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*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1011)**

## **AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

### **ANNUAL RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of China NT Pharma Group Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the previous year, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) and reviewed by the audit committee of the Company as below.

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

For the year ended 31 December 2020 (Expressed in Renminbi)

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 <b>RMB'000</b> (Restated)
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>221,731</b>	153,468
Cost of sales		<u>(86,827)</u>	<u>(63,211)</u>
<b>Gross profit</b>		<b>134,904</b>	90,257
Other revenue and other income	4	<b>29,431</b>	6,629
Other net loss	5(c)	<b>(2,432)</b>	(4,275)
Share of profit/(loss) of an associate		<b>8</b>	(27)
Reversal of impairment loss/(impairment loss) of property, plant and equipment		<b>10,980</b>	(10,980)
Reversal of impairment loss/(impairment loss) of trade receivables, net		<b>1,390</b>	(133,072)
Impairment loss of other receivables, net		<b>(57,441)</b>	(23,187)
Fair value change on financial liabilities at fair value through profit or loss		<b>(11,265)</b>	(29,853)
Selling and distribution expenses		<b>(123,074)</b>	(47,781)
Administrative expenses		<b>(96,253)</b>	(98,477)
Finance costs	5(a)	<u><b>(86,537)</b></u>	<u>(104,375)</u>
<b>Loss before taxation</b>	5	<b>(200,289)</b>	(355,141)
Income tax credit/(expense)	6	<u><b>9,020</b></u>	<u>(265)</u>
Loss for the year from continuing operations		<b>(191,269)</b>	(355,406)
Loss for the year from discontinued operation	7	<u><b>(168,644)</b></u>	<u>(237,796)</u>
<b>Loss for the year</b>		<u><b>(359,913)</b></u>	<u>(593,202)</u>
<b>Attributable to:</b>			
Equity holders of the Company		<b>(357,599)</b>	(587,590)
Non-controlling interests		<u><b>(2,314)</b></u>	<u>(5,612)</u>
<b>Loss for the year</b>		<u><b>(359,913)</b></u>	<u>(593,202)</u>

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000 (Restated)
Loss attributable to equity holders of the Company arises from:			
Continuing operations		<b>(188,955)</b>	(349,794)
Discontinued operation		<b>(168,644)</b>	(237,796)
		<b><u>(357,599)</u></b>	<b><u>(587,590)</u></b>
<b>Loss per share</b>	8		
<b>From continuing and discontinued operations</b>			
Basic		<b>(18.95) cents</b>	(33.31) cents
Diluted		<b><u>(18.95) cents</u></b>	<b><u>(33.31) cents</u></b>
<b>From continuing operations</b>			
Basic		<b>(10.01) cents</b>	(19.83) cents
Diluted		<b><u>(10.01) cents</u></b>	<b><u>(19.83) cents</u></b>

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

For the year ended 31 December 2020 (Expressed in Renminbi)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
<b>Loss for the year</b>	<b>(359,913)</b>	(593,202)
<i>Item that may subsequently be reclassified to profit or loss:</i>		
— Exchange differences on translation of financial statements of entities outside the People's Republic of China	(1,476)	369
— Exchange difference reclassified to profit or loss upon disposal of a subsidiary	16,170	—
— Revaluation surplus on leasehold land and buildings, net of tax	<u>265,617</u>	—
Other comprehensive loss for the year, net of tax	<u>280,311</u>	369
<b>Total comprehensive loss for the year</b>	<b><u>(79,602)</u></b>	<b><u>(592,833)</u></b>
<b>Attributable to:</b>		
Equity holders of the Company	(89,080)	(587,221)
Non-controlling interests	<u>9,478</u>	<u>(5,612)</u>
	<b><u>(79,602)</u></b>	<b><u>(592,833)</u></b>
<b>Total comprehensive income/(loss) for the year attributable to equity holders of the Company arises from:</b>		
Continuing operations	62,194	(351,091)
Discontinued operation	<u>(151,274)</u>	<u>(236,130)</u>
	<b><u>(89,080)</u></b>	<b><u>(587,221)</u></b>

# AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020 (Expressed in Renminbi)

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 <b>RMB'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>537,828</b>	305,415
Intangible assets		<b>162,846</b>	1,148,477
Goodwill		–	–
Interest in an associate, net		<b>16,899</b>	16,891
Prepayment for acquisition of an intangible asset	<i>10</i>	–	17,576
Financial asset at fair value through profit or loss		<b>537</b>	571
		<b>718,110</b>	1,488,930
<b>Current assets</b>			
Inventories		<b>27,287</b>	34,461
Trade and other receivables	<i>10</i>	<b>420,359</b>	161,895
Time deposits		–	44,790
Pledged bank deposits		<b>25,520</b>	40,000
Cash and cash equivalents		<b>7,694</b>	28,198
		<b>480,860</b>	309,344
Assets of a disposal group classified as held for sale/assets classified as held for sale	<i>11</i>	<b>96,099</b>	–
		<b>576,959</b>	309,344
<b>Current liabilities</b>			
Contract liabilities		<b>5,808</b>	16,022
Trade and other payables	<i>12</i>	<b>268,164</b>	183,583
Bank and other borrowings	<i>13</i>	<b>796,248</b>	957,748
Financial liabilities at fair value through profit or loss		<b>16,199</b>	445,219
Lease liabilities		<b>3,156</b>	1,866
Current taxation		<b>12,195</b>	21,079
		<b>1,101,770</b>	1,625,517
Liabilities of a disposal group classified as held for sale	<i>11</i>	<b>54,666</b>	–
		<b>1,156,436</b>	1,625,517
<b>Net current liabilities</b>		<b>(579,477)</b>	(1,316,173)
<b>Total assets</b>		<b>1,295,069</b>	1,798,274

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>Total assets less current liabilities</b>		<b>138,633</b>	172,757
<b>Non-current liabilities</b>			
Bank and other borrowings	<i>13</i>	<b>45,635</b>	64,706
Financial liabilities at fair value through profit or loss		<b>472</b>	2,842
Lease liabilities		<b>6,416</b>	3,286
Deferred tax liabilities		<b>63,688</b>	–
		<u><b>116,211</b></u>	<u>70,834</u>
<b>NET ASSETS</b>		<u><b>22,422</b></u>	<u>101,923</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>1</b>	1
Reserves		<b>16,278</b>	105,257
<b>Total equity attributable to equity holders of the Company</b>		<b>16,279</b>	105,258
<b>Non-controlling interests</b>		<b>6,143</b>	(3,335)
<b>TOTAL EQUITY</b>		<u><b>22,422</b></u>	<u>101,923</u>

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

*(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"), the currency of the primary economic environment in the PRC where the majority of the entities within the Group operate (i.e. the Group's functional currency).

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These 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 financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) 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 financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

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:

- 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).

Non-current assets and disposal group held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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 may have significant effect on the financial statements and major sources of estimation uncertainty.

### **Going concern basis**

During the year ended 31 December 2020, the Group incurred a loss attributable to the equity shareholders of RMB357,599,000 for the year ended 31 December 2020 and, as at 31 December 2020, the Group's current liabilities exceeded its current assets by RMB579,477,000. The consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern in the foreseeable future, after taking into consideration of (a) unused and available credit facilities of approximately RMB5,000,000; (b) new other borrowings of approximately RMB25,248,000 subsequently obtained from an independent third party up to the date of approval for the consolidated financial statements; (c) additional new credit facilities and/or financial arrangements which are currently under serious and advanced stage of discussions between the Group and certain financial institutions and potential investor(s); (d) successful disposal of the entire equity interest of a subsidiary at a consideration of approximately RMB126,000,000 as detailed in note 11(a); (e) successful disposal of certain land and buildings located in the PRC with carrying amounts of RMB16,266,000 as detailed in note 11(b); and (f) a substantial shareholder of the Company, to whom the Company owed approximately RMB192,984,000, that were classified as other borrowings as included in current liabilities as at 31 December 2020, has agreed to provide adequate funds to the Group to enable it to meet its debts as and when they fall due in the foreseeable future, and will not demand immediate repayment from the Company until the Group will have sufficient working capital to operate as a going concern in the foreseeable future.

Management of the Company has prepared a cash flow forecast of the Group for a period covered not less than twelve months from date of approval for the consolidated financial statements. Based on the cash flow forecast (included the available credit facilities of the Group and the above measures adopted up to date), after having taken into account of the Group's projected cash flows, current financial resources, existing and new credit facilities, the financial support from a substantial shareholder of the Company and the future capital expenditure requirements, management of the Company 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. Accordingly, the consolidated financial statements for the year ended 31 December 2020 have been prepared on a going concern basis.



(c) **Changes in accounting policies**

In 2020, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatory effective for annual period beginning on after 1 January 2020 for the preparation of the consolidated financial statements.

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

- Amendments to HKFRS 3, Definition of a Business
- Amendment to HKFRS 16, Covid-19-Related Rent Concessions

Except for the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

*Amendments to HKFRS 3, Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

*Amendment to HKFRS 16, Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

In previous years, the Group’s leasehold land and buildings were carried in the consolidated statement of financial position at historical cost less accumulated depreciation and impairment losses. The directors reassessed the appropriateness of this accounting policy during the year and concluded that by using the revaluation model under HKAS 16, the consolidated financial statements would provide more appropriate and relevant information about the Group’s results and financial position.

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

### 3. REVENUE

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

The amount of each significant category of revenue is as follows:

	<b>Continuing operations</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
		(Restated)
Revenue from contracts with customers within the scope of HKFRS 15:		
Sales of proprietary pharmaceutical products	<b>221,731</b>	<b>153,468</b>

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. 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.

### 4. OTHER REVENUE AND OTHER INCOME

	<b>Continuing operations</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
		(Restated)
Bank interest income	<b>2,835</b>	1,884
Government grants and subsidies ( <i>note below</i> )	<b>1,503</b>	2,038
Net exchange gain	<b>16,131</b>	—
Sundry income	<b>288</b>	2,707
Payables written back	<b>8,215</b>	—
Gain on deregistration of a subsidiary	<b>459</b>	—
	<b>29,431</b>	<b>6,629</b>

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



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

	<b>Continuing operations</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
		(Restated)
<b>(c) Other net loss</b>		
Net loss on disposal of property, plant and equipment	<b>160</b>	635
Net exchange loss	—	1,508
Costs on litigation settlement	<b>2,272</b>	2,132
	<b><u>2,432</u></b>	<u>4,275</u>
	<b>Continuing operations</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
		(Restated)
<b>(d) Other items</b>		
Cost of inventories	<b>86,827</b>	63,211
Depreciation of property, plant and equipment	<b>18,721</b>	22,521
Depreciation of right-of-use assets	<b>3,631</b>	1,930
Amortisation of an intangible asset	<b>6,332</b>	6,680
Auditors' remuneration:		
– audit services	<b>1,511</b>	1,496
– non-audit services	<b>711</b>	—
Operating lease charges in respect of properties	<b>3,008</b>	9,924
Research and development costs	<b>8,996</b>	17,087
	<b><u>8,996</u></b>	<u>17,087</u>

## 6. INCOME TAX

	Continuing operations	
	2020	2019
	RMB'000	RMB'000 (Restated)
<b>Current tax – PRC Corporate Income Tax</b>		
Provision for the year	155	265
Over provision in respect of prior years	(9,175)	–
	<u>(9,020)</u>	<u>265</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	–	–
	<u>(9,020)</u>	<u>265</u>

## 7. DISCONTINUED OPERATION

On 21 April 2020, the Company entered into an agreement (the “**Disposal Agreement**”) with an independent third party, Beijing Konruns Pharmaceutical Co., Ltd (“**Beijing Konruns**”) to dispose of all the rights relating to Miacalcic segment through the disposal of the entire equity interest of a wholly-owned subsidiary, NT Pharma International Company Limited (“**NT International**”) to which the Miacalcic Business was transferred from NT Pharma (HK) Co., Ltd. (“**NT Pharma HK**”) immediately upon the completion of disposal. Miacalcic Business is classified as discontinued operation in accordance with HKFRS 5 and the comparative information has been re-presented on a consistent basis accordingly. The transaction was completed on 3 September 2020.

The financial performance and cash flow information of Miacalcic Business for the year ended 31 December 2020 are presented as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	<b>79,742</b>	212,501
Cost of sales	<b>(20,303)</b>	(41,875)
Gross profit	<b>59,439</b>	170,626
Impairment loss of an intangible asset	<b>(52,304)</b>	(287,107)
Impairment loss of other receivables	<b>(10,527)</b>	–
Impairment loss of trade receivables	<b>(7,713)</b>	(1,265)
Selling and distribution expenses	<b>(73,380)</b>	(45,242)
Administrative expenses	<b>(51,445)</b>	(65,343)
Loss before taxation	<b>(135,930)</b>	(228,331)
Income tax	–	(9,465)
Loss after taxation	<b>(135,930)</b>	(237,796)
Loss of disposal of a subsidiary ( <i>note 14</i> )	<b>(32,714)</b>	–
Loss for the year from discontinued operation	<b><u>(168,644)</u></b>	<b><u>(237,796)</u></b>
Loss for the year from discontinued operation includes the followings:		
Cost of inventories recognised as expenses	<b>(20,303)</b>	(41,875)
Impairment loss of an intangible asset	<b>(52,304)</b>	(287,107)
Impairment loss of other receivables	<b>(10,527)</b>	–
Impairment loss of trade receivables	<b>(7,713)</b>	(1,265)
Cash flows from discontinued operation:		
Net cash inflows from operating activities	<b>63,571</b>	48,722
Net cash inflows from investing activities	<b>540,000</b>	–
Net cash outflows from financing activities	<b>(569,794)</b>	(49,177)
Net cash inflows/(outflows)	<b><u>33,777</u></b>	<b><u>(455)</u></b>
Loss per share:		
Basic, from discontinued operation	<b>(8.94) cents</b>	(13.48) cents
Diluted, from discontinued operation	<b><u>(8.94) cents</u></b>	<b><u>(13.48) cents</u></b>

## 8. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB357,599,000 (2019: RMB587,590,000) and the weighted average number of 1,887,047,000 ordinary shares (2019: 1,764,008,000) in issue during the year.

	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Loss attributable to equity shareholders of the Company	<b>(188,955)</b>	(349,794)
Loss from discontinued operation attributable to equity shareholders of the Company	<b>(168,644)</b>	(237,796)
	<b><u>(357,599)</u></b>	<u>(587,590)</u>

### Weighted average number of ordinary shares (basic)

	<b>2020</b>	2019
	<b>'000</b>	'000
Issued ordinary shares at 1 January	<b>1,904,636</b>	1,606,463
Effect of shares repurchased, granted and held under Share Award Scheme	<b>(17,589)</b>	(24,164)
Effect of conversion of convertible bonds/convertible preference shares	–	181,709
At 31 December	<b><u>1,887,047</u></b>	<u>1,764,008</u>

### (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 2020 and 2019.

## 9. 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 one 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 Jiangsu NT Biopharma Co., Ltd ("**Jiangsu Biopharma**").

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 the current year. The following segment information does not include any amount for the discontinued operation, which is described in more detail in note 7.

### (a) Segment results, assets and liabilities

For the purposes 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 the 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 expenses 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.

Segment 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 2020 and 2019 is set out below.



*Continuing operations*

	<b>Continuing operation Proprietary products production and sales</b>	
	<b>2020</b>	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment revenue from external customers	<b><u>221,731</u></b>	<u>153,468</u>
Reportable segment gross profit	<b><u>134,904</u></b>	<u>90,257</u>
Reportable segment results	<b><u>(25,351)</u></b>	<u>(166,696)</u>
Other revenue:		
– Government grants and subsidies	<b>1,239</b>	2,038
– Sundry income	<b>157</b>	2,707
– Bank interest income	<b>1,477</b>	–
– Gain on deregistration of a subsidiary	<b>459</b>	–
– Payables written back	<b>8,215</b>	–
Other net loss:		
– Net loss on disposal of property, plant and equipment	<b>(160)</b>	(363)
– Costs on litigation settlement	<b>(2,272)</b>	(2,132)
Share of profit/(loss) of an associate	<b>8</b>	(27)
Depreciation and amortisation	<b>(25,393)</b>	(27,473)
Reversal of impairment loss/(impairment loss) of trade receivables, net	<b>1,390</b>	(133,072)
Reversal of impairment loss/(impairment loss) of property, plant and equipment	<b>10,980</b>	(10,980)
Impairment loss of other receivables, net	<b>(57,441)</b>	(13,067)
Reportable segment assets	<b>803,609</b>	663,315
Additions to non-current segment assets during the year	<b>2,800</b>	151,620
Reportable segment liabilities	<b><u>760,745</u></b>	<u>907,250</u>
Reportable segment capital commitments	<b><u>20,000</u></b>	<u>20,000</u>

(b) **Reconciliations of reportable segment revenue, profit or loss, assets and liabilities**

	<b>Continuing operations</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Restated)</b>
<b>Revenue</b>		
Reportable segment revenue	<u>221,731</u>	<u>153,468</u>
<b>Loss</b>		
Reportable segment operating loss	(25,351)	(166,696)
Unallocated head office and corporate expenses	(95,020)	(54,321)
Other revenue – unallocated	17,884	1,884
Other net loss – unallocated	—	(1,780)
Fair value change on financial liabilities at fair value through profit or loss	(11,265)	(29,853)
Finance costs	<u>(86,537)</u>	<u>(104,375)</u>
Consolidated loss before taxation (continuing operations)	<u>(200,289)</u>	<u>(355,141)</u>
<b>Assets</b>		
Reportable segment assets	803,609	663,315
Assets of a disposal group classified as held for sale	79,833	—
Assets classified as held for sale	16,266	—
Assets relating to discontinued operation	370,422	1,032,879
Unallocated head office and corporate assets	<u>24,939</u>	<u>102,080</u>
Consolidated total assets	<u>1,295,069</u>	<u>1,798,274</u>
<b>Liabilities</b>		
Reportable segment liabilities	760,745	907,250
Deferred tax liabilities	63,688	—
Liabilities of a disposal group classified as held for sale	54,666	—
Liabilities relating to discontinued operation	91,289	648,156
Unallocated head office and corporate liabilities	<u>302,259</u>	<u>140,945</u>
Consolidated total liabilities	<u>1,272,647</u>	<u>1,696,351</u>

(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*			
	2020		2019		2020		2019	
	Continuing operations <i>RMB'000</i>	Discontinued operation <i>RMB'000</i>	Continuing operations <i>RMB'000</i> (Restated)	Discontinued operation <i>RMB'000</i> (Restated)	Continuing operations <i>RMB'000</i>	Discontinued operation <i>RMB'000</i>	Continuing operations <i>RMB'000</i> (Restated)	Discontinued operation <i>RMB'000</i> (Restated)
PRC	221,731	53,836	153,468	197,668	712,792	-	480,769	983,500
Hong Kong	-	19,529	-	1,518	4,781	-	6,514	-
Other countries	-	6,377	-	13,315	-	-	-	-
	<u>221,731</u>	<u>79,742</u>	<u>153,468</u>	<u>212,501</u>	<u>717,573</u>	<u>-</u>	<u>487,283</u>	<u>983,500</u>

\* Excluding financial asset at FVTPL and prepayment for acquisition of intangible asset of RMB537,000 (2019: RMB571,000) and RMBNil (2019: RMB17,576,000) which were related to operation in the PRC and Hong Kong, respectively.

(d) **Information from major customers**

Revenue from major customers, which individually amounted to 10% or more of the total revenue of the Group, is set out below:

For the year ended 31 December 2020

	<b>Continuing operations RMB'000</b>	<b>Discontinued operation RMB'000</b>	<b>Total RMB'000</b>
Customer A	<b>69,506</b>	–	<b>69,506</b>
Customer B	<b>9,111</b>	<b>43,718</b>	<b>52,829</b>

For the year ended 31 December 2019

	<b>Continuing operations RMB'000 (Restated)</b>	<b>Discontinued operation RMB'000 (Restated)</b>	<b>Total RMB'000 (Restated)</b>
Customer A	24,991	52,576	77,567
Customer B	<b>2,742</b>	<b>130,956</b>	<b>133,698</b>

**10. TRADE AND OTHER RECEIVABLES**

	<b>2020 RMB'000</b>	2019 RMB'000
Trade debtors and bills receivable	<b>652,102</b>	683,953
<i>Less: Loss allowance (note (b))</i>	<b>(626,138)</b>	(620,373)
	<b>25,964</b>	63,580
Deposits, prepayments and other receivables <i>(note (c))</i>	<b>394,395</b>	115,891
	<b>420,359</b>	179,471

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 receivable, based on the invoice date and net of loss allowance, is as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	<b>17,973</b>	61,502
More than 3 months but within 6 months	<b>7,159</b>	1,689
More than 6 months but within 1 year	<b>832</b>	389
	<b>25,964</b>	63,580

Trade debtors are normally due within 60 to 180 days from the date of billing. All these trade debtors are related to non-vaccine business.

(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:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	<b>620,373</b>	486,006
Impairment loss recognised during the year	<b>6,323</b>	134,337
Exchange differences	<b>(558)</b>	30
At 31 December	<b>626,138</b>	620,373

Impairment loss in respect of 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 trade debtors directly.

The Group uses a provision matrix to calculate lifetime ECLs for trade receivables. The provision rates are based on invoice date for groupings of the customers. The provision matrix is initially based on the Group's historical observed bad debt rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical bad debt rates are adjusted. At each reporting date, the historical observed bad debt rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed bad debt rates, forecast economic conditions and lifetime 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 credit loss in the future. Due to the slow down of the economy, deleveraging and the government regulations on the medicine industry in the PRC, the Group experienced defaults in payments by its customers. The Group has recognised a provision for impairment of trade receivables of RMB6,323,000 (2019: RMB134,337,000) during the year ended 31 December 2020.

(c) **Deposits, prepayments and other receivables**

	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Consideration receivable ( <i>note 14</i> )	<b>360,000</b>	–
VAT recoverable ( <i>note (a)</i> )	<b>5,703</b>	60,886
Other receivables, net of allowance for impairment loss ( <i>note (a)</i> )	<b>6,841</b>	4,090
Prepayments	<b>20,016</b>	23,977
Prepayments for acquisition of an intangible asset ( <i>note (b)</i> )	–	17,576
Advances paid to suppliers	<b>306</b>	86
Rental and other deposits	<b>1,529</b>	9,276
	<b><u>394,395</u></b>	<b><u>115,891</u></b>

*Note:*

- (a) 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 losses rate. As at 31 December 2020 and 2019, the Group estimated that the expected credit loss rate for other receivables was insignificant and there was no significant increase in credit risk for the other receivables at reporting period end. During the year ended 31 December 2020, impairment loss on deposits, prepayments and other receivables amounted to RMB67,968,000 (2019: RMB23,187,000), out of which, approximately RMB57,410,000 (2019: RMB10,970,000) represented the written-off of VAT recoverable from those dormant subsidiaries since the management conducted an assessment and considered the recoverability of such VAT recoverable to be remote.
- (b) It represented deposit paid to an independent third party for the acquisition of product right of Teriparatide.

## 11. DISPOSAL GROUP HELD FOR SALE/ASSETS CLASSIFIED AS HELD FOR SALE

- (a) On 11 November 2021, the Group entered into an agreement (the “**Disposal Agreement**”) with Fortune Blaze Investments Limited, an independent third party, to dispose of its entire equity interest in The Mountain Limited and its subsidiary (the “**Disposal Group**”) at a consideration of RMB126,847,000 (subject to adjustment by reference to the net assets value of the Disposal Group on the date of completion). The Disposal Group was principally engaged in the holding of land and building in the PRC. The assets and liabilities attributable to the Disposal Group had been reclassified as a disposal group held for sale and were presented separately in the consolidated statement of financial position as at 31 December 2020:

	<b>2020</b> <b>RMB'000</b>
Land use rights	<b>8,563</b>
Property, plant and equipment	<b>71,104</b>
Other receivables	<b>24</b>
Cash and cash equivalents	<b>142</b>
	<hr/>
<b>Assets of a disposal group classified as held for sale</b>	<b>79,833</b>
	<hr/>
Bank borrowings	<b>42,500</b>
Other payables	<b>12,166</b>
Net amount due to the Group ( <i>note below</i> )	<b>7,944</b>
	<hr/>
Total liabilities for the disposal group	<b>62,610</b>
Less: Elimination of intra-group balances ( <i>note below</i> )	<b>(7,944)</b>
	<hr/>
<b>Liabilities of a disposal group classified as held for sale</b>	<b>54,666</b>
	<hr/>

*Note:*

Net amount due to the Group is interest-free, unsecured and repayable on demand. The amount is fully eliminated in the consolidated statement of financial position.

- (b) During the year ended 31 December 2020, the Group has been entered into negotiation with a third party to dispose of certain land and buildings of the Group with carrying amount of RMB16,266,000. Negotiation process has already begun before the year end and management considered the transaction is highly probable to be completed. On 28 March 2021, the Group has entered into an agreement with the third party for the sale of land and building at a total consideration of RMB23,000,000. As the net proceeds are expected to exceed the carrying amount of the assets, no impairment loss has been recognised.

## 12. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade creditors	41,177	27,727
Bills payable ( <i>note (a)</i> )	<u>5,520</u>	<u>7,010</u>
Total trade creditors and bills payable ( <i>note (b)</i> )	46,697	34,737
Accrued staff costs	2,475	2,714
Accrued promotional expenses	94,552	33,956
Other tax payable	2,905	7,510
Interest payable	26,818	12,926
Considerations payable	4,971	6,000
Construction costs payable	–	20,105
Refundable earnest deposit ( <i>note (c)</i> )	1,000	–
Other payables and accruals	<u>88,746</u>	<u>65,635</u>
	<u><b>268,164</b></u>	<u><b>183,583</b></u>

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

*Notes:*

- (a) As at 31 December 2020, bills payable of the Group RMB5,520,000 (2019: RMBNil) were secured by the pledged bank deposits.
- (b) Ageing analysis of trade creditors and bills payable based on the invoice date is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	18,243	25,612
More than 3 months but within 6 months	23,298	1,069
More than 6 months but within 1 year	1,018	5,180
More than 1 year	<u>4,138</u>	<u>2,876</u>
	<u><b>46,697</b></u>	<u><b>34,737</b></u>

- (c) On 11 November 2021, the Group entered into an agreement (the “**Disposal Agreement**”) with Fortune Blaze Investments Limited, an independent third party, to dispose of its entire equity interest in The Mountains Limited and its subsidiary. Fortune Blaze Investments Limited paid RMB1,000,000 as a refundable earnest deposit (note 11(a)).



### 13. BANK AND OTHER BORROWINGS

Details of bank and other borrowings are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Current</b>		
Secured bank borrowings	395,000	538,413
Unsecured bank borrowings	69,861	210,632
Secured other borrowings	57,400	173,086
Unsecured other borrowings		
– Other borrowings	261,941	26,342
– Corporate bonds	12,046	9,275
	<u>796,248</u>	<u>957,748</u>
<b>Non-current</b>		
Secured bank borrowings	–	42,500
Secured other borrowings	21,771	–
Unsecured other borrowings		
– Corporate bonds	14,951	14,166
– Convertible bonds	8,913	8,040
	<u>45,635</u>	<u>64,706</u>
Carrying amount payable:		
– Within one year	796,248	791,675
– After one but within two years	16,024	171,073
– After two but within five years	29,611	59,706
Total borrowings	841,883	1,022,454
Less: Current portion of borrowings due for repayment within one year	(796,248)	(791,675)
Non-current portion of borrowings subject to immediate demand repayment clause	–	(166,073)
Non-current borrowings	<u>45,635</u>	<u>64,706</u>

*Notes:*

- (i) Secured bank borrowings carry interest rates ranged from 4.35% to 5.44% (2019: 4.30% to 6.30%) per annum. Unsecured bank borrowings carry interest rates ranged from 4.79% to 6.75% per annum (2019: 5.30% to 5.65%). The unsecured bank borrowings were guaranteed by certain subsidiaries of the Company.
- (ii) Secured other borrowings carry interest rates ranged from 7.00% to 13.82% (2019: 6.50% to 15.00%). Unsecured other borrowings carry interest rates ranged from 5.00% to 15.00% (2019: 6.00% to 12.00%) per annum and were guaranteed by certain subsidiaries of the Company.

- (iii) As at 31 December 2020, secured bank and other borrowings were secured by the following assets of the Group:

	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Intellectual property rights	<b>12,276</b>	–
Fixed assets	<b>512,411</b>	270,271
Trade receivables	<b>4,139</b>	797
Pledged bank deposits	<b>20,000</b>	40,000
	<b><u>548,826</u></b>	<u>311,068</u>

- (iv) As at 31 December 2020, the Group had banking facilities of RMB450,000,000 (2019: RMB799,095,000), which were utilised to the extent of RMB445,000,000 (2019: RMB616,304,000).

#### 14. DISPOSAL OF A SUBSIDIARY

On 3 September 2020, the Company disposed of the entire equity interest of a wholly-owned subsidiary, NT Pharma International Company Limited (“**NT International**”) and the distribution right of Pfenex at a total consideration of RMB918,371,000 as referred to in note 7.

Assets at the date of disposal:

	<i>RMB'000</i>
Intangible assets	917,582
Prepayment for acquisition of an intangible asset	17,332
Cash and cash equivalents	<u>1</u>
Net assets disposed of	<b><u>934,915</u></b>

Loss on disposal of a subsidiary:

Total consideration	918,371
Net assets disposed of	(934,915)
Release of exchange reserve	<u>(16,170)</u>
Loss on disposal of a subsidiary ( <i>note 7</i> )	<b><u>(32,714)</u></b>

RMB'000

Consideration was satisfied by:

Cash consideration received	558,371
Cash consideration receivable ( <i>note 10(c)</i> )	<u>360,000</u>
Total consideration	<u><u>918,371</u></u>

Net cash inflow arising on disposal:

Cash consideration received	558,371
Cash and cash equivalents disposed of	<u>(1)</u>
Net cash inflow on disposal of a subsidiary	<u><u>558,370</u></u>

## 15. DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2019: Nil) to the shareholders.

## 16. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2020, the Group obtained borrowings of approximately HK\$30,000,000 (equivalent to approximately RMB25,248,000) from an independent third party, bearing interest at 24% per annum, for financing its working capital.

## 17. COMPARATIVE FIGURES

Certain comparative figures have been restated and/or reclassified due to the presentation for the discontinued operation during the year, as further detailed in note 7.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

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 two new National Class 1 drugs, one well-known international innovative brand-name drug and a number of generic drugs. The Group conducts its drug manufacturing through three subsidiaries, namely Suzhou First Pharmaceutical Co., Ltd.\* (“**Suzhou First**”), Jiangsu NT Biopharma Co., Ltd.\* (“**Jiangsu Biopharma**”) and NT Pharma (Changsha) Co., Ltd.\* (“**Changsha Pharma**”). The Group owns several sales and distribution companies with around 1,000 sales professionals and R&D specialists. It also has an extensive sales network in the People’s Republic of China (“**China**” or “**PRC**”), covering nearly 10,000 hospitals.

In the year of 2020, 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 2020 (the “**Year under Review**”) increased by RMB68.2 million to RMB221.7 million, as compared with RMB153.5 million for the corresponding period in 2019. Operating loss from continuing operations for the year ended 31 December 2020 decreased by RMB137 million to RMB113.8 million, as compared with an operating loss of RMB250.8 million for the corresponding period in 2019. The Group recorded a loss of RMB191.3 million for the year ended 31 December 2020, as compared with a loss of RMB355.1 million for the corresponding period in 2019, representing a decrease of 46.1% year on year.

### BUSINESS REVIEW

In the year of 2020, the outbreak of novel coronavirus pneumonia (“**COVID-19**”) epidemic had a significant impact on the economy, and the Chinese government implemented strict pandemic prevention and control measures to contain the spread of the disease, with the pharmaceutical industry being more affected from March 2020 to May 2020, as outpatient and ward numbers fell sharply, resulting in a sudden drop in sales. Despite the tremendous downward pressure on China’s economic growth, the pharmaceutical industry was able to maintain its growth momentum under the guidance of the Outline of the 14th Five-Year Plan for the National Economic and Social Development of the PRC “The Fourteen Five-Year Plan” (2021-2025) and the “Healthy China 2030” Planning Outline, 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.

Following last year's major institutional reform to streamline the regulatory framework for drugs, the Chinese government has intensified its reform efforts by amending the Drug Administration Law, effective from 1 December 2019, with the aim of improving health legislation, strengthening drug administration and increasing penalties for non-compliance. The legislative reform and the continuous introduction of extended policies, including the promotion of consistency evaluation on quality and generic drugs, the adjustment of the reimbursement drug catalogue, the release of a major drug-monitoring list and the expansion of the centralised drug procurement program to more provinces and cities, have posed significant opportunities and challenges to the pharmaceutical market and the Group.

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. For the Year under Review, the revenue of the Group was RMB221.7 million, representing an increase of 44.4% as compared to RMB153.5 million recorded for the corresponding period in 2019. The increase was mainly attributable to: (i) the change in industry policies, change in sales model and price; (ii) the sales hindered by the outbreak of COVID-19 epidemic; and (iii) a change in sales volume of Songzhi Wan due to the lack of ability to intensify the marketing efforts under the context of tight resources.

### **Area of CNS**

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 is insult us 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. During the Period Under Review, the Group has completed all the tasks involving consistency evaluations in pharmaceutical development, production transfers and clinical bioequivalence. On 2 January 2020, the Group received a certification of consistency evaluation for the generic drug quetiapine fumarate tablets (Shusi) from the National Medical Products Administration. The completion of the consistency evaluation does not only represent the recognition of Shusi's drug quality and therapeutic effect, but also facilitates the acceptance of Shusi in the field of clinical psychiatry, posing a positive effect on expanding the market share of quetiapine.

## OPERATING RESULTS

### Sales

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 2020, the total revenue from manufacturing and sales of proprietary products increased by RMB68.2 million or 44.4% to RMB221.7 million, as compared with RMB153.5 million for the corresponding period in 2019. Revenue of Shusi increased by RMB75.7 million or 71.3% to RMB181.8 million for the Year under Review, as compared with RMB106.1 million for the corresponding period in 2019. The increase in sales of Shusi was attributable to the price adjustment of Shusi during the Year under Review. Revenue of Zhuo'ao decreased by RMB2.9 million or 11.5% to RMB22.4 million for the Year under Review, as compared with RMB25.3 million for the corresponding period in 2019. The decrease in sales amount of Zhuo'ao was mainly due to the negative impact brought by the price adjustment of Zhuo'ao after the shift of sales model from agency to proprietary sales during the Year under Review.

### HUMAN RESOURCES

As at 31 December 2020, the Group had 224 full-time employees (31 December 2019: 384 full-time employees). For the year ended 31 December 2020, the Group's total cost on remuneration, welfare and social security amounted to RMB55.6 million (31 December 2019: RMB102.0 million). The Group maintains good relationships with its employees and certain policies have been carried out to ensure that the employees are receiving competitive remuneration, good welfare and continuous professional training. The remuneration structure of the Group is based on employee performance, local consumption levels and prevailing conditions in the human resources market. Directors' remunerations are determined with reference to individual Director's experience, responsibilities and prevailing market standards. On top of basic salaries, bonuses may be paid according to the Group's performance as well as individual's performance. Other staff benefits include contributions to the Mandatory Provident Fund retirement benefits scheme in Hong Kong and various retirement benefits schemes including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees of the Group pursuant to the PRC rules and regulations and the prevailing regulatory requirements of the PRC. The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded according to their individual performances within the framework of the Group's salary and bonus system, which is 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.

## OUTLOOK

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. Although China's growth rate is slowing down, the government is expected to continue to invest in healthcare reform in "The Fourteen Five-Year Plan". Despite the implementation of a series of regulatory reforms to rationalize drug prices, improve access to new drugs, stricter control over drug quality and safety, promote innovation and enhance market competition, the Group remains optimistic about the tremendous opportunities in the pharmaceutical market as demand will continue to increase due to the rapidly aging population, increasing living standards and rising health awareness as a result of recent COVID-19 epidemic outbreaks.

Going forward, the economic and operating environment is expected to be more complex and volatile. The outbreak of COVID-19 epidemic and the sweeping changes in the regulatory landscape of the industry have caused disruptions to the market and the entire industry chain, thus posing significant challenges to the production and operations of the Group's business segments operating in the PRC. As the positive progress of the Group's manufacturing segment reflects the effectiveness of the strategic initiatives taken, the management is committed to pursuing these strategic initiatives and believes that the Group will lay a stronger foundation for sustainable growth in revenue and profitability in the long run. In view of the uncertainty of the breadth and depth of the impact of the COVID-19 epidemic on the global and PRC economies, the management will continue to strive to adopt flexible strategies to respond to market changes and remain vigilant in controlling operating costs in order to enhance operational efficiency and maintain the Group's financial flexibility. With the Group's improving financial position, the Group believes that it is capable to cope with unexpected events and challenges and maintain its development path for a bright future.

## FINANCIAL REVIEW – CONTINUING OPERATIONS

### Revenue

	For the year ended 31 December							
	2020		2020		2019		2019	
	Sales volume '000	Unit price 2020 RMB	Sales amount RMB'000	2020 Proportion (%)	Sales volume '000	Unit price 2019 RMB	Sales amount RMB'000	2019 Proportion (%)
<b>Proprietary products production and sales</b>								
Shusi	6,393	28.4	181,832	82.0%	3,692	28.7	106,133	69.2%
Zhuo'ao	10,266	2.2	22,373	10.1%	12,203	2.1	25,339	16.5%
Others	11,528	1.5	17,526	7.9%	15,347	1.4	21,996	14.3%
<b>Total</b>			<b>221,731</b>	<b>100%</b>			<b>153,468</b>	<b>100.0%</b>

Revenue from manufacturing and sales of proprietary products increased by RMB68.2 million to RMB221.7 million, accounting for 100% of the total revenue in the Year under Review, as compared with RMB153.5 million or 100% of the Group's revenue in the corresponding period in 2019. The increase in revenue from manufacturing and sales of proprietary products was due to the unit price adjustment of propriety products including Shusi and Zhuo'ao after the shift of sales model to Suzhou First being responsible for sales during the Year under Review.

### Cost of Sales

For the year ended 31 December 2020, cost of sales increased by RMB23.6 million to RMB86.8 million, as compared with RMB63.2 million for the corresponding period in 2019. The increase in cost of sales was mainly due to the corresponding increase in revenue of sales of Shusi during the Year under Review.



## Gross Profit

Products	For the year ended 31 December			
	2020	2020	2019	2019
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>RMB'000</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>
<b>Proprietary products production and sales</b>				
Shusi	125,957	69.3%	78,377	73.8%
Zhuo'ao	13,509	60.7%	14,494	57.2%
Others	(4,562)	(26.5)%	(2,614)	(11.9)%
<b>Total</b>	<b>134,904</b>	<b>60.8%</b>	<b>90,257</b>	<b>58.8%</b>

Gross profit increased by RMB44.6 million to RMB134.9 million for the year ended 31 December 2020, as compared with RMB90.3 million in the corresponding period in 2019. Gross profit margin increased by 2 percentage points to 60.8% for the year ended 31 December 2020, as compared with 58.8% for the corresponding period in 2019. 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, price adjustment and change in 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 decreased by RMB96.7 million or 37.6% to RMB160.3 million for the year ended 31 December 2020, as compared with RMB257.0 million for the corresponding period in 2019. The Group reported an operating loss of RMB25.4 million for the year ended 31 December 2020, as compared with an operating loss of RMB166.7 million for the corresponding period in 2019. The following table sets forth a breakdown of the Group's operating loss by reportable segments for the year ended 31 December 2020:

	For the year ended 31 December			
	2020	2020	2019	2019
	RMB'000	(%)	RMB'000	(%)
Proprietary products production and sales	<u>45,113</u>	<u>20.3</u>	<u>17,896</u>	<u>11.7%</u>
<b>Total</b>	<b><u>45,113</u></b>	<b><u>20.3</u></b>	<b><u>17,896</u></b>	<b><u>11.7%</u></b>

## Finance Costs

The Group's finance costs consist of interest on bank borrowings and bank charges. Finance costs decreased by RMB17.9 million or 17.1% to RMB86.5 million for the year ended 31 December 2020, as compared with RMB104.4 million for the corresponding period in 2019. The decrease in finance costs was mainly due to decrease in the outstanding of interest-bearing borrowing for the Year under Review as compared with the corresponding period in 2019.

## Taxation

Income tax credit expense was RMB9.0 million for the year ended 31 December 2020 as compared with the income tax expense of RMB0.3 million for the corresponding period in 2019.

## Loss/Core Loss Attributable to Equity Holders of the Company

Loss attributable to equity holders of the Company for the year ended 31 December 2020 was RMB357.6 million as compared with the loss attributable to equity holders of the Company of RMB587.6 million for the corresponding period in 2019. Core loss attributable to equity holders of the Company for the year ended 31 December 2020 was RMB360.8 million as compared to a core loss attributable to equity holders of the Company of RMB544.0 million for the corresponding period in 2019.

## Earnings per Share

The basic earnings per share and basic core earnings per share are calculated by dividing the profit attributable to equity holders of the Company and the core profit attributable to equity holders of the Company, respectively, by the weighted average number of ordinary shares of the Company in issue as of the year ended 31 December 2020. The diluted earnings per share and diluted core earnings per share are calculated by dividing the profit attributable to equity holders of the Company and the core profit attributable to equity holders of the Company, respectively, by the weighted average number of ordinary shares of the Company in issue as of the year ended 31 December 2020 (with adjustments made for all potential dilution effect of the ordinary shares).

	<b>As at 31 December</b>	
	<b>2020</b>	2019
Loss attributable to equity shareholders of the Company (RMB'000)	<b>(357,599)</b>	(587,590)
<i>Plus:</i> equity-settled share awarded and share option expenses (RMB'000)	<b>101</b>	7,462
<i>Plus:</i> share of (profit)/loss of an associate (RMB'000)	<b>(8)</b>	27
<i>Plus:</i> net exchange (gain)/loss (RMB'000)	<b>(16,131)</b>	1,508
<i>Plus:</i> net loss on disposal of property, plant and equipment, intangible assets and interests in subsidiaries (RMB'000)	<b>160</b>	635
Core loss attributable to equity shareholders of the Company (RMB'000)	<b>(373,477)</b>	(577,958)
<i>Less:</i> Fair value change on financial liabilities at fair value through profit or loss (RMB'000)	<b>11,265</b>	29,853
<i>Less:</i> Interest on convertible bonds	<b>1,436</b>	4,115
Diluted core loss attributable to equity shareholders of the Company (RMB'000)	<b>(360,776)</b>	(543,990)
Weighted average number of ordinary shares in issue ('000)	<b>1,887,047</b>	1,764,008

	<b>As at 31 December</b>	
	<b>2020</b>	2019
Weighted average number of ordinary shares in issue after the effect of shares issued upon exercise of share options ('000)	<b>1,887,047</b>	1,764,008
Basic loss per share ( <i>RMB cent per share</i> )	<b>(18.95)</b>	(33.31)
Diluted loss per share ( <i>RMB cent per share</i> )	<b>(18.95)</b>	(33.31)
Basic core loss per share ( <i>RMB cent per share</i> )	<b>(19.79)</b>	(32.76)
Diluted core loss per share ( <i>RMB cent per share</i> )	<b><u>(19.79)</u></b>	<b><u>(32.76)</u></b>

The core loss attributable to equity shareholders of the Company is the loss attributable to equity shareholders of the Company excluding equity settled share option expenses, share of loss of an associate, net exchange gain and net loss on disposal of property, plant and equipment and intangible assets and interests in subsidiaries.

### **Capital Expenditure**

Total capital expenditure spent for the year ended 31 December 2020 decreased by RMB83.5 million or 95.7% to RMB3.7 million, as compared with RMB87.2 million for the corresponding period in 2019, 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 RMB16.1 million for the year ended 31 December 2020, while the net exchange loss of the Group for the corresponding period in 2019 was RMB1.5 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, 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.

## Group Debt and Liquidity

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Total debt	(910,626)	(1,475,667)
Time deposits, pledged bank deposits, cash and cash equivalents	<u>33,214</u>	<u>112,988</u>
Net debt	<u><u>(877,412)</u></u>	<u><u>(1,362,679)</u></u>

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Repayable:		
– Within one year	796,248	791,675
– After one but within two years	16,024	171,073
– After two but within five years	<u>29,611</u>	<u>59,706</u>
	<u><u>841,883</u></u>	<u><u>1,022,454</u></u>

The Group's bank borrowings as at 31 December 2020 were approximately RMB464.9 million (31 December 2019: RMB791.5 million), out of which RMB464.9 million were bank borrowings from banks in the PRC (31 December 2019: RMB598.1 million) with fixed interest rates ranging from 4.3% to 6.75% per annum.

As at 31 December 2020, the Group's bank borrowings from banks in Hong Kong were approximately RMBNil million (31 December 2019: approximately RMB193.4 million). Save as disclosed above, as at 31 December 2020, the Group had other borrowings of RMB355.3 million (2019: RMB231.0 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	
	2020	2019
	RMB'000	RMB'000
Total debt	910,626	1,475,667
Total assets	1,295,069	1,798,274
Debt-to-assets ratio	<u>70.3%</u>	<u>82.1%</u>

### Charges on the Group's Assets

As at 31 December 2020, the Group's bank deposits of RMB25.5 million (31 December 2019: RMB40.0 million) were pledged to the banks to secure certain bank loans and bills payable. As at 31 December 2020, certain banking facilities of the Group were secured by the Group's intellectual property rights, fixed assets and trade receivables, which amounted to RMB528.8 million (31 December 2019: RMB271.1 million).

### Capital Commitments

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Contracted but not provided for		
– investment in associates (2019: associate)	380,000	20,000
– intangible assets: Teriparatide	–	156,965
	<u>380,000</u>	<u>176,965</u>

As at 31 December 2020, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	<b>510</b>	2,877
After one year but within five years	—	—
	<u>510</u>	<u>2,877</u>

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

### **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 year ended 31 December 2020.

### **Material Acquisition and Disposal**

On 21 April 2020, the Company and Beijing Konruns Pharmaceutical Co., Ltd (“**Beijing Konruns**”, an independent third party to the Company) entered into a sale and purchase agreement, pursuant to which, the Company agreed to sell and Beijing Konruns agreed to purchase the exclusive distribution right of Pfenex and the entire issued share capital of NT Pharma International Company Limited (“**NT 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 International ceased to be a subsidiary of the Company.

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

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 2020.

### **Contingent Liabilities**

As at 31 December 2020, the Group had no material contingent liabilities.

### **PLACING OF BONDS**

On 29 April 2020, the Company, the Placing Agent and the Guarantor entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to, on a best effort basis, procure Placee(s) to subscribe for the Bonds in an aggregate principal amount of up to HK\$100,000,000 in up to two tranches within the Placing Periods. The net proceeds from the issue of the Bonds are intended to be used for general working capital use, repayment of existing debts and for business development. For details of the Placing Agreement, please refer to the announcement of the Company dated 29 April 2020 (the “**Announcement**”). Capitalised terms used in this paragraph shall have the same meanings as those defined in the Announcement.

Save as disclosed above, 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 has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2020.



## **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. Save as disclosed below, the Company has complied with all the applicable code provisions in the CG Code throughout the year ended 31 December 2020.

Code provision A.2.1 of the CG 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.

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors, with the independent non-executive Directors representing 42.9%, and more than one-third of the Board members. Such percentage of independent non-executive Directors on the Board can ensure their views carry significant weight and reflect the independence of the Board.

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

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding Directors’ securities transactions on terms no less exacting than the requested standard set out in the Model Code. Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2020. The Company continues and will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

## **DIVIDENDS**

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

# **EXTRACT OF THE AUDITORS' REPORT TO BE ISSUED ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

## **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance (Cap 622 of the laws of Hong Kong).

## **Basis of opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Material uncertainty related to going concern**

During the year ended 31 December 2020, the Group incurred a loss attributable to equity shareholders of the Company of RMB357,599,000 and, as at 31 December 2020, the Group’s current liabilities exceeded its current assets by RMB595,743,000. The Group has been considering various measures to improve its liquidity position. These conditions, along with other matters as set forth in note 2(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in this respect.

## **Extract of note 2(b) to the consolidated financial statements**

### ***Basis of preparation of the financial statements***

During the year ended 31 December 2020, the Group incurred a loss attributable to the equity shareholders of RMB357,599,000 for the year ended 31 December 2020 and, as at 31 December 2020, the Group's current liabilities exceeded its current assets by RMB579,477,000. The consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern in the foreseeable future, after taking into consideration of (a) unused and available credit facilities of approximately RMB5,000,000; (b) new other borrowings of approximately RMB25,248,000 subsequently obtained from an independent third party up to the date of approval for the consolidated financial statements; (c) additional new credit facilities and/or financial arrangements which are currently under serious and advanced stage of discussions between the Group and certain financial institutions and potential investor(s); (d) successful disposal of the entire equity interest of a subsidiary at a consideration of approximately RMB126,000,000 as detailed in note 11(a); (e) successful disposal of certain land and buildings located in the PRC with carrying amounts of RMB16,266,000 as detailed in note 11(b); and (f) a substantial shareholder of the Company, to whom the Company owed approximately RMB192,984,000, that were classified as other borrowings as included in current liabilities as at 31 December 2020, has agreed to provide adequate funds to the Group to enable it to meet its debts as and when they fall due in the foreseeable future, and will not demand immediate repayment from the Company until the Group will have sufficient working capital to operate as a going concern in the foreseeable future.

Management of the Company has prepared a cash flow forecast of the Group for a period covered not less than twelve months from date of approval for the consolidated financial statements. Based on the cash flow forecast, after having taken into account of the Group's projected cash flows, current financial resources, existing and new credit facilities, the financial support from a substantial shareholder of the Company and the future capital expenditure requirement, management of the Company 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. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

## **SIGNIFICANT EVENTS AFTER THE END OF REPORTING PERIOD**

Subsequent to 31 December 2020, the Group obtained borrowings of approximately HK\$30,000,000 (equivalent to approximately RMB25,248,000) from an independent third party, bearing interest at 24% per annum, for financing its working capital.

## **REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive Directors, namely Mr. Pan Fei, Mr. Tze Shan Hailson Yu and Dr. Zhao Yubiao. The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2020 and has recommended its adoption by the Board.

## **PUBLICATION OF THE AUDITED ANNUAL RESULTS**

The audited annual results announcement is published on websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.ntpharma.com](http://www.ntpharma.com)). The 2020 Annual Report containing all the information required by Appendix 16 to the Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) will be despatched to the shareholders of the Company and published on the website of the Company and the Stock Exchange in due course.

By order of the Board  
**China NT Pharma Group Company Limited**  
**Ng Tit**  
*Chairman*

Hong Kong, 31 March 2021

*As at the date of this announcement, the executive Directors are Mr. Ng Tit, Ms. Chin Yu and Mr. Wu Weizhong; the non-executive Director is Dr. Qian Wei; and the independent non-executive Directors are Mr. Tze Shan Hailson Yu, Mr. Pan Fei and Dr. Zhao Yubiao.*