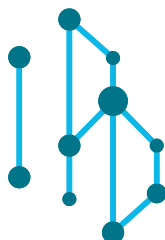


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INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED
領航醫藥及生物科技有限公司

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

(Stock Code: 399)

**AMENDMENT TO THE TERMS AND CONDITIONS OF
THE CONVERTIBLE BONDS**

THE AMENDMENT DEED

The Board is pleased to announce that on 26 July 2019 (after trading hours), the Company and the Bondholder entered into the Amendment Deed pursuant to which the Company and the Bondholder have conditionally agreed to amend the interest payment terms of the Convertible Bonds to the effect that i) the interest payment due dates shall be amended from payment of interest in arrears annually to payment of interest for the Interest Payment Year 2018, Interest Payment Year 2019 and Interest Payment Year 2020 on or before 28 July 2021; and ii) the Company shall pay to the Bondholder a sum of additional interest in the amount of HK\$11,261,250 on 28 July 2021 (representing 15% per annum on the annual interest payment under the Convertible Bonds multiplied by three), being the additional interest for 2-year extension for the payment of interest for Interest Payment Year 2018 and 1 year extension for payment of interest for Interest Payment Year 2019.

DEED OF WAIVER

On 26 July 2019 (after trading hours) the Bondholder also entered into the Deed of Waiver in favour of the Company to grant to the Company an unconditional waiver in respect of the obligation of the Company to pay the interest payment for the Interest Payment Year 2018.

LISTING RULES IMPLICATIONS

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company will obtain approval from the Stock Exchange of the Amendment contemplated by the Amendment Deed pursuant to Rule 28.05 of the Listing Rules.

GENERAL

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

A circular containing, among other things, (i) further details of the Amendment Deed, the Deed of Waiver and the transactions contemplated thereunder; and (ii) a notice convening the SGM, will be despatched to the Shareholders on or before 31 August 2019 as the Board expects that additional time will be required for preparing the information to be contained in the circular.

Shareholders and potential investors should note that the Amendment Deed is conditional upon fulfilment of all conditions precedent therein. The transactions contemplated under the Amendment Deed may or may not materialize. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

BACKGROUND

Reference is made to the announcements of the Company dated 18 March 2014 and 28 July 2014 and the circular of the Company dated 26 June 2014 in relation to the sale and purchase of 51% interest in the share capital of Smart Ascent and issue of the Convertible Bonds by the Company to the Bondholder. As part of the consideration of the acquisition of Smart Ascent, on 28 July 2014 the Company issued the Convertible Bonds in the principal amount of HK\$715,000,000.

As at the date of this announcement, the conversion price of the Convertible Bonds has not been adjusted and none of the principal amount of the Convertible Bonds has been converted or repaid.

THE AMENDMENT DEED

On 26 July 2019 (after trading hours), the Company and the Bondholder entered into the Amendment Deed details of which are summarised as follows:

Date:

26 July 2019

Parties:

- (1) The Company as the issuer; and
- (2) The Bondholder as the holder of the Convertible Bonds

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for i) the Bondholder holding the Convertible Bonds and the convertible bonds in an aggregate principal amount of HK\$715,000,000 issued by the Company pursuant to an instrument of the Company dated 24 July 2014 with 3.5% interest per annum; and ii) the Company holding 457,510,000 shares of the Bondholder representing approximately 19.14% of its entire issued share capital and the convertible bonds in an aggregate outstanding principal amount of HK\$577,170,000 issued by the Bondholder to the Company on 29 October 2013, 25 April 2014, 1 September 2014, 7 January 2015 and 7 May 2015 with nil interest, the Bondholder and its ultimate beneficial owners are Independent Third Parties.

The Amendment

Pursuant to the Amendment Deed, the Company and the Bondholder have conditionally agreed to amend the interest payment terms of the Convertible Bonds to the effect that i) the interest payment due dates shall be amended from payment of interest in arrears annually to payment of interest for the Interest Payment Year 2018, Interest Payment Year 2019 and Interest Payment Year 2020 on or before 28 July 2021; and ii) the Company shall pay to the Bondholder a sum of additional interest in the amount of HK\$11,261,250 on 28 July 2021 (representing 15% per annum on the annual interest payment under the Convertible Bonds multiplied by three), being the additional interest for 2-year extension for the payment of interest for Interest Payment Year 2018 and 1 year extension for payment of interest for Interest Payment Year 2019.

Save for the aforesaid, all other terms of the Convertible Bonds remain unchanged.

Conditions Precedent

The taking effect of the Amendment will be subject to the fulfilment of all of the following conditions precedent on or before the Long Stop Date:

- (A) the Stock Exchange having approved the Amendment Deed in accordance with Rule 28.05 of the Listing Rules;
- (B) each of the Company and the Bondholder having obtained all necessary consents and approvals in respect of the Amendment Deed and the transaction contemplated thereunder in compliance with the relevant laws and regulations;
- (C) (if necessary) each of the Company and the Bondholder having convened a special general meeting at which the necessary resolutions shall have been duly passed by the shareholders of each of the Company and Bondholder to approve the Amendment Deed and the transactions contemplated thereunder; and
- (D) the Bondholder having passed a written resolution of the bondholder meeting to approve the Amendment Deed and the transactions contemplated thereunder.

None of the above conditions precedent can be waived. If any of the above conditions precedent has not been fulfilled at or before 5 p.m. on the Long Stop Date, the Amendment Deed shall automatically be terminated and will have no further effect on any parties to the Amendment Deed.

DEED OF WAIVER

On 26 July 2019 (after trading hours) the Bondholder also entered into the Deed of Waiver in favour of the Company.

In consideration of the Company agreeing to make and effect payment(s) pursuant to the Deed of Waiver, the Bondholder agreed during the period from and including the date of the Amendment Deed to the date on which the last conditions precedent of the Amendment Deed is fulfilled or the date the Amendment Deed is terminated (whichever is earlier), (i) to grant to the Company an unconditional waiver in respect of the obligation of the Company to pay the interest payment for the Interest Payment Year 2018 and not to take any steps to enforce or make demand for the interest payment for the Interest Payment Year 2018; (ii) not to exercise any right or remedy that the Bondholder would otherwise be entitled to exercise in respect of the Convertible Bonds as a result of the occurrence of any events of default as stipulated in the conditions of the Convertible Bonds arising from or in connection with the interest payment for the Interest Payment Year 2018; and (iii) not to take any steps, directly or indirectly, to wind up or appoint a receiver, administrator, administrative receiver or compulsory manager over, or to commence any other insolvency related proceedings (or any analogous proceedings in any other jurisdiction) against, the Company or any assets of the Company.

Pursuant to the Amendment Deed, if any of the conditions precedent under the Amendment Deed has not been fulfilled at or before 5 p.m. on the Long Stop Date, the Amendment Deed will automatically be terminated and will have no further effect on any party to the Amendment Deed. In such circumstances, the Company and the Bondholder agrees that the Company shall within 15 Business Days from the Long Stop Date pay to the Bondholder the 2018 Interest Payment.

The parties agree and acknowledge that if the Amendment Deed is terminated as mentioned above, the Company shall effect (i) payment of 2018 Interest Payment at the time as stipulated above; and (ii) payment of interest for the Interest Payment Year 2019 and Interest Payment Year 2020 at the time as prescribed in the Convertible Bonds, i.e. payable in arrears annually.

TERMS OF THE CONVERTIBLE BONDS

Subject to the fulfilment of the conditions precedent to the Amendment, the principal terms of the Convertible Bonds (as amended by the Amendment Deed) will be as follows:

Principal amount	An aggregate principal amount of up to HK\$715,000,000
Maturity date	7th anniversary of the date of issue

Interest

3.5% per annum

The interest payment due dates for the Interest Payment Year 2018, Interest Payment Year 2019 and Interest Payment Year 2020 shall be on or before 28 July 2021.

The Company shall pay to the Bondholder a sum of additional interest in the amount of HK\$11,261,250 on 28 July 2021 (representing 15% per annum on the annual interest payment under the Convertible Bonds multiplied by three), being the additional interest for 2-year extension for the payment of interest for Interest Payment Year 2018 and 1 year extension for payment of interest for Interest Payment Year 2019.

Conversion Price

The Conversion Price is HK\$2.5 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds.

The Conversion Price of HK\$2.5 represents:

- (i) a premium of approximately 604.23% to the closing price of HK\$0.355 per Share as quoted on the Stock Exchange on the last trading date of signing of the Amendment Deed;
- (ii) a premium of approximately 604.23% to the average closing price of HK\$0.355 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of signing of the Amendment Deed;
- (iii) a premium of approximately 604.23% to the average closing price of approximately HK\$0.355 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of signing of the Amendment Deed; and

- (iv) a premium of approximately 360.54% to the net asset price of approximately HK\$0.54 per Share, calculated based on the audited consolidated net assets of HK\$794,812,000 as at 31 March 2019 and 1,464,193,024 Shares in issue as at the date of the Amendment Deed.

Adjustment events

The Conversion Price shall from time to time be adjusted upon occurrences of certain events, including but not limited to the followings:-

- (i) consolidation or sub-division of Shares;
- (ii) capitalisation of profits;
- (iii) capital distribution;
- (iv) issue of Shares by way of rights, options and warrants;
- (v) issue of any securities if and whenever United Gene shall issue wholly for cash which are convertible into, exchangeable for or carry rights of subscription for Shares;
- (vi) modification of rights of conversion or exchange or subscription attaching to any such securities;
- (vii) issue of Shares wholly for cash at more than 20% discount to the market price of such Shares; and
- (viii) issue of Shares for acquisition of asset at more than 20% discount to the market price of such Shares.

Conversion Shares

Based on the initial Conversion Price of HK\$2.5, a maximum number of 286,000,000 Conversion Shares will be allotted and issued upon exercised in full of the conversion rights attaching to the Convertible Bonds, which represent:

- (i) approximately 19.53% of the total issued share capital of the Company as at the date of this announcement; and

- (ii) approximately 16.34% of the total issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon exercise in full of the conversion rights attaching to Convertible Bonds.

Conversion Rights

Each holder of the Convertible Bonds shall have the right, exercisable during the Conversion Period (as defined below) to convert the whole or any part (in multiples of HK\$35,750,000) of the outstanding principal amount of the Convertible Bonds held by such holder of the Convertible Bonds into such number of Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the date of conversion.

No fraction of a Share shall be issued on conversion of the Convertible Bonds and no cash adjustments will be made.

Conversion Restrictions

Upon exercise of the conversion rights attaching to the Convertible Bonds,

- (i) the holders of Convertible Bonds and their respective associates, together with parties acting in concert (as defined in the Takeovers Code) with them, will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code; and
- (ii) the public float of the Company will not be unable to meet the relevant requirements under the Listing Rules.

Conversion Period

The period commencing from the date of issue of the Convertible Bonds and ending on the day which falls on the 7th anniversary of the date of issue of the Convertible Bonds.

Early Redemption	<p>The Company shall not be entitled to redeem all or part of the outstanding Convertible Bonds prior to the Maturity Date.</p> <p>The Company or any of its subsidiaries may at any time and from time to time purchase the Convertible Bonds at any price as agreed between the Company or such subsidiary and the relevant holder of the Convertible Bonds.</p> <p>Furthermore, according to the instrument constituting the Convertible Bonds, the holders of the Convertible Bonds do not have the right to early redemption of all or part of the outstanding Convertible Bonds prior to the Maturity Date.</p>
Ranking	<p>The Conversion Shares shall rank pari passu in all respects among themselves and with all other existing Shares outstanding at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions.</p>
Transferability	<p>Any transfer of the Convertible Bonds shall be in respect of the whole or any part (in multiples of HK\$35,750,000) of the principal amount of the Convertible Bonds.</p> <p>Furthermore, according to the instrument constituting the Convertible Bonds, the Convertible Bonds must not be transferred to any person, firm or company which is a connected person (as defined in the Listing Rules) of the Company except in compliance with the applicable requirements under the Listing Rules and the Takeovers Code.</p>
Application for listing	<p>No application will be made by the Company to the Stock Exchange for listing of the Convertible Bonds. Application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.</p>

Notice of conversion by other bondholders The Company may, upon request by the holders of the Convertible Bonds in writing, notify the holders of the Convertible Bonds about the conversion of the convertible bonds of the Company by other bondholders within 7 Business Days from the date of receipt of the relevant conversion notice.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table shows the shareholding of the Company (i) as at the date of this announcement; and (ii) assuming full conversion of the Convertible Bonds (assuming no further issue or repurchase of the Shares):

Shareholders	As at the date of this announcement		Assuming full conversion of the Convertible Bonds	
	<i>No. of shares</i>	<i>Approximate %</i>	<i>No. of shares</i>	<i>Approximate %</i>
The Bondholder	—	0.00%	286,000,000	16.34%
Other Shareholders	1,464,193,024	100.00%	1,464,193,024	83.66%
Total	<u>1,464,193,024</u>	<u>100.00%</u>	<u>1,750,193,024</u>	<u>100.00%</u>

INFORMATION OF THE COMPANY

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

INFORMATION OF THE BONDHOLDER

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

REASONS FOR THE AMENDMENT

The interest payment for the Interest Payment Year 2018 will be due on 28 July 2019 upon which the Company would be required to deploy its cash reserves to pay the interest payment for the Interest Payment Year 2018. The Amendment in effect allows the Company to utilise the Company's working capital in a more flexible way.

The amount of additional interest to be paid (i.e. HK\$11,261,250) caused by the Amendment was determined at arm's length negotiation between the parties having considered (i) the prevailing market rate; and (ii) the current financial and cash position of the Group and the benefits which the Amendment would bring to the Group including alleviation of immediate funding needs of the Group to repay the interest under the Convertible Bonds and reservation of fund for the Company's future business development.

In view of the above, the Directors consider that the terms of the Amendment Deed and the Deed of Waiver are fair and reasonable and they are in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company will obtain approval from the Stock Exchange of the Amendment contemplated by the Amendment Deed pursuant to Rule 28.05 of the Listing Rules.

GENERAL

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

As at the date of this announcement, Dr. Xie Yi owns the entire issued share capital of Ease Gold which owns 33.5% interest in Best Champion which in turn owns 60% interest in China United Gene and China United Gene is interested in 13,951,350 Shares. Dr. Xie Yi is the chairman, chief executive officer and executive director of the Bondholder and therefore Dr. Xie Yi is considered to be materially interested in the Amendment. China United Gene and its associates are required to abstain from voting on the resolution(s) proposed to be passed at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for China United Gene and its associates, no Shareholders are required to abstain from voting on the resolutions to be proposed at the SGM.

A circular containing, among other things, (i) further details of the Amendment Deed, the Deed of Waiver and the transactions contemplated thereunder; and (ii) a notice convening the SGM, will be despatched to the Shareholders on or before 31 August 2019 as the Board expects that additional time will be required for preparing the information to be contained in the circular.

Shareholders and potential investors should note that the Amendment Deed is conditional upon fulfilment of all conditions precedent therein. The transactions contemplated under the Amendment Deed may or may not materialize. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“2018 Interest Payment”	being (i) the interest for the Interest Payment Year 2018 in the sum of HK\$25,025,000; and (ii) the additional interest calculated at 15% per annum on HK\$25,025,000 accrued from 28 July 2019 to the actual date of payment (both days inclusive) on the basis of a 365-day year
“Amendment”	amendment to the Convertible Bonds pursuant to the terms of the Amendment Deed
“Amendment Deed”	the deed of amendment of the Convertible Bonds between the Company and the Bondholder dated 26 July 2019
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Best Champion”	Best Champion Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Board”	the board of Directors
“Bondholder”	Extrawell Pharmaceutical Holdings Limited (精優藥業控股有限公司) (stock code: 858), a company incorporated in Bermuda with limited liability and issued shares of which are listed on the main board of the Stock Exchange

“Business Day(s)”	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“China United Gene”	China United Gene Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Company”	Innovative Pharmaceutical Biotech Limited (領航醫藥及生物科技有限公司) (stock code: 399), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	HK\$2.5 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds
“Conversion Shares”	new Shares to be issued and allotted by the Company upon the exercise of the conversion rights attaching to the Convertible Bonds at the Conversion Price
“Convertible Bonds”	the convertible bonds in an aggregate principal amount of HK\$715,000,000 issued by the Company on 28 July 2014 in favour of the Bondholder with the interest of 3.5% per annum for a conversion period of 7 years from the date of issue
“Deed of Waiver”	the deed of waiver between the Company and the Bondholder dated 26 July 2019

“Director(s)”	the director(s) of the Company
“Ease Gold”	Ease Gold Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Interest Payment Year 2018”	for the period from 28 July 2018 to 27 July 2019
“Interest Payment Year 2019”	for the period from 28 July 2019 to 27 July 2020
“Interest Payment Year 2020”	for the period from 28 July 2020 to 27 July 2021
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	27 January 2020 (or such other date as may be agreed by the Company and the Bondholder in writing)
“Maturity Date”	7th anniversary of the date of issue of the Convertible Bonds
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“SGM”	a special general meeting of the Company to be held and convened to consider and, if though fit, to approve Amendment Deed and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Shares

“Smart Ascent”	Smart Ascent Limited, a company incorporated in Hong Kong with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases issued by the Securities and Futures Commission of Hong Kong
“%”	per cent

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

Hong Kong, 28 July 2019

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