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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)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Innovative Pharmaceutical Biotech Limited (the “**Company**”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2024 (the “**Financial Year**”) together with the comparative figures for the year ended 31 March 2023 (the “**Previous Financial Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	4	6,593	8,075
Cost of sales		<u>(5,753)</u>	<u>(7,217)</u>
Gross profit		840	858
Other income	6	1	49
Other gains and losses, net	6	330,303	180
Administrative expenses		(12,919)	(17,031)
Research and development expenses		(1,421)	(4,758)
Finance costs	7	<u>(218,097)</u>	<u>(233,969)</u>
Profit/(loss) before income tax		98,707	(254,671)
Income tax expense	8	<u>—</u>	<u>—</u>
Profit/(loss) for the year	9	<u>98,707</u>	<u>(254,671)</u>
Other comprehensive expenses			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(298)</u>	<u>(33)</u>
Other comprehensive expense for the year		<u>(298)</u>	<u>(33)</u>
Total comprehensive income/(expenses) for the year		<u>98,409</u>	<u>(254,704)</u>

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit/(loss) for the year attributable to:			
Owners of the Company		103,403	(245,698)
Non-controlling interests		(4,696)	(8,973)
		<u>98,707</u>	<u>(254,671)</u>
 Total comprehensive income/(expenses) for the year attributable to:			
Owners of the Company		103,102	(245,707)
Non-controlling interests		(4,693)	(8,997)
		<u>98,409</u>	<u>(254,704)</u>
		<i>HK cents</i>	<i>HK cents</i>
 Earnings/(Loss) per share	 11		
Basic		<u>6.77</u>	<u>(16.78)</u>
Diluted		<u>(0.82)</u>	<u>(16.78)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current assets			
Right-of-use assets		—	941
Intangible asset	<i>12</i>	<u>1,373,224</u>	<u>1,373,224</u>
		<u>1,373,224</u>	<u>1,374,165</u>
Current assets			
Trade receivables	<i>13</i>	4,905	6,167
Prepayments, deposits and other receivables		1,819	2,385
Bank balances and cash		<u>3,075</u>	<u>1,331</u>
		<u>9,799</u>	<u>9,883</u>
Current liabilities			
Trade payables	<i>14</i>	1,853	4,022
Lease liabilities		—	968
Accruals and other payables		7,526	2,972
Amounts due to non-controlling interests		3,092	3,092
Amounts due to former non-controlling interest		724	724
Loan from a substantial shareholder		62,300	51,000
Loan from a former associate		18,355	6,007
Amount due to a former associate		41,947	41,947
Convertible bonds		<u>255,804</u>	<u>1,036,312</u>
		<u>391,601</u>	<u>1,147,044</u>
Net current liabilities		<u>(381,802)</u>	<u>(1,137,161)</u>
Total assets less current liabilities		<u>991,422</u>	<u>237,004</u>

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Convertible bonds	655,346	68,510
Loan from a non-controlling interest	10,346	10,346
Loan from a former associate	6,299	17,586
	<u>671,991</u>	<u>96,442</u>
NET ASSETS	<u>319,431</u>	<u>140,562</u>
Capital and reserves		
Share capital	17,232	14,642
Reserves	(628,744)	(809,716)
Equity attributable to owners of the Company	(611,512)	(795,074)
Non-controlling interests	930,943	935,636
TOTAL EQUITY	<u>319,431</u>	<u>140,562</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

1. GENERAL INFORMATION

Innovative Pharmaceutical Biotech Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. On 1 March 2013, the Company has been deregistered in the Cayman Islands and continued in Bermuda as an exempted company with limited liability under the laws of Bermuda. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business in Hong Kong is situated at Unit No. 2002, 20/F, On Hong Commercial Building, 145 Hennessy Road, Wan Chai, Hong Kong.

2. BASIS OF PREPARATION

In preparing these 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\$381,802,000 as at 31 March 2024 while cash and cash equivalents amounted to HK\$3,075,000 only;
- (ii) The Group incurred a net operating cash outflow of HK\$8,279,000 for the year ended 31 March 2024;
- (iii) The Group has outstanding convertible bonds with principal amount of HK\$256,000,000 has been matured;
- (iv) The Group has outstanding loan from a substantial shareholder, loan from a former associate and amount due to a former associate amounted to HK\$62,300,000, HK\$18,355,000 and HK\$41,947,000 would be due for repayment within the next 12 months; and
- (v) 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 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 the next year from the date of the consolidated financial statements, after taking into consideration of the following measures and arrangements made subsequent to the reporting date:

- (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 of amount due to a former associate and HK\$18,355,000 of loan from a former associate as at 31 March 2024 for a period of at least 12 months from the date of approval of these financial statements.
- (ii) The Company obtained the financial support of the substantial shareholder and confirm in written that they will not demand for repayment of the loan of HK\$6,800,000 as at 31 March 2024 for a period of at least 12 months from the date of approval of these 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) On 27 July 2023, the Company and the substantial shareholder of the Company 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 bond in the principal amount of HK\$55,500,000. The convertible bond will be matured at tenth anniversary of the date of issue of the convertible bonds. The subscription price in the amount of HK\$55,500,000 payable by the substantial shareholder 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 substantial shareholder under the shareholder loans in the amount of HK\$55,500,000.

The issuance of convertible bonds were approved in special general meeting held on 24 May 2024 and completed on 21 June 2024.

- (iv) On 15 August 2023 and 22 December 2023, the Company and the bondholders entered into the deed of amendment and supplemental deed of amendment pursuant to which the Company and bondholders agreed to amend the terms of the convertible bonds in the principal amount of HK\$256,000,000 to the effect that: (i) the conversion price of the convertible bonds shall be amended from HK\$0.4 to HK\$0.202; (ii) the maturity date of the convertible bonds shall be extended from the tenth anniversary of the date of issue to the twentieth anniversary of the date of issue.

The deed of amendment and supplemental deed of amendment were approved in special general meeting held on 24 May 2024 and completed on 21 June 2024.

- (v) The management of the Company is currently working on the Clinical Trial which has been commenced in July 2020 and about 400 patients have been selected and enrolled in the Clinical Trial as at 31 March 2024. The management is making every effort to achieve the expected timeline that the oral insulin product will be launched in the first quarter of 2026. As at the date of this report, 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 management of the Company is looking for other financing and borrowing opportunity.

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 consolidated financial statements. Accordingly, the 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 cashflow through the successful to complete the Clinical Trial and the Product have launch in first quarter of 2026.

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 consolidated financial statements.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2023 for the preparation of the consolidated financial statements:

Amendments to HKFRS 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
HKFRS17	Insurance Contracts and related amendments

Except for described as below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendment to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendment to HKAS 21	Lack of Exchangeability ³
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statement — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Sales of beauty products in Hong Kong and recognised at a point in time	<u>6,593</u>	<u>8,075</u>

For sales of beauty products revenue is recognised when control of goods has transferred to the customer, being at the point the goods are delivered to the customer. The normal credit term is 90 days upon delivery.

5. SEGMENT REPORTING

The Group has two (2023: two) reportable and operating segments as follows:

- (a) trading of beauty products in Hong Kong (“**Trading of beauty products**”)
- (b) research, development and commercialisation of the oral insulin product (“**Research and development**”)

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

Segment revenues and results

The accounting policies of the operating segments are the same as those described in the consolidated financial statements. Segment loss represents the loss incurred by each segment without allocation of corporate and other expenses and other income, other gains and loss, net, interest expenses on convertible bond and gain on extinguishment of convertible bond. All liabilities are allocated to segments other than corporate liabilities. All liabilities are allocated to segments other than corporate liabilities, lease liabilities, amounts due to a former associate, non-controlling interests and former non-controlling interest, loan from a substantial shareholder, a former associate and a non-controlling interest and convertible bonds.

	Trading of beauty products		Research and development		Total	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Revenue from external customers	<u>6,593</u>	<u>8,075</u>	<u>—</u>	<u>—</u>	<u>6,593</u>	<u>8,075</u>
Segment loss	(596)	(463)	(7,080)	(12,979)	(7,676)	(13,442)
Additional disclosures for operating segments:						
Unallocated other income, gains and losses, net					1	49
Interest expenses on convertible bonds					(217,025)	(233,031)
Corporate and other expenses					(6,830)	(8,247)
Gain on extinguishment of convertible bond					<u>330,237</u>	<u>—</u>
Profit/(loss) before income tax					<u>98,707</u>	<u>(254,671)</u>
Income tax expense					<u>—</u>	<u>—</u>
Profit/(loss) for the year					<u>98,707</u>	<u>(254,671)</u>

Segment assets and liabilities

	Trading of beauty products		Research and development		Total	
	2024	2023	2024	2023	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets						
Segment assets	4,977	6,240	1,375,439	1,375,108	1,380,416	1,381,348
Corporate and other assets					2,607	2,700
Total assets					1,383,023	1,384,048
Liabilities						
Segment liabilities	1,853	4,022	1,835	656	3,688	4,678
Convertible bonds					911,150	1,104,822
Corporate and other liabilities					148,754	133,986
Total liabilities					1,063,592	1,243,486

Amounts included in measure of segment profit or loss and segment assets

For the year ended 31 March 2024

	Trading of beauty products	Research and development	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	—	—	941	941
Reversal for ECL, net recognised in profit or loss	66	—	—	66
Research and development cost	—	1,421	—	1,421

For the year ended 31 March 2023

	Trading of beauty products <i>HK\$'000</i>	Research and development <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation	—	—	941	941
Reversal for ECL, net recognised in profit or loss	180	—	—	180
Research and development cost	—	4,758	—	4,758
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Geographical information

The principal place of the Group's operation is in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regards Hong Kong as its country of domicile. Over 90% of the Group's external customer is located in PRC.

Over 90% of the Group's non-current assets are principally attributable to the PRC, being the single geographical region.

Information about major customers

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A	<u>6,593</u>	<u>8,075</u>

Revenue from the above customer in the respective reporting period is derived from the segment of trading of beauty products.

6. OTHER INCOME/OTHER GAINS AND LOSSES, NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<i>Other income</i>		
Sundry income	1	1
Government grants (<i>note</i>)	—	48
	<u>1</u>	<u>49</u>
 <i>Other gains and losses, net</i>		
Reversal of ECL, net	66	180
Gain on extinguishment of convertible bonds	330,237	—
	<u>330,303</u>	<u>180</u>

Note: During the year ended 31 March 2023, the Group recognised government grants of approximately HK\$48,000 in respect of Covid-19-related subsidies, which related to Employment Support Scheme provided by the Hong Kong Government. There were no unfulfilled conditions or contingencies relating to these government grants.

7. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Effective interest expense on convertible bonds	217,025	233,031
Imputed interest expense on loan from a former associate	1,061	860
Interest on lease liabilities	11	78
	<u>218,097</u>	<u>233,969</u>

8. INCOME TAX EXPENSE

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2023: 25%).

No Hong Kong Profits Tax and PRC on Enterprise Income Tax have been made for the year (2023: Nil).

9. PROFIT/(LOSS) FOR THE YEAR

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit/(Loss) for the year has been arrived at after charging the following:		
Auditor’s remuneration	900	950
Depreciation of right-of-use assets	941	1,881
Expenses relating to short-term lease payment	149	244
Cost of inventories recognised as an expense	5,753	7,217
Staff costs, exclusive of directors’ emoluments		
Salaries and other benefits	3,659	3,888
Retirement benefits scheme contributions	83	90
	<u>3,742</u>	<u>3,978</u>

10. DIVIDEND

No dividend was paid or proposed to ordinary shareholders of the Company during year ended 31 March 2024, nor has any dividend been proposed since the end of the reporting period (2023: HK\$nil).

11. EARNINGS/(LOSS) PER SHARE

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

Earnings/(loss) figures are calculated as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit/(Loss) for the year attributable to owners of the Company and earnings/(loss) for the purpose of basic earnings/(loss) per share	103,403	(245,698)
Effect of dilutive potential ordinary shares:		
Gain on extinguishment of convertible bond	(330,237)	—
Effective interest expense on convertible bonds	206,416	—
Loss for the purpose of diluted loss per share	<u>(20,418)</u>	<u>(245,698)</u>
<i>Number of shares</i>		
	2024 <i>'000</i>	2023 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	1,527,015	1,464,193
Effect of dilutive potential ordinary shares:		
Convertible bonds	971,500	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>2,498,515</u>	<u>1,464,193</u>

The computation of diluted loss per share for the year ended 31 March 2023 does not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would decrease in loss per share for that year.

12. INTANGIBLE ASSET

In-process
R & D
HK\$'000

COST AND CARRYING VALUES

As at 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024 1,373,224

The In-process R&D represented an in-process research and development project involving the Product. The patents of an invention “a method of production of oil-phase preparation of oral insulin (一種製備口服胰島素油相製劑的方法)” in relation to the Product are registered under the joint names of Fosse Bio-Engineering Development Limited (“**Fosse Bio**”) and Tsinghua University, Beijing (“**THU**”). 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 in connection with the research and development of the Product. Pursuant to the THU Collaboration Arrangement, which is originally expired in October 2018. During the year ended 31 March 2019, the Group has entered into a supplemental agreement with THU to renew the terms of the collaboration for another five years to October 2023. (the “**Renewed THU Collaboration Agreement**”). Under the Renewed THU Collaboration Agreement, 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 under the Renewed THU Collaboration Agreement.

On 25 June 2024, the Group entered second supplemental agreement with THU to renew the term of the THU Collaboration Arrangement to 30 June 2027.

The recoverable amount of the In-process R&D is determined based on fair value calculation using the income approach, with reference to the valuation performed by Roma Appraisal Limited, an independent professional qualified valuers. The fair value calculation used the cash flow projection prepared by the Directors based on the 10-year projection period. Given the nature of the Product, which is expected to be the first oral insulin drug available in the market, in the opinion of the Directors, using a 10-year projection period is more appropriate to reflect the future cash flow arising from the Product in the long run.

The cash flow projection is also prepared under certain key assumptions, including but not limited to the expected selling price, budgeted sales, expected gross margin, the estimate successful rate for the commercialisation of the Product and discount rate. In addition, the fundamental assumptions included the regulatory approvals from the relevant government bodies (in particular, the granting of the certificate of new medicine and pharmaceutical manufacturing permit for the Product by National Medical Products Administration of the PRC) to launch the Product in the first quarter of 2026.

13. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly based on credit. The credit terms of 90 days (2023: 90 days). All sales made to the major customer have short credit terms. These credit evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
30 days or less	571	505
31 to 60 days	349	491
61 to 90 days	762	695
91 to 180 days	2,435	2,134
Over 180 days	788	2,342
	<u>4,905</u>	<u>6,167</u>

The Group did not hold any collateral over these balances.

14. TRADE PAYABLES

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
30 days or less	479	440
31 to 60 days	296	428
61 to 90 days	649	623
Over 90 days	429	2,531
	<u>1,853</u>	<u>4,022</u>

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

15. SHARE CAPITAL

	Number of ordinary share of HK\$0.01	Amount <i>HK\$'000</i>
Authorised:		
As at 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
As at 1 April 2022, 31 March 2023 and 1 April 2023	1,464,193,024	14,642
Issuance of share under conversion of convertible bonds	<u>259,000,000</u>	<u>2,590</u>
As at 31 March 2024	<u>1,723,193,024</u>	<u>17,232</u>

As at 31 March 2024, the maximum number of shares issuable upon conversion of all outstanding convertible bonds issued by the Company is 926,000,000 (2023: 1,805,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Group Results

Revenue of the Group for the Financial Year amounted to approximately HK\$6,593,000, representing a decrease of approximately 18.4% as compared with the total revenue of approximately HK\$8,075,000 that was recorded in the Previous Financial Year. The decrease was mainly attributable to the decrease in business of the trading of beauty equipment and products segment during the Financial Year. The Group recorded a profit attributable to the owners of the Company amounted to approximately HK\$103,102,000 for the Financial Year as compared to loss of HK\$245,707,000 in Previous Financial Year. The change from loss to profit is mainly due to an amount of approximately HK\$330,237,000 represented a gain on modification of convertible bond was recorded in the Financial Year.

Trading of beauty equipment and products

During the Financial Year, revenue from the trading of beauty equipment and products amounted to approximately HK\$6,593,000, representing a decrease of approximately 18.4% from the revenue in the amount of approximately HK\$8,075,000 that was recorded in the Previous Financial Year. The decrease in trading revenue was mainly due to the poor market condition.

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 in-process R&D was recorded as intangible asset in Group’s consolidated statement of financial position with carrying value of HK\$1,373,224,000. The management performs the impairment assessment at the end of each reporting period.

The recoverable amount of the intangible asset is determined based on fair value calculations which used cash flow projections prepared by the management of the Group using certain key assumptions. Key assumptions for the fair value calculations were based on estimated cash inflows derived from budgeted sales and gross margin which estimated based on the expectations for the market development.

At the end of the Financial Year, the Directors of the Company have performed impairment assessments on the intangible asset by reference to the valuation conducted by BonVision International Appraisals Limited, an independent qualified valuer. The recoverable amount of the intangible asset is determined based on the estimated fair value of the In-process R&D. Based on the assessment, the recoverable amount of the Group's intangible asset is estimated to be higher than the carrying amount and therefore the Directors of the Company considered that no impairment is necessary as at 31 March 2024.

Prior to the commercialisation of the Product, the Group will need to go through, among others, the following key development stages: (i) execution of clinical trial testing; (ii) data and outcome analysis; (iii) preparation of the outcome report; (iv) entering into of production arrangement; (v) sourcing of raw materials; (vi) possible marketing activities or pre-sales preparation work; (vii) submission of the clinical trial report to National Medical Products Administration; (viii) applying for the new medicine certificate and the manufacturing permit.

The management of the Company is closely working with the contract research organization (the "**CRO**"). The Part B of phase III clinical trials (the "**Clinical Trial**") had registered in the Center for Drug Evaluation, National Medical Products Administration ("**NMPA**") in October 2019.

The enrolment of the first batch of patients for the Clinical Trial testing has commenced in July 2020. At the end of the Financial Year, about 400 patients have been enrolled in selected participating hospitals to take place in the Clinical Trial. The enrolment of patients will be an ongoing process.

Fosse Bio-Engineering Development Limited ("**Fosse Bio**") is a subsidiary of Smart Ascent Limited ("**Smart Ascent**"), which became a subsidiary of the Company upon completion of the acquisition on 28 July 2014. Fosse Bio and Tsinghua University, Beijing ("**THU**") have entered into the agreements in 1998 (the "**THU Collaboration Arrangement**") in connection with the research and development of the Product. Pursuant to the THU Collaboration Arrangement, which will be expired in October 2018 and subsequently extended to October 2023 by entered the supplemental agreement on 12 November 2018, Fosse Bio would be entitled to commercialize 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 commercialization of the Product. Accordingly, Fosse Bio has the exclusive right for the commercialization of the Product for the duration of the unexpired term of the THU Collaboration Arrangement.

On 25 June 2024, the Group entered second supplemental agreement with THU to renew the term of the THU Collaboration Arrangement to 30 June 2027.

The Board is of the view that the renewal of the THU Collaboration Arrangement can facilitate the exclusive commercialization of the Product by the Group and is in the interests of the Company and its shareholders as a whole.

The normal operations of the participating hospitals for the Clinical Trial had been disrupted by the coronavirus pandemic. The factors as discussed in the annual report of 31 March 2023 of the Company continue to affect the progress of Clinical Trial this year. Particularly, the reorganization of the approved drug manufacturer which has led to delays in sample drug production. Based on the latest information available to the Company, the timeline to commercialization of the Product have been revised. The Product is expected to be launched in the market and available for sale at selected hospitals by first quarter of 2026.

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.

Convertible bonds issued by the Company

(i) Amendment of convertible bonds with Extrawell

The Company acquired 51% interest in the share capital of Smart Ascent in the year of 2014. As part of the consideration of the acquisition of Smart Ascent, on 28 July 2014, the Company issued to Extrawell (the “**Bondholder**”) the convertible bonds with 3.5% interest per annum for a conversion period of 7 years from the date of issue in the principal amount of HK\$715,000,000 (the “**Convertible Bonds**”). The interest was originally paid annually.

On 26 July 2019, the Company and the Bondholder entered into the amendment deed (the “**Amendment Deed**”) in which the Company and the Bondholder agreed to amend the interest payment terms of the Convertible Bonds to the effect that i) the payment of the interest payable in year of 2019 to year of 2021 would be made on or before the maturity date of the Convertible Bonds, i.e. 28 July 2021 (the “**Maturity Date**”); and ii) additional interest of HK\$11,262,259 (the “**Additional Interest**”) would be paid on 28 July 2021.

On 12 May 2021, the Company and the Bondholder entered into the second deed of Amendment (the “**Second Deed of Amendment**”) pursuant to which the Company and the Bondholder agreed to amend the interest payment terms of the Convertible Bonds to the effect that: (i) the interest payment due dates was amended to payment of interest for the period from 28 July 2018 to 27 July 2023 on 28 July 2023; (ii) the Company was required to pay to the Bondholder the additional interest in the amount of HK\$3,753,750 for one-year extension for payment of interest for the year from 28 July 2021 to 27 July 2022 on 28 July 2023 and (iii) the Company was required to pay the Bondholder the additional interest of HK\$25,900,875 on 28 July 2023.

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) (the “**Third Amendment**”) to the effect that:

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

Interest Period	Interest Rate	Payment due dates
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

Interest Period	Interest Rate	Payment due dates
28 July 2020 to 27 July 2021	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2025
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

Save for the Third Amendment, the terms and conditions of the Convertible Bonds remain intact and unchanged.

The Third Deed Amendment was approved in special general meeting held on 28 June 2023 and all conditions precedent fulfilled and the Third Amendment took effect from 12 July 2023.

(ii) *Subscription of new convertible bonds*

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 and the circular dated 9 May 2024.

The issue of the convertible bonds was approved in the special general meeting held on 24 May 2024 and all conditions precedent under the subscription agreement have been fulfilled and completion took place on 21 June 2024.

(iii) Amendment of convertible bonds with Dr. Mao and his associate

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 (the “**Dr. Mao 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 this 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 Dr. Mao Deed of Amendment.

On 22 December 2023, the Company and the Bondholders entered into the supplemental deed of amendment (the “**Supplemental Deed**”), pursuant to which the parties agreed to amend and supplement certain terms of the Dr. Mao Deed of Amendment. Details of the principal terms of the Supplemental Deed are set out below:

- 1) the conversion price of the convertible bonds due October 2023 in the principal amount of HK\$236,800,000 issued by the Company and held by Dr. Mao, the convertible bonds due December 2023 in the principal amount of HK\$11,200,000 issued by the Company and held by Dr. Mao and the convertible bonds due December 2023 in the principal amount of HK\$8,000,000 issued by the Company and held by United Gene International Holdings Group Limited shall be amended from HK\$0.40 to HK\$0.202.

- 2) the maturity date of the convertible bonds due December 2024 in the principal amount of HK\$39,600,000 issued by the Company and held by Dr. Mao, the convertible bonds due April 2025 in the principal amount of HK\$42,000,000 issued by the Company and held by Dr. Mao and the convertible bonds due April 2025 in the principal amount of HK\$22,000,000 and held by JNJ Investments Limited, shall no longer be extended.

Details of the Dr. Mao Deed of Amendment and the Supplemental Deed are set out in the announcement dated 15 August 2023 and 22 December 2023 respectively and the circular dated 9 May 2024.

The amendment was approved in the special general meeting held on 24 May 2024. All conditions precedent under the Dr. Mao Deed of Amendment have been fulfilled and the completion of the amendment took place on 21 June 2024.

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.

Revenues and profit margins of the Group from the trading segment have been relatively stable in the past and trading volume is the key determiner of the profitability of the segment. The Group anticipates that the trading business will pick up gradually. The Group will cautiously explore the trading business in Hong Kong and China. The Group will reinforce our risk management policy and will proactive in adopting timely measures to balance its risk and return in the long run. The Group competes by offering trading terms that are more favourable to its suppliers and vendors compared to the Group's competitors.

Research and development

The Clinical Trial testing of the Product for the first group has commenced in July 2020. The situations which disrupted the progress as discussed in last year annual report have been improved. To further ensure that the Product will be able to commercialise by first quarter of 2026, the Group will work closely with the CRO and strengthen the project team so that relevant personnel of the project team will regularly monitor the progress and make regular reports to the management of the Company so as to ensure the In-process R&D can be completed according to the Group's schedule.

FINANCIAL REVIEW

Capital structure

	31 March 2024 HK\$'000	31 March 2023 HK\$'000
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: 1,723,193,024 Shares (31 March 2023: 1,464,193,024 Shares)	<u>17,232</u>	<u>14,642</u>

Liquidity and financial resources

As at 31 March 2024, the Group had bank and cash balances of approximately HK\$3.1 million (31 March 2023: approximately HK\$1.3 million).

As at 31 March 2024, total borrowings of the Group were approximately HK\$1,054.2 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 interest, loan from a substantial shareholder, amount due to a former associate, loan from a former associate and loan from a non-controlling interest.

The ratio of current assets to current liabilities of the Group was 0.03 as at 31 March 2024 as compared to the 0.01 as at 31 March 2023. The Group’s gearing ratio as at 31 March 2024 was 0.77 (31 March 2023: 0.90) which is calculated based on the Group’s total liabilities of approximately HK\$1,063.6 million (31 March 2023: approximately HK\$1,243.5 million) and the Group’s total assets of approximately HK\$1,383.0 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 31 March 2024, 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 Year. The Group will continue to monitor its foreign currency exposure closely and consider hedging foreign currency exposure should the need arise.

Number and numeration of employees

As at 31 March 2024, 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 Year amounts to approximately HK\$6.1 million (Previous Financial Year: approximately HK\$6.3 million).

Segment information

Details of the segment information are set out in note 5 to the consolidated financial statements in this announcement.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Code provision C.2.1

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

Code provision 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 Company formulated written terms of reference for the audit committee of the Company (the “**Audit Committee**”) in accordance with the requirements of the Listing Rules. The Audit Committee is composed of three independent non-executive directors. At least one of the members of the Audit Committee has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.

The Group’s consolidated financial statements for the Financial Year have been reviewed by the Audit Committee.

SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Group’s auditor, Elite Partners CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners CPA Limited on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 March 2014.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY IN RELATED TO GOING CONCERN

We draw attention in note 3(b) to the consolidated financial statements which describes that (i) the Group has net current liabilities of approximately HK\$381,802,000 as at 31 March 2024 while cash and cash equivalents amount to HK\$3,075,000 only; (ii) the Group incurred a net operating cash outflow of HK\$8,279,000 for the year ended 31 March 2024; (iii) the Group has outstanding convertible bonds with principle amount of HK\$256,000,000 has been matured; (iv) the Group has outstanding loan from a substantial shareholder, loan from a former associate and amount due to a former associate amounted to HK\$62,300,000, HK\$18,355,000 and HK\$41,947,000 would be due for repayment within the next 12 months; and (v) 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, along with other matters as set in note 3(b) to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of on this matter.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Hong Kong, 28 June 2024

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. Chen Jinzhong (independent non-executive director) and Mr. Wang Rongliang (independent non-executive director).