722,080</u> |

14. SHARE CAPITAL

| | Number of shares '000 | Share capital HK\$'000 |
|--|--------------------------------------|-----------------------------------|
| Ordinary shares of HK\$0.01 each Authorised: | | |
| As at 1 April 2021, 30 September 2021, 1 April 2022 and 30 September 2022 | <u>50,000,000</u> | <u>500,000</u> |
| Issued and fully paid: | | |
| As at 1 April 2021 (audited) | <u>1,464,193</u> | <u>14,642</u> |
| As at 30 September 2021 (unaudited) | <u>1,464,193</u> | <u>14,642</u> |
| 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> |

15. RELATED PARTY TRANSACTIONS

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

| | Six months ended | |
|---|-------------------------|-------------|
| | 30 September | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Service fee expense paid and payable to Dr. Mao, a shareholder of the Company | 336 | 336 |
| Compensation of key management personnel: | | |
| Short-term employment benefits | 1,623 | 1,623 |
| Post-employment benefits | 14 | 14 |
| | <u>14</u> | <u>14</u> |

At the end of reporting period, the amount due to Dr. Mao, a shareholder of the Company was HK\$43,500,000 (at 31 March 2022: HK\$40,000,000). 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\$4.1 million, representing a decrease of approximately 37.6% as compared with the total revenue of approximately HK\$6.6 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 loss attributable to the owners of the Company amounted to approximately HK\$115.7 million for the Financial Period as compared to profit of HK\$125.1 million in Previous Financial Period. The change from profit to loss is mainly due to the non-cash item result from the completion of the second amendment of Convertible Bonds III in the Previous 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\$250,654,000 was credited into income statements for the Previous Financial Period.

BUSINESS REVIEW

Trading of beauty equipment and products

The another wave of COVID-19 outbreak in early of the year 2022 still affects the Company's trading business. During the Financial Period, revenue arising from the trading of beauty equipment and products amounted to approximately HK\$4.1 million, representing a decrease of approximately 37.6% from the revenue in the amount of approximately HK\$6.6 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 2022.

The enrolment of the first batch of patients for the Clinical Trial testing has commenced in July 2020. Currently, about 296 patients have been enrolled in selected participating hospitals to take place in the Clinical Trial. The enrolment of patients will be an ongoing process.

Currently, 19 hospitals are participating in the Clinical Trial. 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 mid of 2024. 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 barrier of the cross-border activities will be removed in coming year which would improve the current business environment and the Group's trading revenue. 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

The Group has outstanding convertible bond with principal amounts of HK\$715,000,000 to be mature in July 2023. The Company is actively negotiating with the convertible bond holder for renewal the maturity of the convertible bond.

Research and development

To further ensure that the Product will be able to commercialise in mid of 2024, 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 mid of 2024.

FINANCIAL REVIEW

Capital structure

| | 30.9.2021 <i>HK\$'000</i> | 31.3.2021 <i>HK\$'000</i> |
|---|-------------------------------------|------------------------------|
| Authorised: 50,000,000,000 ordinary shares of HK\$0.01 each (the "Shares") | <u>500,000</u> | <u>500,000</u> |
| Issued and fully paid: 1,464,193,024 Shares (As at 31 March 2022: 1,464,193,024 Shares) | <u>14,642</u> | <u>14,642</u> |

Liquidity and financial resources

As at 30 September 2022, the Group had bank and cash balances of approximately HK\$3.8 million (31 March 2022: approximately HK\$4.1 million).

As at 30 September 2022, total borrowings of the Group were approximately HK\$1,103.2 million (31 March 2022: approximately HK\$987.6 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 2022 as compared to the 0.19 as at 31 March 2022. The Group's gearing ratio as at 30 September 2022 was 0.80 (31 March 2022: 0.72) which is calculated based on the Group's total liabilities of approximately HK\$1,114.4 million (31 March 2022: approximately HK\$999.7 million) and the Group's total assets of approximately HK\$1,391.4 million (31 March 2022: approximately HK\$1,395.0 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 2022, the Group and the Company did not have any charges on their assets (31 March 2022: 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 2022, the Group had 23 full time employees (31 March 2022: 25), 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\$3.1 million (Previous Financial Period: approximately HK\$3.7 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 and www.irasia.com/listco/hk/ipb) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the Interim Period containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and made available on the above websites in due course.

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

Hong Kong, 29 November 2022

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