



中国泰凌医药集团 CHINA NT PHARMA GROUP

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1011

INTERIM
REPORT

2021



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CORPORATE INFORMATION

BOARD AND COMMITTEES

Executive Directors

Mr. NG Tit (*Chairman and Chief Executive Officer*)
Ms. CHIN Yu
Mr. WU Weizhong

Non-executive Director

Dr. QIAN Wei

Independent Non-executive Directors

Mr. YU Tze Shan Hailson
Dr. ZHAO Yubiao
Mr. PAN Fei

Audit Committee

Mr. PAN Fei (*Chairman*)
Mr. YU Tze Shan Hailson
Dr. ZHAO Yubiao

Remuneration Committee

Mr. YU Tze Shan Hailson (*Chairman*)
Mr. NG Tit
Dr. ZHAO Yubiao

Nomination Committee

Mr. NG Tit (*Chairman*)
Mr. YU Tze Shan Hailson
Dr. ZHAO Yubiao

AUTHORISED REPRESENTATIVES

Mr. NG Tit
Mr. PANG Wing Hong

COMPANY SECRETARY

Mr. PANG Wing Hong

AUDITORS

Crowe (HK) CPA Limited
Certified Public Accountants

LEGAL ADVISOR AS TO HONG KONG LAWS

Jun He

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28th Floor, The Wellington
198 Wellington Street
Sheung Wan
Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN CHINA

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Suzhou Industrial Park
Suzhou, PRC

REGISTERED OFFICE

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Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
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INVESTOR RELATIONS

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COMPANY'S WEBSITE

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

NT Pharma is a technology-based pharmaceutical company integrated with research and development (“**R&D**”), manufacturing and sales of its own products. With its products covering therapeutic areas including central nervous system (“**CNS**”), osteology, oncology and hematology. NT Pharma owns two new National Class 1 drugs, one well-known international innovative brand-name drug and a number of generic drugs. The Group conducts its drug manufacturing through its subsidiaries. The Group owns several sales and distribution companies with sales professionals and R&D specialists. It also has an extensive sales network in the People’s Republic of China (“**China**” or “**PRC**”), mainly covering the hospitals.

Shusi (generic name: quetiapine fumarate tablets) is the Group’s major product in the area of CNS. It is the first proprietary product which is researched and developed, manufactured and sold by the Group. Shusi is mainly used for the treatment of schizophrenia and maniacalis insultus as a result of bipolar affective disorder, which is an atypical antipsychotic first-tier drug. Shusi has been in the market for more than 15 years since its debut in 2003. It has developed a strong brand image which is widely recognised by clinical practitioners and the market.

Challenging economic conditions and the accelerated implementation of regulatory changes have further intensified competition in all aspects of the pharmaceutical industry, putting tremendous pressure on the Group’s results. In the first half of 2021, the Group still devoted much effort to the adjustment and restructuring of its sales model, tightening of cost control and improvement of its financial condition. The overall revenue of the Group from continuing operations for the Period Under Review increased by approximately RMB21.8 million to approximately RMB111.2 million, as compared with approximately RMB89.4 million for the corresponding period in 2020. Operating profit from continuing operations for the Period Under Review increased by approximately RMB49.8 million to approximately RMB28.3 million, as compared with an operating loss of RMB21.5 million for the corresponding period in 2020. The Group recorded a net loss of approximately RMB3.6 million for the Period Under Review, as compared with a net loss of approximately RMB48.5 million for the corresponding period in 2020.

OUTLOOK

Challenging economic conditions and the accelerated implementation of regulatory changes have further intensified competition in all aspects of the pharmaceutical industry, putting tremendous pressure on the Group’s results.

Despite signs of a gradual recovery following the easing of lockdown restrictions imposed to contain the outbreak of COVID-19 epidemic, widespread uncertainty about the second wave of infection and diplomatic disagreements between China and the United States have clouded the outlook on global economy. In the face of the global economic slowdown and domestic headwinds, the Chinese government has introduced strong fiscal and monetary policies to support businesses, stimulate domestic demand and maintain employment in order to tide over the difficult times.

In view of the uncertainty of the breadth and depth of the impact of the COVID-19 epidemic on the global and PRC economies, the management will continue to strive to adopt flexible strategies to respond to market changes and remain vigilant in controlling operating costs in order to enhance operational efficiency and maintain the Group’s financial flexibility.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW — CONTINUING OPERATIONS

Revenue

	For the six months ended 30 June				
	2021		2020		%
	RMB'000	%	RMB'000	%	Change
Proprietary products production and sales					
Shusi	92,441	83.1	69,640	77.9	32.7
Zhuo'ao	8,175	7.3	11,650	13.0	(29.8)
Others	10,617	9.6	8,146	9.1	30.3
Total	111,233	100.0	89,436	100.0	24.4

Revenue from manufacturing and sales of proprietary products increased by approximately RMB21.8 million to approximately RMB111.2 million, as compared with approximately RMB89.4 million in the corresponding period in 2020. The increase in revenue from manufacturing and sales of proprietary products was mainly due to the positive impact on propriety products Shusi brought by the market recovery during the Period Under Review.

Cost of Sales

For the six months ended 30 June 2021, cost of sales increased by approximately RMB6.9 million to approximately RMB39.6 million, as compared with approximately RMB32.7 million for the corresponding period in 2020. The increase in cost of sales was mainly due to the increase in sales of Shusi during the Period Under Review.

Gross Profit

Products	For the six months ended 30 June				
	2021	2021	2020	2020	%
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Change
	RMB'000	%	RMB'000	%	
Proprietary products production and sales					
Shusi	66,804	72.3	52,424	75.3	27.4
Zhuo'ao	4,614	56.4	7,041	60.4	(34.5)
Others	243	2.3	(2,767)	(34.0)	108.8
Total	71,661	64.4	56,698	63.4	26.4

Gross profit increased by approximately RMB15.0 million to approximately RMB71.7 million for the six months ended 30 June 2021, as compared with approximately RMB56.7 million in the corresponding period in 2020. Gross profit margin increased by 1.0 percentage points to 64.4% for the six months ended 30 June 2021, as compared with 63.4% for the corresponding period in 2020. The increase in gross profit margin was mainly due to the improvement in overall pricing of the products.

MANAGEMENT DISCUSSION AND ANALYSIS

Reportable Segments Operating Results

The Group recorded an operating loss of approximately RMB2.9 million for the six months ended 30 June 2021, as compared with approximately RMB9.5 million loss for the corresponding period in 2020.

Finance Costs

The Group's finance costs consist of interest on bank and other borrowings and bank charges. Finance costs increased by approximately RMB4.9 million or 18.1% to approximately RMB31.9 million for the six months ended 30 June 2021, as compared to RMB27.0 million for the corresponding period in 2020. The increase in finance costs was mainly due to an increase in financing rates as compared with the corresponding period in 2020.

Taxation

There was no income tax expense for the six months ended 30 June 2021 (2020: Nil)

Loss Attributable to Equity Holders of the Company

Loss attributable to equity holders of the Company for the six months ended 30 June 2021 was approximately RMB2.7 million as compared to a net loss of approximately RMB83.2 million for the corresponding period in 2020.

LIQUIDITY AND FINANCIAL RESOURCES

Treasury Policies

The primary objective of the Group's capital management is to maintain its ability to continue as a going concern so that the Group can constantly provide returns for shareholders of the Company and benefits for other stakeholders by implementing proper product pricing and securing access to financing at reasonable costs. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into consideration the changes in economic conditions, its future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group closely monitors its debt/assets ratio, which is defined as total borrowings divided by total assets.

Foreign Currency Exposure

The Group is exposed to currency risks primarily through sales made by the Group's Hong Kong and PRC subsidiaries, certain bank deposits and bank loans which are denominated in Hong Kong dollars. The Group recorded a net exchange loss of approximately RMB17,000 for the six months ended 30 June 2021, while the net exchange profit of the Group for the corresponding period in 2020 was approximately RMB0.6 million. Currently, the Group does not employ any financial instruments to hedge foreign exchange risk.

MANAGEMENT DISCUSSION AND ANALYSIS

Interest Rate Exposure

The Group's interest rate risk arises primarily from bank loans, unsecured debenture and bank balances. Borrowings at variable rates expose the Group to cash flow interest rate risk. Currently, the Group does not employ any financial instruments to hedge against interest rate risk.

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Total debt	(746,708)	(910,626)
Pledged bank deposits, cash and cash equivalents	8,329	33,214
Net debt	(738,379)	(877,412)

The maturity profile of the Group's borrowings is set out as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Repayable in the following periods:		
Within 1 year or on demand	679,145	796,248
After 1 year but within 2 years	49,445	16,024
After 2 years but within 5 years	—	29,611
	728,590	841,883

The Group's bank borrowings in PRC as at 30 June 2021 were approximately RMB399.5 million (31 December 2020: approximately RMB464.9 million), with fixed interest rate of 4.35% per annum.

As at 30 June 2021, the Group's other borrowings amounted to approximately RMB329.1 million in aggregate (2020: approximately RMB377.0 million) with fixed interest rates ranging from 6.0% to 24.0% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

Debt-to-Assets Ratio

To ensure its solvency and its ability to continue as a going concern, the Group closely monitors its debt-to-assets ratio to optimize its capital structure.

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Total debt	746,708	910,626
Total assets	1,123,143	1,295,069
Debt-to-assets ratio	66.5	70.3

Charges on the Group's Assets

As at 30 June 2021, the Group bank deposits of approximately RMB2.7 million (31 December 2020: approximately RMB20.0 million) were pledged to the banks to secure certain bank loans and bills payable. As at 30 June 2021, certain banking facilities of the Group were secured by the Group's fixed assets, which amounted to RMB514.4 million (31 December 2020: approximately RMB528.8 million).

Capital Commitments

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Contracted but not provided for — investment in associates	20,000	380,000

The Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within one year	150	510

The Group is the lessee of a number of properties under operating leases. The leases typically run for an initial period of one to three years. None of the leases includes contingent rentals.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments Held

Except for investments in its subsidiaries, the Group did not hold any significant investment in equity interest in any other company for the six months ended 30 June 2021.

Material Acquisition and Disposal

On 11 November 2020, NT Pharma (Group) Co., Ltd. ("**NT Group**", a direct wholly-owned subsidiary of the Company) and Fortune Blaze Investments Limited ("**Fortune Blaze**", an independent third party to the Company) entered into a sale and purchase agreement, pursuant to which, NT Group has agreed to sell and Fortune Blaze has agreed to purchase the entire issued share capital of The Mountains Limited, which holds 100% equity interest in NT Pharma (China) Co., Ltd. ("**NT Pharma (China)**"), at the estimated consideration of RMB126,847,000 minus the audited net assets value of NT Pharma (China) at the completion date in the first half of 2021. Details of the disposal are set out in the announcements of the Company dated 11 November 2020, 13 January 2021 and 8 February 2021.

Save as disclosed above, during the Period under Review, the Group did not have any other material acquisition or disposal.

Future Plans for Material Investments and Capital Assets

The Group did not have other plans for material investments and capital assets for the six months ended 30 June 2021.

Contingent Liabilities

As at 30 June 2021, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 30 June 2021, the Group had 210 full-time employees (30 June 2020: 348 employees). For the Period Under Review, the Group's total costs on remuneration, welfare and social security amounted to approximately RMB18.8 million (for the six months ended 30 June 2020: approximately RMB25.0 million). The Group maintains good relationships with its employees and certain policies have been carried out to ensure that the employees are receiving competitive remuneration, good welfare and continuous professional training.

The remuneration structure of the Group is based on employee performance, local consumption levels and prevailing conditions in the human resources market. Directors' remunerations are determined with reference to individual Director's experience, responsibilities and prevailing market standards. On top of basic salaries, bonuses may be paid according to the Group's performance as well as individual's performance. Other staff benefits include contributions to the Mandatory Provident Fund retirement benefits scheme in Hong Kong and various retirement benefits schemes including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees of the Group pursuant to the PRC rules and regulations and the prevailing regulatory requirements of the PRC. The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded according to their individual performances within the framework of the Group's salary and bonus system, which is being reviewed annually. The Group also has a share option scheme adopted by the Company on 22 September 2014, and a share award scheme (the "**Share Award Scheme**") adopted on 4 September 2015, where options to subscribe for Shares and Share awards may be granted to the Directors and employees of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules and certain recommended best practices. The Company has complied with all the applicable code provisions in the CG Code throughout the six months ended 30 June 2021 except for the deviation from code provision A.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ng Tit assumes both the roles of chairman and chief executive officer of the Company. Nevertheless, the division of responsibilities between the two roles is clearly defined. On the whole, the role of chairman is that of monitoring the duties and performance of the Board, whereas the role of chief executive officer is that of managing the Company’s business. The Board believes that at the current stage of development of the Company, vesting the roles of both chairman and chief executive officer in the same person provides the Company with a strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors, with the independent non-executive Directors representing one-third of the Board members. Such percentage of independent non-executive Directors on the Board can ensure their views carry significant weight and reflect the independence of the Board.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding Directors’ securities transactions on terms no less exacting than the requested standard set out in the Model Code. Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021. The Company continues and will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 June 2021.

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises Mr. Pan Fei, chairman of Audit Committee, Mr. Yu Tze Shan Hailson and Dr. Zhao Yubiao, who are all independent non-executive Directors. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2021 and has recommended its adoption by the Board. The Audit Committee is of the opinion that the financial statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.



CORPORATE GOVERNANCE AND OTHER INFORMATION

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules as of the date of this report.

PRE-IPO SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Pre-IPO Share Option Scheme**”) on 7 April 2011. Under the Pre-IPO Share Option Scheme, the Company granted 50,027,881 options before the listing of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company. As of 30 June 2021, no further options have been granted under the Pre-IPO Share Option Scheme. A summary of the principal terms and conditions of the Pre-IPO Share Option Scheme is set out in the section headed “Pre-IPO Share Option Scheme” in Appendix VIII of the Prospectus of the Company.

Due to the expiry of the Pre-IPO Share Option Scheme in the year of 2020, there was no outstanding option to subscribe for the Company's share under the Pre-IPO Share Option Scheme.

NEW SHARE OPTION SCHEME

The Company adopted a new share option scheme (the “**New Share Option Scheme**”) on 22 September 2014. Under the New Share Option Scheme, the Company granted 6,300,000 options to certain senior management staff of the Company with an exercise price of HK\$1.25 per share on 10 November 2014 (the “**2014 Options**”), and granted 41,500,000 options to certain individuals with an exercise price of HK\$1.23 per share on 15 January 2015 (the “**2015 Options**”), respectively. Each option gives the holder the right to subscribe for one ordinary share in the Company.

A summary of the principal terms of the New Share Option Scheme is set out in Appendix I of the circular of the Company dated 4 September 2014. For further details of the 2014 Options and the 2015 Options, please refer to the announcements of the Company dated 10 November 2014 and 15 January 2015, respectively. As of 30 June 2021, no further options have been granted under New Share Option Scheme. No shares were lapsed nor cancelled nor exercised during the six months ended 30 June 2021.

As at 30 June 2021, options to subscribe for an aggregate of 20,200,000 shares of the Company were outstanding under the New Share Option Scheme.

The remaining life of the Share Option Scheme is 3 years.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) under the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

Long Positions in the Ordinary Shares and Underlying Shares of the Company

Name of Director	Number of shares of the Company				Approximate percentage of interest in the Company (Note 3)
	Personal interests	Family interests	Corporate interests	Other interests	
Ng Tit	500,000 (Note 1)	4,000,000 (Note 1)	402,892,000 (Note 2)	—	21.39%
Chin Yu	4,500,000 (Note 1)	—	402,892,000 (Note 2)	—	21.39%
Wu Weizhong	1,066,858	—	—	—	0.06%
Yu Tze Shan Hailson	150,000	—	—	—	0.01%

Notes:

- (1) Mr. Ng Tit and his spouse, Ms. Chin Yu jointly own 500,000 shares of the Company. 4,000,000 share options were granted to Ms. Chin Yu on 15 January 2015 under the New Share Option Scheme.
- (2) An aggregate of 402,892,000 shares of the Company are beneficially owned by Golden Base Investment Limited (“Golden Base”). Mr. Ng Tit and Ms. Chin Yu are the controlling shareholders of Golden Base.
- (3) As at 30 June 2021, the total number of issued shares of the Company are 1,904,635,472 Shares.

Save as disclosed above, as at 30 June 2021, none of the Directors nor the chief executive of the Company or their associates (including their spouses and children under 18 years of age) had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, as recorded in the register required to be kept under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange under the Model Code contained in Appendix 10 to the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2021, the interests and short positions of the substantial shareholders of the Company (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO were as follows:

Name	Number of shares of the Company (long positions)				Approximate percentage of interest in the Company (Note 4)
	Beneficial owner	Interests of controlled corporation	Family interests	Other interests	
Golden Base	402,892,000	—	—	—	21.15%
Annie Investment Co., Ltd. (Note 1)	220,279,000	—	—	—	11.57%
Shum Ning (Notes 1 & 2)	—	220,279,000	527,381,500	—	39.25%
leong Chong Mang (Note 3)	527,381,500	—	220,279,000	—	39.25%

Notes:

- (1) These Shares are held by Annie Investment Co., Ltd., which is held as to 100% by Ms. Shum Ning.
- (2) Ms. Shum Ning is the spouse of Mr. leong Chong Mang. Under the SFO, Ms. Shum Ning is deemed to be interested in all the shares in which Mr. leong Chong Mang is interested.
- (3) Mr. leong Chong Mang is the spouse of Ms. Shum Ning. Under the SFO, Mr. leong Chong Mang is deemed to be interested in all the shares in which Ms. Shum Ning is interested.
- (4) As at 30 June 2021, the total number of issued shares of the Company are 1,904,635,472 shares.

Save as disclosed above, as at 30 June 2021, the Company had not been notified by any other parties (other than the Directors and chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed above, no transaction, arrangement or contract of significance in relation to the Group's business (as defined in the Listing Rules) to which the Company or any of, its subsidiaries, fellow subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the period ended 30 June 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CONTRACT OF SIGNIFICANCE

Save as disclosed above, no contract of significance had been entered into between the Company or any of its subsidiaries, and a controlling shareholder of the Company or any of its subsidiaries during the period ended 30 June 2021.

EVENTS AFTER THE REPORTING PERIOD

As of the date of this report, there is no significant event after the Period Under Review that is required to be disclosed by the Group.

APPRECIATION

The Board would like to express our heartfelt gratitude towards the management team and staff for their commitment and diligence, and would like to thank our shareholders and business associates for their strong support to the Group.

On behalf of the Board
China NT Pharma Group Company Limited
NG Tit
Chairman and Executive Director

Hong Kong, 31 August 2021

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021 (Expressed in Renminbi)

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Continuing operations			
Revenue	3	111,233	89,436
Cost of sales		(39,572)	(32,738)
Gross profit		71,661	56,698
Other revenue and other income	4	45,282	2,467
Other net (loss)/gain	5	(17)	551
Selling and distribution expenses		(52,441)	(38,426)
Administrative expenses		(36,175)	(44,403)
Fair value change on financial liabilities at fair value through profit or loss		—	1,794
Share of results of associates		—	(133)
Profit/(loss) from operations		28,310	(21,452)
Finance costs		(31,904)	(27,047)
Loss before taxation	6	(3,594)	(48,499)
Income tax expense	7	—	—
Loss for the period from continuing operations		(3,594)	(48,499)
Discontinued operation			
Loss for the period from discontinued operation		—	(36,462)
Loss for the period		(3,594)	(84,961)
Attributable to:			
Equity holders of the Company		(2,654)	(83,207)
Non-controlling interests		(940)	(1,754)
Loss for the period		(3,594)	(84,961)
Loss attributable to equity holders of the Company arises from:			
Continuing operations		(2,654)	(46,745)
Discontinued operation		—	(36,462)
		(2,654)	(83,207)
Loss per Share			
	8		
From continuing and discontinued operations			
Basic		(0.14) cents	(4.37) cents
Diluted		(0.14) cents	(4.37) cents
Loss per Share			
From continuing operations			
Basic		(0.14) cents	(2.45) cents
Diluted		(0.14) cents	(2.45) cents

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021 (Expressed in Renminbi)

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Loss for the period	(3,594)	(84,961)
Other comprehensive income for the period		
Exchange differences on translation of financial statements of entities outside the PRC	5,022	32,754
Total comprehensive gain/(loss) for the period	1,428	(52,207)
Attributable to:		
Equity holders of the Company	2,368	(50,453)
Non-controlling interests	(940)	(1,754)
Total comprehensive gain/(loss) for the period	1,428	(52,207)
Total comprehensive gain/(loss) for the period attributable to owners of the Company arise from:		
Continuing operations	2,368	(46,745)
Discontinued operation	—	(3,708)
	2,368	(50,453)

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As of 30 June 2021 (Expressed in Renminbi)

	<i>Notes</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	9	397,434	419,830
– Interests in leasehold land held for own use under operating leases		112,593	117,998
		510,027	537,828
Intangible assets		161,824	162,846
Interest in associates, net		376,899	16,899
Financial asset at fair value through profit or loss		537	537
		1,049,287	718,110
Current assets			
Inventories		23,270	27,287
Trade and other receivables	10	42,257	420,359
Pledged bank deposits		2,760	25,520
Cash and cash equivalents		5,569	7,694
		73,856	480,860
Assets of disposal group classified as held for sales/assets classified as held for sale		—	96,099
		73,856	576,959
Current liabilities			
Contract liabilities		5,122	5,808
Trade and other payables	11	270,953	268,164
Bank and other borrowings	12	679,145	796,248
Financial liabilities at fair value through profit or loss		16,199	16,199
Lease liabilities		1,919	3,156
Current taxation		12,350	12,195
		985,688	1,101,770
Liabilities of a disposal group classified as held for sale		—	54,666
		985,688	1,156,436
Net current liabilities		(911,832)	(579,477)
Total assets		1,123,143	1,295,069

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As of 30 June 2021 (Expressed in Renminbi)

	<i>Notes</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited)
Total assets less current liabilities		137,455	138,633
Non-current liabilities			
Bank and other borrowings	12	49,445	45,635
Financial liabilities at fair value through profit or loss		472	472
Lease liabilities		—	6,416
Deferred tax liabilities		63,688	63,688
		113,605	116,211
NET ASSETS		23,850	22,422
CAPITAL AND RESERVES			
Share capital	13	1	1
Reserves		18,646	16,278
Total equity attributable to equity holders of the Company		18,647	16,279
Non-controlling interests		5,203	6,143
TOTAL EQUITY		23,850	22,422

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 (Expressed in Renminbi)

	Attributable to owners of the Company												
	Share capital RMB'000	Conversion option of redeemable convertible preference share RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Other reserve RMB'000	Capital reserve RMB'000	Revaluation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2019 and 1 January 2020 (Audited)	1	276,131	1,759,103	56,922	88,206	8,256	281,800	14,750	–	(2,379,911)	105,258	(3,335)	101,923
Changes in equity for 2020:													
Loss for the year	–	–	–	–	–	–	–	–	–	(357,599)	(357,599)	(2,314)	(359,913)
Other comprehensive income													
Exchange differences on translation of financial statements of entities outside the PRC	–	–	–	(1,476)	–	–	–	–	–	–	(1,476)	–	(1,476)
Exchange differences reclassified to profit or loss upon disposal of a subsidiary	–	–	–	16,170	–	–	–	–	–	–	16,170	–	16,170
Revaluation surplus on leasehold land and buildings	–	–	–	–	–	–	–	–	313,583	–	313,583	15,722	329,305
Deferred tax on revaluation surplus on leasehold land and buildings	–	–	–	–	–	–	–	–	(59,758)	–	(59,758)	(3,930)	(63,688)
Total comprehensive loss	–	–	–	14,694	–	–	–	–	253,825	(357,599)	(89,080)	9,478	(79,602)
Transfer upon lapse of conversion rights of matured redeemable convertible preference shares	–	(276,131)	–	–	–	–	–	–	–	276,131	–	–	–
Lapse of share option	–	–	–	–	–	–	–	(2,106)	–	2,106	–	–	–
Equity-settled share-based transactions	–	–	–	–	–	–	–	101	–	–	101	–	101
As at 31 December 2020 (Audited)	1	–	1,759,103	71,616	88,206	8,256	281,800	12,745	253,825	(2,459,273)	16,279	6,143	22,422
Balance at 1 January 2021 (Audited)	1	–	1,759,103	71,616	88,206	8,256	281,800	12,745	253,825	(2,459,273)	16,279	6,143	22,422
Changes in equity for 2021:													
Loss for the period	–	–	–	–	–	–	–	–	–	(2,654)	(2,654)	(940)	(3,594)
Other comprehensive income													
Exchange differences on translation of financial statements of entities within the Group outside the PRC	–	–	–	5,022	–	–	–	–	–	–	5,022	–	5,022
Total comprehensive loss	–	–	–	5,022	–	–	–	–	–	(2,654)	2,368	(940)	1,428
Balance at 30 June 2021 (Unaudited)	1	–	1,759,103	76,638	88,206	8,256	281,800	12,745	253,825	(2,461,927)	18,647	5,203	23,850

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

For the six months ended 30 June 2021 (Expressed in Renminbi)

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net cash generated from operating activities	32,503	28,138
Net cash generated from investing activities	104,295	38,225
Net cash used in financing activities	(144,902)	(74,633)
Net decrease in cash and cash equivalents	(8,104)	(8,270)
Cash and cash equivalents at 1 January	7,694	28,198
Effect of foreign exchange rate changes	5,979	13,286
Cash and cash equivalents at 30 June	5,569	33,214

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Group is principally engaged in research and development, manufacturing, sales and distribution of pharmaceutical products and the provision of marketing and promotion services to suppliers in the People's Republic of China (“**PRC**”).

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

The unaudited condensed consolidated interim financial information is presented in Renminbi (“**RMB**”) unless otherwise stated.

These unaudited consolidated interim financial statements have not been audited by the Company's independent auditors, but have been reviewed by the audit committee of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2020. The Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) has issued a number of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) that are first effective for the current accounting period of the Group.

None of the developments have had a material effect on how the Group's results and financial position for the current period or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not effective for the current accounting period.

3. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following one reportable segment:

- Proprietary products production and sales: revenue from production and sales of NT Pharma branded products and generic drugs.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and expenses incurred specifically by those segments.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Segment results (Continued)

- The measure used for reporting segment operating profit is “operating profit” which is the profit from operations adjusted for items not specifically attributed to individual segments, such as other revenue, other net income/(loss), head office or corporate administration expenses.

Information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the purposes of resources allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 is set out below.

Continuing Operations

	Proprietary products production and sales Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Reportable segment revenue	111,233	89,436
Cost of sales	(39,572)	(32,738)
Reportable segment gross profit	71,661	56,698
Reportable segment results	(2,907)	(9,497)

(b) Reconciliations of reportable segment revenue and results

	Continuing Operations Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue		
Reportable segment revenue	111,233	89,436
Reportable segment results		
Reportable segment operating loss	(2,907)	(9,497)
Unallocated head office and corporate expenses	(14,048)	(16,634)
Other revenue and other income	45,282	2,467
Fair value change on financial liabilities at fair value through profit or loss	—	1,794
Other net (loss)/gain	(17)	551
Finance costs	(31,904)	(27,047)
Share of results of associates	—	(133)
Loss before taxation	(3,594)	(48,499)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. OTHER REVENUE AND OTHER INCOME

	Continuing Operations Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Bank interest income	208	1,000
Net gain on disposal of property, plant and equipment	4,081	—
Gain on disposal of a subsidiary (<i>Note</i>)	40,847	—
Other income	146	1,467
	45,282	2,467

Note:

On 11 November 2020, NT Pharma (Group) Co., Ltd. ("**NT Group**", a direct wholly-owned subsidiary of the Company) and Fortune Blaze Investments Limited ("**Fortune Blaze**", an independent third party to the Company) entered into a sale and purchase agreement, pursuant to which, NT Group has agreed to sell and Fortune Blaze has agreed to purchase the entire issued share capital of The Mountains Limited, which holds 100% equity interest in NT Pharma (China) Co., Ltd. ("**NT Pharma (China)**"), at the estimated consideration of RMB126,847,000 minus the audited net assets value of NT Pharma (China) at the completion date in the first half of 2021. Details of the disposal are set out in the announcements of the Company dated 11 November 2020, 13 January 2021 and 8 February 2021.

As a result, the Group recognized gain amounting to approximately RMB40,847,000, which represented the difference between the total proceeds approximately RMB126,847,000 and the other receivables amounting to approximately RMB214,000 netting-off the other payables amounting to approximately RMB86,214,000 related to the disposal recognized as at 30 June 2021.

5. OTHER NET (LOSS)/GAIN

	Continuing Operations Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net exchange (loss)/gain	(17)	551

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Continuing Operations Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	12,858	9,919
Amortisation of interests in leasehold land held for own use under operating leases	1,616	1,480
Amortisation of intangible assets	1,023	273
Asset impairment losses:		
— inventories	—	158
— trade debtors	—	762
Cost of inventories sold	39,572	32,738
Reversal of impairment for inventories	—	(502)
Reversal of impairment for trade debtors	—	(6,815)

7. INCOME TAX EXPENSE

	Continuing Operations Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax — PRC Income Tax		
Provision for the period	—	—
Deferred tax		
Origination and reversal of temporary differences	—	—
Income tax expense	—	—

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) The Company's subsidiaries in the Hong Kong Special Administrative Region are subject to Hong Kong profits tax at tax rate of 16.5% (2020: 16.5%). No income tax provision is made for the Hong Kong subsidiaries for the six months ended 30 June 2021, as these subsidiaries either derived no income subject to Hong Kong profits tax or sustained losses for Hong Kong profits tax purpose.

For the six months ended 30 June 2021, the Company's subsidiaries in PRC are subject to a statutory income tax rate of 25% (2020: 25%), except that Suzhou First Pharmaceutical Co., Ltd. is subject to income tax rate of 15% (2020: 15%).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

8. LOSS PER SHARE

(a) Basic loss per Share

The calculation of basic earnings per share is based on the loss attributable to the equity holders of the Company for the six months ended 30 June 2021 of RMB2,654,000 (2020: loss of RMB83,207,000) and the weighted average number of 1,887,047,000 (2020: 1,904,635,000) ordinary Shares in issue during the period.

(b) Diluted loss per Share

The calculation of fully diluted earnings per Share is based on loss for the six months ended 30 June 2021 of RMB2,654,000 (2020: loss of RMB83,207,000) and the weighted average number of 1,887,047,000 (2020: 1,904,635,000) ordinary Shares in issue after adjusting for the effect of all dilutive potential ordinary Shares.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, no buildings under construction and land use rights was acquired by the Group (2020: RMB2,723,000) and the Group incurred RMB380,000 (2020: RMB52,000) on acquiring machineries and equipment.

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade debtors and bills receivable	650,660	652,102
Less: Allowance for doubtful debts	(626,138)	(626,138)
	24,522	25,964
Deposits, prepayments and other receivables	17,735	394,395
	42,257	420,359

As at 30 June 2021, none of trade and other receivables was used for securing certain banking facilities (31 December 2020: RMB4,604,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade debtors are normally due within 30 to 240 days from the date of billing. Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis, based on the billing date of invoice, as at the date of the statement of financial position:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 3 months	8,144	17,973
More than 3 months but within 6 months	2,959	7,159
More than 6 months but within 1 year	13,419	832
	24,522	25,964

11. TRADE AND OTHER PAYABLES

All the trade and other payables are expected to be settled within one year or are repayable on demand.

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade creditors	32,490	41,177
Bills payable	2,760	5,520
Total trade creditors and bills payable	35,250	46,697
Accrued staff costs	822	2,475
Other payables and accruals	234,881	218,992
	270,953	268,164

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis, based on the date of invoice, as at the date of the statement of financial position:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 3 months	9,290	18,243
More than 3 months but within 6 months	10,711	23,298
More than 6 months but within 1 year	7,215	1,018
More than 1 year	8,034	4,138
	35,250	46,697

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12. BANK AND OTHER BORROWINGS

As at 30 June 2021, the bank and other borrowings comprised:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Bank borrowings	399,500	464,861
Other borrowings	329,090	377,022
	728,590	841,883
Secured	467,159	474,171
Unsecured	261,431	367,712
	728,590	841,883

As at 30 June 2021, the banking facilities were secured by certain assets of the Group as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Intellectual property rights	12,276	12,276
Fixed assets	502,163	512,411
Trade receivables	—	4,139
Pledged bank deposits	2,760	20,000
	517,199	548,826

13. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the unaudited condensed consolidated interim statement of changes in equity.

(b) Dividend

No dividend was declared or paid by the Company during the six months ended 30 June 2021.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

13. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

A summary of movements in the Company's issued share capital during the period ended 30 June 2021 is as follows:

	No. of shares '000	Amount RMB'000
Ordinary shares, issued and fully paid:		
At 1 January 2021 (audited) /		
At 30 June 2021 (unaudited)	1,904,636	1

Notes:

- (i) The Company was incorporated on 1 March 2010 with an authorised share capital of US\$50,100 divided into 626,250,000 shares of US\$0.00000008 each and one share was issued at par upon incorporation.
- (ii) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.
- (iii) On 14 January 2015, the Company issued 216,391,300 new shares with a nominal value of US\$0.00000008, at a price of HK\$1.050 per share. Net proceeds from share issue, after deduction of issuing expenses, amounted to RMB176,188,000.
- (iv) On 1 July 2015, the Company issued 259,650,000 new shares with a nominal value of US\$0.00000008, at a price of HK\$1.860 per share. Net proceeds from share issue, after deduction of issuing expenses, amounted to RMB377,060,000.
- (v) During the six months ended 30 June 2017, share options to subscribe for 329,166 shares were exercised, for which RMB0.18 was credited to share capital and the balance of RMB336,000 was credited to the share premium account.
- (vi) On 13 June 2017, upon completion of a placing pursuant to a placing agreement dated 19 April 2017 entered into between the Company and Shenwan Hongyuan Securities (H.K.) Limited as the placing agent, the Company issued 294,659,500 redeemable convertible preference shares with a nominal value of US\$0.00000008, at a price of HK\$1.83 per share. Net proceeds from the share issue, after deduction of issuing expenses, amounted to RMB468,006,000.
- (vii) During the year ended 31 December 2019, convertible bonds of approximately RMB196,771,000 were converted into 298,172,506 ordinary shares, with approximately RMB196,771,000 was credited to share premium account.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

NT Pharma Holdings Company Limited (“**NT Holdings**”) operated a share option scheme which was adopted on 18 September 2009 (“**2009 Share Option Scheme**”). Under the scheme, certain employees of the Group may be granted share options to acquire the shares in NT Holdings. The options vest after one to three years from the date of grant and are exercisable within ten years after the date of grant. Each option gives the holder the right to subscribe for one ordinary share in NT Holdings.

On 7 April 2011, the directors of NT Holdings terminated the 2009 Share Option Scheme and the directors of the Company adopted the Pre-IPO Share Option Scheme under which each option gives the holder the right to subscribe for one ordinary share in the Company. Under the Pre-IPO Share Option Scheme, each grantee of options under the 2009 Share Option Scheme exchanged his/her options under the 2009 Share Option Scheme for options under the Pre-IPO Share Option Scheme on a 2 for 1 basis. The exercise price payable by the grantees for each option granted under the Pre-IPO Share Option Scheme is double the exercise price payable by the grantees for their respective options granted under the 2009 Share Option Scheme (save for those options which have an exercise price of 70% of the price at which the Company offered its shares for subscription in the public offering on 20 April 2011 (the “**Offer Price**”). All other terms of the Pre-IPO Share Option Scheme are identical to the 2009 Share Option Scheme. The exchange of the share options was considered a modification to the 2009 Share Option Scheme. As the modification did not result in a material change in the value of the outstanding options at the date of modification, the modification had no impact on the profit or loss of the Group for the year ended 31 December 2011.

The Company adopted a share award scheme (the “**Share Award Scheme**”) on 11 January 2012 which was subsequently terminated on 6 March 2014.

A new share option scheme was approved and adopted by the shareholders of the Company pursuant to an ordinary resolution passed on 22 September 2014 (“**2014 Share Option Scheme**”). The 2014 Share Option Scheme was set up for the purpose to provide rewards and incentives to eligible participants for their contribution to the Group. The exercise price is to be determined by the Board and shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the date of grant of such a share option; (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding to the day of offer of such a share option; and (iii) the nominal value of the Shares. A nominal consideration of HK\$1 is payable on acceptance of the share option within 21 days from the date of making such offer.

The maximum number of shares in respect of which options may be granted under the 2014 Share Option Scheme and any other share option schemes of the Company may not exceed 10% of the issued share capital of the Company at the date of approval of the 2014 Share Option Scheme. The options under the 2014 Share Option Scheme vest immediately and after one to three years from the date of grant and are exercisable for a period of ten years following the date of grant.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting. The options under the 2014 Share Option Scheme vest after one to three years from the date of grant are exercisable for a period of ten years following the date of grant.

During the periods ended 30 June 2021 and 2020, no share option was granted to employees and consultants under the 2014 Share Option Scheme.

(a) The terms and conditions of the grants (after modification)

Date	Number of options	Vesting conditions	Exercise period
Options granted to directors: – 15 January 2015	8,000,000	Vesting of the options is conditional upon the performance of the participant. Options granted are vested in 3 equal tranches from 1 January each year from 2016 to 2018	On or prior to 14 January 2025
	8,000,000		
Options granted to employees: – 10 November 2014	487,500	Immediate from the date of grant	On or prior to 9 November 2024
– 10 November 2014	1,462,500	Exercisable in 3 equal tranches from 10 November each year from 2015 to 2017	On or prior to 9 November 2024

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The terms and conditions of the grants (after modification) (Continued)

Date	Number of options	Vesting conditions	Exercise period
– 10 November 2014	850,000	Vesting of the options is conditional upon the performance of the participants. Options granted are vested in 3 equal tranches from 10 November each year from 2015 to 2017	On or prior to 9 November 2024
– 15 January 2015	1,200,000	Vesting of the option is conditional upon the performance of the participants	On or prior to 14 January 2025
	4,000,000		
Options granted to consultants (as quasi-employee):			
– 15 January 2015	9,000,000	Vesting of the option is conditional upon the performance of the participant	On or prior to 14 January 2025
	21,000,000		

(b) The number and weighted average exercise prices of share options

	30 June 2021		31 December 2020	
	Weighted average exercise price	Weighted Number of options	Weighted average exercise price	Weighted Number of options
Outstanding at the beginning of the period/year	US\$0.16	20,200,000	US\$0.16	22,016,066
Lapsed during the period/year	US\$0.16	–	US\$0.20	(1,816,666)
Outstanding at the end of the period/year	US\$0.16	20,200,000	US\$0.16	20,200,000
Exercisable at the end of the period/year	US\$0.16	20,200,000	US\$0.16	20,200,000

All the share options granted under 2009 Share Option Scheme expired as at 30 June 2021.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) The number and weighted average exercise prices of share options (Continued)

The share options outstanding at 30 June 2021 were granted under 2014 Share Option Scheme had exercise price and US\$0.16 (2020: US\$0.16) and weighted average remaining contractual life of 3.0 years (2020: 3.5 years).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options. The estimate of the fair value of the share options granted is measured based on a Binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Binomial lattice model.

	Options granted on 18 September 2009	Options granted on 28 January 2010	Options granted on 1 March 2010	Options granted on 1 July 2010	Options granted on 1 September 2010	Options granted on 1 November 2010	Options granted on 17 December 2010	Options granted on 10 November 2014	Options granted on 15 January 2016
Fair value of share options and assumptions									
Fair value at measurement date	US\$0.14	US\$0.16	US\$0.14	US\$0.22	US\$0.22	US\$0.16	US\$0.18	HK\$0.87	HK\$0.67
Share price	US\$0.24	US\$0.28	US\$0.24	US\$0.34	US\$0.34	US\$0.34	US\$0.34	HK\$1.24	HK\$1.20
Exercise price	US\$0.20	US\$0.20	US\$0.20	US\$0.20	US\$0.20	US\$0.20	HK\$3.18 (70% of the Offer Price)	HK\$1.25	HK\$1.23
Expected volatility	58.46%	58.23%	58.00%	59.51%	58.94%	53.10%	57.19%	61.66%	74.90%
Option life	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free interest rate	4.297%	4.378%	4.293%	4.072%	3.415%	3.241%	3.858%	1.83%	1.49%

The expected volatility is based on the historical volatility of listed companies in similar industries (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

No share option was granted during the periods ended 30 June 2021 and 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(d) Share award scheme

The Company's share award scheme was adopted on 4 September 2015 for the purchase of rewarding directors and employees of the Company and its subsidiaries (the "Eligible Employees") with the shares of the Company. Pursuant to the share award scheme, existing shares of the Company will be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the eligible employees until such shares are vested with the Eligible Employees in accordance with the provisions of the share award scheme. The shares of the Company granted under the scheme and held by the trustee until vesting are referred to as the reward share units and each reward share unit shall represent one ordinary share of the Company.

During the period ended 30 June 2021, the trustee had not purchased any shares (2020: Nil shares of the Company). At 30 June 2021, the trustee held 15,809,336 (2020: 15,809,336) shares of the Company purchased but not yet awarded under the share award scheme.

15. COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2021 not provided for in the consolidated financial statements were as follows:

	The Group	
	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Contracted but not provided for – investment in an associate	20,000	380,000

- (b) At 30 June 2021, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	The Group	
	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 1 year	150	510

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one year. None of the leases includes contingent rentals.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

16. CONTINGENT LIABILITIES

The Group has no outstanding litigations or contingent liabilities up to the date of this report.

17. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2021, transactions with the following parties were considered to be related party transactions:

Name of related party	Relationship with the Group
Mr. Ng Tit and Ms. Chin Yu	Directors of the Company, beneficial holders of the Company's 21.39% equity interest
NT Holdings	Holding company of the Group prior to the Reorganisation
WSNG Group Limited	Mr. Ng Andy Ching Kit, son of Mr. Ng Tit and Ms. Chiu Yu, is one of the directors and a former shareholder

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Short-term employee benefits	2,210	1,950

Transactions with related parties

Name of related party	Nature of transactions	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
WSNG Group Limited	Sales of Miacalcic Injection and Miacalcic Nasal Spray	—	—

The directors of the Company are of the opinion that the above related parties transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with related parties

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables — WSNB Group Limited	16,049	17,549

18. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Group had no significant non-adjusting events subsequent to 30 June 2021.