



中国泰凌医药集团

CHINA NT PHARMA GROUP

(Incorporated in the Cayman Islands with limited liability)

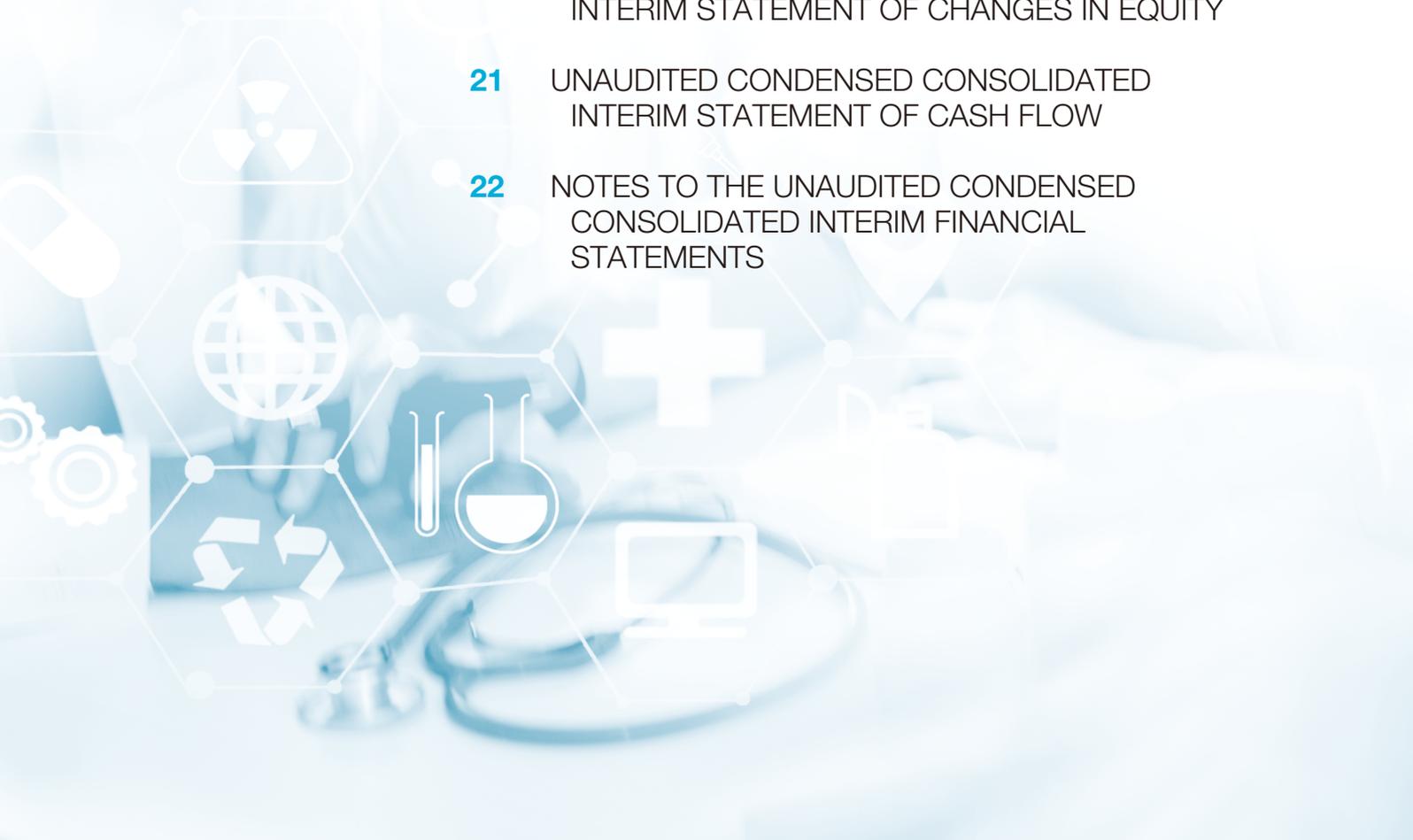
Stock Code : 1011



2022
INTERIM REPORT

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CORPORATE INFORMATION

BOARD AND COMMITTEES

Executive Directors

Mr. NG Tit (*Chairman and Chief Executive Officer*)

Ms. CHIN Yu

Mr. WU Weizhong (resigned on 24 August 2022)

Non-executive Director

Dr. QIAN Wei

Independent Non-executive Directors

Mr. YU Tze Shan Hailson

Dr. ZHAO Yubiao

Mr. PAN Fei

Audit Committee

Mr. PAN Fei (*Chairman*)

Mr. YU Tze Shan Hailson

Dr. ZHAO Yubiao

Remuneration Committee

Mr. YU Tze Shan Hailson (*Chairman*)

Mr. NG Tit

Dr. ZHAO Yubiao

Nomination Committee

Mr. NG Tit (*Chairman*)

Mr. YU Tze Shan Hailson

Dr. ZHAO Yubiao

AUTHORISED REPRESENTATIVES

Mr. NG Tit

Mr. PANG Wing Hong

COMPANY SECRETARY

Mr. PANG Wing Hong

AUDITORS

Crowe (HK) CPA Limited

Certified Public Accountants

LEGAL ADVISOR AS TO HONG KONG LAWS

Jun He Law Offices

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28th Floor, The Wellington

198 Wellington Street

Sheung Wan

Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN CHINA

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Suzhou Industrial Park

Suzhou, PRC

REGISTERED OFFICE

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road,

Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

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INVESTOR RELATIONS CONTACTS

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COMPANY'S WEBSITE

<http://www.ntpharma.com>

STOCK CODE

1011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

NT Pharma is a technology-based pharmaceutical company integrated with research and development (“**R&D**”), manufacturing and sales of its own products. With its products covering therapeutic areas including central nervous system (“**CNS**”), osteology, oncology and hematology. NT Pharma owns 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 companies with sales professionals and R&D specialists. It also has an extensive sales network in the People’s Republic of China (“**China**” or “**PRC**”).

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

Challenging economic conditions and the accelerated implementation of regulatory changes have further intensified competition in all aspects of the pharmaceutical industry, putting tremendous pressure on the Group’s results. In the first half of 2022, the Group still devoted much effort to the adjustment and restructuring of its sales model, tightening of cost control and improvement of its financial condition. The overall revenue of the Group for the Period Under Review increased by approximately RMB9.3 million to approximately RMB120.5 million, as compared with approximately RMB111.2 million for the corresponding period in 2021. Operating profit for the Period Under Review decreased by approximately RMB20.7 million to approximately RMB7.6 million, as compared with an operating profit of RMB28.3 million for the corresponding period in 2021. The Group recorded a net loss of approximately RMB28.2 million for the Period Under Review, as compared with a net loss of approximately RMB3.6 million for the corresponding period in 2021.

OUTLOOK

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.

In the face of the global economic slowdown and domestic headwinds, the Chinese government has introduced strong fiscal and monetary policies including but not limited to tax related support and consumption vouchers 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 that has been disclosed in the company announcement on 23 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

	For the six months ended 30 June				
	2022		2021		Change
	RMB'000	%	RMB'000	%	
Proprietary products production and sales					
Shusi	108,539	90.1	92,441	83.1	17.4
Zhuo'ao	1,726	1.4	8,175	7.3	(78.9)
Others	10,236	8.5	10,617	9.6	(3.6)
Total	120,501	100.0	111,233	100.0	8.3

Revenue from manufacturing and sales of proprietary products increased by approximately RMB9.3 million to approximately RMB120.5 million, as compared with approximately RMB111.2 million in the corresponding period in 2021. The increase in revenue from manufacturing and sales of proprietary products was mainly due to the positive impact on proprietary products Shusi during the Period Under Review.

Cost of Sales

For the six months ended 30 June 2022, cost of sales increased by approximately RMB6.0 million to approximately RMB45.6 million, as compared with approximately RMB39.6 million for the corresponding period in 2021. The increase in cost of sales was mainly due to the increase in sales of Shusi during the Period Under Review.

Gross Profit

	For the six months ended 30 June				
	2022	2022	2021	2021	Change
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	
	RMB'000	%	RMB'000	%	%
Proprietary products production and sales					
Shusi	75,132	69.2	66,804	72.3	12.5
Zhuo'ao	530	30.7	4,614	56.4	(88.5)
Others	(791)	(7.7)	243	2.3	(425.5)
Total	74,871	62.1	71,661	64.4	4.5

Gross profit increased by approximately RMB3.2 million to approximately RMB74.9 million for the six months ended 30 June 2022, as compared with approximately RMB71.7 million in the corresponding period in 2021. Gross profit margin decreased by 2.3 percentage points to 62.1% for the six months ended 30 June 2022, as compared with 64.4% for the corresponding period in 2021. The decrease in gross profit margin was mainly due to the increase in overall production cost and some products sold with gross loss during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Reportable Segments Operating Results

The Group recorded an operating profit of reportable segment of approximately RMB5.5 million for the six months ended 30 June 2022, as compared with approximately RMB2.9 million loss for the corresponding period in 2021.

Finance Costs

The Group's finance costs consist of interest on bank and other borrowings and bank charges. Finance costs increased by approximately RMB3.0 million or 9.3% to approximately RMB34.9 million for the six months ended 30 June 2022, as compared to RMB31.9 million for the corresponding period in 2021. The increase in finance costs was mainly due to an increase in financing rates as compared with the corresponding period in 2021.

Taxation

The income tax expense for the six months ended 30 June 2022 is approximately RMB0.9 million (2021: Nil).

Loss Attributable to Equity Holders of the Company

Loss attributable to equity holders of the Company for the six months ended 30 June 2022 was approximately RMB28.2 million (2021: RMB2.7 million).

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 RMB5,000 for the six months ended 30 June 2022, while the net exchange loss of the Group for the corresponding period in 2021 was approximately RMB17,000. Currently, the Group does not employ any financial instruments to hedge foreign exchange risk.

MANAGEMENT DISCUSSION AND ANALYSIS

Interest Rate Exposure

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

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Total debt	(826,261)	(832,110)
Less: Time deposits, pledged bank deposits, cash and cash equivalents	–	9,443
Net debt	(826,261)	(822,667)

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

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Repayable:		
– Within 1 year or on demand	614,251	616,825
– After 1 year but within 2 years	211,334	213,290
	825,585	830,115

The Group's bank borrowings in PRC as at 30 June 2022 were approximately RMB369.4 million (31 December 2021: approximately RMB369.4 million), with fixed interest rate of 4.35% to 6.52% per annum.

As at 30 June 2022, the Group's other borrowings amounted to approximately RMB456.1 million in aggregate (31 December 2021: approximately RMB460.7 million) with fixed interest rates ranging from 6.0% to 24.0% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

Debt-to-Assets Ratio

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

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Total debt	826,261	832,110
Total assets	963,117	955,360
Debt-to-assets ratio	85.8%	87.1%

Charges on the Group's Assets

As at 30 June 2022, certain banking facilities of the Group were secured by the Group's assets, which amounted to approximately RMB237.4 million (31 December 2021: approximately RMB252.1 million).

Capital Commitments

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Contracted but not provided for – investment in associates	20,000	20,000

As at 30 June 2022 and 31 December 2021, the Group had no future minimum lease payments under non-cancellable operating lease payable.



MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments Held

Except for investments in its subsidiaries, the Group did not hold any significant investment in equity interest in any other company for the six months ended 30 June 2022.

Material Acquisition and Disposal

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

Future Plans for Material Investments and Capital Assets

On 21 June 2022, the Licensee, a wholly owned subsidiary of the Company, entered into the Licensing & Collaboration Agreement with the Licensor conditionally agreed to irrevocably grant the Licensee the License, being an exclusive and perpetual license to commercialise the Technology in the Territories, namely the PRC, Hong Kong, Macau, Taiwan, Singapore, Malaysia and Thailand. The technology is monoclonal antibody (i.e. Orticumab) which is currently in Phase II of clinical trial. The Company has announced a very substantial acquisition to the public on 21 June 2022 and published the circular of this transaction on 23 August 2022. For the further details, please refer to the published information on HKEX news website.

Contingent Liabilities

Outstanding litigation

- (i) 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.

- (ii) On 24 August 2021, a writ of summons was issued by an associate, 泰州醫藥城盈泰醫藥有限公司, 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 and ordered that the defendant is required to pay a sum of approximately RMB63,700,000 plus related costs of RMB4,531,000. On 6 January 2022, the parties have entered into a settlement agreement that the defendants shall pay to the plaintiff a total sum of approximately RMB68,231,000.

MANAGEMENT DISCUSSION AND ANALYSIS

- (iii) 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 were revised to be RMB33,811,000 which will be repaid in accordance with the revised and extended schedule to December 2022.

- (iv) 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.

As at the close of business on 30 June 2022, save as disclosed above, the Group did not have any contingent liabilities.

Save as disclosed above, the Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued, and term loans (secured, unsecured, guaranteed or not), any other borrowings, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at 30 June 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

As at 30 June 2022, the Group had 190 full-time employees (30 June 2021: 210 employees). For the Period Under Review, the Group's total costs on remuneration, welfare and social security amounted to approximately RMB13.9 million (for the six months ended 30 June 2021: approximately RMB18.8 million). The Group maintains good relationships with its employees and certain policies have been carried out to ensure that the employees are receiving competitive remuneration, good welfare and continuous professional training.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules and certain recommended best practices. The Company has complied with all the applicable code provisions in the CG Code throughout the six months ended 30 June 2022 except for the deviation from code provision A.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ng Tit assumes both the roles of chairman and chief executive officer of the Company. Nevertheless, the division of responsibilities between the two roles is clearly defined. On the whole, the role of chairman is that of monitoring the duties and performance of the Board, whereas the role of chief executive officer is that of managing the Company’s business. The Board believes that at the current stage of development of the Company, vesting the roles of both chairman and chief executive officer in the same person provides the Company with a strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

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

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

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding Directors’ securities transactions on terms no less exacting than the requested standard set out in the Model Code. Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2022. The Company continues and will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 June 2022.

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises Mr. Pan Fei, chairman of Audit Committee, Mr. Yu Tze Shan Hailson and Dr. Zhao Yubiao, who are all independent non-executive Directors. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2022 and has recommended its adoption by the Board. The Audit Committee is of the opinion that the financial statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.



CORPORATE GOVERNANCE AND OTHER INFORMATION

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-IPO SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Pre-IPO Share Option Scheme**”) on 7 April 2011. Under the Pre-IPO Share Option Scheme, the Company granted 50,027,881 options before the listing of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company. A summary of the principal terms and conditions of the Pre-IPO Share Option Scheme is set out in the section headed “Pre-IPO Share Option Scheme” in Appendix VIII of the Prospectus of the Company. Due to the expiry of the Pre-IPO Share Option Scheme in the year of 2020, there was no outstanding option to subscribe for the Company's share under the Pre-IPO Share Option Scheme.

NEW SHARE OPTION SCHEME

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

A summary of the principal terms of the New Share Option Scheme is set out in Appendix I of the circular of the Company dated 4 September 2014. For further details of the 2014 Options and the 2015 Options, please refer to the announcements of the Company dated 10 November 2014 and 15 January 2015, respectively. As of 30 June 2022, no further options have been granted under New Share Option Scheme. No shares were lapsed nor cancelled nor exercised during the six months ended 30 June 2022.

As at 30 June 2022, 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 years.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) under the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

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

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

Notes:

- (1) Mr. Ng Tit and his spouse, Ms. Chin Yu jointly own 500,000 shares of the Company. 4,000,000 share options were granted to Ms. Chin Yu on 15 January 2015 under the New Share Option Scheme.
- (2) An aggregate of 402,892,000 shares of the Company are beneficially owned by Golden Base Investment Limited (“Golden Base”). Mr. Ng Tit and Ms. Chin Yu are the controlling shareholders of Golden Base.
- (3) The percentage is calculated on the basis of 1,904,635,472 Shares in issue as at 30 June 2022 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 30 June 2022.

Save as disclosed above, as at 30 June 2022, none of the Directors nor the chief executive of the Company or their associates (including their spouses and children under 18 years of age) had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, as recorded in the register required to be kept under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange under the Model Code contained in Appendix 10 to the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

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

As at 30 June 2022, the interests and short positions of the substantial shareholders of the Company (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO were as follows:

Name	Number of shares of the Company (long positions)				Approximate percentage of interest in the Company (Note 2)
	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)	–	438,858,000	308,802,500	–	39.25%
leong Chong Mang (Note 1)	308,802,500	–	438,858,000	–	39.25%

Notes:

- 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 30 June 2022). The CPS are not converted as at 30 June 2022. leong Chong Mang ("**Mr. leong**") is the beneficial owner as to 308,802,500 Shares (representing approximately 16.21% of the entire issued share capital as at 30 June 2022). Ms. Shum is the spouse of Mr. leong. Under the SFO, Ms. Shum is deemed to be interested in all the shares and underlying shares in which Mr. leong is interested in and vice versa.
- The percentage is calculated on the basis of 1,904,635,472 shares of the Company (the "**Shares**") in issue as at 30 June 2022 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 30 June 2022.

Save as disclosed above, as at 30 June 2022, the Company had not been notified by any other parties (other than the Directors and chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed above, no transaction, arrangement or contract of significance in relation to the Group's business (as defined in the Listing Rules) to which the Company or any of, its subsidiaries, fellow subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the period ended 30 June 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CONTRACT OF SIGNIFICANCE

Save as disclosed above, no contract of significance had been entered into between the Company or any of its subsidiaries, and a controlling shareholder of the Company or any of its subsidiaries during the period ended 30 June 2022.

EVENTS AFTER THE REPORTING PERIOD

On 21 June 2022, the Licensee, a wholly owned subsidiary of the Company, entered into the Licensing & Collaboration Agreement with the Licensor conditionally agreed to irrevocably grant the Licensee the License, being an exclusive and perpetual license to commercialise the Technology in the Territories, namely the PRC, Hong Kong, Macau, Taiwan, Singapore, Malaysia and Thailand. The technology is monoclonal antibody (i.e. Orticumab), which is currently in Phase II of clinical trial. The Company has announced a very substantial acquisition to the public on 21 June 2022 and published the circular of this transaction on 23 August 2022. For the further details, please refer to the published information on HKEX news website.

APPRECIATION

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

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

Hong Kong, 31 August 2022

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 (Expressed in Renminbi)

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	120,501	111,233
Cost of sales		(45,630)	(39,572)
Gross profit		74,871	71,661
Other revenue and other income	4	7	45,282
Other net loss	5	(22)	(17)
Selling and distribution expenses		(48,749)	(52,441)
Administrative expenses		(26,331)	(36,175)
Share of results of associates		7,807	–
Profit from operations		7,583	28,310
Finance costs		(34,872)	(31,904)
Loss before taxation	6	(27,289)	(3,594)
Income tax expense	7	(949)	–
Loss for the period		(28,238)	(3,594)
Attributable to:			
Equity holders of the Company		(28,238)	(2,654)
Non-controlling interests		–	(940)
Loss for the period		(28,238)	(3,594)
Loss per share	8		
Basic		(1.49) cents	(0.14) cents
Diluted		(1.49) cents	(0.14) cents

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 (Expressed in Renminbi)

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Loss for the period	(28,238)	(3,594)
Other comprehensive (loss)/income for the period		
Exchange differences on translation of financial statements of entities outside the PRC	(1,333)	5,022
Total comprehensive (loss)/income for the period	(29,571)	1,428
Attributable to:		
Equity holders of the Company	(29,571)	2,368
Non-controlling interests	–	(940)
Total comprehensive (loss)/income for the period	(29,571)	1,428

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As of 30 June 2022 (Expressed in Renminbi)

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	9	221,178	222,367
– Interests in leasehold land held for own use		25,998	25,998
		247,176	248,365
Intangible assets		159,910	160,835
Interest in associates		285,743	277,936
Financial asset at fair value through profit or loss		545	521
		693,374	687,657
Current assets			
Inventories		23,204	32,005
Trade and other receivables	10	49,593	46,255
Cash and cash equivalents		16,946	9,443
		89,743	87,703
Assets classified as held for sale/assets of a disposal group classified as held for sale		180,000	180,000
		269,743	267,703
Current liabilities			
Contract liabilities		4,329	6,097
Trade and other payables	11	287,421	249,665
Bank and other borrowings	12	614,251	616,825
Lease liabilities		577	1,605
Contingent consideration payable		7,800	7,800
Current taxation payable		13,890	13,981
		928,268	895,973
Net current liabilities		(658,525)	(628,270)
Total assets		963,117	955,360

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As of 30 June 2022 (Expressed in Renminbi)

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Total assets less current liabilities		34,849	59,387
Non-current liabilities			
Bank and other borrowings	12	211,334	213,290
Lease liabilities		99	390
Deferred tax liabilities		57,082	57,082
		268,515	270,762
NET LIABILITIES		(233,666)	(211,375)
CAPITAL AND RESERVES			
Share capital	13	1	1
Reserves		(233,667)	(211,376)
Total equity attributable to equity holders of the Company		(233,666)	(211,375)
Non-controlling interests		-	-
EQUITY DEFICIENCY		(233,666)	(211,375)

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 (Expressed in Renminbi)

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Statutory reserve	Merger reserve	Other reserve	Capital reserve	Revaluation reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021 (Audited)	1	1,759,103	71,616	88,206	8,256	281,800	12,745	253,825	(2,459,273)	16,279	6,143	22,422
Changes in equity for 2021:												
Loss for the period	-	-	-	-	-	-	-	-	(2,654)	(2,654)	(940)	(3,594)
Other comprehensive income												
Exchange differences on translation of financial statements of entities within the Group outside the PRC	-	-	5,022	-	-	-	-	-	-	5,022	-	5,022
Total comprehensive income	-	-	5,022	-	-	-	-	-	(2,654)	2,368	(940)	1,428
Balance at 30 June 2021 (Unaudited)	1	1,759,103	76,638	88,206	8,256	281,800	12,745	253,825	(2,461,927)	18,647	5,203	23,850
Balance at 1 January 2022 (Audited)	1	1,759,103	77,189	88,206	8,256	281,800	(24,811)	224,421	(2,625,540)	(211,375)	-	(211,375)
Changes in equity for 2022:												
Loss for the period	-	-	-	-	-	-	-	-	(28,238)	(28,238)	-	(28,238)
Other comprehensive loss												
Exchange differences on translation of financial statements of entities within the Group outside the PRC	-	-	(1,333)	-	-	-	-	-	-	(1,333)	-	(1,333)
Total comprehensive loss	-	-	(1,333)	-	-	-	-	-	(28,238)	(29,571)	-	(29,571)
Recognition of revaluation reserve	-	-	-	-	-	-	-	7,280	-	7,280	-	7,280
Balance at 30 June 2022 (Unaudited)	1	1,759,103	75,856	88,206	8,256	281,800	(24,811)	231,701	(2,653,778)	(233,666)	-	(233,666)

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

For the six months ended 30 June 2022 (Expressed in Renminbi)

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net cash generated from operating activities	24,871	32,503
Net cash (used in) generated from investing activities	(2,081)	104,295
Net cash used in financing activities	(26,591)	(144,902)
Net decrease in cash and cash equivalents	(3,801)	(8,104)
Cash and cash equivalents at 1 January	9,443	7,694
Effect of foreign exchange rate changes	11,304	5,979
Cash and cash equivalents at 30 June	16,946	5,569

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The accounting policies used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2021. HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") that are first effective for the current accounting period of the Group.

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

(b) Going concern basis

The Group reported a net loss and total comprehensive loss attributable to equity shareholders of the Company of approximately RMB28,238,000 and RMB29,571,000, respectively, for the period ended 30 June 2022. As at 30 June 2022, the Group had net current liabilities and net liabilities of approximately RMB658,525,000 and RMB233,666,000, respectively. The Group's total borrowings amounted to approximately RMB825,585,000, of which approximately RMB614,251,000 will be due for repayment within next twelve months from 30 June 2022; while its unrestricted cash and cash equivalents amounted to approximately RMB16,946,000 only as at 30 June 2022.

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.

On 21 June 2022, the Company has announced a very substantial acquisition in relation to the licensing of commercialisation rights and provided the further details on the transaction documents on 23 August 2022 (please refer the note 18 for further information). The Directors are of the opinion that, taking into account of the completion of this transaction, the Group will have a positive improvement of its liquidity position.

Accordingly, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis for the period ended 30 June 2022.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT REPORTING

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

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

(a) Segment results

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

- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and expenses incurred specifically by those segments.
- The measure used for reporting segment operating profit is "operating profit" which is the profit from operations adjusted for items not specifically attributed to individual segments, such as other revenue, other net income/(loss), head office or corporate administration expenses.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the six months ended 30 June 2022 and 2021 is set out below.

	Proprietary products production and sales	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reportable segment revenue	120,501	111,233
Cost of sales	(45,630)	(39,572)
Reportable segment gross profit	74,871	71,661
Reportable segment results	5,458	(2,907)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenue and results

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue		
Reportable segment revenue	120,501	111,233
Reportable segment results		
Reportable segment operating profit/(loss)	5,458	(2,907)
Unallocated head office and corporate expenses	(5,688)	(14,048)
Other revenue and other income	7	45,282
Other net loss	(1)	(17)
Finance costs	(34,872)	(31,904)
Share of results of associates	7,807	–
Loss before taxation	(27,289)	(3,594)

4. OTHER REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Bank interest income	7	208
Net gain on disposal of property, plant and equipment	–	4,081
Gain on disposal of a subsidiary	–	40,847
Other income	–	146
	7	45,282

5. OTHER NET LOSS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net exchange gain/(loss)	5	(17)
Others	(27)	–
	(22)	(17)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	8,832	12,858
Depreciation of right-of-use assets	1,457	1,616
Amortisation of intangible assets	986	1,023
Cost of inventories	45,630	39,572

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax – PRC Income Tax		
Provision for the period	949	–
Deferred tax		
Origination and reversal of temporary differences	–	–
Income tax expense	949	–

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% (2021: 16.5%). No income tax provision is made for the Hong Kong subsidiaries for the six months ended 30 June 2022, as these subsidiaries either derived no income subject to Hong Kong profits tax or sustained losses for Hong Kong profits tax purpose.

For the six months ended 30 June 2022, the Company’s subsidiaries in PRC are subject to a statutory income tax rate of 25% (2021: 25%), except that Suzhou First Pharmaceutical Co., Ltd. is subject to income tax rate of 15% (2021: 15%).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company for the six months ended 30 June 2022 of RMB28,238,000 (2021: RMB2,654,000) and the weighted average number of 1,889,613,000 (2021: 1,887,047,000) ordinary shares in issue during the period.

(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 period ended 30 June 2022 and 2021.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group incurred RMB1,725,000 (2021: Nil) on acquiring buildings under construction and land use rights and the Group incurred RMB363,000 (2021: RMB380,000) on acquiring machineries and equipment.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade debtors and bills receivable	654,037	648,525
Less: Loss allowance	(636,073)	(636,073)
	17,964	12,452
Deposits, prepayments and other receivables	31,629	33,803
	49,593	46,255

Trade debtors are normally due within 60 to 180 days from the date of billing. Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis, based on the billing date of invoice, as at the date of the statement of financial position:

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 3 months	4,888	12,109
More than 3 months but within 6 months	6,864	166
More than 6 months but within 1 year	6,212	177
	17,964	12,452

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

11. TRADE AND OTHER PAYABLES

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

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade creditors	41,473	44,630
Provision for legal claims	33,451	33,451
Provision for legal claims from an associate	68,231	68,231
Other payables and accruals	144,266	103,353
	287,421	249,665

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

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 3 months	5,829	9,932
More than 3 months but within 6 months	1,568	1,279
More than 6 months but within 1 year	108	138
More than 1 year	33,968	33,281
	41,473	44,630

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12. BANK AND OTHER BORROWINGS

Details of bank and other borrowings are as follows:

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Current		
Secured bank borrowings	369,448	369,448
Secured other borrowings	157,578	157,578
Unsecured other borrowings		
– Other borrowings	75,288	69,120
– Corporate bonds	11,937	10,362
– Convertible bonds	–	10,317
	614,251	616,825
Non-current		
Secured other borrowings	7,500	7,500
Unsecured other borrowings		
– Redeemed CPSs	196,103	187,412
– Other borrowings	–	3,600
– Corporate bonds	7,731	14,778
	211,334	213,290

As at 30 June 2022, the banking facilities were secured by certain assets of the Group as follows:

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Fixed assets	237,375	244,233
Trade receivables	–	232
Inventories	–	7,786
	237,375	252,251

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

(b) Dividend

No dividend was declared or paid by the Company for the six months ended 30 June 2022 (2021: Nil).

(c) Share capital

A summary of movements in the Company's issued share capital during the period ended 30 June 2022 is as follows:

	No. of shares '000	Amount RMB'000
Ordinary shares, issued and fully paid:		
At 1 January 2022 (audited)/At 30 June 2022 (unaudited)	1,904,636	1

Notes:

- (i) The Company was incorporated on 1 March 2010 with an authorised share capital of US\$50,100 divided into 626,250,000 shares of US\$0.00000008 each and one share was issued at par upon incorporation.
- (ii) On 5 June 2017, the authorised share capital of the Company was re-designated from US\$50,100 comprising 626,925,000,000 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. 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.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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

Share option schemes (Continued)

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

During the periods ended 30 June 2022 and 2021, 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		

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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

Share option schemes (Continued)

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

	30 June 2022		31 December 2021	
	Weighted average exercise price	Weighted Number of options	Weighted average exercise price	Weighted Number of options
Outstanding at the beginning of the period/year	US\$0.16	20,200,000	US\$0.16	20,200,000
Lapsed during the period/year	–	–	–	–
Outstanding at the end of the period/year	US\$0.16	20,200,000	US\$0.16	20,200,000
Exercisable at the end of the period/year	US\$0.16	20,200,000	US\$0.16	20,200,000

The share options outstanding at 30 June 2022 were granted under 2014 Share Option Scheme had exercise price and US\$0.16 (2021: US\$0.16) and weighted average remaining contractual life of 2.0 years (2021: 2.5 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	US\$0.20	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%

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For the six months ended 30 June 2022

14. 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 periods ended 30 June 2022 and 2021.

(d) Share award scheme

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

During the period ended 30 June 2022, the trustee had not purchased any shares (2021: Nil shares) of the Company. At 30 June 2022, the trustee held 15,009,336 (2021: 15,809,336) shares of the Company purchased but not yet awarded under the share award scheme.

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For the six months ended 30 June 2022

15. COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2022 not provided for in the consolidated financial statements were as follows:

	The Group	
	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Contracted but not provided for – investment in an associate	20,000	20,000

As at 30 June 2022 and 31 December 2021, the Group had no future minimum lease payments under non-cancellable operating lease payable.

16. CONTINGENT LIABILITIES

Outstanding litigation

- (i) 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.

- (ii) On 24 August 2021, a writ of summons was issued by an associate, 泰州醫藥城盈泰醫藥有限公司, 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 and ordered that the defendant is required to pay a sum of approximately RMB63,700,000 plus related costs of RMB4,531,000. On 6 January 2022, the parties have entered into a settlement agreement that the defendants shall pay to the plaintiff a total sum of approximately RMB68,231,000.

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For the six months ended 30 June 2022

16. CONTINGENT LIABILITIES (CONTINUED)

Outstanding litigation (Continued)

(iii) 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 were revised to be RMB33,811,000 which will be repaid in accordance with the revised and extended schedule to December 2022.

(iv) 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.

As at the close of business on 30 June 2022, save as disclosed above, the Group did not have any contingent liabilities.

Save as disclosed above, the Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued, and term loans (secured, unsecured, guaranteed or not), any other borrowings, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at 30 June 2022.

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For the six months ended 30 June 2022

17. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2022, transactions with the following parties were considered to be related party transactions:

Name of related party	Relationship with the Group
Mr. Ng Tit and Ms. Chin Yu	Directors of the Company, beneficial holders of the Company's 21.39% equity interest
NT Holdings	Holding company of the Group prior to the Reorganisation
WSNG Group Limited	Mr. Ng Andy Ching Kit, son of Mr. Ng Tit and Ms. Chin Yu, is the director and shareholder
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.
Rich Great International Industries Limited	Mr. Ng Tit and Ms. Chin Yu, are the directors and shareholders
Mr. Ng Andy Ching Kit	Son of Mr. Ng Tit and Ms. Chin Yu

Key management personnel remuneration

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term employee benefits	2,540	2,210

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For the six months ended 30 June 2022

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with related parties

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Other borrowings		
– Rich Great International Industries Limited	2,872	1,355
– Jing Mei Holdings Limited	6,517	1,757
– Mr. Ng Andy Ching Kit	855	817
– WSNB Group Limited	855	–

18. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 21 June 2022, the Licensee, a wholly owned subsidiary of the Company, entered into the Licensing & Collaboration Agreement with the Licensor conditionally agreed to irrevocably grant the Licensee the License, being an exclusive and perpetual license to commercialise the Technology in the Territories, namely the PRC, Hong Kong, Macau, Taiwan, Singapore, Malaysia and Thailand. The technology is monoclonal antibody (i.e. Orticumab), which is currently in Phase II of clinical trial. The Company has announced a very substantial acquisition to the public on 21 June 2022 and published the circular of this transaction on 23 August 2022. For the further details, please refer to the published information on HKEX news website.