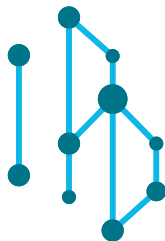


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INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED

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)

DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022 AND ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Innovative Pharmaceutical Biotech Limited (the “**Company**”) hereby announces the unaudited consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2022 (the “**Financial Year**”) together with the comparative figures for the year ended 31 March 2021 (the “**Previous Financial Year**”) as follows:

DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

As the auditing process for the audited final results for the year ended 31 March 2022 has not been completed due to the impact of the COVID-19 epidemic which restricts the auditors to gather necessary direct external confirmations. Accordingly, the Company’s auditors require additional time for completing their audit work. The unaudited consolidated results contained herein is made by the Board only based on the unaudited management accounts of the Group for the year ended 31 March 2022 and have been reviewed by the audit committee of the Company, which have not been reviewed or audited by the auditors of the Company. An announcement relating to the audited final results will be made by no later than 29 July 2022 when the auditing process has been completed.

Except for the auditors have not obtained the necessary external confirmations, the Board do not aware any other outstanding audit issue for the consolidated financial statements of the Group for the year ended 31 March 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Revenue	4	11,145	15,189
Cost of sales		(10,091)	(13,784)
Gross profit		1,054	1,405
Other income	6	83	255
Other gains and losses, net	6	250,735	219
Administrative expenses		(17,244)	(16,910)
Research and development expenses		(8,246)	(6,092)
Finance costs	7	(189,951)	(191,032)
Profit/(loss) before income tax		36,431	(212,155)
Income tax expense	8	—	—
Profit/(loss) for the year	9	36,431	(212,155)
Other comprehensive income/(expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		129	(40)
Other comprehensive income/(expense) for the year		129	(40)
Total comprehensive income/(expense) for the year		36,560	(212,195)

	<i>Notes</i>	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Profit/(loss) for the year attributable to:			
Owners of the Company		45,803	(204,939)
Non-controlling interests		(9,372)	(7,216)
		<u>36,431</u>	<u>(212,155)</u>
 Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		45,985	(204,979)
Non-controlling interests		(9,425)	(7,216)
		<u>36,560</u>	<u>(212,195)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(loss) per share	11		
Basic		<u>3.13</u>	<u>(14.00)</u>
Diluted		<u>3.13</u>	<u>(14.00)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Non-current assets			
Right-of-use assets		2,822	1,186
Intangible asset	12	1,373,224	1,373,224
		1,376,046	1,374,410
Current assets			
Trade receivables	13	9,260	15,323
Prepayments, deposits and other receivables		5,607	4,485
Bank balances and cash		4,083	8,992
		18,950	28,800
Current liabilities			
Trade payables	14	8,153	5,479
Lease liabilities		1,881	1,118
Accruals and other payables		3,975	1,686
Amounts due to non-controlling interests		3,092	3,092
Amounts due to former non-controlling interest		724	823
Loan from a substantial shareholder		40,000	20,000
Amount due to a former associate		41,947	41,947
Convertible bonds		—	726,528
		99,772	800,673
Net current liabilities		(80,822)	(771,873)
Total assets less current liabilities		1,295,224	602,537

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Convertible bonds	871,791	206,784
Lease liabilities	968	—
Loan from a non-controlling interest	10,346	20,929
Loan from a former associate	16,853	16,118
	<u>899,958</u>	<u>243,831</u>
NET ASSETS	<u>395,266</u>	<u>358,706</u>
Capital and reserves		
Share capital	14,642	14,642
Reserves	(564,009)	(609,994)
	<u>(549,367)</u>	<u>(595,352)</u>
Equity attributable to owners of the Company	(549,367)	(595,352)
Non-controlling interests	944,633	954,058
	<u>395,266</u>	<u>358,706</u>
TOTAL EQUITY	<u>395,266</u>	<u>358,706</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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. 2111, 21/F, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, 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\$80,822,000 as at 31 March 2022 and incurred operating cash outflow of approximately HK\$5,038,000 for the year ended 31 March 2022; and
- (ii) The Group’s major assets, being the development of oral insulin product in the PRC was 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 products were 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 confirm that shall not demand for repayment of the amount of approximately HK\$41,947,000 as at 31 March 2022 for a period of at least 12 months.
- (ii) The Company obtained the financial support of the substantial shareholder and confirm in written that 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 and over 250 patients have been selected and enrolled in the Clinical Trial. The management is making every effort to achieve the expected timeline that the Product will be launched in the mid of 2024. As at the date of 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.

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.

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”)

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 2021 for the preparation of the consolidated financial statements:

Amendment to HKAS 16	Covid-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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

The application of the amendments to HKFRSs in the current year has 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.

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:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020	1 January 2022
Amendment to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023

The directors of the Company anticipate that the application of all other 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:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Sales of beauty products in Hong Kong and recognised at a point in time	<u>11,145</u>	<u>15,189</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 (2021: 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 or profit earned from each segment without allocation of corporate and other expenses and other income, other gains and losses, net. All assets are allocated to segments other than corporate assets, and bank balances and cash. All liabilities are allocated to segments other than corporate liabilities, lease liabilities, amounts due to a former associate, non-controlling interest 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	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Revenue from external customers	<u>11,145</u>	<u>15,189</u>	<u>—</u>	<u>—</u>	<u>11,145</u>	<u>15,189</u>
Segment profit/(loss)	1,135	1,330	(13,174)	(10,068)	(12,039)	(8,738)
Additional disclosures for operating segments:						
Unallocated other income, gains and losses, net					250,654	280
Interest expenses on convertible bonds					(189,132)	(190,171)
Corporate and other expenses					<u>(13,052)</u>	<u>(13,526)</u>
Profit/(loss) before income tax					36,431	(212,155)
Income tax expense					<u>—</u>	<u>—</u>
Profit/(loss) for the year					<u>36,431</u>	<u>(212,155)</u>

Segment assets and liabilities

	Trading of beauty products		Research and development		Total	
	2022	2021	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Assets						
Segment assets	9,333	15,397	1,378,993	1,378,492	1,388,326	1,393,889
Corporate and other assets					6,670	9,321
Total assets					1,394,996	1,403,210
Liabilities						
Segment liabilities	8,153	5,479	18,794	16,568	26,947	22,047
Convertible bonds					871,791	206,784
Corporate and other liabilities					100,992	815,673
Total liabilities					999,730	1,044,504

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

For the year ended 31 March 2022

	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>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Addition to non-current assets	—	—	3,763	3,763
Depreciation	—	—	(2,130)	(2,130)
Reversal for ECL, net recognised in profit or loss	81	—	—	81

For the year ended 31 March 2021

	Trading of beauty products <i>HK\$'000</i> (Audited)	Research and development <i>HK\$'000</i> (Audited)	Unallocated <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Depreciation	—	—	(2,309)	(2,309)
Allowance for ECL, net recognised in profit or loss	(74)	—	—	(74)
Gain on disposal of property, plant and equipment	—	—	13	13
	<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 customers are located in Hong Kong.

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:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Customer A	<u>11,145</u>	<u>15,189</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

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
<i>Other income</i>		
Interest income from banks	1	—
Interest income from rental deposit	2	29
Sundry income	80	14
Government grants (<i>note</i>)	—	212
	83	255
<i>Other gains and losses, net</i>		
Reversal/(allowance) of ECL, net	81	(74)
Gain on disposal of property, plant and equipment	—	13
Gain on modification of convertible bonds	250,654	—
Gain on deregistration of subsidiaries	—	280
	250,735	219

Note: During the year ended 31 March 2021, the Group recognised government grants of approximately HK\$212,000 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

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Effective interest expense on convertible bonds	189,132	190,171
Imputed interest expense on loan from a former associate	735	735
Interest on lease liabilities	84	126
	189,951	191,032

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% (2021: 25%).

No Hong Kong Profits Tax and PRC Enterprise Income Tax have been made for the year as the group companies operating in Hong Kong and the PRC did not generate any assessable profits for the year (2021: Nil).

9. PROFIT/(LOSS) FOR THE YEAR

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Profit/(loss) for the year has been arrived at after charging the following:		
Auditor’s remuneration	1,000	1,020
Depreciation of property, plant and equipment	—	35
Depreciation of right-of-use assets	2,130	2,274
Expenses relating to short-term lease payment	411	—
Cost of inventories recognised as an expense	10,091	13,784
Staff costs, exclusive of directors’ emoluments		
Salaries and other benefits	4,781	5,401
Retirement benefits scheme contributions	121	107
	4,902	5,508

10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the reporting period (2021: HK\$ Nil).

11. EARNINGS/(LOSS) PER SHARE

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

(Profit)/loss

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
(Profit)/loss for the purposes of basic and diluted earnings/(loss) per share		
Profit/(loss) for the year attributable to owners of the Company	<u>45,803</u>	<u>(204,939)</u>

Number of shares

	2022 <i>'000</i> (Unaudited)	2021 <i>'000</i> (Audited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	<u>1,464,193</u>	<u>1,464,193</u>

For the year ended 31 March 2022, basic and diluted earnings per share was HK\$0.0313 (2021: basic and diluted loss per share HK\$0.1400), which is based on the profit for the year attributable to owners of the Company of approximately HK\$45,803,000 (2021: loss for the year attributable to owners of the Company of approximately HK\$204,939,000) and the denominators detailed above for both basic and diluted earnings/(loss) per share.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds because the conversion prices of those convertible bonds were higher than the average market price for shares for the year ended 31 March 2022.

The computation of diluted loss per share for the year ended 31 March 2021 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 ASSETS

In-process
R & D
HK\$'000

COST AND CARRYING VALUES

At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022 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 for the duration of the unexpired term of the Renewed THU Collaboration Agreement.

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 firm of 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 and budgeted sales, expected gross margin, the 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 mid of 2024.

13. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly based on credit. The credit terms of 90 days (2021: 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:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
30 days or less	316	2,234
31 to 60 days	320	869
61 to 90 days	741	1,640
91 to 180 days	3,138	3,293
Over 180 days	4,745	7,287
	9,260	15,323

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:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
30 days or less	301	2,070
31 to 60 days	306	810
61 to 90 days	688	1,519
Over 90 days	6,858	1,080
	<u>8,153</u>	<u>5,479</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Group Results

Revenue of the Group for the Financial Year amounted to approximately HK\$11,145,000, representing a decrease of approximately 26.6% as compared with the total revenue of approximately HK\$15,189,000 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\$45,803,000 for the Financial Year as compared to loss of HK\$204,939,000 in Previous Financial Year. The change from loss to profit is mainly due to the non-cash item result from the completion of the second amendment of Convertible Bonds. The Convertible Bonds were restated to the fair value of the liability component at completion date of the second amendment of Convertible Bonds which was less than their carrying value. The difference of the carrying value and the fair value of the liability component amounted to approximately HK\$250,654,000 was credited into income statement for 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\$11,145,000, representing a decrease of approximately 26.6% from the revenue in the amount of approximately HK\$15,189,000 that was recorded in the Previous Financial Year. The decrease in trading revenue was mainly due to the COVID-19 pandemic is still affecting the business particular the another wave of COVID-19 outbreak in early of the year 2022.

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 Roma 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 2022.

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, 266 patients have been enrolled in selected participating hospitals to take place in the Clinical Trial. The enrolment of patients will be an ongoing process.

As at the date of this announcement, The Group has invited 24 hospitals to participate in the Clinical Trial, of which 19 hospitals have already accepted the invitation.

Due to another wave of the coronavirus pandemic outbreak in early 2022 and the lockdown of Shanghai and areas nearby, the normal operations of the participating hospitals for the Clinical Trial had been severely disrupted. In order to ensure the safety of patients and clinical researchers, research projects such as the Clinical Trial had been temporarily suspended and as result there had been a delay in the selection and enrolment of patients for the Clinical Trial. Based on the latest information available to the Company and subject to the development of COVID-19 epidemic, the Product is expected to be launched in the market and available for sale at selected hospitals by mid of 2024. The Group is expected to generate a stable source of revenue and profit after the launch of the Product taking into account that (i) there is massive demand in the PRC for innovative insulin products in light of the growing diabetic population; (ii) once the Product is launched, it is expected to become the first oral insulin drug available in the market; (iii) the Product is expected to be sold at a reasonable price range and will provide a superior and effective treatment method for diabetes patients; and (iv) once the Product is launched, it will be protected for a period of 5 years under the current regulations in the PRC which prohibits other companies from manufacturing and/or undergoing clinical trial for similar products.

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

The in-process R&D held by the Group, through Fosse Bio-Engineering Development Limited (“**Fosse Bio**”). Fosse Bio is a subsidiary of Smart Ascent Limited (“**Smart Ascent**”). The Group and Extrawell Pharmaceutical Holdings Limited (“**Extrawell**”) and its subsidiaries (“**Extrawell Group**”), owns 51% and 49% of equity interest in Smart Ascent respectively. Extrawell is a company listed on the main board of the Stock Exchange of Hong Kong Limited.

On 27 July 2018, a shareholders’ loan agreement was entered into between the Group and Extrawell Group, pursuant to which, the Group and Extrawell Group agreed to advance a total sum of HK\$30 million with a term of 60 months to Smart Ascent in the proportion of 51% and 49% respectively to finance the In-process R&D. The facilities of HK\$30 million has been fully utilised by installments.

On 3 March 2022, another shareholders’ loan agreement was entered into between the Group and Extrawell Group, pursuant to which the Group and Extrawell Group agreed to further advance a total sum of HK\$12 million with a term of 60 months to Smart Ascent in the proportion of 51% and 49% respectively.

Convertible bonds issued by the Company

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 a second deed of amendment (the “**Second 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 “**Second Amendment**”) to the effect that:

- (a) the Maturity Date shall be extended from 28 July 2021 to 28 July 2023;
- (b) the interest payment date of the Convertible Bonds 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 2023
28 July 2019 to 27 July 2020	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2023

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 2023
28 July 2021 to 27 July 2022	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2023
28 July 2022 to 27 July 2023	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2023

- (ii) the Company shall pay the Bondholder a sum of additional interest in the amount of HK\$3,753,750 on 28 July 2023 (representing 15% per annum on the annual interest payment under the Convertible Bonds), being the additional interest for one-year extension for payment of interest for the period from 28 July 2021 to 27 July 2022; and
- (iii) in addition to (ii) above, the Company shall pay the Bondholder a sum of additional interest in the amount of HK\$25,900,875 on 28 July 2023 (representing 15% per annum on the aggregate amount of interest and the Additional Interest of HK\$86,336,250 multiplied by two). The Company and the Bondholder agreed that the said amount of HK\$25,900,875 is the additional interest for two-year further extension for payment of (a) the interest in the aggregate amount of HK\$75,075,000 for the periods from 28 July 2019, 2020 and 2021; and (b) the Additional Interest mentioned in the Amendment Deed in the amount of HK\$11,261,250.

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

The Second Deed Amendment was approved in special general meeting held on 30 July 2021 and all conditions precedent under the Second Amendment have been took effect from 10 August 2021.

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. Another wave of COVID-19 pandemic has affected the flow of goods and services of our trading activities and have negative effect on the Group's trading business turnover and projects. Currently, the effect of the COVID-19 fades away. 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. Due to the outbreak of the coronavirus pandemic and the lockdown of Shanghai and areas nearby, the timetable for obtaining the Certificate of New Medicine and the Pharmaceutical Manufacturing Permit, subject to the development of COVID-19 epidemic and the approval of NMPA, and generating revenue of the Product has been adjusted from the late fourth quarter of 2022 and mid of 2023 to late fourth quarter of 2023 and mid of 2024, respectively.

To further ensure that the Product will be able to commercialise by mid of 2024, 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 2021 HK\$'000	31 March 2020 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: 1,464,193,024 Shares	<u><u>14,642</u></u>	<u><u>14,642</u></u>

Liquidity and financial resources

As at 31 March 2022, the Group had bank and cash balances of approximately HK\$4.1 million (31 March 2021: approximately HK\$9.0 million).

As at 31 March 2022, total borrowings of the Group were approximately HK\$987.6 million (31 March 2021: approximately HK\$1,037.3 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 0.19 as at 31 March 2022 as compared to the 0.04 as at 31 March 2021. The Group’s gearing ratio as at 31 March 2022 was 0.72 (31 March 2021: 0.75) which is calculated based on the Group’s total liabilities of approximately HK\$999.7 million (31 March 2021: approximately HK\$1,044.5 million) and the Group’s total assets of approximately HK\$1,395.0 million (31 March 2021: approximately HK\$1,403.2 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 2022, the Group and the Company did not have any charges on their assets (31 March 2021: 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 2022, the Group had 25 full time employees (31 March 2021: 27), 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\$7.2 million (Previous Financial Year: approximately HK\$8.1 million).

Segment information

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

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.

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 A.2.1

Ms. Jiang Nian is the chairman of the Group. As at the date of this report, 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 A.4.1

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term and should be subject to re-election.

The Company has deviated from the Code provision A.4.1. Except for one of the independent non-executive Director has been appointed for a specific term and is subject to re-election, other non-executive Directors and independent non-executive Directors were not appointed for specific term but are subject to retirement by rotation and re-election at least once every three years in accordance with the provision of the Company’s Bye-laws. As such, the Company considers that sufficient measures have been taken to serve the purpose of this Code provision.

The Directors believe that, despite the absence of specified terms for non-executive Directors, the Directors are committed to representing the long-term interests of the Company and its shareholders as a whole.

Code provision E.1.5

Code provision E.1.5 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.

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.

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.

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, 29 June 2022

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