中国泰凌医药集团
CHINA NT PHARMA GROUP

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 01011

ANNUAL REPORT
2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

BOARD COMMITTEES

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 ADVISORS AS TO HONG KONG LAWS

Jun He

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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198 Wellington Street
Sheung Wan, Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN CHINA

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Suzhou, PRC

REGISTERED OFFICE

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PO Box 2681
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
PO Box 2681
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COMPANY'S WEBSITE

http://www.ntpharma.com

STOCK CODE

1011

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of China NT Pharma Group Company Limited ("**NT Pharma**") together with its subsidiaries, the "**Group**"), I hereby present the annual report of the Company for the year ended 31 December 2021.

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**"), oncology and hematology. NT Pharma owns National Class 1 drugs and a number of generic drugs. The Group conducts its drug manufacturing through its subsidiaries. The Group owns several sales and distribution and R&D specialists. It also has an extensive sales network in the People's Republic of China ("**China**" or "**PRC**").

In the year of 2021, the Group 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 year ended 31 December 2021 (the "**Year under Review**") increased by RMB5 million to RMB226.7 million, as compared with RMB221.7 million for the corresponding period in 2020. The Group recorded a loss of RMB151.3 million for the year ended 31 December 2021, as compared with a loss of RMB191.3 million for the corresponding period in 2020 from continuing operations, representing a decrease of 20.9% year on year.

The outbreak of novel coronavirus pneumonia ("**COVID-19**") epidemic had a significant impact on the economy. Despite the tremendous downward pressure on China's economic growth, the pharmaceutical industry was able to maintain its growth momentum and the benefits of growing market demand and the government's increased investment in the pharmaceutical industry, which is evolving in the direction of high-quality and innovation-driven development.

I would like to thank all our employees for their hard work in the last financial year. The Group values the unique contribution from every employee. In the meantime, I would like to thank our business partners, customers and shareholders for their loyalty and support during this difficult time.

On behalf of the Board, I would like to thank the Directors, the Shareholders and the employees of the Group for their efforts and dedications and for their support during the year.

Ng Tit
Chairman and Chief Executive Officer

Hong Kong, 20 May 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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. The Group's business is currently composed of one major operating segment, i.e. manufacturing and sales of proprietary products.

The Group's proprietary products include Shusi, Zhuo'ao and other drugs. For the year ended 31 December 2021, the total revenue from manufacturing and sales of proprietary products increased by RMB5 million or 2.3% to RMB226.7 million, as compared with RMB221.7 million for the corresponding period in 2020. Revenue of Shusi increased by RMB8.6 million or 4.7% to RMB190.4 million for the Year under Review, as compared with RMB181.8 million for the corresponding period in 2020. The increase in sales of Shusi was attributable to increase in the sale volume of Shusi during the Year under Review. Revenue of Zhuo'ao decreased by RMB6.0 million or 26.8% to RMB16.4 million for the Year under Review, as compared with RMB22.4 million for the corresponding period in 2020. The decrease in sales amount of Zhuo'ao was mainly due to the price adjustment and the decrease in sale volume of Zhuo'ao during the Year under Review.

OUTLOOK

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.

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 improve the Group's financial flexibility. Specifically, the Group will strengthen the operational efficiency in proprietary products and target at developing the new scope of products and services in the future.

FINANCIAL REVIEW – CONTINUING OPERATIONS

Revenue

	For the year ended 31 December							
	2021				2020			
	Sales volume '000	Average unit price RMB	Sales amount RMB'000	Proportion (%)	Sales volume '000	Average unit price RMB	Sales amount RMB'000	Proportion (%)
Proprietary products production and sales								
Shusi	**7,507**	**25.4**	**190,431**	**84.0%**	6,393	28.4	181,832	82.0%
Zhuo'ao	**8,517**	**1.9**	**16,388**	**7.2%**	10,266	2.2	22,373	10.1%
Others	**9,645**	**2.1**	**19,880**	**8.8%**	11,528	1.5	17,526	7.9%
Total			**226,699**	**100%**			221,731	100%

Revenue from manufacturing and sales of proprietary products increased by RMB5.0 million to RMB226.7 million, accounting for 100% of the total revenue in the Year under Review, as compared with RMB221.7 million or 100% of the Group's revenue in the corresponding period in 2020. The increase in revenue from manufacturing and sales of proprietary products was due to increase in sale volume of Shusi during the Year under Review.

Cost of Sales

For the year ended 31 December 2021, cost of sales decreased by RMB5.6 million to RMB81.2 million, as compared with RMB86.8 million for the corresponding period in 2020.

Gross Profit

Products	For the year ended 31 December			
	2021		2020	
	Gross Profit RMB'000	**Gross Profit Margin (%)**	Gross Profit RMB'000	Gross Profit Margin (%)
Proprietary products production and sales				
Shusi	**135,686**	**71.3%**	125,957	69.3%
Zhuo'ao	**8,105**	**49.5%**	13,509	60.4%
Others	**1,668**	**8.4%**	(4,562)	(26.0)%
Total	**145,459**	**64.2**	134,904	60.8%

Gross profit increased by RMB10.6 million to RMB145.5 million for the year ended 31 December 2021, as compared with RMB134.9 million in the corresponding period in 2020. Gross profit margin increased by 3.4 percentage points to 64.2% for the year ended 31 December 2021, as compared with 60.8% for the corresponding period in 2020. The increase in gross profit margin was mainly due to the increase in sales contribution of products with higher gross profit margin such as Shusi as a result of the change in sales model and business partner which resulted in an increase of revenue of the relevant products with higher gross profit.

Reportable Segments Operating Loss

The operating expenses of the Group increased by RMB105.0 million or 65.5% to RMB265.3 million for the year ended 31 December 2021, as compared with RMB160.3 million for the corresponding period in 2020. The Group reported an operating loss of RMB119.8 million for the year ended 31 December 2021, as compared with an operating loss of RMB25.4 million for the corresponding period in 2020. The following table sets forth a breakdown of the Group's adjusted EBITDA by reportable segments for the year ended 31 December 2021:

	For the year ended 31 December			
	2021		2020	
	RMB'000	**(%)**	RMB'000	(%)
Proprietary products production and sales	**(57,815)**	**(25.5)**	45,113	20.3
Total	**(57,815)**	**(25.5)**	45,113	20.3

Finance Costs

The Group's finance costs mainly consist of interest on bank loans and other borrowings. Finance costs increase by RMB2.3 million or 2.7% to RMB88.8 million for the year ended 31 December 2021, as compared with RMB86.5 million for the corresponding period in 2020. The increase in finance costs was mainly due to increase in the outstanding of interest-bearing borrowing for the Year under Review as compared with the corresponding period in 2020.

Taxation

Income tax expense was RMB2.6 million for the year ended 31 December 2021 as compared with the income tax credit of RMB9.0 million for the corresponding period in 2020.

Loss Attributable to Equity Holders of the Company

Loss attributable to equity holders of the Company for the year ended 31 December 2021 was RMB149.5 million as compared with the loss attributable to equity holders of the Company of RMB357.6 million for the corresponding period in 2020. Both the basic and diluted loss per share from continuing and discontinued operations for the year ended 31 December 2021 were RMB7.91 cents as compared with RMB18.95 cents for the year ended 31 December 2020.

Loss attributable to equity holders of the Company from continuing operations for the year ended 31 December 2021 was RMB149.5 million as compared with the loss attributable to equity holders of the Company from continuing operations of RMB189.0 million for the corresponding period in 2020. Both the basic and diluted loss per share from continuing operation for the year ended 31 December 2021 were RMB7.91 cents as compared with RMB10.01 cents for the year ended 31 December 2020.

Capital Expenditure

Total capital expenditure spent for the year ended 31 December 2021 decreased by RMB3.1 million or 83.8% to RMB0.6 million, as compared with RMB3.7 million for the corresponding period in 2020, which was mainly used for acquiring property, plant and equipment in Suzhou.

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 gain of RMB6.7 million for the year ended 31 December 2021, while the net exchange gain of the Group for the corresponding period in 2020 was RMB16.1 million. Currently, the Group does not employ any financial instruments to hedge against foreign exchange risk.

Interest Rate Exposure

The Group's interest rate risk arises primarily from bank loans, other borrowings 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.

Group Debt and Liquidity

	As at 31 December	
	2021 **RMB'000**	2020 RMB'000
Total debt	**(832,110)**	(910,626)
Time deposits, pledged bank deposits, cash and cash equivalents	**9,443**	33,214
Net debt	**(822,667)**	(877,412)

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

	As at 31 December	
	2021 **RMB'000**	2020 RMB'000
Repayable:		
– Within one year	**616,825**	796,248
– After one but within two years	**213,290**	16,024
– After two but within five years	**–**	29,611
	830,115	841,883

The Group's bank borrowings as at 31 December 2021 were approximately RMB369.4 million (31 December 2020: RMB464.9 million), out of which RMB369.4 million (31 December 2020: RMB464.9 million) were bank borrowings from banks in the PRC with fixed interest rates ranged from 4.35% to 6.52% (2020: 4.3% to 6.75%) per annum.

Save as disclosed above, as at 31 December 2021, the Group had other borrowings of RMB460.7 million (2020: RMB377.0 million).

Debt-to-Assets Ratio

The Group closely monitors its debt-to-assets ratio to optimize its capital structure so as to ensure solvency and the Group's ability to continue as a going concern.

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Total debt	**832,110**	910,626
Total assets	**955,360**	1,295,069
Debt-to-assets ratio	**87.1%**	70.3%

Charges on the Group's Assets

As at 31 December 2021, none of the Group's bank deposits (31 December 2020: RMB25.5 million) were pledged to the banks to secure certain bank loans and bills payable. As at 31 December 2021, certain banking facilities of the Group were secured by the Group's intellectual property rights, fixed assets and trade receivables, which amounted to RMB252.1 million (31 December 2020: RMB528.8 million).

Capital Commitments

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Contracted but not provided for		
– investment in associates	**20,000**	380,000

As at 31 December 2021, the Group had no future minimum lease payments under non-cancellable operating leases payable as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within one year	**–**	510

The Group is the lessee of a number of properties under operating leases. None of the leases includes contingent rentals.

Significant Investments Held

Except for investments in its subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other company for the year ended 31 December 2021.

Material Acquisition and Disposal

a. 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 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. The disposal transaction was completed on 2 June 2021 and The Mountains Limited and NT Pharma (China) ceased to be subsidiaries of the Company.

b. On 21 April 2020, the Group and Beijing Konruns Pharmaceutical Co., Limited ("**Beijing Konruns**") entered into an agreement, pursuant to which, the Group has conditionally agreed to subscribe for 40% equity interest in Beijing Kangchen (a wholly-owned subsidiary of Beijing Konruns and holding 100% equity interest of NT Pharma International Company Limited since 3 September 2020) at a consideration of RMB360,000,000. The transaction was completed on 23 April 2021. On 21 October 2021, the Group and Beijing Konruns entered into share transfer agreement, pursuant to which, the Group transferred 13.7% equity interest in Beijing Kangchen to Beijing Konruns at a consideration of RMB127,409,000. The transaction was completed on 4 November 2021. As at 31 December 2021, the Group holds 26.3% equity interest of Beijing Kangchen, The Group can exercise significant influence over its operating and financial activities, accordingly, it is regarded as an associate.

Save as disclosed above, during the Year 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 year ended 31 December 2021.

Litigation

(a) On 5 January 2021, a customer as the plaintiff, filed a legal proceeding against a subsidiary as defendant in 北京市東城區人民法院 in respect of overdue promotional service charges of RMB24,455,000, and related expenses of RMB12,000, totalling approximately RMB24,467,000.

On 9 September 2021, the Group received a judgement from the Court and ordered that claim liability amounted to approximately RMB24,467,000 together with interests accrued thereon and related legal costs, is required to be settled by the defendant. A provision for claim in the amount of RMB33,451,000 (2020: RMB24,467,000) was made for the year ended 31 December 2021 under trade and other payables.

(b) On 24 August 2021, a writ of summons was issued by an associate, 盈泰醫藥, as plaintiff, against a wholly owned subsidiary of the Group, NT (BJ) Pharma Technology Co., Ltd (泰凌（北京）醫藥科技開發有限公司), NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司) and Suzhou First Pharmaceutical Co., Ltd (蘇州第壹製藥有限公司), collectively as defendant. The plaintiff claimed for the outstanding promotional services fees and accrued interests in the total amount of approximately RMB68,231,000. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

On 27 September 2021, the Group received a judgement from 江蘇省泰州醫藥高新技術產業開發區人民法院 ("**泰州高新區法院**") and ordered that the defendant is required to pay a sum of approximately RMB63,700,000 plus related costs of RMB4,531,000. A provision of claim in the amount of RMB68,231,000 (2020: RMB46,074,000) was made for the year ended 31 December 2021 under trade and other payables.

(c) On 17 September 2021, a writ of summons was issued by an independent third party, as plaintiff, against a wholly owned subsidiary, Suzhou First Pharmaceutical Co., Ltd (蘇州第壹製藥有限公司), Guangdong NT Pharma Co., Ltd (廣東泰凌醫藥有限公司), NTP (China) Investment Co., Ltd (泰凌（中國）投資有限公司), NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司) and NT Pharma (Changsha) Co., Ltd (泰凌醫藥（長沙）有限公司), collectively as defendants. The plaintiff claimed for the repayment of principal and the accrued interests of a loan in the total amount of approximately RMB35,260,000. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

On 28 October 2021, the plaintiff and Suzhou First Pharmaceutical Co., Ltd (蘇州第壹製藥有限公司), Guangdong NT Pharma Co., Ltd (廣東泰凌醫藥有限公司), NTP (China) Investment Co., Ltd (泰凌（中國）投資有限公司), NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司) and NT Pharma (Changsha) Co., Ltd (泰凌醫藥（長沙）有限公司), collectively as defendants, reached a mediation that the claimed borrowings was revised to be RMB33,811,000 which will be repaid in accordance with the revised and extended schedule to December 2022.

(d) On 6 December 2021, a PRC subsidiary, NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司) ("**NT Biopharmaceuticals**") was served by a writ of summons in 蘇州工業園區人民法院 by a PRC bank, for its non-compliance to the terms and conditions of a loan agreement. According to the Statement of Claim, the bank is pursuing claims against NT Biopharmaceuticals for an immediate repayment of all outstanding loan principal and interest, in the sum of approximately RMB101,000,000, together with the default interest. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation. NT Biopharmaceuticals will continue to negotiate with the bank to restructure the due bank loan, together with the default interest, with extension of maturity and revised repayment schedule.

For the above litigations, which were mainly in relation to failure to perform the obligation of the related liabilities already recognised in the consolidated financial statements, the Group is proactively communicating with the creditors, striving to solve the litigations through settlement by agreement.

HUMAN RESOURCES

As at 31 December 2021, the Group had 212 full-time employees (31 December 2020: 224 full-time employees). For the year ended 31 December 2021, the Group's total cost on remuneration, welfare and social security amounted to RMB32.2 million (31 December 2020: RMB55.6 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 reviewed annually. The Group also operates a share option scheme (the "**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, respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

SIGNIFICANT EVENTS AFTER THE END OF REPORTING PERIOD

(a) Subsequent to the year ended 31 December 2021, the Group is in advanced stage of discussion with an independent third party in relation to entering into of a disposal agreement, pursuant to which the Group shall conditionally agree to dispose of certain land and buildings situated in the PRC and related plant and machinery. The Group and the independent third party are currently finalising the term of disposal agreement.

(b) On 29 April 2022, the Group has entered into a framework agreement with the municipal government in the PRC, as a strategic investor, to set up a joint venture company specialised in pharmaceutical research and development. Pursuant to the framework agreement, the municipal government intends to provide funds of approximately RMB200 million for the establishment of plants and facilities to be used by the joint venture company and RMB300 million to subscribe not more than 15% equity interest in the joint venture company with exist period of three years.

ACTION PLAN TO ADDRESS AUDIT QUALIFICATION

The auditors of the Company did not express opinion on the consolidated financial statements of the Group for the year ended 31 December 2021 due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements.

In order to address the issues, up to the date of this report, the Group has taken and will continue to implement the following measures the (the "**Measures**") under the Group's action plan to improve the Group's liquidity position, including:

(i) The Group is actively negotiating with a number of banks and other financial institutions for renewal and extension of bank and other borrowings. Specially, the Group is currently in active negotiations with the lenders to extend the repayment dates of the overdue borrowings, and to obtain waivers from complying with certain restrictive covenants contained in the loan agreements of certain borrowings;

(ii) The Group accelerates its disposal plan of its properties, plant and equipment and leasehold land to reduce its debts. Subsequent to 31 December 2021 and up to the date of this report, the Group is in advanced stage of discussion with an independent third parties in relation to entering into of a disposal agreement, pursuant to which the Group shall conditionally agree to dispose of certain of the Group's property, plant and equipment and leasehold land. The Group and the independent third parties are currently finalising the term of disposal agreement;

(iii) On 29 April 2022, the Group has entered into a framework agreement with the municipal government in the PRC, as a strategic investor, to set up a joint venture company specialized in pharmaceutical research and development. Pursuant to the framework agreement, the municipal government intends to provide funds of approximately RMB200 million for the establishment of plants and facilities to be used by the joint venture company and RMB300 million to subscribe not more than 15% equity interest in the joint venture company with exist period of three years;

(iv) The Group will continue to take active measures to control administrative costs through various channels including human resources optimization and containment of capital expenditures; and

(v) The Group is actively negotiating with external parties to obtain new sources of financing or strategic capital investments to finance the Group's working capital and improve the liquidity position.

As at the date of this report, none of the Measures has been completed. As the Measures involve on-going negotiations and communications with various external parties, potential purchasers and creditors, it is difficult to define a definite timetable on the completion of Measures under the action plan. Notwithstanding, the Board will strive to complete the Measures before the financial year ending 31 December 2022.

AUDIT COMMITTEE'S VIEW ON THE AUDIT QUALIFICATION

The Audit Committee has reviewed and agreed with the views and concerns of the Auditor with respect to the Audit Qualification on the consolidated financial statements of the Group for the year ended 31 December 2021. The Audit Committee noted that the Board has undertaken or in the progress of implementing the Measures to improve the Group's liquidity position. As at the date of this report, the Board is not aware of any indication that any of the Measures cannot be completed. With reference to the cash flow forecast which is prepared upon the assumption that the Measures will be successfully implemented, the Board is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements for the year ended 31 December 2021. Accordingly, the consolidated financial statements for the year ended 31 December 2021 have been prepared on a going concern basis.

The Audit Committee has reviewed and agreed with the management's position and is of the view that the Board should continue its efforts in implementing necessary measures for enhancing the Group's liquidity position and removing the Audit Qualification in the next financial year.

NEXT FINANCIAL STATEMENTS

Based on the Company's discussion with the Auditor, as the Audit Qualification relates to the Company's ability to continue as a going concern, in preparing the financial statements for the year ending 31 December 2022, the Board will be responsible for assessing the Company's ability to continue as a going concern and the appropriateness of preparing the Group's consolidated financial statements on a going concern basis with reference to the conditions and circumstances as at 31 December 2022. The Auditor will obtain sufficient appropriate audit evidence to assess the appropriateness of the Board's application of going concern basis in preparing the Group's consolidated financial statements, and based on the audit evidence obtained, to determine whether multiple uncertainties exist in relation to the Company's going concern issue.

The Board's assessment of the Company's ability to carry on as a going concern as at 31 December 2022 will take into consideration the relevant conditions and circumstances, and also a then cash flow forecast of the Group for a period covering not less than twelve months from the date of approval of the consolidated financial statement for the year ending 31 December 2022.

Because of the foregoing, as at the date of this report, the Auditor is unable to confirm whether the Audit Qualification will be removed for the annual results for the year ending 31 December 2022. However, assuming all the Measures are successfully implemented as planned, sufficient and appropriate audit evidence is obtained by the Auditor and the Board is satisfied that the Company can continue business as a going concern, barring any unforeseen circumstances, it is likely that the annual results for the year ending 31 December 2022 will be free of the Audit Qualification.

RELATIONSHIP WITH KEY STAKEHOLDERS

Human resources is one of the most important assets of the Group. The Group strives to motivate its employees by providing them with a clear career path as well as comprehensive and professional training courses. In addition, the Group also offers competitive remuneration packages to its employees, including basic salary, certain benefits and other performance based incentives.

The Group purchases imported pharmaceutical products from overseas suppliers, either directly or indirectly through their sales agents, and generate revenue by on-selling them to hospitals and pharmacies through distributors and deliverers. Our suppliers or their sales agents have granted us the rights to market, promote and manage sales channels for their products in China. The Group maintains a stable and long- term relationship with its suppliers by providing them access to the growing Chinese market with steady sales growth.

The Group sells pharmaceutical products to distributors, who on-sell the products to hospitals and pharmacies either directly or indirectly through their sub-distributors. The Group maintains stable and long-term relationship with its distributors by providing them guidance, training and support to carry out more targeted field marketing and promotion activities.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ng Tit, aged 58, co-founder of the Group, has been the Chairman of the Board of Directors and Chief Executive Officer of the Company since 1995. Mr. Ng was appointed as the Company's executive Director on 1 March 2010, responsible for the overall strategic planning and management of the Group. He has extensive experience in the pharmaceutical industry, having been engaged in the pharmaceutical business for over 20 years. Prior to establishing the Group in 1995, Mr. Ng worked for a number of relevant organisations and enterprises. Mr. Ng is a member of Jiangsu Committee of the Chinese People's Political Consultative Conference ("**CPPCC**") of the PRC, deputy director of Jiangsu Committee of Hong Kong, Macau, Taiwan and Overseas (Foreign Affairs) of CPPCC, vice president of Overseas Friendship Association of Jiangsu Province, vice president of Federation of HK Jiangsu Community Organisations and Chairman of China Nation Culture Spread Ltd. (中華民族文化傳播有限公司). Mr. Ng obtained his bachelor degree from Guizhou University in 1986, and an Executive Master of Business Administration ("**EMBA**") from Fudan University (復旦大學) in 2007. He is the spouse of Ms. Chin Yu, who is an executive Director, and the brother-in-law of Dr. Qian Wei, who is a non-executive Director.

Ms. Chin Yu, aged 58, co-founder of the Group. Ms. Chin has been re-designated from non-executive Director to executive Director of the Company since 1 February 2015. Ms. Chin is responsible for the daily operations of NT Pharma (Hong Kong) Co., Ltd. Ms. Chin was appointed as non-executive Director on 1 March 2010. Prior to the establishment of the Group, Ms. Chin was an accounting professional. Ms. Chin worked in Bank of Communications from 1987 to 1993. Ms. Chin is the spouse of Mr. Ng Tit, the Chairman of the Board of Directors and Chief Executive Officer, and the sister of Dr. Qian Wei, a non-executive Director.

Mr. Wu Weizhong, aged 52, was appointed as an executive Director of the Company on 20 March 2015. Mr. Wu is also the Senior Vice President of the Group, General Manager of manufacturing and supply chain centre, chairman of Suzhou First and chairman of NT Pharma (Changsha) Co., Ltd, having overall responsibilities for organization of its own brand product production, operational management and supply chain management. Mr. Wu has over 20 years of experience in pharmaceutical manufacturing. Prior to joining the Group, Mr. Wu worked at various positions including engineer, assistant manager and deputy factory manager of Suzhou No. 4 Pharmaceutical Factory and was the factory manager of Suzhou First. Mr. Wu obtained a bachelor's degree in Chemical Engineering from Dalian University of Technology in 1992. He also obtained an EMBA from Fudan University in 2004.

NON-EXECUTIVE DIRECTOR

Dr. Qian Wei, aged 65, was appointed as a non-executive Director of the Company on 1 March 2010. Dr. Qian is currently a tenured full professor of Biomedical Engineering, University of Texas, and a fellow of American Institute for Medical and Biological Engineering. He also enrolled the Chinese 1000 Plan as an innovation expert. He is Dean of the Sino-Dutch Biomedical and Information Engineering School of Northeastern University. Dr. Qian was appointed as Allen Henry Endowed Chair Distinguished Professor of Electrical Engineering in the Engineering College at Florida Institute of Technology in 2009. He had previously been an associate professor of Department of Interdisciplinary Oncology at Moffitt Cancer Center, College of Medicine, University of South Florida from 2001 to 2007. Dr. Qian has been given the Stars Award of system research by University of Texas, US in 2008, Award for Outstanding Research Achievements by American Cancer Society in 2000. Dr. Qian received Martrin Silberg Cancer Research Award for outstanding achievements for two consecutive years in 1994 and 1995. He obtained his doctorate of Biomedical Engineering at Southeast University in 1990. He was a Postdoctoral Research Associate of University of Notre Dame in 1992 and of University of South Florida in 1994. Dr. Qian is the brother of Ms. Chin Yu, an executive Director and the brother-in-law of Mr. Ng Tit, the Chairman and Chief Executive Officer of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Tze Shan Hailson, aged 65, was appointed as an independent non-executive Director of the Company on 29 June 2017. He was graduated from the University of Calgary with a bachelor degree in Electrical Engineering in 1979, graduated from the University of Hong Kong with a master degree in Electrical Engineering in 1987, graduated from City University of Hong Kong with a master degree of law in Arbitration and Dispute Resolution in 1995 and completed the postgraduate diploma in Investment Management and postgraduate certificates in Hong Kong Laws and Traditional Chinese Medicine courses.

Mr. Yu served as equipment maintenance and testing engineer, equipment maintenance and testing laboratory manager, computer engineering and system engineering manager of Ampex Ferrotec Limited (Hong Kong) successively from June 1979 to September 1987. Mr. Yu joined China International Trust and Investment Corporation Hong Kong (Holdings) Limited and served as general manager of engineering research and development department and consultant of Petroleum Development and LPG Tank Terminal Port successively from October 1987 to January 1998. He has been serving as deputy managing director of Versitech Limited and deputy director of Technology Transfer Office of the University of Hong Kong since February 1998 till now.

Mr. Yu has been serving as an independent non-executive director of China Traditional Chinese Medicine Holdings Co. Limited (formerly known as Winteam Pharmaceutical Group Limited) (stock code: 570), since November 2013 and Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (stock code: 2196) since June 2021, Mr. Yu was an independent non-executive director of Sinopharm Group Co. Ltd. (stock code: 1099) from September 2014 to September 2020. All are companies listed on the Stock Exchange of Hong Kong.

Mr. Yu currently is a Chartered Engineer, fellow of each of the Institute of Electrical Engineers, Hong Kong Institution of Engineers, the Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators.

Mr. Pan Fei, aged 66, was appointed as an independent non-executive Director of the Group on 20 March 2020. He has been a professor of accounting and the deputy dean of the school of accountancy in Shanghai University of Finance and Economics (上海財經大學) since July 2000. Mr. Pan served as an independent non-executive director of China Hengshi Foundation Company Limited (中國恆石基業有限公司) (stock code: 1197) (delisted), a company listed on the Stock Exchange, from May 2015 to March 2018.

From March 1983 to June 1995 and from July 1995 to June 2000, Mr. Pan had been a lecturer of accounting and an associate professor of accounting in Shanghai University of Finance and Economics, respectively. Mr. Pan obtained a bachelor's degree, a master's degree and a doctoral degree in accounting from Shanghai University of Finance and Economics in January 1983, March 1991 and July 1998 respectively, in Shanghai, China.

Dr. Zhao Yubiao, aged 51, was appointed as an independent non-executive Director of the Group on 31 December 2019. He obtained his doctorate degree in economics from Jilin University in June 2013. From June 1990 to April 1996, he served as the manager of accounting department and trading department of the securities business department of Jilin Trust Investment Company (Shanghai branch); from April 1996 to December 2000, he served as the general manager of the securities business department of Jilin Trust Investment Company (Hongshan Road branch, Shanghai); from December 2000 to December 2002, he served as the general manager of Shanghai Jinluda Investment Management Co., Ltd.; from December 2002 to May 2017, he served successively as the general manager, vice chairman and chairman of Tianzhi Fund Management Co., Ltd.; from May 2018 to present, he has been serving as the assistant to the chairman of Zhejiang Nandu Power Supply Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300068); from May 2019 to present, he has been serving as an independent director of Huafon Microfibre (Shanghai) Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300180).

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a high standard of corporate governance. The Board believes that a high standard of corporate governance will provide a framework for the Company to formulate its business strategies and policies, and manage and lower the associated risks through effective internal control procedures. It will also enhance the transparency of the Company and strengthen the accountability to its shareholders and stakeholders.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**") and certain recommended best practices. The Company has complied with all the applicable code provisions in the Code throughout the year ended 31 December 2021, save as disclosed below and in this corporate governance report:

Code provision A.2.1 of the Code 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.

Mr. Ng is the main founder of the Group and he is responsible for the overall strategic planning and management of the Group. He has played an important role during the Group's expansion. Mr. Ng has extensive experience in the pharmaceutical industry, having been engaged in the pharmaceutical business for over 20 years. At present, the Board believes that it is beneficial to the management and development of the Group's businesses for Mr. Ng to be both the chairman and chief executive officer as it helps to facilitate the Board's decision-making.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. After making specific enquiry to the Directors, it is confirmed that all Directors have complied with the standards as stipulated in the Model Code throughout the year ended 31 December 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS

For the period from 1 January 2021 to 31 December 2021, the Board had at all times met the requirements of Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise and the number of independent non-executive Directors representing at least one-third of the Board.

The Company has received annual confirmations from each of the independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all existing independent non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules and are free of any relationship that could materially interfere with the exercise of their independent judgments.

THE BOARD

The Board is responsible for achieving corporate goals, formulating development strategy, reviewing the organizational structure, monitoring business activities and performance of management and determining the policy for corporate governance of the Company so as to protect and maximize the interests of the Company and the shareholders as a whole. Matters relating to the daily operations of the Group are delegated to management. During the Year under Review, the Board considered and approved the annual budget and its performance under management supervision together with the business reports from management. The Board also reviewed and approved the final results for the year ended 31 December 2021 and other critical business operations. The Board also assessed the internal control and the financial matters of the Group.

Board Composition

The Board composition for the year ended 31 December 2021 and up to the date of this report are as follows:

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

As at the date of this annual report, the Board comprises seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. The members of the Board possess diverse and rich industry backgrounds with appropriate professional qualifications. Please refer to the section headed – "Biographical Details of Directors".

To the best knowledge of the Board, save as disclosed in the section headed "Biographical Details of Directors", there is no financial, business, family or other material/relevant relationship among members of the Board. Board members are free to exercise their independent judgment.

Under code provision A.4.1 of the Code contained in Appendix 14 to the Listing Rules, non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Directors were appointed for a term of three years, subject to re-election when appropriate by the Company in general meeting.

Board Diversity Policy

To demonstrate the Company's continued commitment to high standards of corporate governance, the Board adopted a Board Diversity Policy in August 2013 to comply with the code provision A.5.6 of the Code on board diversity. The policy is as follows:

Purpose

This policy aims to set out the approach to achieve diversity on the Board.

Vision

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

Policy Statement

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the board level as an essential element in maintaining the Company's competitive advantage.

The Company believes that greater diversity of directors is good for corporate governance and is committed:

- to attract and retain candidate(s) for the Board with a combination of competencies from the widest possible pool of available talent;
- to maintain a Board with diversity perspectives at all levels, in particular, those are aligning with the Company's strategy and objectives;
- to assess regularly the diversity profile of the Board and, where applicable, senior management prepared for Board positions under the succession planning of the Company and the progress on achieving diversity objectives, if any;
- to ensure that the selection and nomination of Board positions are appropriately structured so that a diverse range of candidates can be considered;
- to set up appropriate procedures for development of a broader and more diverse pool of skilled and experienced senior management that would be prepared for Board positions; and
- to ensure that changes to the Board's composition can be managed without undue disruption.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Review of this Policy

The Board will review this policy on a regular basis to ensure its continued effectiveness.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(A) at least one-third of the members of the Board shall be independent non-executive directors;

(B) at least one of the members of the Board shall have obtained accounting or other professional qualifications;

(C) at least 70% of the members of the Board shall have more than seven years of experience in the industry he/she is specialised in; and

(D) at least two of the members of the Board shall have China-related work experience.

The Board is of the view that its diversity level is appropriate in terms of gender, age, cultural and educational background, professional experience, skills and knowledge of the Directors. However, the Board will continue to observe the Board Diversity Policy and consider potential candidates against the objectives set out in the Board Diversity Policy in order to achieve diversity on the Board.

Board Meetings

The Board conducts meetings on a regular basis and on an ad hoc basis, whenever required. The Company will convene at least four regular meetings every year. In 2021, the Company convened four regular Board meetings. The attendance records of the regular Board meetings held during the year ended 31 December 2021 are set out below:

Name of Directors	Meeting attendance/ number of regular meetings	Attendance rate (%)
Executive Directors		
Mr. Ng Tit *(Chairman and Chief Executive Officer)*	4/4	100%
Ms. Chin Yu	4/4	100%
Mr. Wu Weizhong	4/4	100%
Non-Executive Director		
Dr. Qian Wei	4/4	100%
Independent Non-Executive Directors		
Mr. Yu Tze Shan Hailson	4/4	100%
Dr. Zhao Yubiao	4/4	100%
Mr. Pan Fei	4/4	100%

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board committee meetings, reasonable notice is generally given. The agendas and accompanying Board papers are given to all Directors in a timely manner.

All Directors have full and timely access to all relevant information and the advice of the company secretary, to ensure that Board procedures and all applicable rules and regulations are followed. Upon making request to the Board, all Directors may obtain independent professional advice at the Company's expense for carrying out their functions.

The minutes of all Board committee meetings are kept by the Company at its Hong Kong office. Draft and final versions of the minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

Training for Directors

For each newly appointed Director, he/she will be provided with an induction course so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and the relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary.

During the year ended 31 December 2021, the Company circulated materials relevant to the Director's duties and responsibilities to Directors and management of the Company for their reading and reference.

A summary of the reading record and attending external seminars/briefings of the Directors for the year ended 31 December 2021 and up to the date of this report are as follows:

	Reading regulatory update	Attending external seminars/ briefings
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	✓	✓

Directors' and Senior Officers' Liability Insurance and Indemnity

The Company has arranged appropriate liability insurance to indemnify the Directors and senior officers for their liabilities arising out of corporate activities. For the year ended 31 December 2021, no claim has been made against the Directors and senior officers.

Board Committees

The Board has set up three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively the "**Board Committees**"), for overseeing particular aspects of the Company's affairs.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

AUDIT COMMITTEE

The Board established the Audit Committee on 26 March 2011, with written terms of reference in compliance with the Listing Rules. Currently, it is chaired by Mr. Pan Fei and comprises two other members, namely Mr. Yu Tze Shan Hailson and Dr. Zhao Yubiao, all of whom are independent non-executive Directors.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditors, review the financial statements, oversee and provide advice in respect of the financial reporting system, oversee the internal control procedures and perform the corporate governance duties of the Company.

The Audit Committee is responsible for performing the following corporate governance duties:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to Directors;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

During the year ended 31 December 2021, the Audit Committee convened the following meetings:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Pan Fei *(Chairman)*	2/2	100%
Mr. Yu Tze Shan Hailson	2/2	100%
Dr. Zhao Yubiao	2/2	100%

During the Year under Review, the Audit Committee together with the management of the Company reviewed the Code, the accounting principles and practices adopted by the Group and discussed the Group's internal control, risk management and financial reporting matters, including a review of the annual results for the year ended 31 December 2020 and the interim results for the six months ended 30 June 2021, with recommendation to the Board for approval. The Audit Committee has also recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Crowe (HK) CPA Limited be re-appointed as the external auditors of the Company.

REMUNERATION COMMITTEE

The Board established the Remuneration Committee on 26 March 2011, with written terms of reference in compliance with the Listing Rules. Currently, Mr. Yu Tze Shan Hailson, an independent non-executive Director, is the chairman of the Remuneration Committee. Dr. Zhao Yubiao, an independent non-executive Director, and Mr. Ng Tit, an executive Director, are the other two members of the Remuneration Committee.

The primary functions of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration package of Directors and senior management, as well as the retirement scheme and the performance assessment system and bonus and commission policies of the Company.

The remuneration of Directors is based on their skills, knowledge, performance of the Company, industry benchmarks and prevailing market conditions. No Director or senior management will be involved in any discussion in connection with his or her own remuneration. The Remuneration Committee may also consult with the chairman on its proposals relating to the remuneration of other executives and Directors and has access to professional advice if required. The main objective of the remuneration policy is to ensure that the Company is able to attract, retain and motivate a high caliber team which is essential to the success of the Company.

During the year ended 31 December 2021, the Remuneration Committee convened the following meeting:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Yu Tze Shan Hailson *(Chairman)*	1/1	100%
Mr. Ng Tit	1/1	100%
Dr. Zhao Yubiao	1/1	100%

During the Year under Review, the Remuneration Committee has reviewed the remuneration policy and structure of the executive Directors and senior management of the Company, and offered advice on the same to the Board.

Pursuant to code provision B.1.5 of the Code, the remuneration by band of the senior management for the year ended 31 December 2021 are set out below:

Remuneration band (RMB)	Number of individuals
0 – 1,000,000	3
1,000,001 – 2,000,000	0
2,000,001 – 3,000,000	0
3,000,001 – 4,000,000	0
4,000,001 – 5,000,000	0
5,000,001 above	0

NOMINATION COMMITTEE

The Board established the Nomination Committee on 26 March 2011, with written terms of reference in compliance with the Listing Rules. Currently, it is chaired by Mr. Ng Tit, an executive Director, and comprises two other members, namely Dr. Zhao Yubiao and Mr. Yu Tze Shan Hailson, both of whom are independent non-executive Directors.

The primary functions of the Nomination Committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board.

The duties of the Nomination Committee also include reviewing the structure, number and composition of the Board; submitting proposals to the Board on the appointment of the chief executive officer and director; reviewing the independence of the independent non-executive Directors and submitting proposals to the Board. The authority and duties of the Nomination Committee are clearly set out in its terms of reference.

During the year ended 31 December 2021, the Nomination Committee convened the following meeting:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Ng Tit *(Chairman)*	1/1	100%
Mr. Yu Tze Shan Hailson	1/1	100%
Dr. Zhao Yubiao	1/1	100%

During the Year under Review, the Nomination Committee has reviewed the structure, size and diversity (including the skills, knowledge, experience, gender, cultural and educational background) of the Board, considered the proposed appointment of director, conducted performance evaluations to assess whether the non-executive Directors have spent enough time in fulfilling their duties, assessed the independence of independent non-executive Directors, and kept under review the leadership needs of the organization, both executive and non-executive, with a view to ensuring the continued ability of the organization to compete effectively in the marketplace.

A "Nomination Policy" for Directors was formally adopted and the nomination procedures, process and criteria to select and recommend candidates for directorship was set out in the Nomination Committee's terms of reference. The Nomination Policy applies to the directors of the Company and where applicable, senior management prepared for Board positions under the succession planning of the Company.

The Nomination Policy aims to (i) set out the criteria and process in the nomination and appointment of directors of the Company; (ii) ensure that the Board of the Company has a balance of skills, experience and diversity of perspectives appropriate to the Company; and (iii) ensure the Board continuity and appropriate leadership at board level.

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and

- such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

NOMINATION PROCESS

Appointment of New Director

i. The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

ii. The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

iii. If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

iv. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

v. For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

Re-election of Director at General Meeting

i. The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

ii. The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

iii. The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

INTERNAL AUDIT

The Internal Audit ("**IA**") of the Group is designed to help the Group protect its assets and information. The presence of IA empowers the Group to implement best business practices in challenging business environments. The Group's IA covers a number of in-house procedures and policies including, among others, the relevant financial, operational and compliance controls and risk management procedures. IA carries out systematic independent reviews of all business units and subsidiaries in the Group on an ongoing basis. The frequency of review of individual business unit or subsidiary is determined after an assessment of the risks involved. The Audit Committee endorses the internal audit plan annually. IA has unrestricted access to all parts of the business, and direct access to any level of management including the chairman, or the chairman of the Audit Committee, as it considers necessary. The audit result is discussed and agreed with the management of the Group subsequent to each review. A summary of major audit findings together with the actions to be taken by the Group's management for rectifying the control weaknesses is also submitted to the Audit Committee. The implementation of the remedial actions will then be followed up and the implementation progress will be reported to the Audit Committee each time it meets.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of risk management and internal control and reviewing its effectiveness. The risk management and internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss and management rather than elimination of risks associated with its business activities. During the year 2021, the Board, through the Audit Committee, reviewed the effectiveness of the Group's risk management and internal control system covering all material controls and risk management functions. The review is conducted annually in accordance with the requirement of the Code. In accordance with the Code requirements, the Audit Committee also reviewed and was satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget for the year ended 31 December 2021. In addition, IA conducts regular and independent reviews of the effectiveness of the Group's risk management and internal control system. The Audit Committee reviews the findings and opinion of IA on the effectiveness of the Group's risk management and internal control system and reports to the Board on such reviews. To ensure the highest standard of integrity in our businesses, the Group has adopted a "Code of Conduct" defining the ethical standards expected of all employees. Training courses on the "Code of Conduct" are held regularly for all employees.

The Board is not aware of any significant internal control weaknesses nor significant breach of limits or risk management policies.

RISK FACTORS

The Group's businesses, financial conditions, results of operations or growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. In addition, this Annual Report does not constitute a recommendation or advice to invest in the shares of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

Information Disclosure System

The Group has formulated its information disclosure system, to ensure the identification and confidentiality of potential inside information until it is disclosed according to the Listing Rules in a consistent and timely manner. The procedures for publishing and processing inside information include:

- Business department managers as the people in charge of information reporting;
- Senior management as the people in charge of the information confidentiality of their respective business segments;
- The Board as the party in charge of information disclosure; and
- The Investor Relations Department as the parties responsible for managing information disclosure, the reporting, audit and disclosure of information which needs public announcement, and archiving and keeping such information disclosure documents and announcements.

Economic Environment and Conditions

Substantially all of our operations are located in China, and substantially all of our sales are made in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China.

Adverse changes in political, economic and other policies of the Chinese government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products and could otherwise materially and adversely affect our business, operations or competitive position.

Product Concentration

We are largely dependent on sales of our two core products, Shusi and Zhuo'ao. If we are unable to maintain the sales volumes, pricing levels and profit margins of these core products, our revenue and profitability could be adversely affected.

Market Environment

We operate in a highly competitive environment and we may not be able to compete effectively against current and future competitors. Our inability to compete effectively could result in decrease of sales, reduction of price and loss of market share, any of which could have a material adverse effect on our results of operations and profit margins.

Provincial Tendering

In each province where we market our products, we are required to participate in a government-sponsored competitive bidding process every year or every few years. During the provincial tendering process, we and our competitors submit pricing and other product information to local pricing bureaus for selection, which is based on the bid price, clinical effectiveness and quality of each product and the reputation of the bidder. For each product category, a local pricing bureau will permit a limited number of products for sale in the relevant province or local district.

We may fail to win bids in a provincial tendering process due to various factors, including reduced demand for the relevant product, uncompetitive bidding price or local protectionism. We may also win bids at low prices that will limit our profit margins. There can be no assurance that our bids will enable us to win the tendering process and maintain our market share without compromising our profitability. In addition, we may lose in the tendering process because the relevant product is perceived to be less clinically effective than competing products or our services or other aspects of our operations are perceived to be less competitive.

New Product

Our long-term competitiveness depends on our ability to enhance our existing products and to develop and commercialize new pharmaceutical products through our research and development activities. The development process of pharmaceutical products in general, is time-consuming and costly, and there can be no assurance that our research and development activities will enable us to successfully develop new pharmaceutical products.

INDEPENDENT AUDITORS' REMUNERATION

During the year ended 31 December 2021, the remunerations paid or payable to the Group's auditors, Crowe (HK) CPA Limited, in respect of their audit and non-audit services are as follows:

	For the year ended 31 December 2021 RMB'000
Audit services	1,409
Non-audit services (mainly for tax services)	–

COMMUNICATION WITH SHAREHOLDERS

The Company believes that the annual general meeting is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Group's performance. Separate resolutions are proposed for each substantially separate issue at the annual general meeting. In accordance with the Listing Rules, voting by poll is mandatory at all general meetings except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedure or administrative matter to be voted on by a show of hands. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day of the general meeting.

During the Year under Review, an annual general meeting of the Company was held on 30 June 2021 and the attendance record of the Directors is set out below:

Name of Directors	Meeting attendance/ number of meetings
Executive Directors	
Mr. Ng Tit	1/1
Ms. Chin Yu	1/1
Mr. Wu Weizhong	1/1
Non-executive Directors	
Dr. Qian Wei	1/1
Independent Non-executive Directors	
Mr. Yu Tze Shan Hailson	1/1
Dr. Zhao Yubiao	1/1
Mr. Pan Fei	1/1

FAIR DISCLOSURE

The Company uses its best endeavors to distribute material information about the Group to all interested parties as timely as possible. Information about the Group can be found on the Company's website including descriptions of each business and the interim and annual reports of the Company.

FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the financial statements which give a true and fair view of the Group's affairs and of its results and cash flows for the year 2021 in accordance with Hong Kong Financial Reporting Standards, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. The Directors of the Company endeavor to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting. Accordingly, appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable. The adoption of new or amended accounting standards that became effective during the year has not had a significant impact on the Group's results of operations and financial position except for those disclosed in note2(c) to the consolidated financial statements of the Group in this report. The responsibilities of the external auditors with respect to the audit of financial statements are set out in the section headed "Independent Auditor's Report" in this report.

The Directors confirm that, save as disclosed in the Independent Auditor's Report of this report, to the best of their knowledge, information and belief, having made all reasonable enquiries, saved as disclosed in the independent auditor's report under the heading "Material Uncertainty Related to Going Concern". The directors of the Company have been undertaking a number of plans and measures to improve the Group's liquidity and financial position, which are set out in note 2(b) to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these plans and measures, including (i) the successful negotiations with financial institutions and other lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with principals and interests in default; (ii) the successful negotiations with financial institutions and other lenders for the renewal of or extension of repayment of all borrowings, including those that are overdue at the date of this report and those that will fall due before 31 December 2022; (iii) the successful implementation and acceleration its disposal plan of its property, plant and equipment; and (iv) the successful obtaining of new sources of financing or strategic capital investments. The successful outcomes of the above-mentioned plans and measures are subject to multiple uncertainties.

These conditions, together with other matters described in note 2(b) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

Our auditor do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of the Independent Auditors' Report, our auditors have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, our auditor is of the opinion that the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance. Save as disclosed above, the Directors are not aware of any other events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Notwithstanding the foregoing, the Directors have prepared the consolidated financial statements on a going concern basis, taking into consideration the various factors set out in the section headed "The views of the management and the Audit Committee on the disclaimer of opinion relating to going concern" of this annual report.

The statement by the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is included in the Report of the Independent Auditors of this annual report.

COMPANY SECRETARY

Mr. Pang Wing Hong was appointed as the Company Secretary of the Company since 23 October 2020. Mr. Pang has assisted on the company secretarial matters of the Company, during the year.

In compliance with Rule 3.29 of the Listing Rules, Mr. Pang has undertaken not less than 15 hours of relevant professional training during the year ended 31 December 2021.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's memorandum and articles of association during the year ended 31 December 2021.

DIVIDEND POLICY

On 24 January 2019, the Board has approved and adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements, future business growth and its shareholding value subject to the applicable laws and the articles of association of the Company.

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting and Putting Forward Proposals at Shareholders' Meetings

Pursuant to the articles of association of the Company, general meetings shall be convened on the written requisition of any one or more members of the Company to the Directors or secretary of the Company deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Such meeting shall be held within two months after the deposit of such requisition. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) themselves may convene the general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

If a member, who is entitled to attend and vote at the relevant general meeting, wishes to nominate a person (not being the nominating member) to stand for election as a Director, he or she should lodge at the principal place of business of the Company in Hong Kong or at the registered office of the Company notice in writing of the intention to propose a person for election as a Director and notice in writing by that person of his or her willingness to be so elected and including such person's biographical details and written consent to the publication of his/her personal data. The minimum length of period, during which such notice(s) are given, shall be at least seven days and that (if the notice(s) are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior the date of such general meeting.

ENQUIRIES TO THE BOARD

Enquiries may be put to the Board through the Company's principal place of business in Hong Kong at 28th Floor, The Wellington, 198 Wellington Street, Sheung Wan, Hong Kong (Email: ir@ntpharma.com).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

This Environmental, Social and Governance Report (the "**ESG Report**") summarises China NT Pharma Group Company Limited (the "**Company**" or "**NT Pharma**", together with its subsidiaries, the "**Group**" or "**we**") environmental, social and governance ("**ESG**") initiatives, plans and performance, and demonstrates its commitment to sustainable development.

Corporate Principle

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 National Class 1 drugs and a number of generic drugs. The Group owns several sales and distribution companies and R&D specialists. It also has an extensive sales network in the People's Republic of China ("**China**" or "**PRC**").

BOARD STATEMENT

The Board of Directors (the "**Board**") is pleased to present the ESG Report of the Group, which reviewed the Group's ESG initiative, plans, performance, as well as its sustainable development in respect of environmental protection, labour practices, business operations, supply chain management, and other issues. As a responsible corporate, the Group views ESG commitments as part of its responsibilities and is committed to incorporating ESG considerations into its decision-making process.

While preparing this ESG Report, the Group has decided to set environmental targets. These targets cover aspects of energy conservation, emission reduction and waste management, with the aim to align with the national vision of carbon neutrality and enhance corporate reputation. To achieve these targets, the Group actively implements the principles of sustainable development and adopts relevant measures at operational levels.

ESG Governance Structure

The Group has developed a core governance framework to ensure the alignment of ESG governance with its strategic growth, while advocating ESG integration into its business operations. The structure of the Group's ESG governance is divided into two components, namely the Board and the ESG Taskforce (the "**Taskforce**").

The Board holds the overall responsibility for the Group's ESG strategies, as well as overseeing all ESG-related matters through the support of the Taskforce. Based on the recommendation from the Taskforce, the Board carries out an evaluation of and approves the Group's ESG policies, priorities, management approaches, risk and opportunities, the Group's ESG goals and targets, as well as strategies. The Board is also responsible for ensuring the effectiveness of the risk management systems and internal control mechanisms.

The Group has established the Taskforce which comprises core members from different departments and is responsible for collecting relevant information on the Group's ESG aspects for preparing the ESG reports. The Taskforce reports to the Board about the progress made towards achieving the Group's ESG goals and targets, as well as the implementation of the Group's ESG Strategies. The Taskforce also assists in identifying and evaluating the Group's ESG risks and the effectiveness of the ESG internal control mechanisms. In addition, the Taskforce examines and evaluates the Group's performances in different aspects such as the environment, health and safety, labour standards and product responsibilities in the ESG aspects.

REPORTING PERIOD

The ESG Report covers the Group's overall ESG policies and related information during the reporting period from 1 January 2021 to 31 December 2021 (the "**year**" or "**2021**").

SCOPE OF REPORTING

Committed to enhancing the ESG information disclosed and the quality of ESG reports, the Group's ESG practices and reporting processes are continuously being reviewed. Efforts are expended in enhancing the capacity for data collection, analysis and reporting throughout the Group. Therefore, senior management of the Group expands the reporting scope of this ESG Report after evaluating its business entities and operations based on the principle of materiality, and considering its core business and main revenue sources. This ESG Report covers the operations in Hong Kong headquarters and the operations in Jiangsu province which account for approximately 100% of the Group's total revenue.

REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**" or "**Report Guide**") contained in Appendix 27 of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). For the Group's corporate governance practices, please refer to the section "Corporate Governance Report" in this annual report.

Reporting Principles

The content of this ESG Report follows the reporting principles of the ESG Reporting Guide.

Materiality: This ESG Report is structured based on the materiality of respective issues, resulting from a materiality assessment. The result of materiality assessment was reviewed and confirmed by the Board and the Taskforce. For further details, please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment".

Quantitative: This ESG Report is prepared in accordance with the ESG Reporting Guide and discloses key performance indicators ("**KPIs**") in a quantitative manner. Information regarding the standards, methodologies, assumptions and/or calculation references, and sources of key conversion factors used for KPIs is stated wherever appropriate.

Consistency: Unless otherwise stated, the Group's disclosure and statistical methods are consistent with the previous financial year for meaningful comparison. Where there is any change in the scope of disclosure and calculation methods, which may affect the comparison with previous reports, the Group will make explanatory notes to the corresponding section hereof.

STAKEHOLDER ENGAGEMENT

Stakeholder participation is considered as an indispensable part of the Group's commitment to enhancing its sustainable development, hence we attach great importance to different stakeholders and their views related to ESG issues. To fully understand and respond to different stakeholders' expectations and concerns, the Group maintains close communication with its key stakeholders, including but not limited to investors and shareholders, government and regulatory bodies, suppliers, employees, customers, communities, non-governmental organisations ("**NGOs**") and the media.

Stakeholders	Communication Channels	Expectations and Concerns
Investors and shareholders	• Annual general meetings • Financial reports • Announcements and circulars • Investor conferences	• Timely announcement of the latest corporate information • Financial performance • Corporate sustainable development
Government and regulatory bodies	• Regular conference • Regular performance report • On-site inspection	• Comply with relevant laws and regulations • Corporate social responsibility
Suppliers	• Supplier management conferences and events • Supplier on-site audit management system	• Fair competition • Business ethics and reputation • Win-win cooperation
Employees	• Employee opinion survey • Intranet	• Health and safety • Equal opportunity • Remuneration and benefits • Career development
Customers	• Customer satisfaction survey and feedback form • Customer service center • Customer service manager	• Carry out products and services responsibility • Protect customers' information and privacy
Communities, NGOs and the media	• Public and community events and partnership projects on different topics • ESG reports	• Contribute to the society • Environmental protection • Compliance operation

The Group works closely with different stakeholders to improve the operational strategies, ESG measures and performance to create greater value for the nation and community.

MATERIALITY ASSESSMENT

In order to better understand the views and expectations of stakeholders on the ESG performance of the Group, we have adopted a systematic method to conduct regular assessment of key aspects, with reference to the business development strategies of the Group and industry practices, and invited the stakeholders of the Group to participate in the materiality survey to rate potential major issues. We analysed the results of the survey into a materiality matrix. The identified material issues and concerns of the stakeholders had been reviewed and discussed with the management and disclosed in this ESG Report. The Group's materiality matrix is as follows:

1 Emissions (Gas, sewage and wastes)
2 Energy Consumption
3 Resources Consumption (Water and packaging materials)
4 Noise Control
5 Employment
6 Safety Production Management
7 Development and Training
8 Supply Chain Management
9 Product Quality and Safety
10 Product Labelling and Traceability
11 Customer Services
12 Privacy Protection
13 Intellectual Property ("IP") Rights
14 Anti-corruption
15 Community Investment

During the year, the Group confirmed that appropriate and effective management policies and internal control systems for ESG issues are in place and confirmed the information disclosed in the ESG Report meets the ESG Reporting Guide. This ESG Report has been approved by the Board.

CONTACT US

We welcome stakeholders to provide their opinions and suggestions. You can provide valuable advice in respect of the ESG Report or our performances in sustainable development by email to contact@ntpharma.com.

A. ENVIRONMENTAL

A1. Emissions

The Group highly values environmental management, strives to protect the environment and takes the social responsibility of the Group through adopting clean production. The Group is attentive to the emission and treatment of air pollutants, wastewater and wastes (including non-hazardous waste and hazardous waste) created from its operation. The Group strictly follows the national and regional standards through online monitoring system, self-testing system and management approach. The Group's emissions of air pollutants, wastewater, noises and hazardous wastes during the year passed the national emission standards and was granted an emission permit by the Ministry of Ecology and Environment of the People's Republic of China and issued by the Ministry of Ecology and Environment of Suzhou City.

The Group strictly complies with the "Environmental Protection Law of the People's Republic of China", the "Environmental Protection Tax Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Water Pollution", the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", the "Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution", the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes", the "Measures for the Administration of Pollutant Discharge Permits (Trial)", the "Technical Policy on the Prevention and Control of Volatile Organic Compounds (VOCs) Pollution" and other laws and regulations related to environmental protection in the PRC. The Group has established a series of environmental protection measures to actively reduce the environmental pollution generated during the operation. These measures will be mentioned in the relevant sections of the ESG Report.

The supervisors of the Group's production bases and office executives supervise the implementation of these environmental protection measures and policies. The Group expects all departments to give their best to implement its environmental policies and ensure all operational processes are complied with relevant laws and regulations, under the Group's strict supervision and guidance. Designated personnel who are in charge of environmental protection at all levels will continue to review its policies and practices and report to management if necessary, with recommendations. If there is an abnormal discharge caused by an emergency during the production process, the designated personnel will immediately take emergency measures to prevent the spread of pollution and report to the management in a timely manner in order to control the situation.

During the year, the Group did not have any violation of relevant local environmental laws and regulations in relation to exhaust gas and greenhouse gas ("**GHG**") emissions, water and land discharge, and the generation of hazardous and non-hazardous wastes that have a significant impact on the Group.

Emissions of Air Pollutants

The Group's air pollutant emissions are mainly from gasoline and diesel consumed in the use of vehicles, resulting in the following three categories of emissions: nitrogen oxides (NOx), sulfur oxides (SOx) and particulate matter (PM). The emissions for each category during the year are as follows:

Type of air pollutants (note 1)	Unit	2021	2020
Nitrogen Oxide (NOx)	kg	**254.77**	83.91
Sulfur Oxide (SOx)	kg	**0.25**	0.19
Particulate Matter (PM)	kg	**21.91**	6.20

Note:

1. The air pollutants are calculated with reference to "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the "Technical Guide for the Compilation of Air Pollutant Emissions Inventory for Road Motor Vehicles (Trial)" issued by the Ministry of Ecology and Environment of the People's Republic of China.

To regulate and manage the use of company vehicles and reduce emissions, the Group has formulated the "Vehicle Management Regulations". The measures are as follows:

- Switching off the engine when the vehicle is not in use;
- Using unleaded and low-sulfur gasoline according to the laws and regulations;
- Phasing out substandard vehicles in accordance with the emission policies formulated by the state;
- Performing vehicle and equipment maintenance on regular basis to ensure the engine performance does not hinder the effective combustion of gasoline; and
- Optimising operational procedure to increase the loading rate and reduce the idling rate of vehicles.

On the other hand, to minimise dust emission at the operation site, the dust generated from the production process of pharmaceutical products such as raw material crushing, screening and pressing is removed by bag filters, meeting the class II standard in the "Emission Standard of Air Pollutants for Pharmaceutical Industry" and the "Integrated Emission Standard of Air Pollutants" in the PRC.

GHG Emissions

The GHG emissions generated by the Group during the year were mainly energy indirect GHG emissions (Scope 2) caused by purchased electricity, followed by direct GHG emissions (Scope 1), including the consumption of gasoline and diesel for vehicles, the use of refrigerant in the manufacturing plants, as well as the consumption of natural gas by boilers in the manufacturing plants. During the year, the Group generated a total of approximately 7,205.51 tCO_2e of GHG emissions with an intensity of 31.78 tCO_2e per million revenue (RMB) (note 2). Comparing with 2020, the Group's GHG emissions increased by 0.99% during the year, mainly due to the expanded reporting scope during the year.

The Group's total GHG emissions (note 3) and its intensity during the year were as follows:

GHG Scope	Unit	2021	2020
Direct GHG emissions (Scope 1)	tCO_2e	**2,783.25**	1,780.52
Energy indirect GHG emissions (Scope 2)	tCO_2e	**4,422.26**	5,354.36
Total GHG emissions (Scope 1 and 2)	tCO_2e	**7,205.51**	7,134.88

Notes:

2. For the year ended 31 December 2021, the Group recorded revenue of approximately RMB226.7 million. The data is also used for calculating other intensity data.

3. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), the HK Electric Investments Sustainability Report 2020 published by the HK Electric and the 2019 published Baseline Emission Factors for Regional Power Grids in China issued by the Ministry of Ecology and Environment.

In order to reduce GHG emissions, the Group has set a target to promote GHG emissions reduction among employees by posting posters or other promotional materials at prominent locations in the offices and factors in the coming year. The Group also actively takes measures to use cleaner energy as much as possible for energy consumption during its operation. Therefore, the Group uses natural gas boilers as natural gas is a cleaner energy among fossil fuels and contains less pollutants in the flue gas emitted during combustion. In addition, the Group has installed ventilation and deodorisation devices at the gas outlet of natural gas to ensure that there is an appropriate hygienic distance to protect and to minimise the emission of air pollutants, as well as to meet the "Emission Standard of Air Pollutants for Boiler (GB13271–2014)" and the total quantity control requirements before emission.

Wastewater Discharge

The Group's production base produces wastewater during the production process, which is discharged after treatment at the main discharge outlet and incorporated into the municipal pipe network. In order to ensure that the wastewater discharged meets the three-level standard limit requirements under the "Integrated Wastewater Discharge Standard" of the PRC, and ammonia nitrogen emitted meets the B-level standard limit requirements under the "Wastewater Quality Standards for Discharge to Municipal Sewers" and other discharge standards. In addition to regular treatment, Suzhou First Pharmaceutical Co., Ltd. ("**Suzhou First**") also engages an independent third-party professional testing institution to install testing devices at the total drainage outlet and issue a report on a quarterly basis to the National Environmental Protection Agency.

Waste Management

The Group generates various kinds of hazardous and non-hazardous waste during operation and production process. To minimise the adverse impact on the environment caused by waste, the Group has strictly complied with the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" and the "National Catalogue of Hazardous Wastes", continuously implementing a variety of waste management and reduction measures.

Hazardous Wastes

Hazardous wastes from the Group's operation mainly were scrap medicines and waste organic solvent. Due to higher inventory turnover caused by the increase in market sales, the amount of scrap medicines disposed of by the Group was reduced. During the year, the Group generated a total of approximately 14.91 tonnes of hazardous waste with an intensity of 0.07 tonnes per million revenue (RMB). Comparing with 2020, the Group's total amount of hazardous wastes disposed of decreased by 57.22%.

The Group's hazardous wastes disposal and its intensity were as follows:

Type of hazardous wastes	Unit	2021	2020
Scrap medicines	tonnes	**13.38**	28.00
Waste organic solvent	tonnes	**1.43**	6.85
Hazardous waste transport packages	tonnes	**0.10**	N/A
Total hazardous wastes disposal	tonnes	**14.91**	34.85

To regulate the management of hazardous wastes, the Group has formulated internal rules and regulations including (i) the "Responsibility System for Pollution Prevention and Control" specifying the responsibility for pollution prevention and control of all departments and personnel involved in the production, transportation, storage and treatment of hazardous wastes; (ii) the "Hazardous Waste Management Plan, Declaration and Registration, Transfer Form System" specifying the implementation requirements for the hazardous waste management plan and declaration and registration; (iii) the "Hazardous Waste Source Classification System" guiding the classification, collection and storage of hazardous waste according to different characteristics.

In accordance with the requirements of Appendix A of the "Standard for Pollution Control on Hazardous Waste Storage" (GB18597) and the requirements of the "Environmental Protection Graphic Label – Solid Waste Storage (Disposal) Site" (GB15562.2), the Company has formulated the "Hazardous Waste Labelling System" to standardise the identification signs of hazardous waste to prevent mishandling.

The Group engages qualified companies listed on government's website to handle hazardous wastes in order to avoid environmental, safety and health risks arising from improper handling.

Non-hazardous Wastes

The non-hazardous wastes generated from the Group's business operations are mainly office wastes such as waste food and beverage packaging, waste stationery, paper, etc. The Group is committed to reducing waste at source by adopting various measures to eliminate waste and implement recycling and reuse methods to reduce wastes generated in daily operations. The Group has set a target to arrange annual activities to raise employees' awareness on waste reduction. Meanwhile, the Group has designed different measures to control the production of wastes at source, including but not limited to:

- Providing regular education and promotion on environmental protection for staff so as to encourage the habits of reuse and recycle; and

- Adopting the Group's waste management policies, the waste generated by each department are sorted according to their nature, and adopt measures to consolidate them for recycling and reuse.

In addition, the Group is committed to establishing an electronic and green office:

- Using online system for publishing business notices;

- Conducting data exchange through network system;

- Using both sides of office paper where possible when printing or copying;

- Collecting wastepaper at the office and recycling through a centrally managed system run by the administrative department; and

- Classifying scrap boxes as "recyclable" waste for disposal.

Wastes disposal is unavoidable during our operation, however, with the effective waste handling strategy and policy, the resulting environmental risks and impacts have been reduced as far as possible by the Group.

During the year, the Group had generated approximately 10.00 tonnes of general wastes, 10.00 tonnes of plastic waste and 10.00 tonnes of waste cartons and bottles as well as consumed approximately 3.28 tonnes of paper. The Group's total amount of non-hazardous waste disposed of was approximately 33.28 tonnes while its intensity was approximately 0.15 tonnes per million revenue (RMB) during the year.

A2. Use of Resources

The Group endeavours to achieve sustainable development, upholds its green production philosophy of "Clean Production, Energy Saving and Emission Reduction" to the Group's operations, and is committed to optimising the use of resources in all of its business and production operations.

The Group endeavours in the course of achieving high operation efficiency to minimise its consumption of resources (including energy, water, packaging materials, etc.) whenever it is possible, in support of the utilisation and promotion of clean energy, so as to enhance the comprehensive utilisation rate of resources. The Group manages the use of resources such as water, electricity and fuel by particularly managing the equipment with significant consumption, tallies monthly usage, as well as standardises equipment operation procedures to fully and effectively use the resources. In case of any abnormal or excessive consumption, we will carry out an investigation to find out the reasons and look for rectification measures. Looking ahead, we are continuously looking for practical energy conservation opportunity in its operation. In order to achieve sustainable development, the Group regularly promotes the green message and suggests the eco-friendly lifestyles to employees.

Energy Consumption

The major energy consumption of the Group during the year was electricity used in its operation, natural gas used in boilers, and to a lesser extent, diesel and gasoline used by company vehicles. During the year, the Group's total energy consumption was approximately 16,568.24 MWh with an intensity of 73.08 MWh per million revenue (RMB). Comparing to 2020, the total energy consumption increased by approximately 8.57% due to the expanded reporting scope during the year.

The Group's energy consumption and its intensity during the year are as follows:

Type of energy	Unit (note 7)	**2021**	2020
Diesel (note 4)	MWh	**99.92**	43.39
Gasoline (note 5)	MWh	**65.79**	82.34
Natural gas (note 6)	MWh	**8,901.45**	8,479.47
Direct energy consumption	MWh	**9,067.16**	8,605.20
Electricity	MWh	**7,501.08**	6,654.68
Indirect energy consumption	MWh	**7,501.08**	6,654.68
Total energy consumption	MWh	**16,658.24**	15,259.88

Notes:

4. During 2021 and 2020, the actual diesel consumption was approximately 9,335.33 litres and approximately 4,022 litres respectively.

5. During 2021 and 2020, the actual gasoline consumptions were approximately 6,788.40 litres and approximately 8,429.00 litres respectively.

6. During 2021 and 2020, the actual natural gas consumptions were approximately 851,089.00 m^3 and approximately 810,095.00 m^3 respectively.

7. The calculation of energy unit conversion to MWh is referenced to the Energy Data Handbook issued by the International Energy Agency.

The Group operates strictly in accordance with the Good Manufacturing Practice ("**GMP**") standards regarding production and operating management, utilises energy-saving equipment, and enhances the efficiency of production technologies and raises productivity through continual upgrade of the production equipment. During the year, the Group has set a target to upgrade the lightings to LED progressively for electricity conservation. For the operation management, we have implemented the following measures to improve the energy saving performance, as well as promote the enthusiasm of all departments to implement energy conservation and emission reduction:

- Calculating the energy consumption per unit output value using to the actual energy consumption and the output value of each department in the previous year, and then use this value to propose a reduction ratio as a reduction target for each department;

- Formulating the departmental energy-saving targets and working methods for every departments, based on the energy saving target issued, the actual energy consumption of the previous year and the annual production plan, etc.; and

- Investigating the causes for the incomplete conservation plan, formulating related countermeasures, and supervising the implementation of the assessment measures.

Other than the improvement of management process, the Group also proposes the requirements on the energy conservation and emission reduction during production and operation. For example:

- Turning off the electricity when the office and factory are not operating;

- Turning on the electric appliance based on the actual needs during working hours, including illumination facility, air- conditioning, electrical fan, etc.;

- Regulating the usage of air-conditioning, set and fix the office temperature at 25˚C and less than 20˚C in summer and winter respectively; and

- Strengthening maintenance and repair of equipment to maintain the optimal performance of various electronic equipment and efficiency in energy usage.

Water Management

During the year, the Group consumed approximately 200,088.00 m^3 of water with an intensity of 882.61 m^3 per million revenue. Comparing with 2020, the Group's total water consumption increased by 5.72% due to the expanded reporting scope during the year.

The Group's water consumption and its intensity were as follows:

Water consumption	Unit	2021	2020
Total water consumption	m^3	**200,088.00**	189,262.00

The cooling tower used in Suzhou uses water as the cooling medium, in which the cooling water can be recycled and reused. In addition, we encourage all employees and customers to develop the habit of conscious water conservation to reduce the office's water consumption. The Group has set a target to enhance the water conservation promotion by posting water-saving signs in the pantry and washroom in the coming year to remind employees to save water. Also, we regularly maintain and repair the water supply system to prevent leakage of faucet or water pipes.

Due to the Group's business nature, the Group did not encounter any problem in sourcing water that was fit for its purpose.

Use of Packaging Materials

Comparing to 2020, the Group's packaging materials consumption increased due to the increase in production during the year.

During the year, the Group's packaging materials consumption was as follows:

Type of packaging materials	Unit	2021	2020
Polyvinyl Chloride (PVC)	tonnes	**25.90**	4.18
User manual	thousand sheets	**25,071.86**	8,356.15
Bottle label	thousand sheets	**46,796.32**	24,332.24
Carton	thousand pieces	**8,697.42**	8,143.86
Large box	thousand pieces	**147.50**	52.10
Penicillin bottle	thousand pieces	**61,360.54**	19,749.00
Rubber stopper	thousand pieces	**42,293.14**	19,182.40
Aluminum-plastic cap	thousand pieces	**44,066.53**	19,054.00

Packaging is an indispensable part of the Group's whole production procedure. Packaging materials are used to ensure the Group's products are safely delivered to the hands of customers. In the selection of packaging materials, in addition to the consideration of economic, product safety, quality and other factors, the Group also considers the environmental impacts of the packaging materials and seeks to use more eco-friendly packaging materials.

A3. The Environment and Natural Resources

As a pharmaceutical manufacturer, the Group has strived its utmost effort to control and mitigate the negative impacts brought to the natural environment and insisted in regulating emissions of pollutants. In the view of resources and energy saving, the Group will continuously improve and enhance its production equipment and techniques, refine the product structure, and promote environmental work so as to make contribution to the protection of the natural environment and resources.

Noise Control

The Group focuses on the noise control management and the employee's occupational protection in accordance with noise control related standards to monitor and control the impacts of industrial noise to employees' health and surrounding community. The Group's production base generates a small amount of noise, primarily from boiler, air compressors, vacuum machines, crushing machines, water pumps and other equipment, etc. To manage noises, the Group strictly adheres to GMP requirements and selects a factory layout designed with significant noise insulation and damping effect, and strives to mitigate noise hazards by advancing the equipment and technologies, using physical isolation, occupational protection, green shielding, etc. Also, the Group engages independent third-party professional testing institutions to conduct inspections and issue inspection reports, and abides by the People's Republic of China "Emission Standard for Industrial Enterprises Noise at Boundary". For 2021, all production bases of the Group achieved 100% in compliance with the noise control standards, and no material complaint of noise pollution was received.

A4. Climate Change

The Group always focuses its attention on the impacts of the corporate operation on the ecological environment. As a pharmaceutical company striving to promote healthy lives, the Group recognises the impact of climate change on human health. To identify climate-related risks and address the impact of our operation on climate and the environment, the Group has formulated climate-related policies in managing climate-related issues.

Physical Risks

The Group is aware of the physical risks brought by climate change and acknowledges that extreme weather events tend to be more frequent and severe due to climate change. In long-term, we observed changes in precipitation pattern and extreme variability in weather patterns, as well as global rising mean temperatures and sea levels which may lead to damage of production facilities and thus increases in operating cost, decrease in productivity and even production suspension. Consequently, we will face the risk of safety accidents and increased maintenance costs. As countermeasures, we have formulated a set of precautionary and contingency measures, concurrently, the Group will explore the ways in which a change in business model is possible to mitigate or avoid these severe impact on business operations.

The Group is also fully aware that extreme weather conditions may endanger the health and safety of employees. Therefore, we have developed comprehensive arrangements for conditions including typhoons and rainstorms to protect the health and safety of our employees in extreme weather conditions. Meanwhile, the Group takes into account the different situations faced by individual employees under extreme weather conditions, such as the place of residence, nearby roads and traffic conditions, and adopts flexible handling methods depending on the actual difficulties and needs of the employees. For example, the Group implements flexible working hours for employees. At the same time, in case of extreme weather conditions, the employees will be reminded and notified of the latest weather conditions through messaging applications or email.

Transition Risks

The Group anticipates that there will be more stringent climate legislation and regulations to support the global vision of carbon neutrality. In view of the PRC government unveiled an up-to-date document guiding the country to achieve carbon peaking and carbon neutrality goals in 2030 and 2060 respectively, local governments may adopt more aggressive policies and measures to limit GHG emissions. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits. Corporate reputation may also decline due to failure to meet the compliance requirements for climate change. The Group's related capital investment and compliance costs thus increase. In response to the policy and legal risks as well as the reputation risks, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate and be prepared to alert the top management when necessary to avoid cost increments, non-compliance fines or reputational risks due to delayed response. Furthermore, the Group has been taking comprehensive measures to protect the environment, including setting targets and adopting measures with an aim to reduce GHG emissions.

B. SOCIAL

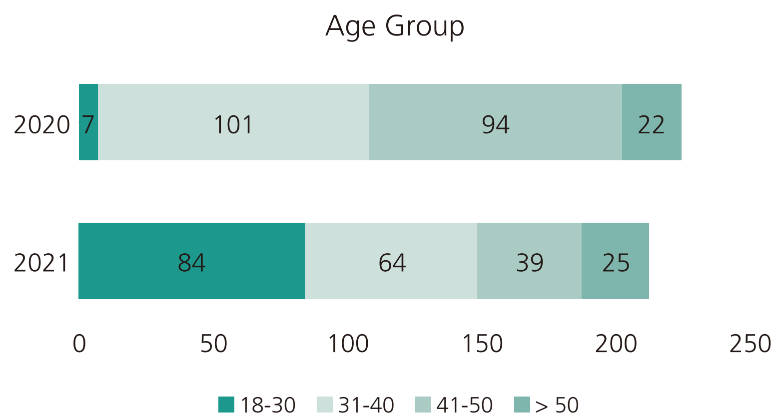
B1. Employment

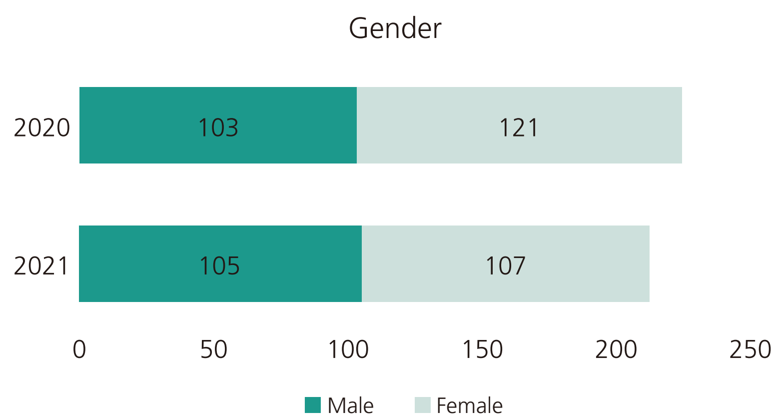
The Group always believes that outstanding employees are the most precious asset, and talents are the fundamental pillars of the enterprise.

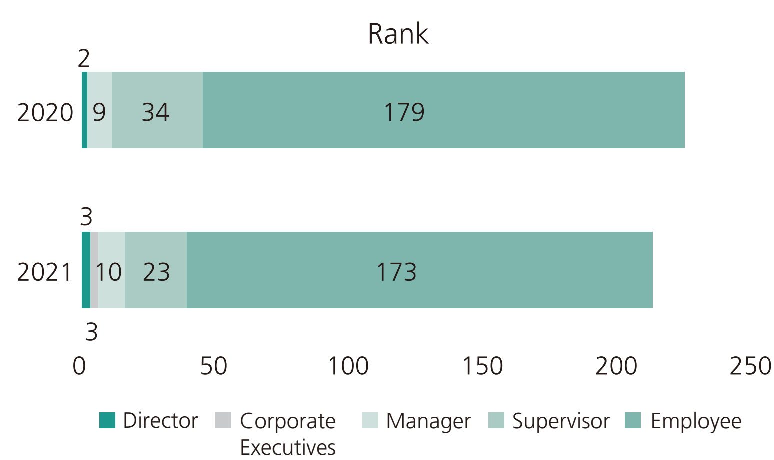
The Group actively complies with the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China" and other laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare in China. The Group has formulated the "Personnel Handbook" and a series of policy in accordance with relevant laws and regulations, including the "Personnel Management System", which specifies the management of recruitment, induction, resignation, salary and bonus, attendance, probation period, position adjustment, reward and punishment system, contract renewal, and promotes the standardisation and institutionalisation of decision-making, so as to further improve the level of human resources management. During the year, the Group did not aware of any material non-compliance of laws and regulations in respect of human resources.

In addition to compliance with laws and regulations and institutionalisation, the Group also encourages harmonious labour relations and strives to create a working atmosphere of mutual trust, common progress and pursuit of excellence, so as to fully protect the rights of both employees and the Group. Under the guidance of our human resources development strategy, the Group continuously improves the human resources management system to provide employees with a good working atmosphere and a sound training and development platform. We also protect the occupational health and safety of employees, strengthen the team building with high efficiency and collaboration, and give full play to the real core competitiveness of the enterprise. In addition to strictly comply with the relevant laws and regulations when terminating the employment relationship, we will also make effort to find out the reasons for the resignation of employees.

As at 31 December 2021, the Group had 212 full-time employees (2020: 224), 3 of which were employees in Hong Kong while 209 of which were employees in the PRC. The details of employees by gender, age group and rank are as follows:







During the year, the Group had a total of 103 (2020: 156) resigned employees, with a turnover rate of 49% (note 8) (2020: 51%). The details of the turnover of resigned employees by gender, age group and geographical region are as follows:

	2021		2020	
	Number of People	Percentage (note 9)	Number of People	Percentage
Gender				
Male	32	31%	78	51%
Female	71	62%	78	52%
Age Group				
18–30	81	178%	33	43%
31–40	13	16%	94	81%
41–50	3	5%	27	32%
>50	6	26%	2	7%
Geographical Region				
Hong Kong	1	17%	N/A	N/A
The PRC	102	12%	N/A	N/A

Notes:

8 The turnover rate is calculated by dividing number of resigned employees during the year by the average number of employees at the beginning and the end of the period.

9 The percentage of resigned employees in each category is calculated by dividing the number of resigned employees in the specific category during the year by the average number of employees at the beginning and the end of the period in such category.

Compensation and Benefits

The Group has established a fair, equitable, reasonable and competitive remuneration system. The Group's remuneration of the employees comprises of basic salary, performance salary, company benefit award, performance bonus, project bonus, etc. When the level of salary and consumption significantly increase in the market or the employees have been promoted, the Group can adjust the salary level after the remuneration committee's affirmation. In addition, when the Group's annual benefits and performance have steadily improved, the human resources department would formulate the salary adjustment plan on the basis of the marketing data and the current salary level, and adjusts the salary of employees according to the factors such as their annual performance, variety requirement of the position, etc.

In accordance with the law, the Group pays "five insurance and one fund" for its employees, namely endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund, to ensure employees are covered by social insurance. The social insurance and housing provident fund are undertaken by the Group and employee.

The "Personnel Handbook" regulates employees' working hours and leaves arrangement. The attendance system regulates the working hours and irregular working hours based on the employee's nature of work, so as to eradicate the forced labour. Employees are entitled to paid annual leave, marriage leave, maternity leave, paternity leave, nursing leave, bereavement leave, sick leave, personal leave, etc. on top of statutory holidays; Employees are also entitled to an enriched welfare system to enhance the standard of living and the sense of belonging, including baby bonus, festive bonus, high-temperature subsidies, etc.

Employment, Promotion and Dismissal

The Group determines the objectives, directions and focuses on talent recruitment, adopts an effective and open policy for the talent recruitment and makes every effort to attract local and overseas innovative talents irrespective of geographical locations as well as to fully utilize talents after recruitment. During the formal recruitment process, the Group standardises the hiring procedures and recruitment principles, adheres to the hiring principles of morality, knowledge, ability, experience and fitness applicable to job positions as well as the principles of justice, fairness, competitiveness, and on a best selection basis, so as to continuously attract talents.

The future of the Group comes from the efforts and success of every employee, so the personal growth and progress of employees are important to the development of the Company. The human resources department of the Group assesses the ability of employees through KPIs (organised twice a year with each for mid-year and year-end) every year based on the annual performance of employees and provides opportunities for adjustment or promotion of job positions or salary adjustment based on these indicators. In addition, the Group also provides a series of training and learning activities, details of which are set out in the paragraph headed "B3. Development and Training".

In the cases of dismissal of employees, the Group complies with the relevant employment regulations and guidelines, handles according to the agreed procedures, and appropriate benefits and compensation are given to the dismissed employees. The relevant provisions on the termination of employment relationship are set out in the employment contract of each employee.

Equal Opportunities

The Group strictly complies with national and local standards by adopting a fair, equitable and open recruitment process, and has developed relevant policies to prevent discrimination in the recruitment processes, regardless of race, sex, colour, age, family background, ethnicity, religion, physical fitness and nationality, thus allowing them to enjoy fair treatment and work opportunities in every aspect including recruitment, salary, training and promotion. We endeavour to attract professionals with diverse background to join the Group.

Caring for Employees

The Group is committed to creating a healthy and comfortable working and living environment for our employees. We organise various employee care activities to help employees balance work and life, so that they can have challenging and fun experience at work. The labor union of the Group is closely centered around the Group and its employees and is responsible for organising various activities to enrich the after-work cultural life of employees, promote the building of corporate culture and advocate healthy and civilised lifestyle. The Group is committed to creating a unique corporate culture, gradually improving team spirits, giving full play to the advantages of all units and employees, so that the Group can be promoted to a new level.

During the year, the Group has organised different socialising activities to raise the sense of achievements for its employees and create a joyful, open, healthy, friendly, harmonious work-life atmosphere.

B2. Health and Safety

The Group is dedicated to implementing a health and safety production approach of "Prevention-oriented, Control and Elimination of Hazards" and strives to foster a safe and healthy working environment for its employees. The Group strictly follows the "Law of Prevention and Control of Occupational Diseases", the "Standard of Notification on Occupational Hazards of Highly Toxic Substances", the "Provisions on the Supervision and Administration of Occupational Health at Work Sites", and other regional laws and regulations in the PRC, continuously refines the safety supervision management, strengthens safety training for the professional team, and engages professional qualified companies to carry out occupational hazard factors tests on a regular basis with a view to providing production line staff with a safe workplace.

During the year, the Group did not record any accidents that resulted in fatality (2020 and 2019: Nil) but recorded 92 lost days due to work injuries. Work related injuries recorded during the year was attributed to a traffic incident for which the Group's employee was not principally responsible on his way back from work, and scratches caused by broken glass bottle during working hours. To prevent recurrence of similar incidents, the Group has provided its employees relevant safety case study which used actual incidents as examples. The Group did not identify any material non-compliance with laws and regulations relating to employee health and safety.

Safety Production Management

The Group requires all production bases to fully comply with the requirements of GMP, and has established a sound "Safety Production Responsibility System Management Regulations" to implement the policy of "Safety First, Prevention-oriented and Comprehensive Management", implement the safety production responsibility system, strengthen the safety management of the enterprise, and enhance the safety production awareness of employees. To effectively prevent, control and eliminate occupational hazards and reduce the occurrence of factors affecting the health and safety of employees, Suzhou First has formulated the following internal rules and regulations to truly implement the principle of "Good Management Requires Good Health" in the course of operation.

- Occupational Disease Hazard Warning and Notification System;

- Responsibility System for Prevention and Control of Occupational Diseases;
- Management Procedures for Emergency Rescue of Occupational Hazards;
- System for the Disposal and Reporting of Occupational Hazards; and
- Procedures for Occupational Health Surveillance and its File Management.

In order to ensure the safety and occupational health of employees, to prevent occupational hazards and to conform the actual work duties, the Group has implemented the internal regulations and the "Safety Operation Procedures for Occupational Hazard Positions", to guide employees as follows:

- Requiring the operators to wear protective gears such as dust masks and other labour protection supplies before entering the workplace;
- Checking the dust removal facilities that deployed in there must be carefully checked, confirm that there are no abnormalities, and ensure that the dust removal facilities are turned on after entering the workplace;
- Reporting to the relevant leaders of the unit in time if there is a malfunction in the dedusting equipment and arrange for personnel to repair and to ensure the operation of the dedusting equipment is normal;
- Cleaning all kinds of dust generated at the production site effectively to prevent the dust to be arbitrarily flying;
- Strictly following the operating procedure, else will be dealt with seriously once being discovered;
- Replacing all kinds of labour insurance products used in the production site before leaving work to prevent the pollution source from being taken away from the post and then transmit to others; and
- Maintaining good hygiene habits by cleaning the dust adhering to the body and clothes thoroughly, and promptly clean the body to contact the various parts of the dust to avoid dust inhalation.

The Group also regularly provides occupational health check for the employees in order to prevent and to treat occupational contraindications or suspected occupational diseases.

Fire Safety Management

The Group attaches great importance to fire safety management and emergency management, and implements the principle of "Prevention-oriented, Control and Elimination of Hazards" as well as the laws and regulations such as the Fire Protection Law and the Regulations on Punishment of Security Management issued by the PRC. The Group continuously improves the "Management Regulations on Fire Prevention and Fire Control" to strengthen employees' awareness of fire prevention and safety work and ensure safe production. The regulations strengthen the configuration, repair, maintenance and management of firefighting equipment, and regularly check and replace fire extinguishers to ensure effective use. The Group has formulated a floor plan to announce the key areas such as the fire-prevention areas and explosion-proof areas to employees. The Group also arranged volunteer firefighters at all levels to study firefighting knowledge and learn advanced experience to do firefighting work with an aim to ensure those fire accidents can be properly handled in a timely manner and proactively and effectively organise rescue in case of fire. At the same time, after the accidents, we will find out the cause of the fire, the origin of the fire, the source of fire and the situations of fire prevention work done and relevant personnel before the fire occurred.

To ensure the full implementation of fire control management work, the Group performs special internal inspections on a quarterly basis. The workshops (departments) also conduct inspection once a day and keep relevant records. We will also assign personnel to conduct spot checks to ensure system implementation and safe production, when necessary.

Prevention and Control of COVID-19

Due to the impact of COVID-19, the Group has formulated the "Prevention and Control of COVID-19 and Emergency Plan" to secure safe production and ensure the safety of employees. The Group has set up a leading group for epidemic prevention and control, which is responsible for the dispatch of personnel and materials, the finalising of lists of contact persons with phone numbers and emergency materials for epidemic prevention and the duty tables for each department (including health check, temperature check in the factories, disinfection management, factory vehicle management, smoking room/catering management, visitors management, air-conditioning/elevator management, distribution of epidemic prevention materials, procurement and education and training).

B3. Development and Training

The Group focuses on employees' training through series of training and learning activities by nurturing talents who are of high quality and capability in order to maintain its competitiveness in this fast-growing business. To achieve the goal of being a continuous learning enterprise, we provide related knowledge and skills training for all employees to meet the requirements of their job functions and ensure they can efficiently operate in different departments. The Group is devoted to providing employees with multi-faceted training activities which involved both internal and external training, while advancing employees' techniques and promoting their career development.

Training Management

The Group is committed to pharmaceutical innovation and production whilst it focuses on the growth and development of each employee. In addition, the Group has tailored career development plans for the employees according to their working backgrounds and individual preferences for its employees with an open and sustainable development path.

Training Courses

In order to cultivate employees' professional knowledge in the pharmaceutical industry, the Group arranges training courses in different fields for employees of all levels. Internal training courses include business compliance training, rules and regulations training, good supply practice (GSP) for pharmaceutical products training and product information training. The knowledge and skill trainings to all employees aim to help them meet the requirements of the corresponding post functions and ensure the effective operation of each functional system. New recruits would have orientation training to adapt the working environment as soon as possible and fulfil their obligation. For employees working in the factory, the Group also arranges GMP basic knowledge training, production department's general standard operating procedures (SOP) training, fire safety training, adverse drug reaction report and test training, microbiology and hygiene knowledge training in order to raise the awareness of the employees about the product's safety, quality and health, and to ensure to promote product safety and product quality. The Group hopes to improve employee safety awareness through various internal trainings to avoid work-related injuries, and at the same time strengthen the professionalism of employees and improve the quality of services and products of the Group.

In addition, the Group also encourages employees to actively explore external training opportunities, including attending public courses and seminars organised by training institutions, and upgrading academic qualifications. By formulating the "Staff External Training Management Procedures", the Group provides a training budget and gives employees to participate in external training confirmed by the direct supervisor and the person in charge of the department.

The Group also emphasises occupational safety training to ensure employees' personal safety. The relevant policies have been described in details in section B2 "Safety Production Management System".

During the year, a total of 54% (note 10) (2020: 86%) of the Group's employees received training, with an average training hours of 18.51 (2020: 2.39) hours per employee (note 11). Training situation by gender and rank of employees are as follows:

	2021		2020	
	Percentage of employees trained (note 12)	**Average employees training time (hours)** (note 13)	Percentage of employees trained	Average employees training time (hours)
Gender				
Male	**47%**	**19.91**	46%	2.60
Female	**53%**	**17.43**	54%	2.21
Rank				
Manager	**1%**	**1.00**	1%	1.44
Supervisor	**6%**	**5.28**	6%	2.26
Employee	**93%**	**20.76**	93%	1.83

Notes:

10 The percentage of trained employees is calculated by dividing the total number of employees trained by the number of employees during the year, covering existing and resigned employees.

11 The average employees' training time is calculated by dividing the total number of training hours by the total number of employees during the year, covering existing and resigned employees.

12 The percentage of trained employees in each specific category is calculated by dividing number of employees trained in such category by the total number of employees trained.

13 The average employees' training time in each category is calculated by dividing number of training hours in such category by the number of employees of each category during the year, covering existing and resigned employees.

The Group aims to raise the safety awareness of employees through various training to avoid work-related injuries, while strengthening the professionalism of employees to improve the quality of the Group's services and products at the same time.

B4. Labour Standards

The Group strictly executes the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China" and other local labor laws and regulations in the PRC. Meanwhile, the Group constantly refines its recruitment policy to regulate recruitment activities, with respect to basic labour issues, such as child and forced labour, the Group takes a zero-tolerance attitude in terms of both rules and regulations and monitoring mechanisms. The Group clearly stipulates in its recruitment guidelines that only employees over the legal working age can be recruited, and those new employees should provide true and accurate personal data when they join the Group; recruiters rigorously review the entry data including physical examination certificates, academic credentials, identity cards, and account information, etc. If an employee suspects child or forced labour, the employee should report to the department head or executive director. Should the Group become aware of any violation of the labour standards of respective jurisdictions, the issue will immediately be dealt with in accordance with the applicable laws and regulations.

During the year, the Group was not aware of any material non-compliance with any laws and regulations in relation to the prevention of child and forced labour. The Group focuses on taking preventive measures at the source and is confident that the aforesaid illegal employment will not occur in the future, so no steps have been taken to eliminate such situation.

B5. Supply Chain Management

The Group values the management of supply chain as the selection of suppliers would directly impact the quality and safety of the products. Therefore, the Group has formulated supply chain management regulations according to the new version of GMP to regulate the management of supply chain; conduct regular or irregular assessment towards suppliers; and request for maintaining product's quality from the suppliers, with the aim of upholding suppliers' product quality as well as urging to a higher level of supply chain management.

Business Ethics

The Group focuses on the integrity of suppliers and partners. Before establishing business cooperation with third parties (including suppliers), the Group selects suppliers and partners with good business records without serious violation of regulations or business ethics in accordance with the Group's "Due Diligence Procedures for Third Parties". The Group has zero-tolerance in bribery and corruption as well as forbid the supplier and business partners from securing procurement contracts or partnerships through any form of transfer of interest.

Supply Chain Management Structure

In order to standardise the management of suppliers, ensure that the products provided by suppliers can meet the Group's quality requirements and assure the quality of our products, the Group has formulated the "Supplier Management Regulations" and the "Supplier Audit Management Regulations" to manage all suppliers of production materials. The Group collects suppliers' business licenses, relevant licenses (drug production license, hygiene license, printing business license, hygiene license, etc.), organization charts, quality system certifications, GMP certifications and other product registration certificates, product approvals, drug packaging materials for internal packaging materials, container registration certificates and other relevant documents required by the State. Then, the Group conducts on-site audits of suppliers to verify the original copies of relevant supporting documents provided by suppliers, checks the personnel, environment, plant facilities and equipment, material management, production process and production management of suppliers, equipment, instruments and file management of quality control room, to see whether there are changes in the application process and current process, whether the current process is consistent with the batch production record, whether the data record is true, and whether the quality system is sound. After the completion of on-site audit, the internal reports include the on-site audit plan of suppliers, on-site audit reports of suppliers, on-site audit defects, rectification reports of suppliers, etc. Each supplier shall separately establish a file and put the information provided by the relevant supplier, on-site audit information, deviation statistics and change information into the supplier file. The annual quality review of suppliers includes re-conducting on-site audits, filling out internal reports and considering different corrective and preventive measures for suppliers based on their deviations.

The Group has also considered the social, ethical and environmental performance of its product suppliers during the procurement and tendering procedures. In this regard, more environmentally and socially responsible suppliers who promote environmentally preferable products and services will be selected, if all other conditions are equal for the Group.

To ensure all suppliers are aware of the social, ethical and environmental issues relevant to their operations, the Group has established relevant standards for these issues. The suppliers are subject to review periodically for the aspects such as health and safety, human rights, anti-corruption, employment practices, environmental management, and community relations. Any material violation of environmental or other social laws and regulations may also lead to the termination of supplier contracts.

The Group strives to conduct scientific sampling of suppliers from various aspects such as law-abiding, environmental protection, labor rights protection and integrity management to ensure product quality at source. During the year, the Group had 105 (2020: 38) major suppliers in total. Due to the uniqueness of the pharmaceutical industry, the major suppliers are selected from the national catalogue in the PRC.

B6. Product Responsibility

The Group recognises the importance of product quality and corporate reputation; actively monitors the quality of products and services through internal controls and is committed to producing high quality products that meet international industry standards. The Group also maintains communication with its customers to ensure understanding and meeting customer needs and expectations, with aims of continuous improvement of the Group's products and services. The Group strictly complied with the "Patent Law of the People's Republic of China", the "Trademark Law of the People's Republic of China", the "Copyright Law of the People's Republic of China", the "Anti-Unfair Competition Law of the People's Republic of China", the "Law of the People's Republic of China on Technology Contracts" and other laws and regulations related to health and safety, advertising, labelling and privacy matters of products and services in the PRC.

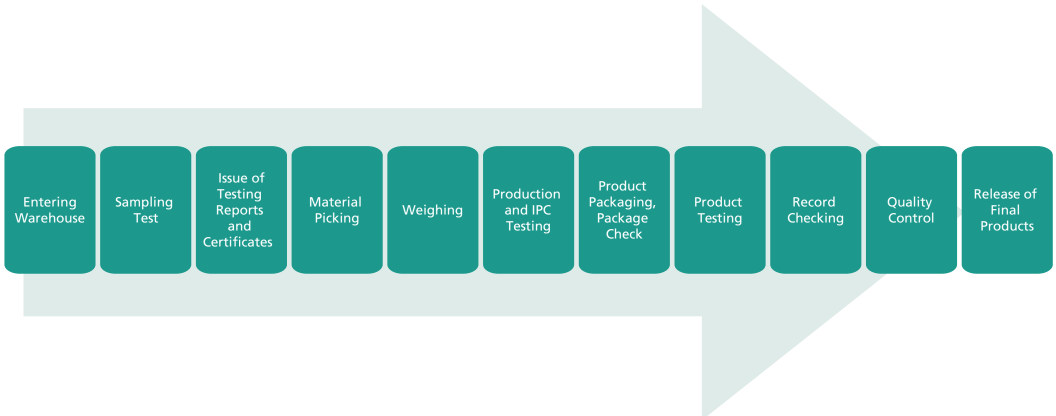
During the year, the Group was not aware of any material non-compliance with product and service quality-related laws and regulations.

Product Quality and Safety

Medical quality, the safety of patients, providing efficient and quality service for customers are the roots to build a superior brand, the Group highly values the drug safety, and strives to establish a comprehensive management system for reporting and monitoring adverse drug reactions. There is a specialised department in the subsidiaries and the R&D Center of the Group, which is responsible for the safety inspection and quarantine, analysis and reporting throughout the product's whole life cycle to ensure the medication safety. The Group is in compliance with the "Reporting and Monitoring of Adverse Drug Reactions Management System" which is set out by the National Center for Adverse Drug Reaction Monitoring of the PRC and other relevant laws and regulations. It regulates the treatment and remediation of adverse events of the Group's own and licensed products.

The Group has formulated the "Quality Manual", the "Responsibilities and Standards of Sales Personnel", the "Management Regulations of the Release of Raw Materials, Packaging Materials and Finished Products" and the "Quality Management System for the Reporting and Monitoring of Adverse Drug Reactions" and relevant product management policies, as well as promoting the standardization and systematization of decision-making, which in turn would further enhance the level of production. The Group complies with the GMP standard requirements, through relevant laws and regulations every year, strengthens its product quality management through quality risk management, correction and prevention measures, quality tracing, etc. strengthens product quality and ensures a steady and proper production of medicine which is to designate for a specific use, to meet registration approval and quality standards during the whole production procedure. In addition, the Group's Urine Test Strips and Urine Analyser are recognised under the Medical Device Production License.

Approval Procedures of the Qualified Final Products are as follows:



The Group also emphasises the training courses provided to the production department. The relevant policies have been described in details in section B3 "Training Course" session.

To recall products known or suspected of quality problems from the market in a timely and effective manner, minimise the impact on users and protect the interests and health of patients, the Group has formulated the "Product Recall Procedures" and set up the adverse reaction reporting hotline to collect reports on adverse drug reactions from patients. The Group classifies drug recalls based on the severity of safety hazards and harmfulness of the product. Drug recalls are classified as level 1 recalls: the use of the product may cause serious health hazards; level 2 recalls: the use of the product may cause temporary or irreversible health hazards; level 3 recalls: the use of the product generally does not cause health hazards, but due to other reasons, the product needs to be recalled. The Group has set up a recall decision-making advisory team to provide professional advice and suggestions to the recall decision-making team. The recall decision-making team is responsible for assessing product quality issues and potential safety hazards and deciding whether a recall action is required, determining the scope of recall (the products involved, the scope of batch number and the country/region) and the level (level 1, level 2 and level 3), and ensuring effective control of recalled products. Recall task groups are established to review and approve various recall preparation plans, give notice to relevant government authorities as required. Th recall task groups listen to recall reports on a regular basis and approve final recall reports, propose resolutions on corrective and preventive measures, implement and supervise the corrective and preventive measures.

Labelling and Traceability

The Group has 129 product registration certificates approved by the National Medical Products Administration, of which more than 20 products are being sold and manufactured. The Group prohibits false or misleading information and guides given to patients regarding the appropriate use of medical products. To improve the transparency of drug information disclosure and ensure the safety of patients' medication, the Group has established the "Regulations on the Management of Printing Packaging Materials". Packaging materials used for drugs (including bottle labels, user manuals, aluminum foils, small boxes, medium boxes, large boxes, etc.) are reported to the national regulatory authorities on the name, specification, batch number, approval number, indication, usage of drugs, and printed in accordance with the content approved by the regulatory authorities. Packaging materials are placed in specific areas for proper storage, where personnel without approval are not allowed to enter. Bottle labels and user manuals are stored in specific counters or warehouses and managed by designated personnel. Unqualified packaging materials are stored in warehouses for unqualified items, whereas expired or discarded packaging materials are destroyed with records.

Traceability of pharmaceutical products is an important management issue in the medical industry, and when quality or customer feedback is encountered, the quality status at that time can be traced to achieve the purpose of source management. Labels are classified into incoming labels, process labels and finished product labels according to different stages of product formation. The final product batch production and batch packaging records shall be true, complete, meet the product standard requirements and signed by the operator and the reviewer. The batch records shall be able to trace back to the batch number of raw materials, all production and inspection procedures of such batch of products, and shall not be altered at any time. If any amendment is required, the name and date should be signed at the amendment office and the reasons for the change should be stated, and the original data should still be identifiable. The technical and quality department collects and maintains a complete set of quality records for batch production records, which shall be filed with the batch number and kept until one year after the product's validity period until the end of its product life.

Consumer Services and Privacy Protection

The Group attaches great importance to the opinions of users, ensures the proper judgment and handling of user complaints, adopts measures to prevent the occurrence of multiple user complaints, and promotes the continuous improvement of the Company's product quality and quality management system. To this end, the Group has established the "Product Complaint Handling and Management Procedures", under which the Quality Department manages customer complaints and provides preliminary feedback to customers as soon as possible (2 working days) after receiving the complaint information. For effective complaints, the quality department will cooperate with other relevant departments to determine whether the products need to be returned from the customers who have received the complaint, and whether the product recall procedures need to be initiated. Besides, it will determine whether the complaint is within the enterprise, and the quality department will cooperate with relevant departments to investigate and handle the complaint. For quality-related complaints, the "Quality Investigation and Management Procedures" will be conducted to find out the causes of the product quality problems and take corresponding prevention measures. The quality department will conduct an annual review on the complaints received from users, analyse the proportion, trends and reasons of different users' complaints, and explain the measures taken, the completion status and effectiveness, so as to improve future product quality. During the year, the Group recorded no material products and service-related complaints nor any products sold or shipped subject to recalls for safety and health reasons. Nevertheless, any substantial complaint about adverse drug reactions received by the Group will be immediately reported to the National Medicines Administration.

The Group's business seldom collects personal information of customers. However, to strengthen the management of confidentiality and protect the security and interests of corporate assets and customers, the Group stipulates that customer information system and employee personal information system can only be accessed by authorised staff to prohibit any abuse of personal information and illegal profit-making.

Intellectual Property Rights

As a technology-based pharmaceutical company which develops its own products, the Group treats intellectual property as intangible asset and values the trademark of our drugs as well as its benefits.

To further maintain and protect the trademark rights of the products, the Group has engaged a professional third-party company to assist in the management. Also, in accordance with the "Patent Law of the People's Republic of China" and other laws and regulations, the Group has established a standardised intellectual property work management system, and does not tolerate any violations of trademark property rights. To further protect and secure the trademark property rights of our products, the Group requires each employees to take concrete actions to protect existing trademarks and aided with a reporting channel to allow employees to report any suspected breach of the code.

B7. Anti-corruption

Anti-corruption

The Group is committed to conforming to honest, compliant and lawful business practices, strictly follows the "Criminal Law of the People's Republic of China", "Interim Provisions on Banning Commercial Bribery of the People's Republic of China" and other laws and regulations in the PRC in relation to the prevention of bribery, extortion, fraud and money laundering. The Group restricts the Board, departmental managers, employees and distributors to comply with an integral and ethical business standard, conform to an ethical business practice and comply with the laws and regulations with the aim of maintaining the integrity and reputation of the Group.

During the year, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering. Meanwhile, there was no concluded legal cases regarding corrupt practices brought against the Group or its employees during the year.

Employee Code of Conduct

According to the above laws and regulations, we have established the "Compliance Regulatory Policy", the "Anti-Bribery and Anti-Corruption Policy", the "Gifts and Entertainment Policy", the "Marketing Activities Regulatory Standard", the "NT Agency Promotion Standard", the "Communication Policy with Medical and Health Professionals and Medical and Health Organizations", the "Code of Business Conduct and Professional Ethics", and the "Pharmaceutical Promotion Related Expenses Management Process" to strengthen employees' anti-corruption awareness and regulate employees' behavior. The Group will hand over those who take advantages of their job positions to engage in malpractice, embezzlement and accept bribes to judicial authorities.

Whistleblowing System

The Group sets up a comprehensive supervision system including a whistle-blowing hotline and a mailbox to receive reports for avoidance of bribery, blackmailing, fraud and money laundering acts. Such whistleblowing system allows all employees to report anonymously to the internal control staff, including negligence, corruption, bribery and other misconduct. The internal control staff will process the reports promptly, fairly and confidentially. On the other hand, the whistleblowing system also ensures that whistle blowers will not be treated unfairly because of reports, the whistle blowers will not face unfair dismissal, unwarranted disciplinary actions, etc.

Anti-corruption Training

In addition to including relevant policies and expressing prohibitions against non-compliance in the aforementioned policies, the Group provides anti-corruption compliance training periodically to directors and employees to familiarise them with their corresponding roles and responsibilities in anti-corruption and business ethics and to ensure compliance with applicable laws and regulations. During the year, 24 of the Group's employees have received a total of approximately 36 hours of anti-corruption training on business integrity.

Publicity and Education

The Group conducts compliance policy training for all its employees by means of e-learning, compliance policy quiz and face-to-face teaching to further enhance the awareness of compliance requirements. During the tendering process, the Group insists on fair and open procurement, tendering process would be regulated and transparent in order to comprehensively prohibit corruptive acts.

B8. Community Investment

Caring for the Community

As a corporate citizen actively fulfilling its social responsibilities, the Group has always adhered to and implemented the principle of "taking from the society and giving back to the society" by giving back to the society in various forms, benefiting the people and actively participating in social welfare and activities. Upholding the core values of "Responsibility, Integrity, Innovation and Win-win", the Group views the values as the cornerstone to healthy development. The Group advocates employees to launch charity bazaar and make donations during the internal meetings of business department or Board's meetings. The Group will continue to explore diversified contribution methods to achieve the ideal of mutual healthy development with the community.

Through the Group's "Donation and Scientific Research Fund Policy", employees can submit applications for donation and scientific research funds to the Group to help the social groups and individuals in need and conduct in-depth research on the medical mechanism and scientific and rational use of drugs, to establish a good public image of the Group while fulfilling social responsibilities. The Group's donations are in strict compliance with national and local laws and regulations such as the "Law of the People's Republic of China on Donations for Public Welfare" and the "Administrative Measures for Public Welfare Donations Received by Health and Family Planning Units (Trial)".

The Group has devoted its resources to maintain its business operation during the pandemic and suspended all its philanthropic activities. Should the pandemic have been ended, the Group will reallocate its resources to focus more on social activities that promote health and disease prevention in the future.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Mandatory Disclosure	Section/Declaration
Governance Structure	Board Statement – The ESG Governance Structure
Reporting Principles	Reporting Framework
Reporting Scope	Scope of Reporting

Subject Areas, Aspects, General Disclosures and KPIs		Section/Declaration
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
A1.1	The types of emissions and respective emissions data.	Emissions – Emissions of Air Pollutants, Wastewater Discharge
A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions in total (in tonnes) and, where appropriate, intensity.	Emissions – GHG Emissions
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions – Waste Management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions – Waste Management
A1.5	Description of emission target(s) set, and steps taken to achieve them.	Emissions – Emissions of Air Pollutants, GHG Emissions, Wastewater Discharge; Targets to be disclosed in the following year
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Waste Management; Targets to be disclosed in the following year

Subject Areas, Aspects, General Disclosures and KPIs		Section/Declaration
A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
A2.1	Direct and/or indirect energy consumption (KWh in '000s) and intensity.	Use of Resources – Energy Consumption
A2.2	Water consumption in total and intensity.	Use of Resources – Water Management
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Consumption;
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set, and steps taken to achieve them.	Use of Resources – Water Management;
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Use of Packaging Materials
A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Noise Control
A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.	Climate Change

Subject Areas, Aspects, General Disclosures and KPIs		Section/Declaration
B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
B2.2	Lost days due to work injury.	Health and Safety
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety – Safety Production Management, Fire Safety Management, Prevention and Control of COVID-19

Subject Areas, Aspects, General Disclosures and KPIs		Section/Declaration
B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
B3.1	Percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training – Training Courses
B3.2	Average training hours completed per employee by gender and employee category.	Development and Training – Training Courses
B4: Labor Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labor Standards
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labor Standards
B4.2	Description of steps taken to eliminate such practices when discovered.	Labor Standards
B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
B5.1	Number of suppliers by geographical region.	Supply Chain Management – Supply Chain Management Structure
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management – Business Ethics, Supply Chain Management Structure
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management – Supply Chain Management Structure
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management – Supply Chain Management Structure

Subject Areas, Aspects, General Disclosures and KPIs		Section/Declaration
B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Product Quality and Safety
B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility – Consumer Services and Privacy Protection
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights
B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Product Quality and Safety
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility – Consumer Services and Privacy Protection
B7：Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption – Whistleblowing System
B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption – Anti-corruption Training

Subject Areas, Aspects, General Disclosures and KPIs		Section/Declaration
B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment – Caring for the Community
B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment – Caring for the Community

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Group is mainly engaged in investment, research and development, manufacturing and sales of pharmaceutical products, as well as the provision of pharmaceutical marketing and promotion services.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the aggregate amount of revenue and purchases attributable to the Group's five largest customers and suppliers represented 62% and 43% of the Group's total revenue and total purchases, respectively.

During the Year under Review, the largest customer of the Group accounted for approximately 41% of the total revenue and the largest supplier of the Group accounted for approximately 25% of the total purchases of the Group.

As far as the Company is aware, neither the Directors, their associates, nor those shareholders who are interested in more than 5% of the shares or underlying shares of the Company had any interest in the five largest customers and suppliers of the Group.

The Group maintains a good relationship with its customers. A customer complaint handling mechanism is in place to receive, including complaints analysis and make recommendations on remedies with the aim of improving service quality.

The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers on an annual basis.

FINANCIAL RESULTS

The financial results of the Group for the year ended 31 December 2021 are set out in the audited consolidated financial statements with notes to the consolidated financial statements of this report.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021 are provided in the Chairman's Statement, Management Discussion and Analysis, ESG Report and Corporate Governance Report of this annual report.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years are set out in this report. This summary does not form part of the audited consolidated financial statements.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year (2020: Nil) to the shareholders.

TRANSFER TO RESERVES

Loss attributable to equity shareholders of RMB149.5 million (2020: loss attributable to equity shareholders of RMB357.6 million) has been transferred to reserves. Other movements in reserves during the year are set out in the consolidated statement of changes in equity.

Details of the reserve available for distribution are set out in note 34 to the audited consolidated financial statements.

FIXED ASSETS

Details of the movements of fixed assets during the year are set out in note 15 to the audited consolidated financial statements.

BORROWINGS AND PLEDGED ASSETS

Details of the Group's borrowings and pledged assets are set out in notes 23 and 27 to the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 34 to the audited consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSAL DURING THE YEAR UNDER REVIEW

Material Acquisition and Disposal

a. 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 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. The disposal transaction was completed on 2 June 2021 and The Mountains Limited and NT Pharma (China) ceased to be subsidiaries of the Company.

b. On 21 April 2020, the Group and Beijing Konruns Pharmaceutical Co., Limited ("**Beijing Konruns**") entered into an agreement, pursuant to which, the Group has conditionally agreed to subscribe for 40% equity interest in Beijing Kangchen (a wholly-owned subsidiary of Beijing Konruns and holding 100% equity interest of NT Pharma International Company Limited since 3 September 2020) at a consideration of RMB 360,000,000. The transaction was completed on 23 April 2021. On 21 October 2021, the Group and Beijing Konruns entered into share transfer agreement, pursuant to which, the Group transferred 13.7% equity interest in Beijing Kangchen to Beijing Konruns at a consideration of RMB127,409,000. The transaction was completed on 4 November 2021. As at 31 December 2021, the Group holds 26.3% equity interest of Beijing Kangchen, The Group can exercise significant influence over its operating and financial activities, accordingly, it is regarded as an associate.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

A discussion on the Company's environmental policies and performance is set out in the Environmental, Social and Governance Report on pages 39 to 73 of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to adverse impacts to the operation and financial position of the Company. The Company allocates systemic and staff resources to ensure continuous compliance with rules and regulations and to maintain cordial working relationships with regulators through effective communications. During the Year under Review, the Company has complied, to the best of the knowledge of Directors, with all relevant rules and regulations that have a significant impact on the Company.

DIRECTORS

The Directors who held office during the year ended 31 December 2021 and up to the date of this report are:

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

Pursuant to article 84 of the articles of association of the Company, Mr. Ng Tit, Mr. Wu Weizhong and Mr. Pan Fei will retire from office as Directors by rotation at the forthcoming annual general meeting.

Biographical details of the Directors of the Company are set out on pages 18 to 20 of this report.

PRE-IPO SHARE OPTION SCHEME

The Company has adopted a share option scheme ("**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. 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 during 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 the Share Option Scheme on 22 September 2014. Under the 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 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 31 December 2021, no further options have been granted under New Share Option Scheme. No Shares were lapsed nor cancelled nor exercised during the year ended 31 December 2021.

As at 31 December 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 2.5 years.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in place during the year ended 31 December 2021.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, during the Year under Review and up to the date of this annual report, neither the Company nor any of its subsidiaries were party to any arrangement which would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed in this report, none of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the shares or debentures of the Company or any other corporate body or had exercised any such right.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

DIRECTORS' SERVICE CONTRACTS

The executive Directors, Mr. Ng Tit, Ms. Chin Yu and Mr. Wu Weizhong have each entered into a service agreement with the Company for a term of three years commencing from their respective effective date of appointment, which shall continue unless terminated by either the Company or the Director giving at least three months' written notice to the other party. Each of the non-executive Director and the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years with effect from their respective effective date of appointment, subject to termination in certain circumstances as stipulated in the appointment letter. All Directors are subject to the provisions of retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR OFFICERS' LIABILITY INSURANCE AND INDEMNITY/ PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate liability insurance to indemnify the Directors and senior officers for their liabilities arising out of corporate activities. For the year ended 31 December 2021, no claim has been made against the Directors and senior officers.

REMUNERATION POLICY

The Group's remuneration policy is to compensate its employees based on their performance, qualifications and the Group's operational results.

The emoluments of the Directors and senior management are determined by the Remuneration Committee with reference to the Group's operational results, their individual performance and comparable prevailing market conditions.

The Company was not aware of any arrangement under which a Director has waived or agreed to waive any emoluments. Details of the emoluments of the Directors are set out in note 10 to the consolidated financial statements.

COMPLIANCE OF THE NON-COMPETITION UNDERTAKING

As disclosed in the Prospectus, Mr. Ng Tit, Ms. Chin Yu and Golden Base Investment Limited ("**Golden Base**") (collectively referred to as the "**Substantial Shareholders**") have entered into a non-competition undertaking agreement dated 4 April 2011 in favor of the Company (the "**Non-competition Undertaking**"), pursuant to which each of them has undertaken to the Company that he/she/it will not, and will procure that his/her/its associates (except any members of the Group) will not, during the restricted period, directly or indirectly, either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business in PRC or elsewhere in the world which is or may be in competition with our business, and any other business which any member of the Group may undertake from time to time after the listing of the Company's shares.

As disclosed in the announcement of the Company dated 7 November 2019, Golden Base transferred 200,000,000 shares of the Company (representing approximately 10.5% of the total issued share capital of the Company as at the date of the transfer) to Mr. Ieong Chong Mang and upon completion of the transfer, Mr. Ng Tit, Ms. Chin Yu and Golden Base and/or his/her/its respective associates, individually or jointly, are entitled to exercise or control the exercise of less than 30% of the voting power at general meetings of the Company, accordingly, each of them ceased to be a controlling shareholder (as defined under the Listing Rules) of the Company and the Non-competition Undertaking ceased to be applicable since 7 November 2019.

Each of the Substantial Shareholders had confirmed his/her/its compliance with the Non-competition Undertaking during the period between 1 January 2019 and 7 November 2019.

The independent non-executive Directors have reviewed the Substantial Shareholders' compliance with the Non-competition Undertaking. The independent non-executive Directors confirmed, to the best of their knowledge, that the Substantial Shareholders did not breach the terms of the Non-competition Undertaking.

COMPETING BUSINESS

Save and except for their respective interests in the Group, none of the Directors and controlling shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in any business which, directly or indirectly, competes or is likely to compete with the Group's business for the year ended 31 December 2021.

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

As at 31 December 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 under the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules, were as follows:

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

		Number of share options			
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Approximate percentage of interest in the Company (Note 4)
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)	– (Note 2)	402,892,000	–	21.39%
Wu Weizhong	1,066,858 (Note 3)	–	–	–	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. 4,000,000 share options were granted to Ms. Chin Yu on 15 January 2015 under the Share Option Scheme. Ms. Chin Yu is the spouse of Mr. Ng Tit.

(2) An aggregate of 402,892,000 Shares 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) For the year ended 31 December 2021, 1,500,000 and 1,300,046 share options granted to Mr. Wu Weizhong on 18 September 2009 and 28 January 2010, respectively, under the Pre-IPO Share Option Scheme, were expired and not exercised. As such, these share options are not counted accordingly.

(4) The percentage is calculated on the basis of 1,904,635,472 shares of the Company (the "**Shares**") in issue as at 31 December 2021 but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any share options or convertible preference shares of the Company which remained outstanding as at 31 December 2021.

Save as disclosed above, as at 31 December 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 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:

	Number of shares of the Company (long positions)				Approximate percentage of interest in the Company (Note 2)
Name	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	–	–	218,579,000	23.04%
Shum Ning (Notes 1 & 2)	–	438,858,000	308,802,500	–	39.25%
Ieong Chong Mang (Note 3)	308,802,500	–	438,858,000	–	39.25%

Notes:

(1) Annie Investment Co., Ltd., a company wholly-owned by Shum Ning ("**Ms. Shum**"), is the beneficial owner as to 220,279,000 Shares and 218,579,000 convertible preference shares of the Company (the "**CPS**") which are convertible into 218,579,000 Shares (together representing approximately 20.67% of the enlarged issued share capital assuming all the CPS are converted in full as at 31 December 2021). The CPS are not converted as at 31 December 2021. Ieong Chong Mang ("**Mr. Ieong**") is the beneficial owner as to 308,802,500 Shares (representing approximately 16.21% of the entire issued share capital as at 31 December 2021). Ms. Shum is the spouse of Mr. Ieong. Under the SFO, Ms. Shum is deemed to be interested in all the shares and underlying shares in which Mr. Ieong is interested in and vice versa.

(2) The percentage is calculated on the basis of 1,904,635,472 shares of the Company (the "**Shares**") in issue as at 31 December 2021 but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any share options or convertible preference shares of the Company which remained outstanding as at 31 December 2021.

Save as disclosed above, as at 31 December 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 year ended 31 December 2021.

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 year ended 31 December 2021.

PLACING OF BONDS

The Company did not issue other equity securities (including securities convertible into equity securities) for cash during the Year under Review.

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 during the year ended 31 December 2021.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

CONTINUING CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 42 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules but are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to the Listing Rules. The Company has complied with the disclosure requirements of the Listing Rules in respect of such continuing connected transactions.

EQUITY-LINKED AGREEMENTS

Save as otherwise disclosed in this annual report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year under Review. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Board, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this report.

CHARITABLE DONATIONS

During the Year under Review, the Group did not make any donations (2020: Nil).

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent events occurred after the end of the reporting period are set out in note 43 to the consolidated financial statements.

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

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. After making specific enquiries, all Directors have confirmed that they have complied with the standards as stipulated in the Model Code throughout the year ended 31 December 2021.

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors. The Company considers that each of the independent non-executive Directors to be independent.

AUDITORS

Crowe (HK) CPA Limited acted as auditors of the Company and audited the Group's consolidated financial statements for the financial year ended 31 December 2021.

The appointment of Crowe (HK) CPA Limited will expire at the conclusion of the forthcoming annual general meeting of the Company and, being eligible, has offered themselves for re- appointment. A resolution for the re-appointment of Crowe (HK) CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ng Tit
Chairman

Hong Kong, 20 May 2022

INDEPENDENT AUDITOR'S REPORT

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA NT PHARMA GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China NT Pharma Group Company Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 87 to 225, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As set out in note 2(b) to the consolidated financial statements, the Group reported a net loss and total comprehensive loss attributable to equity shareholders of the Company of approximately RMB149,538,000 and RMB182,085,000, respectively, for the year ended 31 December 2021. As at 31 December 2021, the Group had net current liabilities and net liabilities of approximately RMB628,270,000 and RMB211,375,000, respectively. The Group's total borrowings amounted to approximately RMB830,115,000, of which approximately RMB616,825,000 will be due for repayment within next twelve months from 31 December 2021; while its unrestricted cash and cash equivalents amounted to approximately RMB9,443,000 only as at 31 December 2021. As at 31 December 2021, the bank and other borrowings of the Group in aggregate of approximately RMB224,412,000 were overdue and have become immediately repayable, which subsequently increased to approximately RMB268,620,000 as of the date of this report, of which the Group has subsequently obtained extension of repayment of balance of approximately RMB24,519,000 to March 2023.

These conditions, together with other matters described in note 2(b) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

BASIS FOR DISCLAIMER OF OPINION (Continued)

Multiple uncertainties relating to going concern (Continued)

The directors of the Company have been undertaking a number of plans and measures to improve the Group's liquidity and financial position, which are set out in note 2(b) to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these plans and measures, including (i) the successful negotiations with financial institutions and other lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with principals and interests in default; (ii) the successful negotiations with financial institutions and other lenders for the renewal of or extension of repayment of all borrowings, including those that are overdue at the date of this report and those that will fall due before 31 December 2022; (iii) the successful implementation and acceleration its disposal plan of its property, plant and equipment; and (iv) the successful obtaining of new sources of financing or strategic capital investments. The successful outcomes of the above-mentioned plans and measures are subject to multiple uncertainties.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to 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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA and to issue an auditor's report. We report solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 20 May 2022

Liu Mok Lan, Cliny
Practising Certificate Number P07270

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021 (Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Continuing operations			
Revenue	4	**226,699**	221,731
Cost of sales		**(81,240)**	(86,827)
Gross profit		**145,459**	134,904
Other revenue and other income	5	**87,867**	29,431
Other net loss	6	**(56,764)**	(2,432)
Share of results of associates	19	**15,090**	8
(Impairment loss)/reversal of impairment loss of property, plant and equipment	15 & 38(a)	**(14,476)**	10,980
(Impairment loss)/reversal of impairment loss of trade receivables, net	22(b)	**(9,739)**	1,390
Reversal of impairment loss/(impairment loss) of other receivables, net	22(c)	**2,667**	(57,441)
Fair value change on financial liabilities at fair value through profit or loss	30 & 35	**465**	(11,265)
Selling and distribution expenses		**(149,863)**	(123,074)
Administrative expenses		**(80,659)**	(96,253)
Finance costs	7(a)	**(88,799)**	(86,537)
Loss before taxation	7	**(148,752)**	(200,289)
Income tax (expense)/credit	8(a)	**(2,582)**	9,020
Loss for the year from continuing operations		**(151,334)**	(191,269)
Discontinued operation	9		
Loss for the year from discontinued operation		**–**	(168,644)
Loss for the year		**(151,334)**	(359,913)

	Note	2021 RMB'000	2020 RMB'000
Attributable to:			
Equity shareholders of the Company		**(149,538)**	(357,599)
Non-controlling interests		**(1,796)**	(2,314)
Loss for the year		**(151,334)**	(359,913)
Loss attributable to equity shareholders of the Company arises from:			
Continuing operations		**(149,538)**	(188,955)
Discontinued operation		**–**	(168,644)
		(149,538)	(357,599)
Loss per share	13		
From continuing and discontinued operations			
Basic		**(7.91) cents**	(18.95) cents
Diluted		**(7.91) cents**	(18.95) cents
From continuing operations			
Basic		**(7.91) cents**	(10.01) cents
Diluted		**(7.91) cents**	(10.01) cents

The notes on pages 96 to 225 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021 (Expressed in Renminbi)

	Note	**2021 RMB'000**	2020 RMB'000
Loss for the year		**(151,334)**	(359,913)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities outside the People's Republic of China		**5,573**	(1,476)
Exchange difference reclassified to profit or loss upon disposal of a subsidiary	37	**–**	16,170
Item that will not be reclassified to profit or loss:			
Revaluation surplus on leasehold land and buildings, net of tax		**7,248**	265,617
Reserve released on leasehold land and buildings classified as held for sale, net of tax	38(a)	**(45,368)**	–
Other comprehensive (loss)/income for the year		**(32,547)**	280,311
Total comprehensive loss for the year		**(183,881)**	(79,602)
Attributable to:			
Equity shareholders of the Company		**(182,085)**	(89,080)
Non-controlling interests		**(1,796)**	9,478
		(183,881)	(79,602)
Total comprehensive (loss)/income for the year attributable to equity shareholders of the Company arises from:			
Continuing operations		**(182,085)**	62,194
Discontinued operation		**–**	(151,274)
		(182,085)	(89,080)

The notes on pages 96 to 225 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021 (Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Fixed assets			
– Property, plant and equipment	15	222,367	419,830
– Interests in leasehold land held for own use	15	25,998	117,998
		248,365	537,828
Intangible assets	16	160,835	162,846
Goodwill	17	–	–
Interests in associates	19	277,936	16,899
Financial asset at fair value through profit or loss	20	521	537
		687,657	718,110
Current assets			
Inventories	21	32,005	27,287
Trade and other receivables	22	46,255	420,359
Pledged bank deposits	23	–	25,520
Cash and cash equivalents	24(a)	9,443	7,694
		87,703	480,860
Assets classified as held for sale/assets of a disposal group classified as held for sale	38	180,000	96,099
		267,703	576,959
Current liabilities			
Contract liabilities	25	6,097	5,808
Trade and other payables	26	249,665	268,164
Contingent consideration payable	39	7,800	–
Bank and other borrowings	27	616,825	796,248
Lease liabilities	28	1,605	3,156
Financial liabilities at fair value through profit or loss	29	–	16,199
Current taxation payable	31(a)	13,981	12,195
		895,973	1,101,770
Liabilities of a disposal group classified as held for sale	38	–	54,666
		895,973	1,156,436
Net current liabilities		(628,270)	(579,477)
Total assets		955,360	1,295,069

	Note	2021 RMB'000	2020 RMB'000
Total assets less current liabilities		**59,387**	138,633
Non-current liabilities			
Bank and other borrowings	27	**213,290**	45,635
Lease liabilities	28	**390**	6,416
Financial liabilities at fair value through profit or loss	29	**–**	472
Deferred tax liabilities	31(b)	**57,082**	63,688
		270,762	116,211
NET (LIABILITIES)/ASSETS		**(211,375)**	22,422
CAPITAL AND RESERVES	34		
Share capital		**1**	1
Reserves		**(211,376)**	16,278
Total equity attributable to equity shareholders of the Company		**(211,375)**	16,279
Non-controlling interests	18(ii)	**–**	6,143
(EQUITY DEFICIENCY)/TOTAL EQUITY		**(211,375)**	22,422

Approved and authorised for issue by the board of directors on 20 May 2022 and signed on its behalf by:

Ng Tit
Chairman and Chief Executive Officer

Chin Yu
Director

The notes on pages 96 to 225 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021 (Expressed in Renminbi)

	Attributable to equity shareholders of the Company												
	Share capital RMB'000 (Note 34(c))	**Conversion option of redeemable convertible preference share** RMB'000 (Note 35)	**Share premium** RMB'000 (Note 34(d)(i))	**Exchange reserve** RMB'000 (Note 34(d)(ii))	**Statutory reserve** RMB'000 (Note 34(d)(iii))	**Merger reserve** RMB'000 (Note 34(d)(iv))	**Other reserve** RMB'000 (Note 34(d)(v))	**Capital reserve** RMB'000 (Note 34(d)(vi))	**Revaluation reserve** RMB'000 (Note 34(d)(vii))	**Accumulated losses** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
As at 1 January 2020	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 (note 37)	–	–	–	16,170	–	–	–	–	–	–	16,170	–	16,170
Revaluation surplus on leasehold land and buildings (note 15)	–	–	–	–	–	–	–	–	313,583	–	313,583	15,722	329,305
Deferred tax on revaluation surplus on leasehold land and buildings (note 31(b))	–	–	–	–	–	–	–	–	(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 (note 35)	–	(276,131)	–	–	–	–	–	–	–	276,131	–	–	–
Lapse of share option	–	–	–	–	–	–	–	(2,106)	–	2,106	–	–	–
Equity-settled share-based transactions (note 32(d))	–	–	–	–	–	–	–	101	–	–	101	–	101
As at 31 December 2020 and 1 January 2021	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 year	–	–	–	–	–	–	–	–	–	(149,538)	(149,538)	(1,796)	(151,334)
Other comprehensive income													
Exchange differences on translation of financial statements of entities outside the PRC	–	–	–	5,573	–	–	–	–	–	–	5,573	–	5,573
Revaluation surplus on leasehold land and buildings (note 15)	–	–	–	–	–	–	–	–	9,664	–	9,664	–	9,664
Reserve released on leasehold land and buildings classified as held for sale (note 38(a))	–	–	–	–	–	–	–	–	(54,390)	–	(54,390)	–	(54,390)
Deferred tax on revaluation surplus on leasehold land and buildings	–	–	–	–	–	–	–	–	(2,416)	–	(2,416)	–	(2,416)
Deferred tax on reserve released on leasehold land and buildings (note 38(a))	–	–	–	–	–	–	–	–	9,022	–	9,022	–	9,022
Total comprehensive loss	–	–	–	5,573	–	–	–	–	(38,120)	(149,538)	(182,085)	(1,796)	(183,881)
Equity-settled share-based transactions (note 32(d))	–	–	–	–	–	–	–	84	–	–	84	–	84
Reserve released upon disposal of property, plant and equipment	–	–	–	–	–	–	–	–	(3,076)	3,456	380	(380)	–
Derecognition of non-controlling interests (note 18(ii))	–	–	–	–	–	–	–	(37,640)	11,792	(20,185)	(46,033)	(3,967)	(50,000)
As at 31 December 2021	1	–	1,759,103	77,189	88,206	8,256	281,800	(24,811)	224,421	(2,625,540)	(211,375)	–	(211,375)

The notes on pages 96 to 225 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021 (Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Operating activities			
Loss before taxation			
– From continuing operations		**(148,752)**	(200,289)
– From discontinued operation	9	**–**	(168,644)
		(148,752)	(368,933)
Adjustments for:			
Depreciation of property, plant and equipment	7(c)	**34,658**	18,721
Depreciation of right-of-use assets	7(c)	**5,619**	3,631
Amortisation of intangible assets	7(c)	**1,972**	2,045
Write-down of inventories	21(b)	**470**	392
Impairment loss/(reversal of impairment loss) of property, plant and equipment	15 & 38(a)	**14,476**	(10,980)
Impairment loss of trade receivables	22(b)	**9,739**	6,323
(Reversal of impairment loss)/impairment loss of other receivables, net	22(c)	**(2,667)**	67,968
Impairment loss of an intangible asset	16(e)	**–**	52,304
Finance costs	7(a)	**88,799**	86,537
Interest income	5	**(239)**	(2,835)
Net loss on disposal of property, plant and equipment	6	**2,296**	160
Equity-settled share-based payment expenses	7(b)	**84**	101
Share of results of an associates	19	**(15,090)**	(8)
(Gain)/loss on disposal of a subsidiary	37	**(45,073)**	32,714
Gain on deregistration of a subsidiary	5	**–**	(459)
Reversal of over-accrued expenses in previous years	5	**(122)**	(8,215)
Fair value change on financial liabilities at fair value through profit or loss	30 & 35	**(465)**	11,265
Gain on bargain purchase from acquisition of an associate	19(b)	**(19,400)**	–
Loss on partial disposal of equity interest in an associate	19(b)	**6,043**	–
Gain on early termination of lease	5	**(357)**	–
Gain on disposal of leasehold land and buildings	38(b)	**(12,734)**	–
Provision for legal claims	6	**8,984**	–
Provision for legal claims from an associate	6	**22,157**	–
Fair value loss on contingent consideration payable	39	**7,800**	–
Changes in working capital:			
(Increase)/decrease in inventories		**(5,188)**	6,782
Decrease in trade and other receivables		**7,941**	26,539
(Decrease)/increase in trade and other payables and contract liabilities		**(94,930)**	102,102
Cash (used in)/generated from operations		**(133,979)**	26,154
Tax paid			
– PRC Income Tax (paid)/refunded		**(796)**	50
Net cash (used in)/generated from operating activities		**(134,775)**	26,204

	Note	2021 RMB'000	2020 RMB'000
Investing activities			
Payment for consideration balance in relation to the acquisition of a subsidiary in prior year		**(4,971)**	(1,029)
Payment for purchase of property, plant and equipment		**(646)**	(23,844)
Proceeds from disposal of property, plant and equipment		**3,557**	–
Net cash inflow from disposal of a subsidiary	37	**78,705**	558,370
Proceeds for consideration balance in relation to the disposal of a subsidiary in prior year	22(c)	**360,000**	–
Proceeds from disposal of leasehold land and buildings classified as assets held for sale	38(b)	**29,000**	–
Proceeds from partial disposal of equity interest in an associate	19(b)	**127,410**	–
Payment for acquisition of an associate	19(b)	**(360,000)**	–
Refund of deposit for proposed disposal of a subsidiary		**(1,000)**	–
Interest received		**239**	2,835
Placement of pledged bank deposits	23	**–**	(25,520)
Release of pledged bank deposits	23	**25,520**	40,000
Release of time deposits		**–**	44,790
Net cash generated from investing activities		**257,814**	595,602
Financing activities			
Proceeds from new bank borrowings	24(b)	**–**	992,861
Repayment of bank borrowings	24(b)	**(95,413)**	(1,278,454)
Proceeds from new other borrowings	24(b)	**73,271**	173,469
Repayment of other borrowings	24(b)	**(54,716)**	(448,380)
Interest paid	24(b)	**(42,859)**	(65,374)
Proceeds from issue of corporate bonds	27(vii)	**9,948**	14,188
Payment for cost of issuing corporate bonds	27(vii)	**(472)**	(707)
Repayment of corporate bonds	27(vii)	**(12,119)**	(9,550)
Repayment of lease liabilities	24(b)	**(2,438)**	(2,298)
Net cash used in financing activities		**(124,798)**	(624,245)

	Note	2021 RMB'000	2020 RMB'000
Net decrease in cash and cash equivalents		**(1,759)**	(2,439)
Cash and cash equivalents at 1 January		**7,836**	28,198
Effect of foreign exchange rate changes		**3,366**	(17,923)
Cash and cash equivalents at 31 December	24(a)	**9,443**	7,836
Analysis of balances of cash and cash equivalents at 31 December			
Cash and cash equivalents		**9,443**	7,694
Cash and cash equivalents included in assets of a disposal group classified as held for sale		**–**	142
		9,443	7,836

The notes on pages 96 to 225 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Expressed in Renminbi unless otherwise indicated)

1. PRINCIPAL ACTIVITIES OF REPORTING ENTITY

The Company was incorporated in the Cayman Islands on 1 March 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 23 of 1961, as consolidated and revised) of the Cayman Islands. 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 (the "**PRC**").

The consolidated financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest thousand, which is the presentation currency of the Group and the functional currency of the primary economic environment in the PRC where the majority of the entities within the Group operate.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 2(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

(b) Going concern basis

The Group reported a net loss and total comprehensive loss attributable to equity shareholders of the Company of approximately RMB149,538,000 and RMB182,085,000, respectively, for the year ended 31 December 2021. As at 31 December 2021, the Group had net current liabilities and net liabilities of approximately RMB628,270,000 and RMB211,375,000, respectively. The Group's total borrowings amounted to approximately RMB830,115,000, of which approximately RMB616,825,000 will be due for repayment within next twelve months from 31 December 2021; while its unrestricted cash and cash equivalents amounted to approximately RMB9,443,000 only as at 31 December 2021. As at 31 December 2021, the bank and other borrowings of the Group in aggregate of approximately RMB224,412,000 were overdue and have become immediately repayable, which subsequently increased to approximately RMB268,620,000 as of the date of this report, of which the Group has subsequently obtained extension of repayment of balance of approximately RMB24,519,000 to March 2023.

All of the above conditions indicate the existence of multiple material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Going concern basis (Continued)

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but not limited to, the following:

(i) The Group has been actively negotiating with a number of banks and other financial institutions for renewal and extension of bank and other borrowings. Specially, the Group is currently in active negotiations with the lenders to extend the repayment dates of the overdue borrowings, and to obtain waivers from complying with certain restrictive covenants contained in the loan agreements of certain borrowings;

(ii) The Group has accelerated its disposal plan of its properties, plant and equipment and leasehold land to reduce its debts. Subsequent to 31 December 2021 and up to the date of this report, the Group is in advanced stage of discussion with an independent third party in relation to entering into a disposal agreement, pursuant to which the Group shall conditionally agree to dispose of certain of the Group's property, plant and equipment and leasehold land. The Group and the independent third party are currently finalising the term of disposal agreement;

(iii) On 29 April 2022, the Group has entered into a framework agreement with the municipal government in the PRC, as a strategic investor, to set up a joint venture company specialised in pharmaceutical research and development. Pursuant to the framework agreement, the municipal government intends to provide funds of approximately RMB200 million for the establishment of plants and facilities to be used by the joint venture company and RMB300 million to subscribe not more than 15% equity interest in the joint venture company with exist period of three years;

(iv) The Group will continue to take active measures to control administrative costs through various channels including human resources optimization and containment of capital expenditures; and

(v) The Group is actively negotiating with external parties to obtain new sources of financing or strategic capital investments to finance the Group's working capital and improve the liquidity position.

The directors of the Company have reviewed the Group's cash flow forecast prepared by the management for a period covered not less than twelve months from date of approval for the consolidated financial statements. The directors of the Company are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis for the year ended 31 December 2021.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Going concern basis (Continued)

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to implement the abovementioned plans and measures. Whether the Group will be able to continue as a going concern would depend on the Group's ability to generate financial and operating cash flows through the following:

(i) Successful negotiations with the Group's existing lenders such that no action will be taken by relevant lenders to demand immediate repayment of the borrowings with principals and interests in default;

(ii) Successful negotiations with financial institutes and other lenders for the renewal of or extension for repayment of outstanding borrowings, including those that are overdue as at the date of approval of these financial statements and those that will fall due before 31 December 2022;

(iii) Successful implementation and acceleration of its disposal plan of the Group's assets, including timely execution of definitive sales agreements and timely collection of the disposal proceeds;

(iv) Successful establishment of the joint venture company with the municipal government to generate cash flows and obtain new sources of financing to repay such borrowings upon the due date; and

(v) Successful obtaining new sources of financing or strategic capital investments within the next twelve months as and when needed.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to 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.

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interests in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for the following assets and liabilities are stated at their fair value:

– Leasehold land and buildings;

– Financial assets at fair value through profit or loss;

– Financial liabilities at fair value through profit or loss; and

– Financial liabilities at fair value through other comprehensive income (non-recycling).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of preparation of the financial statements (Continued)

Non-current assets and disposal group held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(z)(i)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(d) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these consolidated financial statements for the current accounting period:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – phase 2
Amendment to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Total comprehensive income of subsidiaries is attributed to the equity shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from shareholders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (note 2(k)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 2(k)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g)(i) Business combinations or assets acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition- related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g)(i) Business combinations or assets acquisitions (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities and assets and liabilities, related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employees Benefits respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date;

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

– lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of- use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g)(i) Business combinations or assets acquisitions (Continued)

Business combinations (Continued)

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(g)(ii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g)(ii) Goodwill (Continued)

A cash-generating unit (or group of cash- generating units) to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

(h) Property, plant and equipment

The Group changed its accounting policy on leasehold land and buildings from cost model to the revaluation model under HKAS 16 with effect from 31 December 2020. The change in accounting policy on leasehold land and buildings has been accounted for prospectively.

Leasehold land and buildings comprise mainly factories and offices are stated at revalued amount.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the end of reporting period.

The following items of property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (note 2(k)(ii)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (note 2(j)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment (Continued)

Changes arising on the revaluation of leasehold land and buildings for own use are dealt with in other comprehensive income and are accumulated separately in the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the net carrying amount arising on revaluation of leasehold land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Plant and machinery	5–20 years
– Leasehold improvements	over the term of lease
– Furniture, fixtures and office equipment	3–5 years
– Motor vehicles	3–5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses (note 2(k)(ii)), and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (other than goodwill)

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite useful lives as set out in notes (iv) to (viii) below.

(i) Brand rights with indefinite useful life

As disclosed in note 16(a) to the consolidated financial statements, the Group has acquired the exclusive intellectual property rights, marketing and distribution rights associated with trademarks and brand names for commercialisation of Miacalcic branded injectable and nasal spray pharmaceutical drugs which are used for treatment of bone pains caused by osteolysis and lower bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome in all dosage forms (the "**Miacalcic Injection**" and "**Miacalcic Nasal Spray**") for an indefinite period of time in the Mainland China and certain other designated countries. Each of Miacalcic Injection and Miacalcic Nasal Spray is considered to have an indefinite useful life, given the strength and durability of the brand in treating the bone pains and level of marketing support. The risk of market- related factors causing a reduction in its life is considered to be relatively low. Up to date of approval of the financial statements, management of the Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factors that could limit its useful life. Accordingly, Miacalcic Injection and Miacalcic Nasal Spray are not amortised and are tested annually for impairment in accordance with note 2(k)(ii).

(ii) Club memberships

Club memberships represent the rights to use the club facilities for an indefinite period of time and are stated in the consolidated statement of financial position at cost less impairment losses (note 2(k)(ii)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (other than goodwill) (Continued)

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred. Expenditure on development activities (relating to the design and testing of new or improved products) is capitalised under the category of "product development in progress" if, and only if, all of the following have been demonstrated:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Upon the commencement of the commercial production of a product, the expenditure on development activities is transferred to "deferred development costs" and amortised on a straight-line basis over the period of its expected benefit. Research and development costs comprise costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities.

Deferred development costs that are required by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (note 2(k)(ii)). The value in use model is used for the impairment assessment by the management of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (other than goodwill) (Continued)

The following intangible assets with finite use lives are stated at cost less accumulated amortisation and impairment losses (note 2(k)(ii)). Both the period and basis of amortisation of all intangible assets with finite useful lives are reviewed annually.

(iv) Intellectual property rights

Intellectual property rights (including the acquired deferred development costs, note 2(i)(iii) above) are carried at cost less accumulated amortisation and impairment losses (note 2(k)(ii)). Amortisation is charged to profit or loss on a straight line basis over a period of 3 years and 18.33 years.

(v) Trademarks

Trademarks that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (note 2(k)(ii)). Amortisation of trademarks is charged to profit or loss on a straight line basis over a period of 10 years.

(vi) New medicine protection rights

New medicine protection rights that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (note 2(k)(ii)). Amortisation of exclusive agency rights is charged to profit or loss on a straight line basis over the agency period ranging from 4 to 10 years.

(vii) Exclusive agency rights

Exclusive agency rights that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (note 2(k)(ii)). Amortisation of exclusive agency rights is charged to profit or loss on a straight line basis over the agency period ranging from 4 to 10 years.

(viii) Computer software

Computer software that is acquired by the Group is stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (note 2(k)(ii)). Computer software is amortised over its estimated useful life of 5 to 10 years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(h) and 2(k)(ii)), except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value; and

– right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at cost in accordance with note 2(h).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

As a lessee (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables); and

– contract assets as defined in HKFRS 15.

Other financial assets measured at fair value, including equity securities measured at FVTPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting period date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including pledged deposits and cash and cash equivalents), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each reporting period, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs, except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environmental that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on share credit risk characteristics, such as past due status and credit risk ratings.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk (Continued)

ECLs are measured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(v)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit- impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(ii) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– construction in progress;

– goodwill; and

– investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash- generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(ii) Impairment of non-financial assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (notes 2(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (note (2)(v)(i)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (note (2)(n)).

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(k)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECLs) in accordance with the policy set out in note 2(k)(i).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(x)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in share capital for the shares issued) or the option expires (when it is released directly to accumulated losses).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Employee benefits (Continued)

(iii) Share award scheme

The Company operates a share award scheme for the purpose of providing incentive and rewards to eligible participants. An employee share trust is established and administered by an independent trustee and is funded by the Group's cash contributions. The considerations paid including any related transaction costs by the Company to purchase shares of the Company for the Scheme are deducted from equity as an employee share trust. The administrator of the employee share trust purchases the Company's shares in the open market as award shares to employees upon vesting. Upon vesting of the award shares, the corresponding amount in the shares held under share award scheme will be transferred to the relevant employees.

(iv) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax loses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

(i) in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

(ii) in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Financial instruments (Continued)

(i) Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

– the financial asset is held within a business model whose objective is to collect contractual cash flows; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

– it has been acquired principally for the purpose of selling in the near term; or

– on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is presented as the "change in fair value of financial assets at fair value through profit or loss" in the consolidated statement of profit or loss and other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Financial instruments (Continued)

(ii) Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is held for trading if:

– it has been acquired principally for the purpose of repurchasing it in the near term; or

– on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Financial instruments (Continued)

(ii) Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as derivative financial instruments, the changes in fair value of derivative financial instruments are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to related companies, a director and non-controlling shareholders, loans from a related company and non-controlling shareholders, rent and other deposits, bank and other borrowings, debt component of convertible bonds and interest payables) are subsequently measured at amortised cost, using the effective interest method.

Convertible bond

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

An early redemption option provides the Group to redeem its convertible bond before the maturity date at principal amount is an early redemption option derivative.

At the date of issue, both the debt component and derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible bond is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair values at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Financial instruments (Continued)

(ii) Financial liabilities and equity (Continued)

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Redeemable convertible preference shares that contain an equity component

The component parts of the redeemable convertible preference shares are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the fair value of the liability component from the fair value of the compound instrument as a whole at the issue date. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium and share capital. Where the conversion option remains unexercised at the maturity date of the convertible preference shares, the balance remained in equity. No gain or loss is recognised in profit or loss upon exercise of the conversion option.

Transaction costs that relate to the issue of the redeemable convertible preference shares are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Financial instruments (Continued)

(ii) Financial liabilities and equity (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue represented the sales value of goods sold less returns, discounts and value added tax.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific locations (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibilities when selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point of time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

The only performance obligation of the contracts with customers is the provision of pharmaceutical products ordered by the customers and this performance obligation is satisfied at a point of time.

There is no warranty clause in the contracts with customers.

(ii) Sub-licensing fee income

Sub-licensing fee income is recognised on an accruals basis and in accordance with the terms of the relevant agreement.

(iii) Government grants and subsidies

Government grants and subsidies are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Government grants and subsidies that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants and subsidies that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(w) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("**functional currency**"). The functional currency of the Company and its subsidiaries outside Mainland China is Hong Kong dollars and the functional currency of the subsidiaries in Mainland China is Renminbi. The financial statements are presented in Renminbi ("**presentation currency**").

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Translation of foreign currencies (Continued)

(ii) Transactions and balances

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside Mainland China are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Research and development

Expenditure on research activities is recognised as an expense in the year in which it is incurred. Expenditure on development expenditure is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development.

(z) Non-current assets held for sale and discontinued operations

(i) Non-current assets and disposal group held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up- to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Non-current assets held for sale and discontinued operations (Continued)

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third-party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Related parties (Continued)

(b) (Continued)

(v) The entity is a post- employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly- control led by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(ab) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Impairment of non-current assets

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable.

When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected cash flows to be generated by the asset are discounted to their present value at the appropriate pre-tax discount rates that reflect the specific risks of the related non-current assets. Estimation of future cash flows requires significant judgement relating to the future level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions relating to projections of sales volumes, sales revenue and amount of operating costs.

At 31 December 2021, as disclosed in note 16(e) below, management of the Group conducted the impairment assessment test, using the following assumptions, on cash generating units ("**CGUs**") to which the Group's intangible assets, being intellectual property rights of Xi Di Ke and product development in progress relating to MDS was allocated:

– Intellectual property rights of Xi Di Ke and product development in progress relating to MDS: pre-tax discount rate at 22.76% (2020: 21.93%) and expected growth rate of 2% (2020: 3%) beyond five years.

The above discount rate was determined based on the weighted average cost of capital of the Company which also reflected the specific risks of the respective CGUs and the above growth rates was not to exceed the average long-term growth rate for the relevant industry growth rate for the business of the respective CGUs. Based on the impairment assessment tests performed, the recoverable amounts of the relevant CGUs, to which the intellectual property rights of Xi Di Ke and product development in progress relating to MDS were allocated, exceeded their respective carrying amounts and as such, no impairment on the carrying amounts of the intellectual property rights of Xi Di Ke and product development in progress relating to MDS were considered necessary at 31 December 2021.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Impairment of non-current assets (Continued)

For the purpose of sensitivity analysis on the potential possible downside effects on the above impairment assessment test on carrying amounts of the intellectual property rights of Xi Di Ke and product development in progress relating to MDS, had the above pre-tax discount rate been increased by 1% or the above growth rate decreased by 3% points in the forecast period, no impairment was required in these scenarios on their respective carrying amounts at 31 December 2021.

The management of the Group is optimistic on completing clinical trial phase II and III, being the prerequisite for obtaining the certificates of the Group's new MDS products to be approved by the National Medical Products Administration (the "**NMPA**"), and that the Group can have necessary funds for carrying on the development work relating to MDS before obtaining the approval from the NMPA for commercialisation of MDS products by the Group.

(b) Depreciation and amortisation of property, plant and equipment and interest in leasehold land held for own use under operating lease

Property, plant and equipment are depreciated or amortised on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. Interest in leasehold land held for own use under operating lease is amortised over the lease term on a straight-line basis. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Valuation of leasehold land and buildings

At 31 December 2021, leasehold land and buildings held for own use were revalued based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in note 15(b).

Management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Management has performed internal assessment on the risks of change in macroeconomic environment through performing sensitive analysis in relation to the Group's leasehold land and buildings.

If there was any significant changes in the assumptions for the valuation on the leasehold land and buildings, the carrying amounts of the leasehold land and buildings would be significant different.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Useful lives and amortisation of intangible assets

The intangible assets with definite useful lives are amortised on a straight-line basis over the estimated useful lives. The management determines the estimated useful life and basis for amortisation taking into account factors including but not limited to, contractual terms of respective contracts, the expected usage of the assets by the Group based on past experience, technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products of the assets. The estimation of the useful life and basis for amortisation is a matter of judgment based on the experience of the Group. Management reviews the useful life and basis for amortisation of intangible assets annually and, if expectations are significantly different from previous estimates of useful economics life, the amortisation rate for future periods will be adjusted accordingly.

Had different amortisation rates been used to calculate the amortisation of the intangible assets, the Group's result of operations and financial position could be materially different.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of a similar nature.

Net realisable value could change significantly as a result of changes in customer preferences and competitor actions in response to market conditions. Management reassesses these estimates at the end of each reporting period.

(f) Loss allowance for trade receivables

The Group estimates the loss allowance for trade receivables by assessing the lifetime expected credit losses (ECLs). This requires the use of estimates and judgements. Lifetime ECLs on trade receivables are based on the Group's historic credit loss experiences, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast of general economic conditions at the end of reporting period. Where the estimation is different from the previous estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the expected credit loss of trade receivables during their expected lives.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(g) Functional currency

The Company is carrying out its operating activities and making management decisions in Hong Kong and has significant degree of autonomy from its foreign subsidiaries in the way its business is managed. Most of the transactions and events of the Company are denominated in Hong Kong dollars. In the opinion of the directors of the Company, the functional currency of the Company is Hong Kong dollars.

(h) Income taxes and deferred taxation

The Group is subject to corporate income taxes in the Mainland China and Hong Kong. Significant judgements are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

(i) Fair value of the contingent consideration payable

At 31 December 2021, there was provision for the estimated fair value of contingent consideration payable of approximately RMB7,800,000 (2020: RMB Nil) in relation to the profit guarantee provided by the Group as further detailed in note 39, which is determined with reference to the expected profits of Miacalcic related business for the following 2 (2020: 3) years ending on 31 December 2023 and its historic results. The estimation of the profit forecasts of Miacalcic related business are subject to accuracy of its expected future operating results of Miacalcic related business, relevant industry and the future economic conditions in the PRC for the future years to which the profit guarantee is related.

4. REVENUE

The principal activities of the Group are research and development, manufacturing, sales and distribution of pharmaceutical products.

	Continuing operations	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of proprietary pharmaceutical products	**226,699**	221,731

The timing of revenue recognition of all revenue from contracts with customers is at a point in time when a customer obtains control of goods transferred by the Group. All of the Group's remaining performance obligations for contracts with customers are for period of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. OTHER REVENUE AND OTHER INCOME

	Continuing operations	
	2021	2020
	RMB'000	RMB'000
Bank interest income	**239**	2,835
Government grants and subsidies	**2,130**	1,503
Net exchange gain	**6,656**	16,131
Reversal of over-accrued expenses in previous years	**122**	8,215
Gain on deregistration of a subsidiary	**–**	459
Gain on disposal of leasehold land and buildings (note 38(b))	**12,734**	–
Gain on bargain purchase from acquisition of an associate (note 19(b))	**19,400**	–
Gain on disposal of a subsidiary (note 37)	**45,073**	–
Gain on early termination of lease	**357**	–
Sundry income	**1,156**	288
	87,867	29,431

Government grants and subsidies represented unconditional cash awards granted by government authorities.

6. OTHER NET LOSS

	Continuing operations	
	2021	2020
	RMB'000	RMB'000
Net loss on disposal of property, plant and equipment	**2,296**	160
Cost on litigation settlement	**9,484**	2,272
Loss on partial disposal of equity interest in an associate (note 19(b))	**6,043**	–
Provision for legal claims (note 40(a))	**8,984**	–
Provision for legal claims from an associate (note 40(b))	**22,157**	–
Fair value loss on contingent consideration payable (note 39)	**7,800**	–
	56,764	2,432

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

		Continuing operations	
		2021 RMB'000	2020 RMB'000
(a)	**Finance costs**		
	Interest on bank and other borrowings	78,272	78,797
	Interest on convertible bonds (note 30)	2,239	2,029
	Imputed interest payable under a redemption clause of an investment agreement (notes 18(ii) and 29)	7,658	3,087
	Interest on lease liabilities (note 24(b))	558	1,198
	Bank charges	72	1,426
		88,799	86,537
(b)	**Staff costs**		
	Contributions to defined contribution retirement plans	4,015	9,082
	Salaries, wages and other benefits	28,121	46,388
	Equity-settled share-based payment expenses (note 32(d))	84	101
		32,220	55,571

7. LOSS BEFORE TAXATION (Continued)

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement schemes (the "**Schemes**") organised by the relevant local authorities whereby the PRC subsidiaries are required to make contributions to the Schemes at rates which range from 15% to 20% (2020: 15% to 20%) of the eligible employees' salaries during the year. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "**MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% (2020: 5%) of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2020: HK$30,000). Contributions to the MPF scheme vest immediately.

The Group has no other material obligation for payment of pension benefits beyond the annual contributions described above.

		Continuing operations	
		2021	2020
	Note	**RMB'000**	RMB'000
(c) Other items			
Cost of inventories	21	**81,240**	86,827
Depreciation of property, plant and equipment	15	**34,658**	18,721
Depreciation of right-of-use assets	15	**5,619**	3,631
Amortisation of intangible assets	16	**1,972**	2,045
Auditors' remuneration:			
– audit services		**1,409**	1,511
– non-audit services		**–**	711
Operating lease charges in respect of properties	15	**483**	3,008
Research and development costs		**5,959**	8,996

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	Continuing operations	
	2021 RMB'000	2020 RMB'000
Current tax		
PRC Corporate Income Tax		
Provision for the year	**2,095**	155
Under/(over) provision in respect of prior years	**487**	(9,175)
	2,582	(9,020)
Deferred tax		
Origination and reversal of temporary differences (note 31(b))	**–**	–
Income tax expense/(credit)	**2,582**	(9,020)

(b) Reconciliation between income tax expense and accounting loss at applicable tax rates:

	2021 RMB'000	2020 RMB'000
Loss before taxation from continuing operations	**(148,752)**	(200,289)
Notional tax on profit before taxation, calculated at the tax rates applicable in the jurisdictions concerned (notes (i) and (ii))	**(26,311)**	(42,311)
Tax effect of non-deductible expenses	**11,280**	40,980
Tax effect of non-taxable income	**(26,764)**	(7,046)
Tax effect of unused tax losses not recognised	**43,897**	8,541
Tax effect of other temporary differences recognised	**(7)**	(9)
Under/(over) provision in respect of prior years	**487**	(9,175)
Income tax expense/(credit) for the year from continuing operations	**2,582**	(9,020)

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(b) Reconciliation between income tax expense and accounting loss at applicable tax rates: (Continued)

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 years ended 31 December 2021 and 2020, as these subsidiaries either derived no income subject to Hong Kong Profits Tax or sustained tax losses for Hong Kong Profits Tax purposes.

For the year ended 31 December 2021, the Company's subsidiaries in PRC are subject to a statutory income tax rate of 25%, except for the subsidiary which is qualified for High and New Technology Enterprises and would be entitled to enjoy a beneficial tax rate of 15% (2020: 15%).

9. DISCONTINUED OPERATION

On 21 April 2020, NT Pharma (Overseas) Holding Co. Ltd ("**NT Overseas**", an indirect wholly-owned subsidiary of the Company) and Beijing Kangchen Biological Technology Co., Ltd ("**Beijing Kangchen**", an independent third party to the Company) entered into a sale and purchase agreement, pursuant to which, NT Overseas agreed to sell and Beijing Kangchen agreed to purchase the exclusive distribution right of Pfenex and the entire issued share capital of NT Pharma International Company Limited ("**NT Pharma International**", a wholly-owned subsidiary of the Company), which was principally engaged in selling and marketing Miacalcic branded products and sub-licensing of intellectual property rights and distribution rights of Miacalcic Injection and Miacalcic Nasal Spray under the reportable segment of Miacalcic. The disposal was effected in order to generate immediate cash flows for the reallocation of the financial resources on any suitable investment opportunities and the repayment of bank and other borrowings as well as the settlement of the redemption of the outstanding redeemable convertible preference shares when they fall due. The disposal transaction was completed on 3 September 2020 and NT Pharma International ceased to be a subsidiary of the Company. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 37.

9. DISCONTINUED OPERATION (Continued)

The results of the discontinued operation, which have been included in the loss for the year ended 31 December 2020, was as follows.

	2020 RMB'000
Loss for the year from discontinued operation:	
Revenue	79,742
Cost of sales	(20,303)
Gross profit	59,439
Impairment loss of an intangible asset	(52,304)
Impairment loss of other receivables	(10,527)
Impairment loss of trade receivables	(7,713)
Selling and distribution expenses	(73,380)
Administrative expenses	(51,445)
Loss before taxation	(135,930)
Income tax	–
Loss after taxation	(135,930)
Loss on disposal of a subsidiary (note 37)	(32,714)
Loss for the year from discontinued operation	(168,644)

9. DISCONTINUED OPERATION (Continued)

	2020 RMB'000
Loss for the year from discontinued operation includes the followings:	
Cost of inventories recognised as expenses	(20,303)
Impairment loss of an intangible asset	(52,304)
Impairment loss of other receivables	(10,527)
Impairment loss of trade receivables	(7,713)
Cash flows from discontinued operation:	
Net cash inflows from operating activities	63,571
Net cash inflows from investing activities	540,000
Net cash outflows from financing activities	(569,794)
Net cash inflows	33,777
Loss per share:	
Basic, from discontinued operation	(8.94) cents
Diluted, from discontinued operation	(8.94) cents

10. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2021

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
Executive directors						
Ng Tit	–	1,492	–	17	–	1,509
Chin Yu	–	–	–	–	–	–
Wu Weizhong	–	1,542	–	102	–	1,644
Non-executive directors						
Qian Wei	–	–	–	–	–	–
Independent non-executive directors						
Pan Fei	207	–	–	–	–	207
Tze Shan Hailson Yu	207	–	–	–	–	207
Zhao Yubiao	207	–	–	–	–	207
Total	621	3,034	–	119	–	3,774

10. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 December 2020

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
Executive directors						
Ng Tit	–	2,114	–	16	–	2,130
Chin Yu	–	222	–	–	–	222
Wu Weizhong	–	1,500	–	75	–	1,575
Non-executive directors						
Qian Wei	–	–	–	–	–	–
Independent non-executive directors						
Pan Fei *(appointed on 20/3/2020)*	7	–	–	–	–	7
Tze Shan Hailson Yu	222	–	–	–	–	222
Zhao Yubiao	45	–	–	–	–	45
Yan Hong *(resigned on 20/3/2020)*	216	–	–	–	–	216
Total	490	3,836	–	91	–	4,417

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest paid emoluments, two (2020: two) are directors whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the other three individuals (2020: three individuals) are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other emoluments	**1,427**	2,697
Contributions to retirement benefits schemes	**267**	164
Equity-settled share-based payment expenses	**–**	–
	1,694	2,861

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

The emoluments of the other three individuals (2020: three individuals) with the highest emoluments are within the following bands:

	2021 Number of individuals	2020 Number of individuals
NIL to HK$1,000,000	3	2
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	–	–
HK$2,500,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$3,500,000	–	–
Over HK$3,500,000	–	–

12. DIVIDENDS

The Board of directors does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

13. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the following loss attributable to equity shareholders of the Company and the weighted average number of ordinary shares outstanding.

	2021 RMB'000	2020 RMB'000
Loss from continuing operations attributable to equity shareholders of the Company	(149,538)	(188,955)
Loss from a discontinued operation attributable to equity shareholders of the Company	–	(168,644)
	(149,538)	(357,599)

13. LOSS PER SHARE (Continued)

(a) Basic loss per share (Continued)

Weighted average number of ordinary shares (basic)

	2021 Number of shares '000	2020 Number of shares '000
Issued ordinary shares at 1 January	**1,904,636**	1,904,636
Effect of shares repurchased, granted and held under Share Award Scheme	**(15,023)**	(17,589)
At 31 December	**1,889,613**	1,887,047

(b) Diluted loss per share

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding redeemable convertible preference shares and convertible bonds of the Company which had an anti-dilutive effect. Accordingly, diluted loss per share was the same as the basic loss per share for the years ended 31 December 2021 and 2020.

14. 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 resource allocation and performance assessment, the Group has presented the following reportable segment:

– Proprietary products production and sales: revenue from production and sales of NT branded products and generic drugs through the Company's subsidiaries, Suzhou First Pharmaceutical Co., Ltd ("**Suzhou First Pharma**") and NT Biopharmaceuticals.

An operation of selling and marketing Miacalcic branded products and sub-licensing of intellectual property rights and distribution rights of Miacalcic Injection and Miacalcic Nasal Spray was discontinued in 2020. The following segment information does not include any amounts for the discontinued operation, which is described in more detail in note 9.

14. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocation resources between segments, the Group's most senior executive management, who are also the executive directors of the Company, monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

– Segment assets include all tangible and intangible assets and other current and non-current assets with exception of unallocated corporate assets. Segment liabilities include trade and other payables and bank and other borrowings attributable to each reporting segment, with the exception of unallocated corporate liabilities.

– Revenue and expense are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segments results represent profit or loss attributable to the segment without allocation of finance costs, certain administrative costs and directors' remuneration. Taxation is not allocated to reportable segments. This is measure reported to the Group's most senior executive management for the purpose of resources allocation and performance assessment.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 are set out below.

	Continuing operations Proprietary products production and sales	
	2021 RMB'000	2020 RMB'000
Reportable segment revenue from external customers	**226,699**	221,731
Timing of revenue recognition		
– at point in time	**226,699**	221,731
Reportable segment gross profit	**145,459**	134,904
Reportable segment results	**(119,802)**	(25,351)
Other Revenue:		
– Government grants and subsidies	**2,130**	1,239
– Sundry income	**1,152**	157
– Bank interest income	**239**	1,477
– Gain on deregistration of a subsidiary	**–**	459
– Reversal of over-accrued expenses in previous years	**122**	8,215
– Gain on disposal of leasehold land and buildings	**12,734**	–

14. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	Continuing operations Proprietary products production and sales	
	2021 RMB'000	2020 RMB'000
Other net loss:		
– Net loss on disposal of property, plant and equipment	**(1,560)**	(160)
– Cost on litigation settlement	**(8,291)**	(2,272)
– Provision for legal claims	**(8,984)**	–
– Provision for legal claims from an associate	**(22,157)**	–
Share of result of an associate	**(12)**	8
Depreciation and amortisation	**(41,374)**	(21,106)
(Impairment loss)/reversal of impairment loss of trade receivables, net	**(9,739)**	1,390
(Impairment loss)/reversal of impairment loss of property, plant and equipment	**(14,476)**	10,980
Reversal of impairment loss/(impairment loss) of other receivables, net	**3,602**	(57,441)
Reportable segment assets	**494,113**	803,609
Additions to non-current segment assets during the year	**1,784**	2,800
Reportable segment liabilities	**711,935**	760,745
Reportable segment capital commitments	**20,000**	20,000

14. SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	Continuing operations	
	2021	2020
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**226,699**	221,731
Loss		
Reportable segment operating loss	**(119,802)**	(25,351)
Unallocated head office and corporate expenses	**(11,436)**	(95,020)
Other revenue and other income – unallocated	**71,490**	17,884
Other net loss – unallocated	**(15,772)**	–
Fair value change on financial liabilities at fair value through profit or loss	**465**	(11,265)
Share of result of an associate	**15,102**	–
Finance costs	**(88,799)**	(86,537)
Consolidated loss before taxation (continuing operations)	**(148,752)**	(200,289)
Assets		
Reportable segment assets	**494,113**	803,609
Assets associated with disposal group classified as held for sale	**–**	79,833
Assets classified as held for sale	**180,000**	16,266
Assets relating to discontinued operation	**–**	370,422
Unallocated head office and corporate assets	**281,247**	24,939
Consolidated total assets	**955,360**	1,295,069
Liabilities		
Reportable segment liabilities	**711,935**	760,745
Deferred tax liabilities	**57,082**	63,688
Liabilities associated with disposal group classified as held for sales	**–**	54,666
Liabilities relating to discontinued operation	**–**	91,289
Unallocated head office and corporate liabilities	**397,718**	302,259
Consolidated total liabilities	**1,166,735**	1,272,647

14. SEGMENT REPORTING (Continued)

(c) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets. The geographical location of the Group's non-current assets is based on the physical location of the non-current assets and in the case of intangible assets, the location of the use of relevant intellectual property rights and distribution rights to which they are allocated.

	Revenue from external customers				Non-current assets*			
	2021		2020		2021		2020	
	Continuing operations RMB'000	Discontinued operation RMB'000	Continuing operations RMB'000	Discontinued operation RMB'000	Continuing operations RMB'000	Discontinued operation RMB'000	Continuing operations RMB'000	Discontinued operation RMB'000
PRC	226,699	–	221,731	53,836	423,831	–	712,792	–
Hong Kong	–	–	–	19,529	263,305	–	4,781	–
Other countries	–	–	–	6,377	–	–	–	–
	226,899	–	221,731	79,742	687,136	–	717,573	–

* Excluding financial asset at FVTPL of RMB521,000 (2020: RMB537,000) which was related to operation in Hong Kong.

(d) Information from major customers

Revenue from major customers, which individually amounted to 10% or more of the total revenue, is set out below:

For the year ended 31 December 2021

	Continuing operations RMB'000	Discontinued operation RMB'000	Total RMB'000
Customer A	93,109	–	93,109
Customer B (note)	N/A	N/A	N/A

For the year ended 31 December 2020

	Continuing operations RMB'000	Discontinued operation RMB'000	Total RMB'000
Customer A	69,506	–	69,506
Customer B	9,111	43,718	52,829

Note: Revenue from customer B did not contribute 10% or more of the total revenue of the Group during the year ended 31 December 2021.

15. FIXED ASSETS

	Property, plant and equipment									
	Buildings held for own use RMB'000	Property leased for own use RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture, fixture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use RMB'000	Total RMB'000
Cost or valuation:										
At 1 January 2020	274,033	5,737	74,204	13,233	8,883	7,180	54,348	437,618	47,754	485,372
Exchange adjustments	–	(347)	–	(12)	(40)	(129)	–	(528)	–	(528)
Additions	99	7,030	2,671	937	2	–	30	10,769	–	10,769
Disposals	–	–	(13)	(3,990)	(24)	(1,585)	–	(5,612)	–	(5,612)
Reclassified as held for sale (note 38)	(51,188)	–	(1,438)	–	(51)	(648)	(52,530)	(105,855)	(17,654)	(123,509)
Revaluation	155,956	–	–	–	–	–	–	155,956	87,898	243,854
At 31 December 2020 and 1 January 2021	378,900	12,420	75,424	10,168	8,770	4,818	1,848	492,348	117,998	610,346
Exchange adjustments	–	(156)	–	(6)	(18)	(58)	–	(238)	–	(238)
Additions	–	1,138	–	430	14	–	202	1,784	–	1,784
Disposals	(4,738)	–	(107)	(884)	–	(164)	(350)	(6,243)	–	(6,243)
Lease termination	–	(7,030)	–	–	–	–	–	(7,030)	–	(7,030)
Reclassified as held for sale (note 38)	(162,000)	–	(47,551)	(463)	(2,440)	(529)	(202)	(213,185)	(92,000)	(305,185)
Revaluation	(4,900)	–	–	–	–	–	–	(4,900)	–	(4,900)
At 31 December 2021	207,262	6,372	27,766	9,245	6,326	4,067	1,498	262,536	25,998	288,534
Analysis of cost or valuation:										
At 31 December 2021										
– Cost	–	6,372	27,766	9,245	6,326	4,067	1,498	55,274	–	55,274
– Valuation	207,262	–	–	–	–	–	–	207,262	25,998	233,260
	207,262	6,372	27,766	9,245	6,326	4,067	1,498	262,536	25,998	288,534
At 31 December 2020										
– Cost	–	12,420	75,424	10,168	8,770	4,818	1,848	113,448	–	113,448
– Valuation	378,900	–	–	–	–	–	–	378,900	117,998	496,898
	378,900	12,420	75,424	10,168	8,770	4,818	1,848	492,348	117,998	610,346

15. FIXED ASSETS (Continued)

	Property, plant and equipment								Interests in leasehold land held for own use RMB'000	Total RMB'000
	Buildings held for own use RMB'000	Property leased for own use RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture, fixture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000		
Accumulated depreciation and amortisation:										
At 1 January 2020	101,372	956	43,579	13,061	7,119	6,119	–	172,206	7,751	179,957
Exchange adjustments	–	(159)	–	(7)	(36)	(130)	–	(332)	–	(332)
Charge for the year	12,053	2,718	5,336	587	595	150	–	21,439	913	22,352
Reversal of impairment for the year	(10,980)	–	–	–	–	–	–	(10,980)	–	(10,980)
Reclassified as held for sale (note 38)	(21,847)	–	(1,289)	–	(46)	(583)	–	(23,765)	(3,811)	(27,576)
Written back on disposal	–	–	(11)	(3,990)	(24)	(1,427)	–	(5,452)	–	(5,452)
Written back upon revaluation	(80,598)	–	–	–	–	–	–	(80,598)	(4,853)	(85,451)
At 31 December 2020 and 1 January 2021	–	3,515	47,615	9,651	7,608	4,129	–	72,518	–	72,518
Exchange adjustments	–	(102)	–	(4)	(17)	(58)	–	(181)	–	(181)
Charge for the year	30,866	2,311	3,555	123	114	–	–	36,969	3,308	40,277
Reclassified as held for sale (note 38)	(16,904)	–	(34,820)	(428)	(1,403)	(58)	–	(53,613)	(2,706)	(56,319)
Written back on disposal	–	–	(96)	(147)	–	(147)	–	(390)	–	(390)
Written back on lease termination	–	(1,172)	–	–	–	–	–	(1,172)	–	(1,172)
Written back upon revaluation	(13,962)	–	–	–	–	–	–	(13,962)	(602)	(14,564)
At 31 December 2021	–	4,552	16,254	9,195	6,302	3,866	–	40,169	–	40,169
Net book value:										
At 31 December 2021	207,262	1,820	11,512	50	24	201	1,498	222,367	25,998	248,365
At 31 December 2020	378,900	8,905	27,809	517	1,162	689	1,848	419,830	117,998	537,828

For the year ended 31 December 2021 (Expressed in Renminbi unless otherwise indicated)

15. FIXED ASSETS (Continued)

Notes:

(a) As at 31 December 2021, certain banking facilities of the Group were secured by certain property, plant and equipment of the Group with net book value amounting of RMB244,233,000 (2020: RMB512,411,000). Such property is located in PRC under medium-term land lease (note 27).

(b) Fair value measurement of leasehold land and buildings at 31 December 2021 and 2020

All of the Group's leasehold land and buildings held for own use except for those classified as asset held for sale/assets of a disposal group classified as held for sale were revalued as at 31 December 2021 and 2020. The valuations were independently carried out by Roma Appraisals Limited ("**ROMA**") (2020: ROMA), a firm of independent qualified professional valuers in Hong Kong, with over 10 years' experience in the location and category of assets being valued. After due consideration of the experience and credentials of ROMA, the directors of the Company are satisfied that ROMA is competent to determine the valuation of the Group's leasehold land and buildings. The directors have discussions with the ROMA on the valuation assumptions and valuation results when the valuation was performed.

The fair value of leasehold land and buildings is categorised as level 3 recurring fair value measurements.

ROMA adopted the direct comparison approach in its valuation by assuming sale of the leasehold land and buildings in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market at 31 December 2021 and 2020 and as basis for estimating the market value of the Group's leasehold land and buildings. The principal assumptions adopted are as follows:

– the owner sells the property in the market in its existing state without the benefit or deferred term contracts, leaseback, joint ventures, management agreements or any similar arrangements;

– no account has been taken of any option or right of pre-emption concerning or affecting the sale of the leasehold land and buildings; and

– no allowance has been made for the leasehold land and buildings to be sold in one lot or to a single purchaser.

	Valuation technique	Unobservable inputs	Relationship of non-observable inputs to fair value
Leasehold buildings held for own use in the PRC	Replacement costs approach	Current costs of replacements of the properties based on the type of building structure and taking into account market data on current construction costs for similar properties located in nearby cities, from RMB10,000/sq.m. to RMB12,700/sq.m. (2020: RMB10,000/sq.m. to RMB12,800/sq.m.)	A significant increase in costs of replacement would result in a significant increase in the fair value, and vice versa
Leasehold land held for own use in the PRC	Market comparison approach	Market value of the land located in nearby cities, RMB400/sq.m. (2020: RMB400/sq.m. to RMB2,100/sq.m.)	A significant increase in market value would result in a significant increase in the fair value, and vice versa

15. FIXED ASSETS (Continued)

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	2021 RMB'000	2020 RMB'000
Interests in leasehold land held for own use, carried at revalued amount in the PRC, with remaining lease term of 42 (2020: between 30 and 43) years (note (i) below)	**25,998**	117,998
Property leased for own use, carried at depreciated cost (note (ii) below)	**1,820**	8,905
	27,818	126,903

The analysis of expense items in relation to leases recognised in profit or loss is follows:

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– Interests in leasehold land held for own use	**3,308**	913
– Property leased for own use	**2,311**	2,718
	5,619	3,631
Interest on lease liabilities (note 7(a) and 24(b))	**558**	1,198
Expenses relating to short-term leases not in the measurement of lease liabilities (note 7(c))	**483**	3,008
COVID-19-related rent concessions received	**44**	123

15. FIXED ASSETS (Continued)

Right-of-use assets (Continued)

During the year ended 31 December 2021, additions to right-of-use assets amounted to RMB1,138,000 (2020: RMB7,030,000), which related to the capitalised lease payments payable under new tenancy agreement.

Details of total cash outflows for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 24(b), 36(b) and 41(b), respectively.

(i) Interests in leasehold land held for own use

The Group is the registered owner of these lands. Lump sum payments were made upfront to acquire these land interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land leases.

(ii) Property leased for own use

The Group has obtained the right to use the property as its office premises through tenancy agreement. The lease typically runs for an initial period of 3–5 years.

The lease usually does not include an option to renew the lease for an additional period after the end of the contract term.

16. INTANGIBLE ASSETS

	Brand rights with indefinite useful life RMB'000	Intellectual property rights RMB'000	Trade-marks RMB'000	New medicine protection rights RMB'000	Club memberships RMB'000	Computer software RMB'000	Exclusive agency rights RMB'000	Product development in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2020	1,275,761	131,425	7,283	9,330	1,434	9,917	50,000	147,400	1,632,550
Additions	–	–	–	–	–	–	–	–	–
Disposal of a subsidiary (note 37)	(1,258,102)	–	–	–	–	–	–	–	(1,258,102)
Exchange adjustments	(17,659)	–	–	–	(87)	–	–	–	(17,746)
At 31 December 2020 and 1 January 2021	–	131,425	7,283	9,330	1,347	9,917	50.000	147,400	356,702
Additions	–	–	–	–	–	–	–	–	–
Exchange adjustments	–	–	–	–	(39)	–	–	–	(39)
At 31 December 2021	–	131,425	7,283	9,330	1,308	9,917	50,000	147,400	356,663
Accumulated amortisation and impairment:									
At 1 January 2020	292,262	117,603	7,283	9,330	–	7,595	50,000	–	484,073
Charge for the year	–	1,546	–	–	–	499	–	–	2,045
Impairment for the year (note (a)(iii))	52,304	–	–	–	–	–	–	–	52,304
Disposal of a subsidiary (note 37)	(340,520)	–	–	–	–	–	–	–	(340,520)
Exchange adjustments	(4,046)	–	–	–	–	–	–	–	(4,046)
At 31 December 2020 and 1 January 2021	–	119,149	7,283	9,330	–	8,094	50,000	–	193,856
Charge for the year	–	1,546	–	–	–	426	–	–	1,972
At 31 December 2021	–	120,695	7,283	9,330	–	8,520	50,000	–	195,828
Net book value:									
At 31 December 2021	–	10,730	–	–	1,308	1,397	–	147,400	160,835
At 31 December 2020	–	12,276	–	–	1,347	1,823	–	147,400	162,846

16. INTANGIBLE ASSETS (Continued)

(a) Brand rights with indefinite useful life – 2020

(i) On 18 May 2016, NT Pharma International, as the purchaser, entered into (i) an asset purchase agreement (the "**Asset Purchase Agreement**"), (ii) a Licence Agreement (the "**Licence Agreement**") and (iii) a Supply Agreement (the "**Supply Agreement**") with Novartis AG and Novartis Pharma AG, being companies organized under the laws of Switzerland (collectively "**Novartis**").

Pursuant to the Asset Purchase Agreement, Novartis has agreed to transfer and NT Pharma International has agreed to acquire (a) exclusive intellectual property rights, marketing and distribution rights associated with the trademarks and brand names for commercialisation of Miacalcic branded injectable pharmaceutical products for treatment of bone pains caused by osteolysis and lower bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome in all dosage forms that are approved, marketed, distributed and/or sold by Novartis and its affiliates (the "**Miacalcic Injection**") and (b) exclusive intellectual property rights, marketing and distribution rights associated with the trademarks and brand names for the commercialisation of Miacalcic branded nasal spray pharmaceutical products in the form of nasal spray mainly for treatment of postmenopausal osteoporosis, that is approved, marketed, distributed and/or sold by Novartis and its affiliates (the "**Miacalcic Nasal Spray**"), for use in Mainland China and other designated countries. Miacalcic is a well-known international orthopedic brand for a long time.

Pursuant to the Licence Agreement, Novartis has granted exclusive licences for the respective intellectual property rights, marketing and distribution rights associated with the trademarks and brand names of Miacalcic Injection and Miacalcic Nasal Spray that were acquired, respectively, by NT Pharma International under the Asset Purchase Agreement and Second SPA (as defined below) for an indefinite period of time of use in Mainland China and other designated countries, after completion dates of their acquisitions.

Miacalcic Injection

The transactions under the Asset Purchase Agreement, the Licence Agreement, and the Supply Agreement were approved by the Company's shareholders at its extraordinary general meeting held on 7 July 2016. The purchase price for the exclusive intellectual property rights, marketing and distribution rights associated with the trademarks and brand names of Miacalcic Injection under the Asset Purchase Agreement and the Licence Agreement, which mainly include (a) the marketing authorisations and the Miacalcic import drug licences, (b) the transferred property (know-how, books and records, commercial information, marketing authorisation data and medical information (and any and all intellectual property rights in the foregoing), (c) the transferred domain names, and (d) trademarks for commercialisation of Miacalcic Injection branded drugs, for an indefinite period of time for use in Mainland China and other designated countries was US$145 million (equivalent to approximately RMB1,006,965,000), after an arm's length of negotiations made between the Group and Novartis.

16. INTANGIBLE ASSETS (Continued)

(a) Brand rights with indefinite useful life – 2020 (Continued)

(i) (Continued)

Miacalcic Injection (Continued)

Pursuant to the Supply Agreement, Novartis shall manufacture and supply Miacalcic Injection branded products at the supply price effective on 7 July 2016 that are based upon consolidated total production costs of Novartis. Novartis may adjust the supply price on a unit-by-unit basis in accordance with the respective actual percentage increase or decrease in the consolidated total production costs, as applicable, calculated in the ordinary course of business consistent with past practice and consistent with the calculation of the supply price in the basis agreed with Novartis, provided that (a) there will be no upward adjustment in the first two years after 7 July 2016, and (b) the after-adjustment price applicable in the third and fourth year shall not exceed the relevant agreed ceiling price applicable in that period.

The acquisition of Miacalcic Injection at the consideration of US$145 million was completed on 7 July 2016. The other direct costs relating to the acquisition of Miacalcic Injection amounted to approximately RMB23,683,000 were also capitalised. The directors of the Company considered that Miacalcic Injection shall has an indefinite period of time of use in Mainland China and other designated countries based on the Asset Purchase Agreement and the Licence Agreement.

Miacalcic Nasal Spray

On 25 October 2017, the purchase of Miacalcic Nasal Spray for curing osteoporosis had been completed under the two supplemental agreements: an asset purchase agreement ("**Second SPA**") and a supply agreement ("**Second Supply Agreement**"), both were made on 25 October 2017 between Novartis and NT Pharma International. Based on the Second SPA, the consideration for the proposed purchase of Miacalcic Nasal Spray was revised to US$34 million (equivalent to approximately RMB225.5 million).

16. INTANGIBLE ASSETS (Continued)

(a) Brand rights with indefinite useful life – 2020 (Continued)

(ii) According to the Supply Agreement in relation to Miacalcic Injection, during the Phase 1 Period (which means the period, on a country-by-country basis, from the acquisition completion date (i.e. 7 July 2016 for Miacalcic Injection) until the earlier of (a) the marketing authorisation date or with respect to the China Territory, date of obtaining the Import Drug Licence for Miacalcic Injection; and (b) two years from the acquisition date (i.e. 6 July 2018 for Miacalcic Injection) with respect to the period in which the Group (as purchaser of Miacalcic Injection) has not built up its own sales team and/or has not yet obtained the legitimate marketing authorisation rights to distribute, sell or invoice sales for the Miacalcic Injection branded drug products in each country of the territories as designated under the Assets Purchase Agreement and the Licence Agreement, all the intellectual property rights, marketing and distribution rights associated with trademarks and brand names for commercialisation of Miacalcic Injection branded drugs are licenced back to Novartis, which acts in its capacity as a principal, is allowed to use all these rights to sell the Miacalcic Injection branded drug products in those countries as designated under the Asset Purchase Agreement and the Licence Agreement and in consideration of this sub-licensing arrangement for the use of these rights of Miacalcic Injection in each of the territories as designated under Asset Purchase Agreement and the Licence Agreement.

During the year ended 31 December 2020, the Group earned sub-licensing fee income of RMB993,000 from sub-licensing these intellectual property rights, marketing and distribution rights associated with trademarks and brand names relating to commercialisation of Miacalcic Injection branded drugs.

According to the Second Supply Agreement in relation to Miacalcic Nasal Spray, during the Pre-MA Transfer Period (which means the period, on a country-by-country basis, from the respective closing date (which was 25 October 2017) until the earlier of (a) the marketing authorisation date or the Import Drug Licence for Miacalcic Nasal Spray Transfer Date; and (b) two years from the respective closing date (i.e. 25 October 2019 for Miacalcic Nasal Spray) with respect to the period in which NT Pharma International (as purchaser of the intellectual property rights, marketing and distribution rights) has not yet obtained the marketing authorisation to distribute, sell or invoice sales for the Miacalcic Nasal Spray branded products in each country of the territories as designated under the Second SPA, all the relevant intellectual property rights, marketing and distribution rights associated with trademarks and brand names for commercialisation of the Miacalcic Nasal Spray products are licenced back by NT Pharma International to Novartis, which acts in its capacity as a principal and in consideration of this sub-licensing arrangement, Novartis shall pay the Group a sub-licensing fee for its use of these rights of Miacalcic Nasal Spray in the relevant territories as designated under the Second SPA and Second Supply Agreement.

During the year ended 31 December 2020, the Group earned licensing fee income from Novartis, in respect of the intellectual property rights, marketing and distribution rights relating to Miacalcic Nasal Spray, of approximately RMB1,621,000.

16. INTANGIBLE ASSETS (Continued)

(a) Brand rights with indefinite useful life – 2020 (Continued)

(iii) On 21 April 2020, NT Overseas and Beijing Kangchen entered into a sale and purchase agreement, pursuant to which, NT Overseas agreed to sell and Beijing Kangchen agreed to purchase the entire equity interest in NT Pharma International which holds the exclusive licences for the respective intellectual property rights, marketing and distribution rights associated with the trademarks and brand names of Miacalcic Injection and Miacalcic Nasal Spray. The disposal transaction was completed on 3 September 2020 and NT Pharma International ceased to be a subsidiary of the Company. In addition, an impairment loss of approximately RMB52,304,000 on Miacalcic Injection and Miacalcic Nasal Spray was recognised in the profit or loss before completion of the disposal of NT Pharma International during the year ended 31 December 2020, by reference to the professional valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), an independent firm of professional and qualified valuers with qualification and experience in the assets being valued. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 37.

(b) Intellectual property rights and products development in progress

Intellectual property rights represent patents, know-how and trademarks in relation to Xi Di Ke and Songzhi Wan. Xi Di Ke is the commercial name of an uroacitides injection formula and a unique national class 1 new drug approved by the NMPA for the treatment of non-small cell lung cancer and breast cancer. An added indication of Xi Di Ke is for treating myelodysplastic syndrome ("**MDS**") which is in clinical trial phase II. At 31 December 2021 and 2020, costs of Xi Di Ke amounted to approximately RMB38,542,000 of which approximately RMB14,580,000, RMB3,000,000 and RMB20,962,000 were respectively related to the patents for drug use in treating non-small cell cancer and breast cancer, know-hows for MDS and trademarks of Xi Di Ke that were acquired by the Group in 2013. The patents of Xi Di Ke have expired in October 2019. In 2015 and 2016, the Group submitted two applications for new patents of which the know-hows were developed on the existing patents for Xi Di Ke. Management of the Group is optimistic in obtaining the new patents for Xi Di Ke such that the legal protection period of the patents for Xi Di Ke will be extended further in the future. On 2 March 2017, the GMP Certificate for Xi Di Ke has been granted by the NMPA to the Group and the costs of patents and trademarks for Xi Di Ke are amortised on a straight-line basis over their estimated useful lives of 3 years and 10 years, respectively, commencing from January 2017, based on the experience of management of the Group. During the year ended 31 December 2021, amortisation charge on patents and trademarks of Xi Di Ke in aggregate amounted to approximately RMB1,546,000 (2020: RMB1,546,000). The capitalised cost of know-hows in respect of product development in progress relating to MDS of Xi Di Ke, which is still in clinical trial phase II, is deferred and not subject to amortisation as regulatory approval for use is not yet obtained at both reporting period ends.

16. INTANGIBLE ASSETS (Continued)

(b) Intellectual property rights and products development in progress (Continued)

Management is optimistic on advancing to further testing completion of clinical trial III and new MDS products will be launched by the Group in the future.

Up to 31 December 2021, a total amount of approximately RMB147,400,000 was capitalised in respect of the product development cost for MDS of Xi Di Ke, which had been fully paid by the Group.

As at 31 December 2021, the carrying amount of the intellectual property rights of Xi Di Ke and product development in progress relating to MDS amounted to approximately RMB10,730,000 (2020: RMB12,276,000) and approximately RMB147,400,000 (2020: RMB147,400,000), respectively. The directors of the Company are of the opinion that the carrying amount of the intellectual property rights of Xi Di Ke and product development in progress relating to MDS can be fully recovered, based on the impairment assessment test as further detailed in note 16(e) below, and as such, no impairment on Xi Di Ke and MDS was considered necessary at both reporting period ends.

(c) Exclusive agency rights represent agency fees of RMB30 million and RMB20 million prepaid to suppliers to secure the PRC distribution rights of 10 years and 4 years for two pharmaceutical products, respectively. These exclusive agency rights were amortised on a straight-line basis over their respective useful lives, being the period of agency rights. By the end of 2012, the Group decided to terminate a herbal dermatological product as a consequence of surging raw materials cost and relinquished the exclusive agency right. A full impairment loss of RMB17 million was provided accordingly for the remaining book value of the exclusive agency right, in the previous years.

(d) Club memberships represent the rights to use the club facilities over an indefinite period of time. Accordingly, no amortisation has been charged to profit or loss during the years ended 31 December 2021 and 2020. Management of the Group considered that no impairment indicators for the club memberships for which the expected fair value less cost of disposal exceeded the carrying amounts at 31 December 2021. At the end of both reporting periods, the carrying amounts of the club memberships were below their fair value less cost of disposal and accordingly, no impairment loss was considered necessary.

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16. INTANGIBLE ASSETS (Continued)

(e) Impairment assessment tests on intellectual property rights and products development in progress

As at 31 December 2021, the recoverable amount of the intellectual property rights of Xi Di Ke and product development in progress relating to MDS, which were allocated to an identified cash generating unit ("**CGU**"), had been determined based on a value-in-use calculations with reference to professional valuations performed by ROMA (2020: JLL), an independent firm of professional and qualified valuers with qualification and experience in the assets being valued. The calculation used cash flow projections based on financial budgets approved by management of the Group covering a five-year period for intellectual property rights of Xi Di Ke and product development in progress relating to MDS. Cash flows beyond their respective projection periods are extrapolated using the following estimated long-term growth rates which were based on the relevant industry growth forecasts and did not exceed the average long-term growth rates for the businesses of the CGUs to which intellectual property rights of Xi Di Ke and MDS product development in progress relating to are allocated. ROMA estimated the following pre-tax discount rates on basis of weighted average cost of capital of the relevant entities with the Group, which also included additional risk premiums to reflect the size premium risk and specific risk of the respective CGUs.

2021	Pre-tax discount rate	Long-term growth rate
Xi Di Ke and MDS	**22.76%**	**2%**
2020		
Xi Di Ke and MDS	21.93%	3%

Based on the impairment assessment, the recoverable amounts of the CGUs, to which these intangible assets of the intellectual property rights of Xi Di Ke and product development in progress relating to MDS are allocated, exceeded their respective carrying amounts of these CGUs and accordingly, no impairment for intellectual property rights of Xi Di Ke and product development in progress relating to MDS were required at 31 December 2021 and 2020.

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16. INTANGIBLE ASSETS (Continued)

(e) Impairment assessment tests on intellectual property rights and products development in progress (Continued)

Proforma sensitivity analysis on potential downside effects on the carrying amounts of CGUs, to which these intangible assets are allocated, arising from the following unexpected unfavorable changes on the assumptions for their respective discount rates and long-term growth rates applied in the above impairment assessments are summarised below:

	If discount rate +1%	**If long-term growth rate -3%**	**If discount rate +1% and long-term growth rate -3%**
Proforma downside effects on the carrying amounts of following intangible assets at 31 December 2021:			
– Xi Di Ke and MDS	**No**	**No**	**No**

	If discount rate +1%	If long-term growth rate -3%	If discount rate +1% and long-term growth rate -3%
Proforma downside effects on the carrying amounts of following intangible assets at 31 December 2020:			
– Xi Di Ke and MDS	No	No	No

17. GOODWILL

Goodwill of RMB1,250,000 was derived from prior year business acquisitions of NT (BJ) Pharma Technology Co., Ltd. and NT Tongzhou Pharma (SH) Co., Ltd. as expected synergy at acquisition date, was allocated to the vaccine promotion and sales business segment, which was subsequently discontinued In 2012. Full impairment for goodwill was therefore made during the year ended 31 December 2012.

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18. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group as at 31 December 2021. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation and business and form of legal entity	Particulars of issued and paid up/ registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
NT Pharma (Group) Co., Ltd.	BVI, limited liability company	9 shares of US$1 each	100%	100%	–	Investment holding
Kimford Investment Limited ("**Kimford**")	BVI, limited liability company	1 share of US$1	100%	–	100%	Investment holding
Goldwise Resources Limited	BVI, limited liability company	1 share of US$1	100%	–	100%	Dormant
Tai Ning Pharmaceutical (Investment) Company Limited	BVI, limited liability company	1 share of US$1	100%	–	100%	Investment holding
Farbo Investment Limited	BVI, limited liability company	1 share of US$1	100%	–	100%	Investment holding
Humford Investment Limited	BVI, limited liability company	1 share of US$1	100%	–	100%	Investment holding
One Pharma International Limited (一行醫藥(國際)有限公司)	Hong Kong, limited liability company	1 share	100%	–	100%	Dormant
NTP (China) Investment Co., Limited (泰凌(中國)投資有限公司)	Hong Kong, limited liability company	15,000,000 shares	100%	–	100%	Investment holding
NT Pharma (HK) Limited (泰凌醫藥(香港)有限公司)	Hong Kong, limited liability company	2 shares	100%	–	100%	Trading of prescription medicines
NT Pharma (Overseas) Holding Co. Ltd	BVI, limited liability company	1 share of US$1	100%	–	100%	Investment holding
NT Pharma Pacific Company Limited (泰凌醫藥(亞洲)有限公司)	Hong Kong, limited liability company	1 share of HK$1	100%	–	100%	Dormant
NT Pharma (SH) Co., Ltd. (泰凌醫藥貿易(上海)有限公司) (note (i))	PRC, limited liability company	US$2,000,000	100%	–	100%	Dormant

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18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business and form of legal entity	Particulars of issued and paid up/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
NT (BJ) Pharma Technology Co., Ltd. (泰凌(北京)醫藥科技開發有限公司) (note (i))	PRC, limited liability company	RMB10,000,000	100%	–	100%	Research and development of prescription medicines
Guangdong NT Pharma Co., Ltd. (廣東泰凌醫藥有限公司) (note (i))	PRC, limited liability company	RMB20,000,000	100%	–	100%	Sales of prescription medicines
NT Tongzhou Pharma Consulting (SH) Co., Ltd. (泰凌同舟醫藥諮詢(上海)有限公司) (note (i))	PRC, limited liability company	US$3,370,000	100%	–	100%	Provision of logistics and consulting services
Hainan Tai Ling Medical Information Consulting Co., Ltd. (海南泰靈醫藥信息諮詢有限公司) (note (i))	PRC, limited liability company	RMB100,000,000	100%	–	100%	Dormant
NT Tongzhou Pharma (SH) Co., Ltd. (泰凌同舟醫藥(上海)有限公司) (note (i))	PRC, limited liability company	RMB50,000,000	100%	–	100%	Sales of prescription medicines
Suzhou First Pharmaceutical Co., Ltd. ("**Suzhou First Pharma**") (蘇州第壹製藥有限公司) (notes (i))	PRC, limited liability company	RMB181,625,000	100%	–	100%	Manufacturing of prescription medicines
NT Pharma (Jiangsu) Co., Ltd. (泰凌醫藥(江蘇)有限公司) (note (i))	PRC, limited liability company	RMB276,600,000	100%	–	100%	Sales of prescription medicines
NT Pharma Information Consulting (SH) Co., Ltd. (泰凌醫藥信息諮詢(上海)有限公司) (note (i))	PRC, limited liability company	US$26,500,000	100%	–	100%	Provision of consulting services
NT (Jiangsu) Biotechnology Co., Ltd. (泰凌(江蘇)生物科技有限公司) (note (i))	PRC, limited liability company	US$30,070,000	100%	–	100%	Investment holding
NTP (China) Investment Co., Ltd. (泰凌(中國)投資有限公司) (note (i))	PRC, limited liability company	US$30,000,000	100%	–	100%	Provision of consulting services

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18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business and form of legal entity	Particulars of issued and paid up/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
NT Biopharmaceuticals Jiangsu Co., Ltd. (泰凌生物製藥江蘇有限公司) (notes (i) and (ii))	PRC, limited liability company	RMB112,359,550	100%	–	100%	Manufacturing and sale of prescription medicines
NT Pharma (Jiangsu) Investment Co., Ltd. (江蘇泰凌投資有限公司) (note (i))	PRC, limited liability company	RMB36,000,000	100%	–	100%	Investment holding

Except for NT Biopharmaceuticals Jiangsu Co., Ltd. and NT Pharma (China) Co., Ltd., the Group's interest in each of the above subsidiaries as at 31 December 2021 were the same as 31 December 2020.

Notes:

(i) The English translation of the company names is for reference only. The official names of these entities are in Chinese.

(ii) On 11 August 2015, the Group made an investment agreement ("**Investment Agreement**") with two independent third parties ("**New Investors**"), pursuant to which, the registered capital of NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司) was increased to RMB112,359,550 by RMB12,359,550 which was acquired by the New Investors for an aggregate sum of RMB50,000,000 in cash ("**Invested Capital**") in November 2015, and another wholly-owned indirect subsidiary of the Company shall transfer its intellectual property rights and trademark of Xi Di Ke, with carrying amount of RMB12,276,000 at 31 December 2020 (note 16(b)), to NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司) at no consideration, and such transfer has not been completed as at 31 December 2020.

Based on the Investment Agreement, when the board of directors of NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司) declares distribution of its profits, the New Investors shall be entitled, out of the declared profit of NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司), to a dividend at the higher of a preferred dividend calculated at 8% of the Invested Capital, or a dividend out of profit declared for distribution in accordance with their respective shareholdings in NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司). In addition, according to the terms of the Investment Agreement, the Group has undertaken to the New Investors that NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司) shall submit application for an initial public offer listing in a recognised stock exchange in the PRC (the "**IPO**") before 31 December 2019 and obtain the approval from China Securities Regulatory Commission for the IPO before 31 December 2021 and failing which, the Group shall repurchase from the New Investors for their equity interests in NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司) at the consideration to be determined at the higher of the fair value of their equity interests in NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司) at the repurchase date and the Invested Capital plus a return calculated at the annual rate of 30% over the prevailing interest rates, to be announced by the People's Bank of China from time to time, during the period up to the repurchase date.

As at 31 December 2021, the approval for a further extension of time for the application for the IPO has not been sought from the New Investors. Accordingly, with effect from 31 December 2021, the capital contributed by the New Investors of RMB50,000,000 has been reclassified to other borrowings, since the New Investors have the unconditional rights to require NT Biopharmaceuticals Jiangsu Co., Ltd. (泰凌生物製藥江蘇有限公司) to repurchase their shareholdings in accordance with the redemption clause of the Investment Agreement and the non-controlling interests have been derecognised at 31 December 2021. At 31 December 2021, the Group's effective interest in NT Biopharmaceuticals Jiangsu Co., Ltd. was deemed to be 100% (2020: 89%).

At the reporting period end, the accrued imputed interest, which represented the required return to the New Investors, of approximately RMB23,857,000 was recognised in accordance with the Investment Agreement as interest payable under trade and other payables (2020: RMB16,199,000 was recognised under financial liabilities at fair value through profit or loss).

19. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Share of net assets	**277,936**	16,899
Amount due to an associate (included in trade and other payables) (notes 26 & 40(b))	**(68,231)**	(46,074)

Details of the Group's interests in associates, which are accounted for using equity method in the consolidated financial statements, are as follows:

Name of company	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
泰州醫藥城盈泰醫藥有限公司("**盈泰醫藥**")*	Incorporated	PRC, limited liability company	RMB100,000,000	40%	–	40%	Sales of prescription medicines and provision of consulting services
Beijing Kangchen Biological Technology Co., Limited ("**Beijing Kangchen**")*	Incorporated	PRC, limited liability company	RMB100,000,000	26.3%	–	26.3%	Sales of prescription medicines and provision of consulting services

* 盈泰醫藥 and Beijing Kangchen are unlisted corporate entities whose quoted market price are not available.

(a) On 18 September 2016, the Group entered into an investment agreement with an independent third party (泰州醫藥城盈商貿有限公司, New Investor), pursuant to which, the Group and New Investor agreed to establish a company (泰州醫藥城盈泰醫藥有限公司, "**盈泰醫藥**"), which has registered capital of RMB100 million. The Group and the New Investor contributed RMB40 million and RMB60 million to 盈泰醫藥 in which the Group and New Investor own 40% and 60%, respectively. Since the Group has the power to appoint two directors out of five directors of the board of 盈泰醫藥, the Group can exercise significant influence over its operating and financial activities, accordingly, it is regarded as an associate using the equity accounting method. The Group has contributed RMB20 million to capital of 盈泰醫藥, with the balance of RMB20 million (2020: RMB20 million) as disclosed under capital commitments in note 41(a) to the consolidated financial statements.

19. INTERESTS IN ASSOCIATES (Continued)

(b) On 21 April 2020, the Group and Beijing Konruns Pharmaceutical Co., Limited ("**Beijing Konruns**") entered into an agreement, pursuant to which, the Group conditionally agreed to subscribe for 40% equity interest in Beijing Kangchen (a wholly-owned subsidiary of Beijing Konruns and holding 100% equity interest of NT Pharma International since 3 September 2020) at a consideration of RMB360,000,000. The transaction was completed on 23 April 2021. A business valuation of 40% equity interest of Beijing Kangchen on same date was conducted by ROMA, using income approach to determine the fair value of the Beijing Kangchen. The gain on bargain purchase of RMB19,400,000 was recognised in profit or loss for the year ended 31 December 2021.

The financial effect arising from the acquisition of Beijing Kangchen at the date of completion was summarised as follows:

	RMB'000
Fair value of identifiable net assets of the associate	588,500
Capital contribution by the Group	360,000
	948,500
Group's share of net assets of the associate	379,400
Less: total consideration in cash	(360,000)
Gain on bargain purchase charged to profit or loss	19,400

Since the date of acquisition, Beijing Kangchen has contributed RMB15,102,000 to the Group's loss before taxation for the year ended 31 December 2021. Had the acquisition occurred on 1 January 2021, Beijing Kangchen would have contributed loss before taxation for the current year of RMB26,692,000.

Acquisition related costs amounting approximately to RMB1,400,000, have been recognised as administrative expenses in profit or loss for the year ended 31 December 2021.

On 4 November 2021, the Group transferred 13.7% equity interest in Beijing Kangchen to Beijing Konruns at a consideration of RMB127,410,000. A loss of RMB6,043,000 on partial disposal of equity interest in Beijing Kangchen was recognised in profit or loss for the year ended 31 December 2021. As at 31 December 2021, the Group has held 26.3% equity interest of Beijing Kangchen. The Group can exercise significant influence over the operating and financial activities of Beijing Kangchen, and accordingly, Beijing Kangchen is regarded as an associate using the equity accounting method.

19. INTERESTS IN ASSOCIATES (Continued)

(c) Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

盈泰醫藥

	2021 RMB'000	2020 RMB'000
Gross amounts of the associate's		
Non-current assets	–	–
Current assets	50,396	50,425
Non-current liabilities	–	–
Current liabilities	8,179	8,179
Total equity	42,217	42,246
Revenue	–	–
(Loss)/profit for the year	(31)	20
Other comprehensive income	–	–
Total comprehensive (loss)/income	(31)	20
Reconciliation to the Group's interest in the associate		
Gross amount of net assets of the associate	42,217	42,246
Group's share of net assets of the associate	16,887	16,899
Carrying amount in the consolidated financial statements	16,887	16,899
Aggregate amounts of the Group's share of the associate		
(Loss)/profit for the year	(12)	8
Other comprehensive income	–	–
Total comprehensive (loss)/income	(12)	8

19. INTERESTS IN ASSOCIATES (Continued)

(c) (Continued)

Beijing Kangchen

	2021 RMB'000
Gross amounts of the associate's	
Non-current assets	1,121,443
Current assets	115,228
Non-current liabilities	–
Current liabilities	244,089
Total equity	992,582
Revenue	247,938
Profit for the year	73,045
Other comprehensive income	–
Total comprehensive income	73,045
Reconciliation to the Group's interest in the associate	
Gross amount of net assets of the associate	992,582
Group's share of net assets of the associate	261,049
Carrying amount in the consolidated financial statements	261,049
Aggregate amounts of the Group's share of the associate	
Profit for the year	15,102
Other comprehensive income	–
Total comprehensive income	15,102

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2021, the Group's financial asset at FVTPL represents the club debenture that is stated at fair value. The fair value is determined with reference to the recent similar market transactions around/or at the reporting period end and the cost of disposal is estimated by management of the Group after taking into account of the handling charges to be charged by the club and other transaction costs in disposal of the club debenture.

	2021 **RMB'000**	2020 RMB'000
At 1 January	**537**	571
Exchange adjustment	**(16)**	(34)
At 31 December	**521**	537

21. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2021 **RMB'000**	2020 RMB'000
Raw materials	**14,334**	12,467
Finished goods	**17,671**	14,820
	32,005	27,287

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2021 **RMB'000**	2020 RMB'000
Cost of inventories sold (note)	**80,770**	106,738
Write-down of inventory in normal course of business	**470**	392
	81,240	107,130

Notes:

(a) Cost of inventories sold includes RMB20,295,000 (2020: RMB17,095,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately for each of these types of expenses in note 7(b) and (c) above, and raw materials of RMB2,104,000 (2020: RMB1,285,000).

(b) As at 31 December 2021, certain other borrowings of the Group were secured by certain inventories of the Group with net book value amounting of RMB7,786,000 (2020: RMB Nil) (note 27).

22. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade debtors and bills receivables	**648,525**	652,102
Less: Loss allowance (note (b))	**(636,073)**	(626,138)
	12,452	25,964
Deposits, prepayments and other receivables (note (c))	**33,803**	394,395
	46,255	420,359

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Ageing analysis

Ageing analysis of trade debtors and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	2021 RMB'000	2020 RMB'000
Within 3 months	**12,109**	17,973
More than 3 months but within 6 months	**166**	7,159
More than 6 months but within 1 year	**177**	832
	12,452	25,964

Trade debtors are normally due within 60 to 180 days from the date of billing.

As at 31 December 2021, bank acceptance bills received amounting to RMB467,000 (2020: RMB6,496,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bank acceptance bills received by the Group are with a maturity period of less than six months.

22. TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade debtors

The movement in the loss allowance account during the year, including both specific and collective loss components, is as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	**626,138**	620,373
Impairment loss recognised during the year	**9,739**	6,323
Exchange differences	**196**	(558)
At 31 December	**636,073**	626,138

Impairment losses on trade debtors were recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against the trade debtors directly.

Due to the slow down of the economy, deleveraging and the government regulations on the medicine industry in the PRC, the Group experience defaults in payments by its customers. The Group has recognised a provision for impairment loss of trade receivables of RMB9,739,000 (2020: RMB6,323,000), of which, impairment loss of RMB9,739,000 (2020: reversal of impairment loss of RMB1,390,000) and impairment loss of RMB Nil (2020: RMB7,713,000) were related to continuing operations and discontinued operation, respectively, during the year ended 31 December 2021. The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of the customers. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 36(a) to the consolidated financial statements.

At 31 December 2021, trade receivables of RMB232,000 (2020: RMB4,139,000) were pledged to secure for the Group's borrowings (note 27).

22. TRADE AND OTHER RECEIVABLES (Continued)

(c) Deposits, prepayments and other receivables

	2021 RMB'000	2020 RMB'000
Consideration receivable (note 37)	7,000	360,000
VAT recoverable, net of write-off (note (i))	5,539	5,703
Other receivables, net of allowance for impairment loss (note (ii))	8,984	6,841
Prepayments	11,066	20,016
Advances paid to suppliers	148	306
Rental and other deposits	1,066	1,529
	33,803	394,395

Notes:

(i) During the year ended 31 December 2021, a subsidiary received government subsidy in the form of VAT refund of RMB8,474,000. A reversal of VAT written off of RMB8,474,000 was made for the year ended 31 December 2021. The VAT write-off of RMB57,410,000 for the year ended 31 December 2020 was mainly derived from the dormant subsidiaries that used to engage in distribution and promotion of vaccine products. Despite of the discontinued distribution and promotion of vaccine products commencing in 2012, these dormant subsidiaries are still entitled to the VAT recoverable. Given that these dormant subsidiaries ceased their commercial activities and accordingly the VAT recoverable was not yet utilised for more than 7 years, the management of the Company considered the probability of utilising such VAT recoverable to be remote.

(ii) For the purpose of impairment assessment of other receivables, debtors with significant balances with gross carrying amounts of RMB5,807,000 (2020: RMB359,000) as at 31 December 2021 were assessed individually. These individually assessed receivables mainly comprised rentals paid on behalf of staff and prepayment of promotional expenses in prior years.

(iii) Included in provision of impairment of other receivables of RMB10,527,000 for the year ended 31 December 2020 mainly comprised deposits paid for certain service agreements in prior years for distributing and marketing Miacalcic business in countries of the European Union to help the Group expand its Miacalcic business. These service agreements have been early terminated this year upon the disposal of the Miacalcic business as detailed in note 9.

The movements in the loss allowance for impairment of deposits, prepayments and other receivables.

	2021 RMB'000	2020 RMB'000
At 1 January	121,953	54,627
Impairment loss recognised		
– Continuing operations	5,807	57,769
– Discontinuing operation (note 9)	–	10,527
Reversal of impairment loss	(8,474)	(328)
Exchange differences	(1,562)	(642)
At 31 December	117,724	121,953

22. TRADE AND OTHER RECEIVABLES (Continued)

(c) Deposits, prepayments and other receivables (Continued)

The remaining financial assets included in the above balances are neither past due nor impaired as at 31 December 2021 and 2020, for which there were no recent history of default. Their recoverability were assessed with reference to credit status of the debtors and the expected credit loss as at 31 December 2021 and 2020 are considered by management to be minimal.

The Group has applied the general approach to provide for 12-month expected credit losses on other receivables. The Group considers the historical loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate.

23. PLEDGED BANK DEPOSITS

Bank deposits of the Group amounting to RMB Nil (2020: RMB25,520,000) were pledged to banks to secure certain bank borrowings (note 27) and bills payable amounting to RMB Nil (2020: RMB5,520,000) (note 26) as at 31 December 2021.

24. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2021 RMB'000	2020 RMB'000
Cash at banks and in hand	**9,443**	7,694

As at 31 December 2021, the Group's cash and bank balances placed with banks in the PRC amounted to RMB7,672,000 (2020: RMB5,096,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

24. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Bank borrowings RMB'000	Other borrowings RMB'000	Accrued interest including in other payable RMB'000	Conversion option under convertible bonds RMB'000	Imputed interest payable under a redemption clause of an investment agreement RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2021	464,861	377,022	26,818	472	16,199	9,572	894,944
Changes from financing cash flows:							
Proceeds from new other borrowings	–	73,271	–	–	–	–	73,271
Repayments of bank and other borrowings	(95,413)	(54,716)	–	–	–	–	(150,129)
Proceeds from issue of corporate bonds	–	9,948	–	–	–	–	9,948
Payment for cost of issuing corporate bonds	–	(472)	–	–	–	–	(472)
Repayment of corporate bonds	–	(12,119)	–	–	–	–	(12,119)
Repayment of lease liabilities	–	–	–	–	–	(2,438)	(2,438)
Interests paid	–	(1,210)	(41,091)	–	–	(558)	(42,859)
Other changes:							
Interest expenses	–	4,463	76,120	–	7,658	558	88,799
Changes in fair value	–	–	–	(465)	–	–	(465)
Addition of lease liabilities	–	–	–	–	–	1,138	1,138
Reclassification from interest payable	–	21,880	(21,880)	–	–	–	–
Derecognition of non-controlling interests	–	50,000	–	–	–	–	50,000
Reclassification of imputed interest under financial liabilities at fair value through profit or loss	–	–	23,857	–	(23,857)	–	–
Lease termination	–	–	–	–	–	(6,215)	(6,215)
Foreign exchange movement	–	(7,400)	–	(7)	–	(62)	(7,469)
At 31 December 2021	369,448	460,667	63,824	–	–	1,995	895,934

24. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Bank borrowings RMB'000	Other borrowings RMB'000	Accrued interest including in other payable RMB'000	Conversion option under convertible bonds RMB'000	Imputed interest payable under a redemption clause of an investment agreement RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2020	791,545	230,909	11,786	434,949	13,112	5,152	1,487,453
Changes from financing cash flows:							
Proceeds from new bank and other borrowings	992,861	173,469	–	–	–	–	1,166,330
Repayments of bank and other borrowings	(1,278,454)	(448,380)	–	–	–	–	(1,726,834)
Proceeds from issue of corporate bonds	–	14,188	–	–	–	–	14,188
Payment for cost of issuing corporate bonds	–	(707)	–	–	–	–	(707)
Repayment of corporate bonds	–	(9,550)	–	–	–	–	(9,550)
Repayment of lease liabilities	–	–	–	–	–	(2,298)	(2,298)
Interests paid	–	(1,556)	(62,620)	–	–	(1,198)	(65,374)
Other changes:							
Interest expenses	–	4,600	77,652	–	3,087	1,198	86,537
Changes in fair value	–	–	–	11,265	–	–	11,265
Addition of lease liabilities	–	–	–	–	–	7,030	7,030
Reclassification to liabilities of a disposal group classified as held for sale	(42,500)	–	–	–	–	–	(42,500)
Transfer upon lapse of conversion rights of matured redeemable convertible preference shares	–	418,826	–	(418,826)	–	–	–
Foreign exchange movement	1,409	(4,777)	–	(26,916)	–	(312)	(30,596)
At 31 December 2020	464,861	377,022	26,818	472	16,199	9,572	894,944

25. CONTRACT LIABILITIES

Liabilities related to contracts with customers:

	2021 RMB'000	2020 RMB'000
Advances received from customers	**6,097**	5,808

Movements in contract liabilities:

	2021 RMB'000	2020 RMB'000
Balance at 1 January	**5,808**	16,022
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities	**(3,676)**	(13,806)
Increase in contract liabilities as a result of receiving forward sales deposits during the year	**3,965**	3,592
Balance at 31 December	**6,097**	5,808

26. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade creditors	**44,630**	41,177
Bills payable (note (a))	**–**	5,520
Total trade creditors and bills payable (note (b))	**44,630**	46,697
Accrued staff costs	**2,691**	2,475
Accrued promotional expenses	**22,434**	70,085
Other tax payable	**6,785**	2,905
Interest payable	**63,824**	26,818
Considerations payable	**–**	4,971
Provision for legal claims (note 40(a))	**33,451**	24,467
Provision for legal claims from an associate (notes 19 and 40(b))	**68,231**	46,074
Refundable deposit (note 38(c))	**–**	1,000
Other payables and accruals	**7,619**	42,672
	249,665	268,164

26. TRADE AND OTHER PAYABLES (Continued)

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

(a) As at 31 December 2021, bills payable of the Group amounting to RMB Nil (2020: RMB5,520,000) were secured by the pledged bank deposits.

(b) Ageing analysis of trade creditors and bills payable based on the billing date of invoices is as follows:

	2021 RMB'000	2020 RMB'000
Within 3 months	**9,932**	18,243
More than 3 months but within 6 months	**1,279**	23,298
More than 6 months but within 1 year	**138**	1,018
More than 1 year	**33,281**	4,138
	44,630	46,697

27. BANK AND OTHER BORROWINGS

Details of bank and other borrowings are as follows:

	2021 RMB'000	2020 RMB'000
Current		
Secured bank borrowings	369,448	395,000
Unsecured bank borrowings	–	69,861
Secured other borrowings	157,578	57,400
Unsecured other borrowings		
– Redeemed CPSs (note 35)	–	192,984
– Other borrowings	69,120	68,957
– Corporate bonds (note (vii))	10,362	12,046
– Convertible bonds (note 30)	10,317	–
	616,825	796,248
Non-current		
Secured other borrowings	7,500	21,771
Unsecured other borrowings		
– Redeemed CPSs (note 35)	187,412	–
– Other borrowings	3,600	–
– Corporate bonds (note (vii))	14,778	14,951
– Convertible bonds (note 30)	–	8,913
	213,290	45,635
Carrying amount payable:		
– Within one year	616,825	796,248
– After one but within two years	213,290	16,024
– After two but within five years	–	29,611
Total borrowings	830,115	841,883
Less: Current portion of borrowings due for repayment within one year	(476,377)	(796,248)
Current portion of borrowings subject to immediate demand repayment clause	(140,448)	–
Non-current borrowings	213,290	45,635

27. BANK AND OTHER BORROWINGS (Continued)

Notes:

(i) Secured bank borrowings carry interest rates ranged from 4.35% to 6.52% (2020: 4.35% to 5.44%) per annum.

(ii) Unsecured bank borrowings carry interest rates ranged from 4.79% to 6.75% per annum and were guaranteed by certain subsidiaries of the Company as at 31 December 2020. No unsecured bank borrowings as at 31 December 2021.

(iii) Secured other borrowings carry interest rates ranged from 6.17% to 15.00% (2020: 7.00% to 13.82%) per annum. Unsecured other borrowings carry interest rates ranged from 7.00% to 38.40% (2020: 5.00% to 15.00%) per annum. The unsecured other borrowings of approximately RMB112,762,000 (2020: RMB54,183,000) were guaranteed by three subsidiaries and two directors of the Company.

(iv) As at 31 December 2021, certain bank and other borrowings were secured by the following assets of the Group:

	2021 RMB'000	2020 RMB'000
Intellectual property rights (note 16)	**–**	12,276
Fixed assets (note 15)	**244,233**	512,411
Trade receivables (note 22)	**232**	4,139
Pledged bank deposits (note 23)	**–**	20,000
Inventories (note 21)	**7,786**	–
	252,251	548,826

(v) As at 31 December 2021, the Group pledged all equity interest of BT Biopharmaceuticals Jiangsu Co., Ltd.（泰凌生物製藥江蘇有限公司）to secure certain other borrowings.

(vi) As at 31 December 2021, the Group had banking facilities of RMB369,448,000 (2020: RMB450,000,000), which were utilised to the extent of RMB369,448,000 (2020: RMB445,000,000).

27. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(vii) The corporate bonds recognised in the consolidated financial statements are calculated as follows:

	6.0% Corporate Bonds due 2023 RMB'000	8.0% Corporate Bonds due 2020 RMB'000	8.0% Corporate Bonds due 2021 RMB'000	8.5% Corporate Bonds due 2022 RMB'000	8.5% Corporate Bonds due 2021 RMB'000	8.0% Corporate Bonds due 2022 RMB'000	12% Corporate Bonds due 2022 RMB'000	13.5% Corporate Bonds due 2022 RMB'000	Total RMB'000
At 1 January 2020	14,166	9,275	–	–	–	–	–	–	23,441
Issuance during the year	–	–	10,067	855	3,266	–	–	–	14,188
Transaction costs	–	–	(604)	(103)	–	–	–	–	(707)
Interest charged	2,006	359	861	24	157	–	–	–	3,407
Interest paid	(1,010)	(99)	(437)	(10)	–	–	–	–	(1,556)
Interest payable included in other payables and accruals (note 26)	–	(118)	(34)	–	(148)	–	–	–	(300)
Repayment during the year	–	(9,550)	–	–	–	–	–	–	(9,550)
Exchange difference	(964)	133	(807)	(13)	(275)	–	–	–	(1,926)
Carrying amount as at 31 December 2020 and 1 January 2021	**14,198**	**–**	**9,046**	**753**	**3,000**	**–**	**–**	**–**	**26,997**
Issuance during the year	**–**	**–**	**–**	**–**	**–**	**6,673**	**1,640**	**1,635**	**9,948**
Transaction costs	**–**	**–**	**–**	**–**	**–**	**(398)**	**(50)**	**(24)**	**(472)**
Interest charged	**1,998**	**–**	**472**	**158**	**105**	**477**	**24**	**20**	**3,254**
Interest paid	**(486)**	**–**	**(261)**	**(69)**	**(103)**	**(272)**	**(19)**	**–**	**(1,210)**
Interest payable included in other payables and accruals (note 26)	**(494)**	**–**	**–**	**–**	**–**	**–**	**–**	**(18)**	**(512)**
Repayment during the year	**–**	**–**	**(9,119)**	**–**	**(3,000)**	**–**	**–**	**–**	**(12,119)**
Exchange difference	**(438)**	**–**	**(138)**	**(25)**	**(2)**	**(137)**	**(5)**	**(1)**	**(746)**
Carrying amount as at 31 December 2021	**14,778**	**–**	**–**	**817**	**–**	**6,343**	**1,590**	**1,612**	**25,140**

The Group's corporate bonds were denominated in Hong Kong dollars, with duration of three months to four years from the date subscribed.

28. LEASE LIABILITIES

As at 31 December 2021, the lease liabilities were payable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	1,605	3,156
After 1 year but within 2 years	390	2,396
After 2 years but within 5 years	–	4,020
	1,995	9,572

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Conversion option under convertible bonds (note 30)	–	472
Imputed interest payable under a redemption clause of an investment agreement (note 18(ii))	–	16,199
Financial liabilities at fair value through profit or loss	–	16,671
Less: Current portion	–	(16,199)
Non-current portion	–	472

30. CONVERTIBLE BONDS

On 18 April 2019, the Company issued 5% convertible bonds with a principal amount of HK$234,600,000. The convertible bonds entitle the holder to convert into ordinary shares of the Company at any time between the issue date of the convertible bonds and the maturity date on 17 April 2022 at a conversion price of HK$0.742 per conversion share. If the convertible bonds have not been converted or redeemed, it will be redeemed on 17 April 2022 at par. Interest accruing at the rate of 5% per annum on the convertible bonds will be paid semi-annually until the maturity date.

The major terms of the convertible bonds are as follows:

(i) Conversion by the bondholder

The bondholder may at any time before the maturity date requires the Company to convert the whole or any part of the outstanding principal amount of the convertible bonds into ordinary shares of the Company at the initial conversion price of HK$0.742 per conversion share.

(ii) Redemption at maturity

Unless previously converted or purchases and cancelled, the Company will redeem each bond at the outstanding principal amount on the maturity date.

(iii) Redemption at the option of the Company

The Company shall not be entitled to redeem the convertible bonds in whole or in part at any time prior to the maturity date, except by mutual consent of the bondholder and the Company.

(iv) At initial recognition date, the Company determined the fair value of the embedded conversion option and liability component of the convertible bonds based on the valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") using discounted cash flow approach (as for the straight debt component) and polynomial pricing model. The effective interest rate of the liability component of the convertible bonds was 24.42% per annum.

30. CONVERTIBLE BONDS (Continued)

The debt component of the convertible bonds is carried at amortised cost and the conversion option of the convertible bonds is accounted for as a derivative with fair value through profit or loss.

	Liability component RMB'000 (note 27)	Financial liabilities under conversion option at FVTPL RMB'000 (note 29)	Total RMB'000
At 1 January 2021	9,872	472	10,344
Interest amortised and charged to profit or loss (note 7(a))	2,239	–	2,239
Change in fair value	–	(465)	(465)
Exchange difference	(317)	(7)	(324)
At 31 December 2021	11,794	–	11,794
Less: Amount due within one year (note (i))	(11,794)	–	(11,794)
Amount due after one year	–	–	–

30. CONVERTIBLE BONDS (Continued)

	Liability component RMB'000 (note 27)	Financial liabilities under conversion option at FVTPL RMB'000 (note 29)	Total RMB'000
At 1 January 2020	8,463	2,842	11,305
Interest amortised and charged to profit or loss (note 7(a))	2,029	–	2,029
Change in fair value	–	(2,322)	(2,322)
Exchange difference	(620)	(48)	(668)
At 31 December 2020	9,872	472	10,344
Less: Amount due within one year (note (i))	(959)	–	(959)
Amount due after one year	8,913	472	9,385

Notes:

(i) The maturity of the convertible bonds was 17 April 2022. The amount represented the debt component of the convertible bonds and the interest payable of RMB10,317,000 (2020: RMB8,913,000) and RMB1,477,000 (2020: RMB959,000), which are included in bank and other borrowings (note 27) and other payables and accruals (note 26), respectively.

(ii) No conversion of convertible bonds during the years ended 31 December 2021 and 2020.

31. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2021 RMB'000	2020 RMB'000
Provision for Hong Kong Profits Tax	11,470	11,470
Provision for PRC income tax	2,511	725
	13,981	12,195

(b) Deferred tax liabilities recognised:

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation surplus on leasehold land and buildings RMB'000
At 1 January 2020	–
Charged to other comprehensive income	(63,688)
At 31 December 2020 and 1 January 2021	(63,688)
Charged to other comprehensive income	6,606
At 31 December 2021	(57,082)

31. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(s), the Group did not recognise deferred tax assets in respect of unused tax losses of certain subsidiaries amounting to RMB841,636,000 (2020: RMB907,756,000) and other temporary differences amounting to RMB658,630,000 (2020: RMB642,496,000) as at 31 December 2021. The directors consider it is not probable that future taxable profits will be available to utilise these deferred tax assets. The tax losses will expire in following years:

	2021 **RMB'000**	2020 RMB'000
2021	**–**	95,354
2022	**74,064**	74,064
2023	**312,123**	312,123
2024	**317,290**	317,290
2025	**108,925**	108,925
2026	**29,234**	–
	841,636	907,756

(d) Deferred tax liabilities not recognised

No deferred tax liabilities in respect of undistributed profits of PRC subsidiaries have been provided as the Group controls the dividend policy of these subsidiaries and has no plans to distribute profits that are subject to PRC dividend withholding tax in the foreseeable future.

As at 31 December 2021, the aggregate amounts of undistributed profits of the Group's PRC subsidiaries in respect of which the Group did not provide for dividend withholding tax were approximately RMB200,761,000 (2020: RMB224,332,000). No deferred tax liabilities has been recognised in respect of these temporary difference because the Group is in a position to control the timing of the reversal of these temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Share option schemes

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.

32. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

Share option schemes (Continued)

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 maximum number of shares issuable under 2014 Share Option Scheme to each eligible participant within any 12-month period is limited to 1% of the issued share capital of the Company from time to time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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 years ended 31 December 2021 and 2020, no share option was granted to employees and consultants under the 2014 Share Option Scheme.

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.

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32. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

Share option schemes (Continued)

During the years ended 31 December 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
– 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		

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32. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

Share option schemes (Continued)

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

	2021		2020	
	Weighted average exercise price	Weighted Number of options	Weighted average exercise price	Weighted Number of options
Outstanding at the beginning of the year	**US$0.16**	**20,200,000**	US$0.16	22,016,666
Lapsed during the year	–	–	US$0.20	(1,816,666)
Outstanding at the end of the year	**US$0.16**	**20,200,000**	US$0.16	20,200,000
Exercisable at the end of the year	**US$0.16**	**20,200,000**	US$0.16	20,200,000

The share options outstanding at 31 December 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 2.5 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.

Fair value of share options and assumptions	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 2015
Fair value at measurement date	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$0.28	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	HK$3.18 (70% of the Offer Price)	HK$1.25	HK$1.23
Expected volatility	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
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free interest rate	4.378%	4.293%	4.072%	3.415%	3.241%	3.858%	1.83%	1.49%

32. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

Share option schemes (Continued)

(c) Fair value of share options and assumptions (Continued)

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 years ended 31 December 2021 and 2020.

(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 years ended 31 December 2021 and 2020, the trustee had not purchased any shares of the Company which had been deducted from equity, and 800,000 shares (2020: 1,950,000 shares) were awarded to eligible employees under the share award scheme, with aggregate fair value of approximately RMB84,000 (2020: RMB101,000) at award dates when they were vested, which was charged to profit or loss during the year ended 31 December 2021. At 31 December 2021, the trustee held 15,009,336 (2020: 15,809,336) shares of the Company purchased but not yet awarded under the share award scheme.

33. FINANCIAL INSTRUMENTS BY CATEGORIES

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial asset at FVTPL	521	537
Trade and other receivables	29,502	394,334
Pledged bank deposits	–	25,520
Cash and cash equivalents	9,443	7,694
At amortised cost	38,945	427,548
Financial liabilities		
Trade and other payables	249,665	268,164
Lease liabilities	1,995	9,572
Bank and other borrowings	830,115	841,883
At amortised cost	1,081,775	1,119,619
Financial liabilities at FVTPL	–	16,671
Contingent consideration payable	7,800	–
	1,089,575	1,136,290

33. FINANCIAL INSTRUMENTS BY CATEGORIES (Continued)

(a) Financial assets and liabilities measured at fair value

The disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value as at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021, categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets:				
Financial asset at FVTPL	**521**	**–**	**521**	**–**
Financial liabilities:				
Contingent consideration payable	**7,800**	**–**	**–**	**7,800**
		–	**521**	**7,800**

	Fair value as at 31 December 2020 RMB'000	Fair value measurements as at 31 December 2020, categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets:				
Financial asset at FVTPL	537	–	537	–
Financial liabilities:				
Financial liabilities at FVTPL	16,671	–	–	16,671
		–	537	16,671

During the years ended 31 December 2021 and 2020, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3.

33. FINANCIAL INSTRUMENTS BY CATEGORIES (Continued)

(b) Reconciliation of Level 3 fair value measurement of financial liabilities

	2021 RMB'000	2020 RMB'000
At 1 January	16,671	448,061
Increase in fair value – FVTPL	7,335	11,265
Imputed interest payable under a redemption clause of an investment agreement	7,658	3,087
Transfer upon lapse of conversion rights of matured redeemable convertible preference shares	–	(418,826)
Reclassification to trade and other payable	(23,857)	–
Exchange adjustments	(7)	(26,916)
At 31 December	7,800	16,671

Valuation techniques and inputs in Level 3 fair value measurement

The following table gives information about how the fair values of contingent consideration payable is determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	31.12.2021 RMB'000	31.12.2020 RMB'000			
Contingent consideration payable (note 39)	7,800	N/A	Level 3	Discounted cash flow method was used to capture the present value of the associate and the expected future economic benefits that will flow out from the Group arising from the contingent consideration, based on an appropriate discount rate	Pre-tax discount rate: 18.25% Terminal Growth Rate: 2% Marketability discount rate: 15.80% Minority discount rate: 25.1% Probability-accumulated adjusted profits, with a range from approximately RMB279,659,000 to RMB323,789,000

(c) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost approximated their respective fair values at 31 December 2021 and 2020.

34. 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 consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000 (Note 34(c))	Conversion option of redeemable convertible preference shares RMB'000 (Note 35)	Share premium RMB'000 (Note 34 (d)(i))	Exchange reserve RMB'000 (Note 34 (d)(ii))	Other reserve RMB'000 (Note 34 (d)(v))	Capital reserve RMB'000 (Note 34 (d)(vi))	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2020	1	276,131	1,759,103	49,192	279,467	(22,890)	(2,241,660)	99,344
Changes in equity for 2020:								
Loss for the year	–	–	–	–	–	–	(34,304)	(34,304)
Other comprehensive income								
Exchange differences on translation	–	–	–	(4,184)	–	–	–	(4,184)
Total comprehensive loss	–	–	–	(4,184)	–	–	(34,304)	(38,488)
Lapse of share option (note 32(b))	–	–	–	–	–	(2,106)	2,106	–
Equity-settled share-based transactions	–	–	–	–	–	101	–	101
Transfer upon lapse of conversion rights of matured redeemable convertible preference shares (note 35)	–	(276,131)	–	–	–	–	276,131	–
Balance at 31 December 2020	1	–	1,759,103	45,008	279,467	(24,895)	(1,997,727)	60,957

34. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

The Company (Continued)

	Share capital RMB'000 (Note 34(c))	Conversion option of redeemable convertible preference shares RMB'000 (Note 35)	Share premium RMB'000 (Note 34 (d)(i))	Exchange reserve RMB'000 (Note 34 (d)(ii))	Other reserve RMB'000 (Note 34 (d)(v))	Capital reserve RMB'000 (Note 34 (d)(vi))	Accumulated losses RMB'000	Total RMB'000
Balance at 31 December 2020 and 1 January 2021	1	–	1,759,103	45,008	279,467	(24,895)	(1,997,727)	60,957
Changes in equity for 2021:								
Loss for the year	–	–	–	–	–	–	(374,362)	(374,362)
Other comprehensive income								
Exchange differences on translation	–	–	–	3,566	–	–	–	3,566
Total comprehensive income/(loss)	–	–	–	3,566	–	–	(374,362)	(370,796)
Equity-settled share-based transactions	–	–	–	–	–	84	–	84
Balance at 31 December 2021	1	–	1,759,103	48,574	279,467	(24,811)	(2,372,089)	(309,755)

(b) Dividend

No dividend (2020: Nil) per ordinary and preference share after the end of the reporting period is proposed.

34. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

A summary of movements in the Company's issued share capital during the years ended 31 December 2021 and 2020 are as follows:

	2021 No of shares '000	2021 RMB'000	2020 No of shares '000	2020 RMB'000
Ordinary shares, issued and fully paid:	**1,904,636**	**1**	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 626,250,000,000 shares of US$0.00000008 each and one share was issued at par upon incorporation.

On 5 June 2017, the authorised share capital of the Company was re-designated from US$50,100 comprising 626, 250,000,000 ordinary shares of US$0.00000008 each into US$50,100 comprising (i) 625,925,000,000 ordinary shares of par value of US$0.00000008 each, and (ii) 325,000,000 redeemable convertible preference shares of par value of US$0.00000008 each with the rights, privileges and restrictions of the redeemable convertible preference shares.

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the nominal value of the shares of the Company and proceeds received from the issuance of shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of non-PRC entities. The reserve is dealt with in accordance with the accounting policy set out in note 2(w).

34. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(iii) Statutory reserve

Pursuant to applicable PRC regulations, all PRC subsidiaries of the Group are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of the registered capital of each relevant PRC subsidiary. The transfer to the statutory reserve must be made before distribution of dividends to shareholders. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase the registered capital of the subsidiary.

(iv) Merger reserve

The merger reserve represents the difference between the net assets of the subsidiaries acquired in 2005, which were under common control of the Controlling Shareholders, and the cash consideration paid.

(v) Other reserve

The Company's other reserve arose from the transfer of the entire equity interest in NT Group from NT Holdings to the Company and acquisition of non-controlling interests in Suzhou First Pharma.

The Group's other reserve arose from the capitalisation of the amount due to NT Holdings as a result of the reorganisation and represented the difference between the amount due to NT Holdings of RMB383,380,000 and the nominal value of the shares of the Company issued in exchange thereof.

(vi) Capital reserve

At the reporting period end, the capital reserve included of RMB Nil (2020: RMB37,640,000) being the capital contribution surplus attributable to the Group, made by non-controlling interests of a subsidiary of the Company in 2015, the portion of the grant date fair value of unexercised share options to employees of the Group, that has been recognised in accordance with the accounting policy adopted for share-based payments as set out in note 2(r)(ii), and costs of the Company's shares purchased for the share award scheme (note 32(d)) less the fair value of share-based payments in respect of such shares awarded to the employees which were vested at award date and recognised in accordance with the accounting policy as set out in note 2(r)(iii).

(vii) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for leasehold land and buildings held for own use in note 2(h), which represented cumulative gains and losses arising on the revaluation of the corresponding leasehold land and buildings that have been recognised in other comprehensive income. Such items will not be reclassified to profit or loss in subsequent periods.

34. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Distributability of reserves

At 31 December 2021, the aggregate amount of reserves available for distribution to the equity holders of the Company was RMB Nil (2020: RMB Nil), being the net amount of share premium, other reserve and accumulated losses.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital with reference to its debt-to-assets ratio. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there is adequate working capital to service its debt obligations. The Group's debt-to-assets ratio, being the Group's total interest-bearing borrowings over its total assets, at 31 December 2021 and 2020 was 87.1% and 70.3% respectively.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

35. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

On 13 June 2017, the Company issued 294,659,500 non-voting redeemable convertible preference shares at HK$1.83 each ("**CPSs**") with total gross proceeds of HK$539,227,000 (equivalent to approximately RMB474,179,000). The costs of issuing these CPSs amounted to approximately HK$5,000,000 (equivalent to approximately RMB4,304,000).

The CPS holders shall have no right to attend or vote at general meetings of the Company. Subject to compliance with applicable law and Articles of Association of the Company, so long as the Company has resolved to pay dividend, 30% of the audited profit of each financial year would be distributed to holders of CPSs and ordinary shares of the Company as dividends.

35. REDEEMABLE CONVERTIBLE PREFERENCE SHARES (Continued)

Each of the CPSs is convertible to one ordinary share of the Company at its face value of HK$1.83 per CPS. Conversion of CPSs into ordinary shares of the Company can be made at any time after the issuance of the CPSs. The holders of CPSs shall be required to convert all but not part of the CPSs into ordinary shares of the Company provided that the audited profit is not less than RMB160 million, RMB250 million and RMB350 million for the years ended 31 December 2017, 2018 and 2019, respectively ("**Compulsory Conversion**"). As the Group incurred a loss for the year ended 31 December 2018, the criteria for Compulsory Conversion have become no longer applicable as at 31 December 2018 and 2019. The Company may redeem ("**Call Option**") and the holders of the CPSs shall have the rights to require the Company to redeem ("**Put Option**") with cash for the outstanding CPSs which the conversion rights have not been exercised in whole or in part by giving 30 business days' prior notice to the other party thereof on or after 36th month upon the placing completion date, with a redemption price calculated based on the annualised IRR 5% for the nominal value of the outstanding CPSs less the corresponding dividends for such CPSs by the Company. The earliest date of maturity of CPSs will be on 13 June 2020 when the CPS holders shall have the rights to exercise the Put Option.

The conversion options of the CPSs meet the fixed-to-fixed criteria, that is, will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's ordinary shares, and accordingly, the conversion options of the CPSs are classified as equity component and are not remeasured after initial recognition. At initial recognition, the equity component of the CPSs was separated from the fair value of liability component comprising the Company's obligations under Put Option to redeem CPSs and/or obligations to pay dividends to CPS holders, which are designated and presented as "financial liabilities at fair value through profit or loss". The equity component (i.e. conversion option) is presented in equity heading "Convertible preference shares". The Call Option at the Company's discretion is classified as a financial asset at fair value through profit or loss.

At 31 December 2019, there were outstanding 246,773,000 CPSs with a total face value amount of approximately HK$451,596,000 (equivalent to RMB404,539,000).

The Company determined the fair value of the financial liabilities component (i.e. Put Option) and Call Option at 31 December 2019, when the Compulsory Conversion attached to CPSs was no longer applicable, amounted to approximately HK$482,371,000 (equivalent to approximately RMB432,107,000) and Nil respectively, based on the valuation performed by CBRE Limited on straight debt, using discounting cash flows approach (as for the straight debt component of the Put Option), binomial model and a discount rate of 13.40%, which represented the prevailing market rates of interest for a similar instrument with similar credit rating.

On 13 June 2020, the holders of 246,773,000 CPSs served call notice to request the Company to redeem all the CPSs which were reclassified to other borrowings carried at amortised cost with demand clause of approximately RMB418,826,000, bearing interest at the rate of 5% from 13 June 2020, out of which, approximately RMB225,842,000 were repaid by the Group during the year ended 31 December 2020.

35. REDEEMABLE CONVERTIBLE PREFERENCE SHARES (Continued)

During the year ended 31 December 2020, fair value loss on the financial liabilities of approximately RMB13,587,000 was charged to profit or loss.

Movements of the two components of the CPSs during the year ended 31 December 2020 were set out below:

	Conversion option as equity component RMB'000 (note 34(a))	**Financial liabilities under Put Option at FVTPL** RMB'000	**Financial assets under Call option at FVTPL** RMB'000
At 1 January 2020	276,131	432,107	–
Increase in fair value charged to profit or loss	–	13,587	–
Transfer upon lapse of conversion rights of matured redeemable convertible preference shares	(276,131)	(418,826)	–
Exchange adjustments	–	(26,868)	–
At 31 December 2020	–	–	–

During the year ended 31 December 2021, interests of approximately RMB9,158,000 (2020: RMB7,384,000) on the outstanding CPSs as other borrowings were charged to profit or loss.

On 31 December 2021, the holders of CPSs have agreed the repayment date of the outstanding CPSs as other borrowings to be extended to 31 December 2023.

36. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and pledged bank deposits is limited because the counterparties are the major banks in the PRC with established credit ratings, for which the Group considers to have low credit risk. Given the high credit ratings of the banks, management does not expect any counterparties to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 18% (2020: 35%) and 33.3% (2020: 54%) of the total trade debtors and bills receivables was due from the Group's largest customers and the five largest customers respectively.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are net carrying amounts after provision for ECLs for financial assets.

Maximum exposure and year-end staging as at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade debtors and bills receivables (note 22)	–	–	–	12,452	12,452
Financial assets included in deposits, prepayments and other receivables	17,050	–	–	–	17,050
Cash and cash equivalents (note 24(a))	9,443	–	–	–	9,443
	26,493	–	–	12,452	38,945

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

Maximum exposure and year-end staging as at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade debtors and bills receivables (note 22)	–	–	–	25,964	25,964
Financial assets included in deposits, prepayments and other receivables	368,370	–	–	–	368,370
Pledged bank deposits (note 23)	25,520	–	–	–	25,520
Cash and cash equivalents (note 24(a))	7,694	–	–	–	7,694
	401,584	–	–	25,964	427,548

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's 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. Trade receivables are due within 90 to 210 days from the date of billing. The Group does not obtain collateral from customers.

For trade receivables, the Group applies the simplified approach for measuring the lifetime ECLs on individual basis if the amounts are insignificant, or collective basis using the provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and lifetime ECLs for trade receivables (base on invoice date):

	As at 31 December 2021			
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000	Net RMB'000
Within 3 months	18.41%	14,841	2,732	12,109
More than 3 months but within 6 months	82.00%	922	756	166
More than 6 months but within 1 year	92.21%	2,273	2,096	177
More than 1 year but within 2 years	100%	19,079	19,079	–
More than 2 years	100%	611,410	611,410	–
		648,525	636,073	12,452

	As at 31 December 2020			
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000	Net RMB'000
Within 3 months	10.87%	20,165	2,192	17,973
More than 3 months but within 6 months	53.93%	15,539	8,380	7,159
More than 6 months but within 1 year	78.42%	3,858	3,026	832
More than 1 year but within 2 years	100%	1,541	1,541	–
More than 2 years	100%	610,999	610,999	–
		652,102	626,138	25,964

Lifetime expected loss rates are based on actual loss over the past 3 years, as adjusted to reflect the forward looking information, including the economics conditions.

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Refer to note 22(b) to the consolidated financial statements for the movement in the loss allowance account in respect of trade receivables during the year.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirements in the short and long term.

All non-interest bearing financial liabilities of the Group are carried at amounts not materially different from their contractual undiscounted cash flow as these financial liabilities are with maturities within one year or repayable on demand at the end of the reporting period. Bank and other borrowings are repayable within 1–2 years from the end of reporting period.

The following table sets out the remaining contractual maturities at the end of reporting period of the Group's bank loans and other borrowings, bank accepted bills, trade and other payables, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current prevailing rates at the end of reporting period) and the earliest date of the Group would be required to repay.

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

	2021 Scheduled undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 3 years RMB'000	Total RMB'000	Carrying amount as at 31 December RMB'000
Lease liabilities (note 28)	1,677	396	–	2,073	1,995
Bank and other borrowings (note 27)	661,599	224,959	–	886,558	830,115
Trade and other payables (note 26)	249,665	–	–	249,665	249,665
Contingent consideration payable (note 39)	7,800	–	–	7,800	7,800
Total	920,741	225,355	–	1,146,096	1,089,575

	2020 Scheduled undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 3 years RMB'000	Total RMB'000	Carrying amount as at 31 December RMB'000
Lease liabilities (note 28)	4,360	3,152	4,853	12,365	9,572
Bank and other borrowings (note 27)	851,902	17,163	18,202	887,267	841,883
Trade and other payables (note 26)	263,193	–	–	263,193	263,193
Considerations payable (note 26)	4,971	–	–	4,971	4,971
Financial liabilities at fair value through profit or loss (note 29)	16,199	472	–	16,671	16,671
Total	1,140,625	20,787	23,055	1,184,467	1,136,290

Management believes that the Group's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's working capital requirements and repay its borrowings and obligations in the near future when they become due.

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits, bank and other borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net interest bearing liabilities (being interest-bearing financial liabilities less pledged bank deposits, time deposits and cash at banks) at the end of the reporting period:

	2021		2020	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
Fixed rate instruments:				
Lease liabilities (note 28)	4.35% to 14.04%	1,995	14.04% to 15.00%	9,572
Bank and other borrowings (note 27)	4.35% to 38.40%	830,115	4.35% to 15.00%	841,883
Less: Pledged bank deposits (note 23)	N/A	–	1.95% to 2.15%	(25,520)
		832,110		825,935
Variable rate instruments:				
Less: Cash at banks (note 24(a))	0.01% to 0.35%	(9,443)	0.01% to 0.35%	(7,694)
		(9,443)		(7,694)
Total net interest-bearing borrowings		822,667		818,241

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk (Continued)

(i) Interest rate profile (Continued)

At 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after taxation and increased/decreased in accumulated losses by approximately RMB94,000 (2020: RMB77,000).

(ii) Sensitivity analysis

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value. This analysis has been performed on the same basis for 2020.

In addition, the financial liabilities at fair value through profit or loss, as disclosed in note 29 to the consolidated financial statements, are also subject to the interest rate risk. If the market interest rate increased by 1% point, with all other variables held constant, the Group's loss after taxation for the year would have been increased by approximately RMB Nil (2020: RMB506,000).

If the market interest rate decreased by 1% point, with all other variables held constant, the Group's loss after taxation for the year would have been decreased by approximately RMB Nil (2020: RMB506,000).

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a foreign currency i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("**USD**"), Renminbi ("**RMB**") and Hong Kong dollars ("**HKD**"). In addition, certain bank loans are also denominated in USD and HKD. At present, the Group has no hedging policy with respect to its foreign exchange exposure.

36. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk

The following table details the Group's and the Company's major exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of non-PRC group entities into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Renminbi)					
	2021			2020		
	USD RMB'000	RMB RMB'000	HKD RMB'000	USD RMB'000	RMB RMB'000	HKD RMB'000
Trade and other receivables	126	–	–	19,130	360,010	–
Cash and cash equivalents	182	146	3	2,096	147	3
Trade and other payables	(24,819)	(65)	–	(25,516)	(67)	–
Bank and other borrowings	–	–	–	–	(3,000)	–
	(24,511)	81	3	(4,290)	357,090	3

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit or loss after taxation and accumulated losses that would have arisen if foreign exchange rates to which the Group has significant exposure at the end of reporting period had changed at that date, assuming all other risk variables remained constant.

	2021			2020		
	Increase/ (decrease) in foreign exchange rates RMB'000	Increase/ (decrease) in profit after taxation RMB'000	(Decrease)/ increase in accumulated losses RMB'000	Increase/ (decrease) in foreign exchange rates RMB'000	Increase/ (decrease) in profit after taxation RMB'000	(Decrease)/ increase in accumulated losses RMB'000
USD	5%	(1,024)	1,024	5%	(180)	180
	(5%)	1,024	(1,024)	(5%)	180	(180)
RMB	5%	9	(9)	5%	14,914	(14,914)
	(5%)	(9)	9	(5%)	(14,914)	14,914
HKD	5%	–	–	5%	–	–
	(5%)	–	–	(5%)	–	–

36. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit or loss after taxation measured in the respective functional currencies, translated into Renminbi at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of non-PRC incorporated subsidiaries into the Group's presentation currency. The analysis has been performed on the same basis for 2020.

The Company has no material foreign currency risk exposure.

37. DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 2021

On 2 June 2021, the Group completed the disposal of its entire interest in a subsidiary, NT Pharma (China) which assets and liabilities were classified as a disposal group held for sale as at 31 December 2020 as disclosed in note 38(c) for a consideration of RMB85,891,000.

	As at 2 June 2021 RMB'000
Property, plant and equipment	72,166
Land use rights	8,466
Cash and cash equivalents	186
Bank borrowings	(40,000)
Net assets disposal of	40,818
Gain on disposal of a subsidiary:	
Total consideration	85,891
Net assets disposed of	(40,818)
Gain on disposal of a subsidiary	45,073
Consideration was satisfied by:	
Cash consideration received	78,891
Cash consideration receivable (note 22(c))	7,000
Total consideration	85,891
Net cash inflow arising on disposal:	
Cash consideration received	78,891
Cash and cash equivalents disposed of	(186)
Net cash inflow on disposal of a subsidiary	78,705

37. DISPOSAL OF A SUBSIDIARY (Continued)

For the year ended 31 December 2020

On 21 April 2020, NT Overseas and Beijing Kangchen entered into a sale and purchase agreement, pursuant to which, the Company agreed to sell and Beijing Kangchen agreed to purchase the exclusive distribution right of Pfenex and the entire issued share capital of NT Pharma International at a consideration of USD2,683,000 (equivalent to RMB18,371,000) and RMB900,000,000, respectively. On 3 September 2020, the disposal transaction was completed and NT Pharma International ceased to be a subsidiary of the Company, and a loss of disposal of a subsidiary of approximately RMB32,714,000 was recognised and included in the results of discontinued operation in the consolidated statement of profit or loss, as referred to in note 9.

NT Pharma International was principally engaged in selling and marketing Miacalcic branded products and sub-licensing of intellectual property rights and distribution rights of Miacalcic Injection and Miacalcic Nasal Spray under the reportable segment of Miacalcic, as referred to in note 9.

During the year ended 31 December 2020, Beijing Kangchen paid US$2,683,000 (approximately RMB18,371,000) and approximately RMB540,000,000 to the Group, leaving the remaining balance of approximately RMB360,000,000 which was not due at 31 December 2020 as the registration of the change of marketing rights of Miacalcic Injection and Miacalcic Nasal Spray, as a condition for the payment, has not yet completed at 31 December 2020.

During the year ended 31 December 2021, all the conditions for the payment of remaining consideration were fulfilled and the remaining consideration receivable balance of approximately RMB360,000,000 was received.

37. DISPOSAL OF A SUBSIDIARY (Continued)

Particulars of the disposal transaction are as follows:

	2020 RMB'000
Assets and liabilities at the date of disposal:	
Intangible assets	917,582
Prepayment for acquisition of an intangible asset	17,332
Cash and cash equivalents	1
Net assets disposed of	934,915
Loss on disposal of a subsidiary:	
Total consideration	918,371
Net assets disposed of	(934,915)
Release of exchange reserve	(16,170)
Loss on disposal of a subsidiary (note 9)	(32,714)

The loss on disposal of a subsidiary is included in the loss for the year from discontinued operation (see note 9).

Consideration was satisfied by:	
Cash consideration received	558,371
Cash consideration receivable (note 22(c))	360,000
Total consideration	918,371
Net cash inflow arising on disposal:	
Cash consideration received	558,371
Cash and cash equivalents disposed of	(1)
Net cash inflow on disposal of a subsidiary	558,370

38. ASSETS CLASSIFIED AS HELD FOR SALE/DISPOSAL GROUP HELD FOR SALE

(a) During the year ended 31 December 2021, management of the Group had negotiated with potential buyer to dispose of certain non-current assets of Suzhou First Pharma so as to generate funds to reduce the Group's debts. Subsequent to the year ended 31 December 2021, the Group is in advanced stage of discussion with an independent third party in relation to entering into of a disposal agreement to dispose of certain leasehold land and buildings situated in the PRC and related plant and machinery, furniture, fixture and office equipment, with aggregate carrying book value of approximately RMB248,866,000 at an aggregate consideration not less than RMB180,000,000. As the net proceeds of the disposal are expected to below the carrying amount of the related non-current assets of Suzhou First Pharma, impairment loss of approximately RMB14,476,000 has been recognised through profit or loss and approximately RMB54,390,000 has been recognised through other comprehensive income and included under revaluation reserve during the year ended 31 December 2021. At 31 December 2021, the related certain non-current assets of Suzhou First Pharma with aggregate carrying amount of approximately RMB180,000,000, net of impairment loss of approximately RMB68,866,000, were classified as held for sale.

(b) During the year ended 31 December 2020, the Group entered into negotiation with a third party to dispose of certain leasehold land and buildings of the Group with carrying amount of RMB16,266,000. On 28 March 2021, the Group entered into an agreement with the third party for the sale of leasehold land and buildings at a total consideration of RMB23,000,000 and subsequently revised to RMB29,000,000. The disposal transaction was completed in April 2021. As a result, gain of RMB12,734,000 on disposal of non-current assets, which were classified as held for sale, was recognised in profit or loss for the year ended 31 December 2021.

(c) On 11 November 2020, NT Pharma (Group) Co., Ltd. ("**NT Group**", a direct wholly-owned subsidiary of the Company) and an independent third party (the "**Purchaser**") 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. During the year ended 31 December 2020, the Purchaser paid a refundable deposit of RMB1,000,000 to NT Group.

The assets and liabilities attributable to NT Pharma (China), which was expected to be sold within 12 months, had been classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position as at 31 December 2020. As the consideration of the disposal was expected to exceed the assets less liabilities of the disposal group, no impairment was recognised upon reclassification at 31 December 2020.

During the year ended 31 December 2021, the disposal of this subsidiary was completed. Details are set out in note 37.

38. ASSETS CLASSIFIED AS HELD FOR SALE/DISPOSAL GROUP HELD FOR SALE (Continued)

(c) (Continued)

	2020 RMB'000
Land use rights	8,563
Property, plant and equipment	71,104
Other receivables	24
Cash and cash equivalents	142
Assets associated with the disposal group classified as held for sale	79,833
Bank borrowings	42,500
Other payables	12,166
Net amount due to the Group (note (i))	7,944
Total liabilities for the disposal group	62,610
Less: Elimination of intra-group balances (note (i))	(7,944)
Liabilities associated with the disposal group classified as held for sale	54,666

Note:

(i) Net amounts due to the Group are interest-free, unsecured and repayable on demand. The amounts are fully eliminated in the consolidated statement of financial position.

39. CONTINGENT CONSIDERATION PAYABLE

	2021 RMB'000	2020 RMB'000
At 1 January	**–**	–
Change in fair value	**7,800**	–
At 31 December	**7,800**	–

39. CONTINGENT CONSIDERATION PAYABLE (Continued)

The fair value of the contingent consideration payable is related to the profit guarantee given by the Group to Beijing Kangchen, to which the entire equity interests in NT Pharma International was disposed by the Group in September 2020, in respect of the profit after tax before interest, depreciation and amortisation of Miacalcic related business recognised in Beijing Kangchen's consolidated financial statements ("**Adjusted Profit**") shall not be less than of RMB80,000,000, RMB100,000,000 and RMB120,000,000 for the three financial years ending 31 December 2021, 2022 and 2023, respectively.

If the Adjusted Profit fail to meet the stipulated profit guarantee for any of these financial years ending 31 December 2021, 2022 and 2023, the Group shall compensate Beijing Kangchen, based on the terms of the relevant sale and purchase agreement dated 21 April 2020, as set out in the Circular dated 5 June 2020.

The actual Adjusted Profit for the year ended 31 December 2021 exceeded the stipulated amount of RMB80,000,000 under the profit guarantee in accordance with the relevant sale and purchase agreement.

The contingent consideration payable represents the fair value of the profit guarantee in accordance with the relevant sale and purchase agreement, which is determined by reference to the valuation performed by ROMA. As at 31 December 2021, the fair value of the contingent consideration payable was estimated by applying probabilistic approach and income approach with reference to the profit forecasts of Beijing Kangchen for each of the two years ending 31 December 2022 and 2023.

The variables and assumptions used in computing the fair value of the contingent consideration payable are based on the management's best estimates. The fair value of contingent consideration payable as at 31 December 2021 is a level 3 fair value measurement.

40. LITIGATIONS

(a) On 5 January 2021, a customer as the plaintiff, filed a legal proceeding against a subsidiary as defendant in 北京市東城區人民法院 (the "**Court**") in respect of overdue promotional service charges of RMB24,455,000, and related expenses of RMB12,000, totalling approximately RMB24,467,000.

On 9 September 2021, the Group received a judgement from the Court and ordered that claim liability amounted to approximately RMB24,467,000 together with interests accrued thereon and related legal costs, is required to be settled by the defendant. A provision for claim in the amount of RMB8,984,000 (2020: RMB24,467,000 service fees accrued under other payables and accruals) has been made by the Group for the year ended 31 December 2021 following a judgement issued to a subsidiary of the Company for compensating the plaintiff to an outstanding amount of approximately RMB33,451,000 (2020: RMB24,467,000) as at 31 December 2021 under trade and other payables.

40. LITIGATIONS (Continued)

(b) On 24 August 2021, a writ of summons was issued by an associate, 盈泰醫藥, as plaintiff, against a wholly owned subsidiary of the Group, NT (BJ) Pharma Technology Co., Ltd (泰凌(北京)醫藥科技開發有限公司), NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司) and Suzhou First Pharmaceutical Co., Ltd (蘇州第壹製藥有限公司), collectively as defendants. The plaintiff claimed for the outstanding promotional service fees and accrued interests in the total amount of approximately RMB68,231,000. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

On 27 September 2021, the Group received a judgement from 江蘇省泰州醫藥高新技術產業開發區人民法院("**泰州高新區法院**") and ordered that the defendant is required to pay a sum of approximately RMB63,700,000 plus related costs of RMB4,531,000. A provision of claim in the amount of RMB68,231,000 (2020: RMB46,074,000) was made as at 31 December 2021 under trade and other payables.

(c) On 17 September 2021, a writ of summons was issued by an independent third party, as plaintiff, against a wholly owned subsidiary, Suzhou First Pharmaceutical Co., Ltd (蘇州第壹製藥有限公司), Guangdong NT Pharma Co., Ltd (廣東泰凌醫藥有限公司), NTP (China) Investment Co., Ltd (泰凌(中國)投資有限公司), NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司) and NT Pharma (Changsha) Co., Ltd (泰凌醫藥(長沙)有限公司), collectively as defendants. The plaintiff claimed for the repayment of principal and the accrued interests of a loan in the total amount of approximately RMB35,260,000. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

On 28 October 2021, the plaintiff and Suzhou First Pharmaceutical Co., Ltd (蘇州第壹製藥有限公司), Guangdong NT Pharma Co., Ltd (廣東泰凌醫藥有限公司), NTP (China) Investment Co., Ltd (泰凌(中國)投資有限公司), NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司) and NT Pharma (Changsha) Co., Ltd (泰凌醫藥(長沙)有限公司), collectively as defendants, reached a mediation that the claimed borrowings was revised to be RMB33,811,000 which will be repaid in accordance with the revised and extended schedule to December 2022.

(d) On 6 December 2021, a PRC subsidiary, NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司) ("**NT Biopharmaceuticals**") was served by a writ of summons in 蘇州工業園區人民法院 by a PRC bank, for its non-compliance to the terms and conditions of a loan agreement. According to the Statement of Claim, the bank is pursuing claims against NT Biopharmaceuticals for an immediate repayment of all outstanding loan principle and interest, in the sum of approximately RMB101,000,000, together with the default interest. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation. NT Biopharmaceuticals will continue to negotiate with the bank to restructure the due bank loan, together with the default interest, with extension of maturity and revised repayment schedule.

For the above litigations, which were mainly in relation to failure to perform the obligation of the related liabilities already recognised in the consolidated financial statements, the Group is proactively communicating with the creditors, striving to solve the litigations through settlement by agreement.

41. COMMITMENTS

(a) Capital commitments outstanding but not provided for in the consolidated financial statements were as follows:

	2021 RMB'000	2020 RMB'000
Contracted for but not provided for		
– investment in an associate (note 19(a))	**20,000**	20,000
– investment in Beijing Kangchen (note below)	**–**	360,000
	20,000	380,000

Note: On 21 April 2020 , the Group and Beijing Konruns Pharmaceutical Co., Ltd ("**Beijing Konruns**") entered into an agreement, pursuant to which, the Group has subscribed for 40% equity interests in Beijing Kangchen at a consideration of RMB360,000,000, which was contributed from the remaining consideration receivable of RMB360,000,000, as disclosed in notes 22(c) and 37, at 31 December 2020.

(b) At 31 December 2021, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	**–**	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.

42. MATERIAL RELATED PARTY TRANSACTIONS

(a) List of related parties

During the year ended 31 December 2021, expect those disclose elsewhere in the consolidated financial statements, transactions with the following parties were considered to be related party transactions in the normal ordinary course of business of the Group:

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 director and shareholder
Rich Great International Industries Limited	Mr. Ng Tit and Ms. Chin Yu, are the directors and shareholders
Jing Mei Holdings Limited	Ms. Chin Yu and Ms. Ng Anna Ching Mei, daughter of Mr. Ng Tit and Ms. Chin Yu, are the directors and former shareholders
Mr. Ng Andy Ching Kit	Son of Mr. Ng Tit and Ms. Chin Yu

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	**5,081**	10,268
Post-employment benefits	**386**	580
Equity-settled share-based payment expenses	**–**	–
	5,467	10,848

The above remuneration is included in "staff costs" (note 7(b)).

42. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with related parties

Name of related party	Nature of transactions	2021 RMB'000	2020 RMB'000
WSNG Group Limited	Sales of Miacalcic Injection and Miacalcic Nasal Spray	–	18,335

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.

(d) Balances with related parties

	2021 RMB'000	2020 RMB'000
Trade receivables		
– WSNG Group Limited	–	17,549
Other borrowings		
– Rich Great International Industries Limited	1,355	–
– Jing Mei Holdings Limited	1,757	–
– Mr. Ng Andy Ching Kit	817	–

43. EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the year ended 31 December 2021, the Group is in advanced stage of discussion with an independent third party in relation to entering into a disposal agreement, pursuant to which the Group shall conditionally agree to dispose of certain land and buildings situated in the PRC and related plant and machinery. The Group and the independent third party are currently finalising the terms of disposal agreement.

(b) On 29 April 2022, the Group has entered into a framework agreement with the municipal government in the PRC, as a strategic investor, to set up a joint venture company specialised in pharmaceutical research and development. Pursuant to the framework agreement, the municipal government intends to provide funds of approximately RMB200 million for the establishment of plants and facilities to be used by the joint venture company and RMB300 million to subscribe not more than 15% equity interest in the joint venture company with exist period of three years.

For the year ended 31 December 2021 (Expressed in Renminbi unless otherwise indicated)

44. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

45. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

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

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 Effective for annual periods beginning on or after a date to be determined

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

46. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Interests in subsidiaries	18	–	360,000
		–	360,000
Current assets			
Other receivables		144	210
Cash and cash equivalents		1,593	312
		1,737	522
Current liabilities			
Other borrowings		62,136	212,604
Other payables and accruals		26,671	18,429
Amounts due to subsidiaries		20,496	44,196
		109,303	275,229
Net current liabilities		(107,566)	(274,707)
Total assets		1,737	360,522
Total assets less current liabilities		(107,566)	85,293
Non-current liabilities			
Other borrowings		202,189	23,864
Financial liabilities at fair value through profit or loss		–	472
NET (LIABILITIES)/ASSETS		(309,755)	60,957
CAPITAL AND RESERVES	34		
Share capital		1	1
Reserves		(309,756)	60,956
(EQUITY DEFICIENCY)/TOTAL EQUITY		(309,755)	60,957

FIVE YEARS FINANCIAL SUMMARY

FIVE-YEAR FINANCIAL SUMMARY

Results

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**226,699**	221,731	153,468	571,521	604,846
Gross profit	**145,459**	134,904	90,257	422,002	484,235
(Loss)/profit from operations	**(59,953)**	(113,752)	(250,766)	(480,944)	269,578
(Loss)/profit before taxation	**(148,752)**	(200,289)	(355,141)	(561,999)	226,428
Loss for the year from discontinued operations	**–**	(168,644)	(237,796)	(361,903)	(48,916)
(Loss)/profit for the year	**(151,334)**	(359,913)	(593,202)	(963,762)	161,629

Assets and Liabilities

	At 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	**687,657**	718,110	1,488,930	1,637,071	1,670,576
Total current assets	**87,703**	480,860	309,344	590,091	1,089,143
Total current liabilities	**895,973**	1,101,770	1,625,517	1,340,985	1,207,003
Net current liabilities	**(628,270)**	(579,477)	(1,316,173)	(750,894)	(117,860)
Total assets less current liabilities	**59,387**	138,633	172,757	886,177	1,552,716
Total non-current liabilities	**270,762**	116,211	70,834	394,608	123,963
Net (liabilities)/assets	**(211,375)**	22,422	101,923	491,569	1,428,753
(Equity deficiency)/total equity attributable to equity shareholders of the Company	**(211,375)**	16,279	105,258	489,292	1,420,380