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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

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 2024 (the “**Financial Period**”) together with the comparative figures for the six months ended 30 September 2023 (the “**Previous Financial Period**”) as follows:

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

*For the six months ended 30 September 2024*

		Six months ended 30 September	
		2024	2023
		HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)
Revenue	3	3,029	3,727
Cost of sales and services		(2,722)	(3,347)
Gross profit		307	380
Other gains and losses, net	4	224,291	330,267
Administrative expenses		(6,683)	(6,289)
Research and development expenses		(709)	(303)
Finance costs	5	(116,240)	(131,478)

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2024</b>	<b>2023</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<i>Notes</i>		<b>(unaudited)</b>	<b>(unaudited)</b>
Profit before tax		<b>100,966</b>	192,577
Income tax		<u>—</u>	<u>—</u>
Profit for the period	6	<u><b>100,966</b></u>	<u>192,577</u>
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference on translation of foreign operations		<u>28</u>	<u>(51)</u>
		<u>28</u>	<u>(51)</u>
Total comprehensive income for the period		<u><b>100,994</b></u>	<u>192,526</u>
Profit (Loss) for the period attributable to:			
Owners of the Company		<b>101,741</b>	193,688
Non-controlling interests		<u>(775)</u>	<u>(1,111)</u>
		<u><b>100,966</b></u>	<u>192,577</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		<b>101,769</b>	193,637
Non-controlling interests		<u>(775)</u>	<u>(1,111)</u>
		<u><b>100,994</b></u>	<u>192,526</u>
		<b>HK cents</b>	<b>HK cents</b>
Earnings (loss) per share	8		
Basic		<u><b>5.87</b></u>	<u>13.23</u>
Diluted		<u><b>(0.20)</b></u>	<u>(2.42)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2024

		At 30 September 2024 <i>HK\$'000</i> (unaudited)	At 31 March 2024 <i>HK\$'000</i> (audited)
	Notes		
<b>Non-current assets</b>			
Intangible assets	10	<u>1,373,224</u>	<u>1,373,224</u>
<b>Current assets</b>			
Trade receivables	11	3,372	4,905
Prepayments, deposits and other receivables		1,842	1,819
Bank and cash balances		<u>428</u>	<u>3,075</u>
		<u>5,642</u>	<u>9,799</u>
<b>Current liabilities</b>			
Trade payables	12	2,388	1,853
Accruals and other payables		9,891	7,526
Amounts due to non-controlling interests		3,092	3,092
Amounts due to former non-controlling interests		724	724
Loan from a substantial shareholder		6,800	62,300
Loan from a former associate		18,687	18,355
Amount due to a former associate		41,947	41,947
Convertible Bonds	13	<u>768,471</u>	<u>255,804</u>
		<u>852,000</u>	<u>391,601</u>
<b>Net current liabilities</b>		<u>(846,358)</u>	<u>(381,802)</u>
<b>Total assets less current liabilities</b>		<u>526,866</u>	<u>991,422</u>

		At 30 September 2024 <i>HK\$'000</i> (unaudited)	At 31 March 2024 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Convertible bonds	13	38,825	655,346
Loan from a non-controlling interest		10,346	10,346
Loan from a former associate		6,447	6,299
		<u>55,618</u>	<u>671,991</u>
<b>NET ASSETS</b>		<b><u>471,248</u></b>	<b><u>319,431</u></b>
<b>Capital and reserves</b>			
Share capital	14	18,222	17,232
Reserves		(477,142)	(628,744)
		<u>458,920</u>	<u>(611,512)</u>
Equity attributable to owners of the Company		930,168	930,943
Non-controlling interests		<u>930,168</u>	<u>930,943</u>
<b>TOTAL EQUITY</b>		<b><u>471,248</u></b>	<b><u>319,431</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2024*

## 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\$846,358,000 as at 30 September 2024 in which the outstanding convertible bonds with principal amounts of HK\$768,471,000 to be mature in July 2025;
- (ii) The Group has outstanding loans from a substantial shareholder and loan from a former associate amounted to approximately HK\$6,800,000 and HK\$18,687,000 would be due for repayment within the next 12 months; and
- (iii) The Group’s major assets, being the development of oral insulin product in the PRC, is currently under the stage of Phase III clinical trial (“**Clinical Trial**”), the validity of future cash flow arising from the commercialisation of the oral insulin product is depending on the successful of the Clinical Trial and obtaining the necessary approval from National Medical Products Administration.

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

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

- (i) The Company obtained a confirmation from the Group's former associate and confirm in written that they will not demand for repayment of approximately HK\$41,947,000 as at 30 September 2024 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 he will not demand for repayment of approximately HK\$6,800,000 as at 30 September 2024 for a period of at least 12 months from the date of these condensed consolidated financial statements. He also 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 first quarter of 2026. 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 Group has agreed with the Group's former associate to extend the repayment dates of the loan for a period of 36 months with the former associate.
- (v) The Company intends to engage in negotiations with the convertible bondholders to extend the maturity date of the convertible bonds.
- (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 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 successful to complete the Clinical Trial and the Product have launch in the 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 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 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2023.

## Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2024 for the preparation of the Group's condensed consolidated financial statements:

HKAS 1 Amendments	Classification of Liabilities as Current or Non-current
HKAS 1 Amendments	Non-current Liabilities with Covenants
HKAS 7 and HKFRS 7 Amendments	Supplier Finance Arrangements
HKFRS 16 Amendments	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

### 3. REVENUE AND SEGMENT INFORMATION

The Group has two reportable and operating segments as follows:

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

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



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

	Trading of beauty equipment and products		Research and development		Total	
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Six months ended 30 September</b>						
Revenue from external customers	<u>3,029</u>	<u>3,727</u>	<u>—</u>	<u>—</u>	<u>3,029</u>	<u>3,727</u>
Segment profit (loss) after tax	<u>281</u>	<u>359</u>	<u>(1,582)</u>	<u>(2,552)</u>	<u>(1,301)</u>	<u>(2,193)</u>

<b>Six months ended 30 September</b>	
<b>2024</b>	<b>2023</b>
<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(unaudited)</b>	<b>(unaudited)</b>

Reconciliation of reportable segment profit (loss)  
after tax:

Total segment loss	(1,301)	(2,193)
Corporate and other expenses	(122,024)	(135,497)
Unallocated other income, gains and losses, net	<u>224,291</u>	<u>330,267</u>
Consolidated profit for the period	<u>100,966</u>	<u>192,577</u>

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

	<b>Six months ended 30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Gain on modification of convertible bonds	<u>224,291</u>	<u>330,267</u>

## 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Effective interest expense on convertible bonds	<b>115,760</b>	130,955
Interest expense on loan from the subsidiary of a former associate	<b>480</b>	515
Interest on lease liability	<b>—</b>	8
	<b><u>116,240</u></b>	<b><u>131,478</u></b>

## 6. PROFIT FOR THE PERIOD

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Depreciation of right-of-use assets	<b>—</b>	753
Cost of inventories recognised as an expense	<b>2,722</b>	3,347
Staff costs including directors' emoluments	<b>2,913</b>	2,784
	<b><u>2,913</u></b>	<b><u>2,784</u></b>

## 7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors have determined that no dividend will be paid in respect of the interim period (2023: Nil).

## 8. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit/(loss) for the year attributable to owners of the Company and earnings for the purpose of basic earnings/(loss) per share	101,741	193,688
Effect of dilutive potential ordinary shares:		
Gain on modification of convertible bonds	(224,291)	(330,267)
Effective interest expense on convertible bonds	115,760	94,259
Loss for the purpose of diluted loss per share	<u>(6,790)</u>	<u>(42,320)</u>
	Six months ended 30 September	
	2024	2023
	Number of shares	Number of shares
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	1,734,073	1,464,193
Effect of dilutive potential ordinary shares:		
Convertible bonds	<u>1,701,317</u>	<u>286,000</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>3,435,390</u>	<u>1,750,193</u>

## 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 2024 period (six months ended 30 September 2023: Nil).

## 10. INTANGIBLE ASSETS

The intangible assets represent an in-process research and development project involving an oral insulin product (the “**Product**”) (the “**In-process R&D**”). The patents of an invention “a method of production of oil-phase preparation of oral insulin (一種製備口服胰島素油相製劑的方法)” in relation to the Product are registered under the joint names of Fosse Bio-Engineering Development Limited (“**Fosse Bio**”) and Tsinghua University, Beijing (“**THU**”) granted by State Intellectual Property Office of the PRC and United States Patent and Trademark Office of the United States of America on 4 August 2004 and 28 March 2006 respectively and were expired on 20 April 2021 and 12 April 2022 respectively. Fosse Bio is a subsidiary of Smart Ascent, which became a subsidiary of the Company upon completion of the acquisition on 28 July 2014. In addition, Fosse Bio and THU have entered into the agreements in 1998 (the “**THU Collaboration Arrangement**”) in connection with the research and development of the Product. The THU Collaboration Arrangement has been expired in October 2018. On 12 November 2018, the Group has entered into a supplemental agreement with THU to renew the term of the collaboration for another five years to October 2023 (the “**renewed THU Collaboration Arrangement**”). Pursuant to the renewed THU Collaboration Arrangement, Fosse Bio would be entitled to commercialise the relevant technologies of the Product and to manufacture and sell the Product on an exclusive basis, and THU, is entitled to 1.5% of Fosse Bio’s annual sales upon commercialisation of the Product. Accordingly, Fosse Bio has the exclusive right for the commercialisation of the Product for the duration of the unexpired term of the renewed THU Collaboration Arrangement. On 25 June 2024, the Group entered into a 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 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 27.64% 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 2024 <i>HK\$'000</i> (unaudited)	At 31 March 2024 <i>HK\$'000</i> (audited)
30 days or less	372	571
31 to 60 days	311	349
61 to 90 days	410	762
Over 90 days	2,279	3,223
	<u>3,372</u>	<u>4,905</u>

## 12. TRADE PAYABLES

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

	At 30 September 2024 <i>HK\$'000</i> (unaudited)	At 31 March 2024 <i>HK\$'000</i> (audited)
30 days or less	344	479
31 to 60 days	265	296
Over 180 days	1,779	1,078
	<u>2,388</u>	<u>1,853</u>

### 13. CONVERTIBLE BONDS

	At 30 September 2024 HK\$'000	At 31 March 2024 HK\$'000
<b>Current liabilities</b>		
Convertible Bonds III	768,471	—
Convertible Bonds I	—	255,804
	<u>768,471</u>	<u>255,804</u>
<b>Non-current liabilities</b>		
Convertible Bonds I	31,116	—
Convertible Bonds IV	7,709	655,346
	<u>38,825</u>	<u>655,346</u>
	<u><u>807,296</u></u>	<u><u>911,150</u></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.

The Convertible bonds I were matured on 25 October 2023 and 27 December 2023 respectively.

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.

On 24 May 2024 and 21 June 2024, the special general meeting was held and the amendment of the Convertible Bonds I have been completed respectively. The directors of the Company are of the opinion that the amendment of the Convertible Bonds I has been completed subsequently to the financial statement and consider the classification of the Convertible Bonds I continued as convertible bond.

During the period, the principal amount of HK\$20,000,000 under the Convertible Bond I was converted. The Company allotted and issued 99,009,900 shares of the Company to the subscriber on 10 September 2024.

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

	<b>Principal amount HK\$'000</b>	<b>Carrying amount HK\$'000</b>
As at 1 April 2023	256,000	221,914
Interest charge ( <i>Note 5</i> )	—	29,045
	<hr/>	<hr/>
30 September 2023 (unaudited)	<u>256,000</u>	<u>250,959</u>
As at 1 April 2024 (audited)	256,000	255,804
Interest charge ( <i>Note 5</i> )	—	2,214
Modification the terms of Convertible Bond I	—	(224,291)
Conversion of convertible bond	<u>(20,000)</u>	<u>(2,611)</u>
	<hr/>	<hr/>
30 September 2024 (unaudited)	<u>236,000</u>	<u>31,116</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.

On 5 January 2024, the Convertible Bond II was fully converted.

The movement of the Convertible Bonds II for last period is set out below:

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

### **Convertible Bonds III**

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

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

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

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

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

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

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

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

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

	<b>Principal amount HK\$'000</b>	<b>Carrying amount HK\$'000</b>
As at 1 April 2023 (audited)	715,000	814,398
Interest charge ( <i>Note 5</i> )	—	94,259
Modification of Convertible bonds ( <i>Note 4</i> )	—	(300,267)
	<hr/>	<hr/>
30 September 2023 (unaudited)	<u>715,000</u>	<u>578,390</u>
As at 1 April 2024 (audited)	715,000	655,346
Interest charge ( <i>Note 5</i> )	—	113,125
	<hr/>	<hr/>
30 September 2024 (unaudited)	<u>715,000</u>	<u>768,471</u>

#### **Convertible Bonds IV**

The Company issued convertible bonds in an aggregate principal amount of HK\$55,500,000 on 12 July 2024 (collectively referred to as “**Convertible Bonds IV**”) to Dr Mao Yu Min, the subscriber and substantial shareholder of the Company. The subscription price in the amount of HK\$55,500,000 payable by the subscriber under the subscription agreement for the issue of Convertible Bonds IV was satisfied by way of offsetting in full against the outstanding aggregate principal amount payable by the Company to the subscriber under the Shareholder’s loan in the amount of HK\$55,500,000.

The Convertible Bonds IV with a zero coupon rate mature on the tenth anniversary of the date of issue. The Convertible Bonds IV 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 IV, at the conversion price per share of HK\$0.211, subject to anti-dilution clauses.

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

The Convertible Bonds IV are issued in HK\$. The fair values of the liability component were HK\$7,288,000 for the Convertible Bonds IV issued by the Company at 12 July 2024 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\$48,212,000 represented the residual amount of the subscription price which classified as the equity component for Convertible Bonds IV issued by the Company at 21 June 2024.

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

The movement of the Convertible Bonds IV for the period is set out below:

	<b>Principal amount HK\$'000</b>	<b>Carrying amount HK\$'000</b>
Issuance of Convertible Bonds	55,500	7,288
Interest charge ( <i>Note 5</i> )	—	421
	<hr/>	<hr/>
30 September 2024 (unaudited)	<u>55,500</u>	<u>7,709</u>

#### 14. SHARE CAPITAL

	<b>Number of shares '000</b>	<b>Share capital HK\$'000</b>
Ordinary shares of HK\$0.01 each Authorised: As at 1 April 2023, 30 September 2023, 1 April 2024 and 30 September 2024	<u>50,000,000</u>	<u>500,000</u>
Issued and fully paid: As at 1 April 2023 (audited)	<u>1,464,193</u>	<u>14,642</u>
As at 30 September 2023 (unaudited)	<u>1,464,193</u>	<u>14,642</u>
As at 1 April 2024 (audited)	1,723,193	17,232
Issuance of shares under conversion of convertible bonds	<u>99,010</u>	<u>990</u>
As at 30 September 2024	<u>1,822,203</u>	<u>18,222</u>

## 15. RELATED PARTY TRANSACTIONS

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Service fee expense paid and payable to Dr. Mao, a shareholder of the Company	<b>336</b>	336
Compensation of key management personnel:		
Short-term employment benefits	<b>(1,754)</b>	1,623
Post-employment benefits	<b><u>14</u></b>	<b><u>14</u></b>

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

On 21 June 2024, all conditions precedent under the subscription agreement and the deed of amendment of the convertible bonds have been fulfilled and the completion of subscription and amendment of the convertible bonds took place.

At the end of reporting period, the amount due to Dr. Mao, a shareholder of the Company was HK\$6,800,000 (at 31 March 2023: HK\$62,300,000). The amount is unsecured, non-interest bearing and repayment term was one year after drawdown date.

## MANAGEMENT DISCUSSION AND ANALYSIS

### GROUP RESULTS

Revenue of the Group for the Financial Period amounted to approximately HK\$3.0 million, representing a decrease of approximately 18.9% as compared with the total revenue of approximately HK\$3.7 million that was recorded in the Previous Financial Period. The decrease was mainly attributable to the decrease in business of the trading of beauty equipment and products segment during the Financial Period. The Group recorded a profit attributable to the owners of the Company amounted to approximately HK\$101.7 million for the Financial Period as compared to profit of HK\$193.7 million in Previous Financial Period. The profit of both periods is attributable to the non-cash item result from the completion of the amendment of Convertible Bonds II in the Financial Period and the third amendment of Convertible Bonds III in the Previous Financial Period. The Convertible Bonds were restated to the fair value of the liability component at completion date of the Convertible Bonds which was less than their carrying value. The difference of the carrying value and the fair value of the liability component was credited into income statements.

### BUSINESS REVIEW

#### Trading of beauty equipment and products

During the Financial Period, revenue arising from the trading of beauty equipment and products amounted to approximately HK\$3.0 million, representing a decrease of approximately 18.9% from the revenue in the amount of approximately HK\$3.7 million that was recorded in the Previous Financial Period. The trading business's revenue continued to decline due to unfavourable business climate.

#### 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 2024.

The enrolment of the first batch of patients for the Clinical Trial testing has commenced in July 2020. Currently, about 480 patients have been enrolled in selected participating hospitals to take place in the Clinical Trial. The enrolment of patients will be an ongoing process.

The normal operations of the participating hospitals for the Clinical Trial had been disrupted by the coronavirus pandemic. Based on the latest information available to the Company, the Product is expected to be launched in the market and available for sale at selected hospitals by first quarter of 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.

On 30 July 2024, a shareholders' loan agreement was entered into between the Company and Extrawell Group, pursuant to which, the Company and Extrawell Group agreed to advance a total sum of HK\$20 million to Smart Ascent Limited, an non-wholly owned subsidiary of the Company, in the proportion of 51% and 49% respectively to support the operation of the Clinical Trials.

## **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.

It is the expectation of the management that the prevailing business climate will experience an upturn. 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.

### **Research and development**

To further ensure that the Product will be able to commercialise in first quarter of 2026, the project team of the Group will regularly monitor the progress and make regular reports to the management of the Company so as to ensure the In-process R&D can be completed according to the Group's schedule to commercialise the Product in first quarter of 2026.

### **Convertible bond issued by the Company**

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 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.

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

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

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

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

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.

## FINANCIAL REVIEW

### Capital structure

	30.9.2024 HK\$'000	31.3.2024 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:		
1,822,202,924 Shares (As at 31 March 2024:		
1,723,193,024 Shares)	<u>18,222</u>	<u>17,232</u>

### Liquidity and financial resources

As at 30 September 2024, the Group had bank and cash balances of approximately HK\$428,000 (31 March 2024: approximately HK\$3.1 million).

As at 30 September 2024, total borrowings of the Group were approximately HK\$895.3 million (31 March 2024: approximately HK\$1,054.2 million) which reflected the debt value of the Company’s unconverted convertible bonds, amounts due to non-controlling interests, amounts due to former non-controlling interests, 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 0.007 as at 30 September 2024 as compared to the 0.03 as at 31 March 2024. The Group's gearing ratio as at 30 September 2024 was 0.66 (31 March 2024: 0.77) which is calculated based on the Group's total liabilities of approximately HK\$907.6 million (31 March 2024: approximately HK\$1,063.6 million) and the Group's total assets of approximately HK\$1,378.9 million (31 March 2024: approximately HK\$1,383.0 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 2024, the Group and the Company did not have any charges on their assets (31 March 2024: 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 2024, the Group had 20 full time employees (31 March 2024: 20), most of whom work in the Company's subsidiaries in the PRC. It is the Group's policy that the remuneration of employees and Directors are in line with the market and commensurate with their responsibilities. Discretionary year-end bonuses are payable to the employees based on individual performance. Other employee benefits include medical insurance, retirement schemes, training programmes, and education subsidies.

Total staff costs including the Directors' remuneration for the Financial Period amounts to approximately HK\$2.9 million (Previous Financial Period: approximately HK\$2.8 million).

## **Segment information**

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

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

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

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

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

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

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

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

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

## **AUDIT COMMITTEE**

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

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

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

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

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

Hong Kong, 29 November 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. Wang Rongliang (independent non-executive Director) and Mr. Chen Jinzhong (independent non-executive Director).*